

Dutch-Bangla Bank Limited

Financial Statements For the First Quarter ended 31 March 2011

BALANCE SHEET

As at 31 March 2011(Provisional & Unaudited)

(Main Operation and Off-shore Banking Unit)

PROPERTY AND ASSETS	Notes	31-Mar-11			31-Dec-10	31-Mar-10
		Taka			Taka (Audited)	Taka
		Main Operation	Off-shore	Total	Total	Total
Cash						
In hand (including foreign currencies)		4,421,343,634	-	4,421,343,634	3,767,631,749	2,905,394,592
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		6,038,443,465	-	6,038,443,465	6,252,106,505	4,185,665,045
		10,459,787,099	-	10,459,787,099	10,019,738,254	7,091,059,637
Balance with other banks and financial institutions						
In Bangladesh		393,488,591	2,125,711	395,614,302	2,205,434,624	8,673,446,131
Outside Bangladesh		95,748,864	-	95,748,864	490,336,508	(72,867,130)
		489,237,455	2,125,711	491,363,166	2,695,771,132	8,600,579,001
Money at call and short notice		750,000,000	-	750,000,000	1,400,000,000	530,000,000
Investments						
Government		9,713,129,496	-	9,713,129,496	9,738,600,164	9,666,160,646
Others		1,263,005,664	-	1,263,005,664	1,263,005,664	1,284,671,156
		10,976,135,160	-	10,976,135,160	11,001,605,828	10,950,831,802
Loans and advances						
Loans, cash credits, overdrafts, etc.		63,089,668,838	-	63,089,668,838	59,144,393,189	45,623,938,139
Bills purchased and discounted		7,747,818,047	-	7,747,818,047	8,512,669,175	5,109,136,657
Lease receivables		171,764	-	171,764	604,014	20,991,764
		70,837,658,649	-	70,837,658,649	67,657,666,378	50,754,066,560
Fixed assets including land, building, furniture and fixtures		3,565,400,592	-	3,565,400,592	2,934,359,758	1,908,586,455
Other assets		5,650,010,504	-	5,650,010,504	5,472,495,704	4,162,264,224
Non-banking assets		-	-	-	-	-
TOTAL ASSETS		102,728,229,460	2,125,711	102,730,355,170	101,181,637,054	83,997,387,679
LIABILITIES AND CAPITAL						
Liabilities						
Borrowings from other banks, financial institutions and agents		1,452,249,319	-	1,452,249,319	1,864,879,642	1,940,530,900
Deposits and other accounts						
Current deposits and other accounts		15,540,301,607	-	15,540,301,607	14,854,171,528	12,234,570,407
Bills payable		904,662,915	-	904,662,915	1,260,980,743	982,629,706
Savings bank deposits		31,848,181,280	-	31,848,181,280	31,030,019,673	24,625,099,865
Term deposits		35,506,663,493	-	35,506,663,493	36,099,600,892	32,286,541,418
		83,799,809,295	-	83,799,809,295	83,244,772,836	70,128,841,396
Other liabilities		8,788,462,479	2,275,231	8,790,737,710	7,654,734,736	5,630,947,255
Subordinated debt		1,416,259,476	-	1,416,259,476	1,416,259,476	1,514,731,226
TOTAL LIABILITIES		95,456,780,569	2,275,231	95,459,055,800	94,180,646,690	79,215,050,777

Notes	31-Mar-11			31-Dec-10	31-Mar-10
	Taka			Taka (Audited)	Taka
	Main Operation	Off-shore	Total	Total	Total
Shareholders' equity					
Paid up share capital	2,000,000,000	-	2,000,000,000	2,000,000,000	2,000,000,000
Share premium	11,067,500	-	11,067,500	11,067,500	11,067,500
Statutory reserve	2,963,076,694	975,303	2,964,051,997	2,748,403,028	2,147,869,620
Other reserve	14,716,138	-	14,716,138	11,904,393	10,829,391
Dividend equalization account	102,632,635	-	102,632,635	102,632,635	25,266,875
Assets revaluation reserve	850,413,777	-	850,413,777	850,413,777	244,900,889
Revaluation reserve of HTM securities	67,072,900	-	67,072,900	87,469,144	52,594,378
Retained earnings	1,262,469,247	(1,124,824)	1,261,344,423	957,002,607	289,808,250
Proposed dividend	-	-	-	232,097,280	-
TOTAL SHAREHOLDERS' EQUITY	7,271,448,891	(149,521)	7,271,299,370	7,000,990,364	4,782,336,903
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	102,728,229,460	2,125,711	102,730,355,170	101,181,637,054	83,997,387,679
OFF-BALANCE SHEET ITEMS					
Contingent liabilities					
Acceptances and endorsements	-	-	-	-	-
Letters of guarantee	3,962,565,731	-	3,962,565,731	4,045,311,573	2,297,300,767
Irrevocable letters of credit	18,027,624,000	-	18,027,624,000	20,251,695,392	16,899,898,516
Bills for collection	24,129,313,626	-	24,129,313,626	21,669,865,981	14,560,285,831
Other contingent liabilities	378,079,728	-	378,079,728	530,890,434	722,538,788
Total contingent liabilities	46,497,583,085	-	46,497,583,085	46,497,763,380	34,480,023,902
Other commitments					
Documentary credits and short term trade-related transactions	-	-	-	-	-
Forward assets purchased and forward deposits placed	-	-	-	-	-
Undrawn note issuance and revolving underwriting facilities	-	-	-	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-	-	-	-
Total other commitments	-	-	-	-	-
Total off-balance sheet items including contingent liabilities	46,497,583,085	-	46,497,583,085	46,497,763,380	34,480,023,902


Chief Financial Officer


Managing Director

Dutch-Bangla Bank Limited

Profit and Loss Account

For the first quarter ended 31 March 2011 (Provisional & Unaudited)

(Main Operation and Off-shore Banking Unit)

	Notes	For the three months ended 31 March (Jan - Mar)			For the three months ended 31 March (Jan - Mar)
		2011			2010
		Taka			Taka
		Main Operation	Off-shore	Total	Total
Interest income		2,099,711,413	1,904,136	2,101,615,549	1,632,902,849
Interest paid on deposits and borrowings etc.		1,038,078,499	811,430	1,038,889,929	828,964,328
Net interest income		1,061,632,914	1,092,706	1,062,725,620	803,938,521
Investment income		365,100,952	-	365,100,952	235,250,856
Commission, exchange and brokerage		401,944,104	-	401,944,104	258,336,785
Other operating income		231,907,401	-	231,907,401	146,462,387
Total operating income		2,060,585,371	1,092,706	2,061,678,077	1,443,988,549
Salary and allowances		364,541,685	-	364,541,685	258,616,760
Rent, taxes, insurance, electricity, etc.		116,923,084	-	116,923,084	83,286,699
Legal expenses		265,602	-	265,602	328,823
Postage, stamp, telecommunications, etc.		22,524,785	-	22,524,785	14,882,587
Stationery, printings, advertisements, etc.		42,503,273	-	42,503,273	28,323,120
Managing Director's salary and allowances		2,016,000	-	2,016,000	2,533,500
Directors' fees		16,274	-	16,274	22,192
Auditors' fees		-	-	-	-
Charges on loan losses		-	-	-	-
Depreciation and repair of bank's assets		156,349,767	-	156,349,767	101,690,011
Other expenses		109,306,516	204,060	109,510,576	78,961,615
Total operating expenses		814,446,986	204,060	814,651,046	568,645,306
Profit before provision		1,246,138,385	888,646	1,247,027,031	875,343,243
Provision for loans and off-balance sheet exposures					
Specific provision for loans		144,057,591	-	144,057,591	23,750,055
General provision for loans		28,712,465	(3,987,870)	24,724,595	30,072,649
General provision for off-balance sheet exposures		-	-	-	82,172,438
		172,770,056	(3,987,870)	168,782,186	135,995,142
Profit before taxes		1,073,368,329	4,876,516	1,078,244,845	739,348,101
Provision for taxation		556,181,540	2,072,519	558,254,059	314,222,943
Net profit after taxation		517,186,789	2,803,997	519,990,786	425,125,158
Appropriations					
Statutory reserve		214,673,666	975,303	215,648,969	147,869,620
Retained earnings		302,513,123	1,828,694	304,341,817	277,255,538
Earnings per share (EPS) [Taka]	4			26.00	21.26


Chief Financial Officer


Managing Director

Dutch-Bangla Bank Limited

Cash flow statement

For the first quarter ended 31 March 2011 (Provisional & Unaudited)

(Main Operation and Off-shore Banking Unit)

	For the three months ended 31 March (Jan - Mar)			For the three months ended 31 March (Jan - Mar)
	2011			2010
	Taka			Taka
	Main Operation	Off-shore	Total	Total
A) Cash flows from operating activities				
Interest receipts in cash	2,382,665,040	1,904,136	2,384,569,176	2,434,765,660
Interest payments	(595,273,025)	(811,430)	(596,084,456)	(757,684,660)
Dividend receipts in cash	800,000	-	800,000	400,000
Gain on sale of shares	-	-	-	-
Gain on sale of securities	65,946,900	-	65,946,900	-
Recoveries of loan previously written-off	-	-	-	-
Fee and commission receipts in cash	124,778,149	-	124,778,149	107,002,465
Cash payments to employees	(406,931,900)	(204,060)	(407,135,960)	(302,625,256)
Cash payments to suppliers	(151,842,008)	-	(151,842,008)	(101,672,181)
Income taxes paid	(268,867,652)	-	(268,867,652)	(221,141,759)
Receipts from other operating activities	509,073,356	-	509,073,356	151,334,320
Payments for other operating activities	(344,779,585)	-	(344,779,585)	(163,120,618)
<i>Operating profit before changes in operating assets and liabilities</i>	1,315,569,275	888,646	1,316,457,920	1,147,257,971
Increase/(decrease) in operating assets and liabilities				
Statutory deposits	572,076,000	-	572,076,000	420,196,000
Purchase /sale of trading securities	(461,359,216)	-	(461,359,216)	(1,266,236,465)
Loans and advances to other banks	-	-	-	-
Loans and advances to customers	(3,408,428,221)	398,786,972	(3,009,641,249)	(2,286,890,689)
Other assets	285,326,748	-	285,326,748	(1,551,107,545)
Deposits from other banks	(3,644,730,981)	-	(3,644,730,981)	(16,897,437)
Deposits from customers	3,218,370,721	-	3,218,370,721	1,898,620,129
Other liabilities account of customers	(251,568,302)	(396,056,821)	(647,625,123)	(467,309,252)
Other liabilities	439,466,543	(1,493,086)	437,973,457	(112,237,581)
<i>Net cash from operating activities</i>	(1,935,277,434)	2,125,711	(1,933,151,723)	(2,234,604,869)
B) Cash flows from investing activities				
Payments for purchase of securities	386,393,830	-	386,393,829.64	-
Proceeds from sale of securities	-	-	-	-
Purchase of property, plant and equipment	(767,470,383)	-	(767,470,383)	(222,891,543)
Sale proceeds of property, plant and equipment	-	-	-	-
<i>Net cash used in investing activities</i>	(381,076,553)	-	(381,076,553)	(222,891,543)
C) Cash flows from financing activities				
Receipts from issue of loan capital and debt securities	-	-	-	-
Dividends paid	-	-	-	-
<i>Net cash from financing activities</i>	-	-	-	-
D) Net (decrease) / increase in cash (A+B+C)	(2,316,353,987)	-	(2,316,353,987)	(2,457,496,412)
E) Cash and cash-equivalents at beginning of year	14,018,406,741	-	14,018,406,741	17,692,845,580
F) Cash and cash-equivalents at end of year (D+E)	11,702,052,753	-	11,702,052,753	15,235,349,168


Chief Financial Officer


Managing Director

Dutch-Bangla Bank Limited

Statement of Changes in Equity

For the first quarter ended 31 March 2011 (Provisional & Unaudited)

(Main Operation and Off-shore Banking Unit)

Amount in Taka

Particulars	For the three months ended										
	Paid up share capital	Share premium	Statutory reserve	Other reserve	Dividend equalization account	Proposed dividend		Assets revaluation reserve	Revaluation reserve of HTM securities	Retained earnings	Total
						Cash	Bonus share				
Balance at 1 January 2011	2,000,000,000	11,067,500	2,748,403,028	11,904,393	102,632,635	232,097,280	-	850,413,777	87,469,144	957,002,607	7,000,990,364
Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-
Restated balance	2,000,000,000	11,067,500	2,748,403,028	11,904,393	102,632,635	232,097,280	-	850,413,777	87,469,144	957,002,607	7,000,990,364
Surplus/deficit on account of revaluation of properties	-	-	-	-	-	-	-	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	-	-	2,811,745	-	-	-	-	(20,396,244)	-	(17,584,499)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-
Net gains and losses not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	-	304,341,817	304,341,817
Payment of cash dividend for the year 2010	-	-	-	-	-	(232,097,280)	-	-	-	-	(232,097,280)
Appropriations during the year	-	-	215,648,969	-	-	-	-	-	-	-	215,648,969
Balance at 31 March 2011	2,000,000,000	11,067,500	2,964,051,997	14,716,138	102,632,635	-	-	850,413,777	67,072,900	1,261,344,424	7,271,299,370
Balance at 31 March 2010	2,000,000,000	11,067,500	2,147,869,620	10,829,391	25,266,875	-	-	244,900,889	52,594,378	289,808,250	4,782,336,903


Chief Financial Officer


Managing Director

Dutch-Bangla Bank Limited

Selective notes to the Financial Statements as at and for the First Quarter ended 31 March 2011

(Main Operation and Off-shore Banking Unit)

1. Status of the Bank

1.1 Dutch-Bangla Bank Limited (the Bank) is a scheduled commercial bank set up as a joint venture between Bangladesh and The Netherlands. Incorporated as a public limited company under the Companies Act 1994, the Bank obtained licence from Bangladesh Bank on 23 July 1995 and started its banking business with one branch on 3 June 1996. The number of branches was 96 as at 31 March 2011 all over Bangladesh. The Bank is listed with Dhaka Stock Exchange and Chittagong Stock Exchange as a publicly quoted company.

1.2 Nature of business

Main operation

The principal activities of the Bank are to carry on all kinds of commercial banking business in Bangladesh.

Off-shore Banking Unit (OBU)

The Off-shore Banking Unit (OBU) of the Bank is the separate business entity governed by the applicable rules & regulations and guidelines of Bangladesh Bank. The Bank obtained the permission for conducting the operations of OBU under reference letter no. BRPD(P-3)744(109)/2010-610 dated 23 February 2010 of Bangladesh Bank. The Bank started the operation of OBU on 12 July 2010. The number of OBUs were two as at 31 March 2011 located at Agrabad Branch-Chittagong and Dhaka EPZ Branch-Dhaka.

The principal activities of the OBUs are to provide commercial banking services through its Units within the rules & regulations and guidelines applicable for the Off-shore Banking Units.

2. Significant accounting policies and bases of preparation of financial statements

2.1 Basis of accounting

The financial statements of the Bank have been prepared under historical cost convention except investments which are measured at present value and in accordance with "First Schedule" of the Bank Companies Act, 1991 as amended under sub-section 38(4) of the Act, relevant Bangladesh Bank Circulars, International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and named as Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), the Companies Act, 1994, the Securities and Exchange Rules, 1987 and other rules and regulations applicable in Bangladesh.

2.2 Consolidation of financial statements

The consolidated financial statements of the Bank include the financial statements of Dutch-Bangla Bank Limited and the Off-shore Banking Units.

The consolidated financial statements have been prepared on the basis of the consolidated statements of affairs and income and expenditure account of all branches and head office of Main operations as well as the consolidated statement of affairs and income and expenditure account of all Off-shore Banking Units of the Bank.

All the financial transactions of the OBUs are recorded and maintained separately.

2.3 Functional and presentation currency

These financial statements are presented in Taka, which is the Bank's functional currency. Figures appearing in these financial statements have been rounded off to the nearest Taka.

The functional currency of OBUs is US Dollar. While the financial transactions of OBUs are presented both in USD and equivalent Bangladesh Taka.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2.5 Foreign currency transactions

Foreign currency transactions are converted into Taka using the exchange rates prevailing on the dates of respective transactions. In terms of instructions contained in Bangladesh Bank's Letter No. BRPD(R)717/2004-959 dated 21 November 2004, foreign currency assets and liabilities are translated into Taka at the weighted average rate as determined by Bangladesh Bank. Gains and losses arising from foreign currency transactions are credited/charged to profit and loss account.

2.6 Taxation

As per provisions of **Bangladesh Accounting Standard (BAS) 12 'Income Taxes'**, provision for income taxes has been made @ 42.50% on taxable profit as per Income Tax Ordinance, 1984.

2.7 Bases for valuation of assets

2.7.1 Loans and advances

- a) Loans and advances are stated at gross amount. Provision and interest suspense against loans and advances are shown separately as other liabilities. Interest income is accounted for on accrual basis until the loans and advances are defined as Special Mention Account (SMA) or classified accounts as per Bangladesh Bank guidelines.

Interest on Special Mention Account (SMA) and classified loans (other than bad/loss loans) are credited to interest suspense account instead of income account. Such interest kept in suspense account is reversed to income account only when respective loan accounts are regularized and /or realized in cash.

As per Bangladesh Bank directives, interest on loans and advances classified as bad/loss is not accounted for. A separate memorandum record is maintained for such interest on bad/loss loans.

- b) Provision for loans and advances is made on the basis of the quarter-end review by the management of the Bank in line with the instructions contained in BRPD Circular No. 05 dated 05 June 2006, BRPD Circular No. 05 dated 29 April 2008 and BRPD Circular No. 32 dated 27 October 2010 issued by Bangladesh Bank on the following basis:

Category / status of loans and advances	Rates	
	Bangladesh Bank's requirement	Maintained by the Bank
General provisions for unclassified loans and advances :		
All unclassified loans (Other than loans under small and medium enterprise financing, consumer financing, short term agricultural credit, special mention account and staff loans)	1.00%	1.00%
Small and medium enterprise financing	1.00%	1.00%
Consumer financing (other than housing finance and loans for professionals under consumer financing scheme)	5.00%	5.00%
Consumer financing (for housing finance)	2.00%	2.00%
Consumer financing (for professionals)	2.00%	2.00%
Loans to BHs / MBs/SDs against Shares etc.	2.00%	2.00%
Short term agricultural credit	5.00%	5.00%
Special mention account	5.00%	5.00%
Specific provision for classified loans and advances:		
Substandard	20.00%	20.00%
Doubtful	50.00%	50.00%
Bad/loss	100.00%	100.00%

Specific provision

Specific provision for classified loans and advances has been maintained @ 20% to 100% as prescribed by Bangladesh Bank.

General provision

General provision for consumer financing, short term agricultural credit and special mention account has been maintained @ 2% to 5%.

General provision for all unclassified loans and advances and small & medium enterprise financing (other than loans under consumer financing, short term agricultural credit, special mention account and staff loans) has been maintained @ 1%.

- c) Loans and advances are written-off in line with Bangladesh Bank's BRPD Circular No. 02 dated 13 January 2003 and DOS Circular No. 01 dated 29 December 2004, when prospect of recovery of such loans and advances become non-existent. However, such write-off does not reduce the claim against the borrower. Detailed records for all write-off accounts are separately maintained by the Bank to continue the recovery efforts.

2.7.2 Lease finance

The bank as lessor

Investments under lease operation of the Bank has been accounted for as finance lease as defined by **Bangladesh Accounting Standard (BAS) 17, 'Leases'** because assets leased to customers substantially transfers all the risks and rewards incident to its ownership to the customers.

The aggregate lease receivables including un-guaranteed residual value throughout the lease term are stated as gross lease receivables while the excess of gross lease receivables over the total acquisition cost including interest during the period of acquiring the lease equipment constitutes the unearned lease income.

Initial direct costs in respect of leases are expensed in the year in which the costs are incurred. Unearned lease income is transferred to income yielding a constant rate of return over the period of lease.

2.7.3 Investments

- a) Investments have been accounted for as follows :

<u>Particulars</u>	<u>Valuation method</u>
Government treasury bills	Present value
Government treasury bonds	Present value
Subordinated bonds	At redemption value
ICB's debenture	At redemption value
Prize bond	Cost price
Shares:	
Quoted	Cost or market price whichever is lower
Unquoted	Cost or Book value as per last audited accounts whichever is lower

- b) The investment in government securities (Treasury bills and bonds) are classified into **Held to Maturity (HTM)** and **Held for Trading (HFT)** as per Bangladesh Bank's guidelines contained in DOS Circular Letter No. 05 dated 26 May 2008, DOS Circular Letter No. 05 dated 28 January 2009 and DOS Circular No. 06 dated 15 July 2010. Reclassification of HTM securities into HFT securities are also done in compliance with Bangladesh Bank's guidelines.

The government securities under '**Held to Maturity (HTM)**' category are valued at present value at amortized cost at the end of the year. The Held to Maturity securities are amortized to ensure a constant yield over the remaining period of maturity of the securities. The resulting gains / (losses) are credited to revaluation reserve account and shown in the equity.

The government securities under '**Held for Trading (HFT)**' category are valued at present value on the basis of marking to market method. The resulting gains / (losses) are transferred to other reserve account. The gains / (losses) arising on maturity or sale of such securities are credited to income.

2.7.4 Fixed assets

- a) All fixed assets are stated at cost or revalued amount less accumulated depreciation.
- b) Depreciation is charged at the following annual rates on a straight line method on all fixed assets except land. For purchase of fixed assets during the period, depreciation is charged from the month of purchase. In case of disposal, depreciation is charged up to the date of disposal.

Furniture and fixtures	10.00%
Computer equipment and software	20.00%
Other machinery and equipment	15.00%
Motor vehicles	20.00%
Interior decoration	15.00%
Building	2.50%
ATM booth	10.00%
Books	10.00%

- c) As at 31 December 2010, all immovable properties of the Bank including land, building and ready made floor spaces were revalued by a professionally qualified valuation firm and certified by the external auditors, M/S. A. Qasem & Co., Chartered Accountants. Accordingly, revaluation surplus is included in fixed assets and equity in terms of instructions contained in BRPD Circular No. 10 dated 25 November 2002.

2.8 Off-balance sheet exposures

In compliance with the instruction contained in BRPD Circular No. 10 dated 18 September 2007 issued by Bangladesh Bank, provision against the off-balance sheet exposures of the Bank as at reporting date has been made as under:

Category / status of Off-balance sheet exposures	Rates	
	Bangladesh Bank's requirement	Maintained by the Bank
General provision for Off-balance sheet exposures		
All types of Off-balance sheet exposures	1.00%	1.00%

2.9 Bases for valuation of liabilities and provisions

2.9.1 Retirement benefits to the employees

The retirement benefits accrued for the employees of the Bank as at the reporting date have been accounted for in accordance with the provisions of **Bangladesh Accounting Standard (BAS) 19, 'Employee Benefits'** as outlined below:

a) Provident fund

There is a Provident Fund Scheme under defined contribution plan. The Fund is operated by a separate Board of Trustees approved by the National Board of Revenue as per Income Tax Ordinance, 1984. All eligible employees contribute 15% of their basic pay to the Fund. The Bank also contributes equal amount of employees' contribution to the Fund. Benefits from the Fund is given to eligible employees at the time of retirement/resignation as per approved rules of the Fund.

b) Gratuity fund

The Bank has a separate Board of Trustees for operating the staff gratuity fund approved by the National Board of Revenue. The provision for the gratuity fund is made in the books of account of the Bank for the eligible employees on the basis of the assessment made by the Actuary. The amount of provision is transferred to the Board of Trustees of the Fund on a yearly basis.

c) Superannuation fund

The Bank has a separate Board of Trustees for operating the staff superannuation fund approved by the National Board of Revenue. The provision for the superannuation fund is made in the books of account of the Bank for the eligible employees on the basis of the assessment made by the Actuary. The amount of provision is transferred to the Board of Trustees of the Fund on a yearly basis.

2.10 Revenue recognition

The revenues of the Bank during the year have been recognized in terms of the provisions of **Bangladesh Accounting Standard (BAS) 18, 'Revenue'** as outlined below:

2.10.1 Interest income

a) Interest income from loans and advances and lease finance

The policy for accounting of interest income on loans and advances and income from lease finance is stated in **2.7.1.a** and **2.7.2** above.

b) Other interest income

Interest income from investments, money at call and short notice and fund placement with other banks and financial institutions are recognized on accrual basis.

2.10.2 Fees and commission income

Fees and commission income arising from different services provided by the Bank are recognized on cash receipt basis. Commission realized on letters of credit and letters of guarantee is credited to income at the time of effecting the respective transactions.

2.10.3 Dividend income

Dividend income from investments in shares is accounted for on cash receipt basis.

2.10.4 Interest paid on deposits and borrowings

Interest paid on deposits, borrowings etc. are accounted for on accrual basis.

2.10.5 Other operating expenses

All other operating expenses are provided for in the books of the accounts on accrual basis.

2.11 Earnings per share

Earnings per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as at 31 March 2011 as per **Bangladesh Accounting Standard (BAS) 33, 'Earnings Per Share'**.

2.12 Cash flow statement

Cash flow statement has been prepared in accordance with the **Bangladesh Accounting Standard (BAS) 7, 'Cash Flow Statement'** under Direct method as recommended in the BRPD Circular No. 14 dated 25 June 2003 issued by the Banking Regulation & Policy Department of Bangladesh Bank.

2.13 Reconciliation of books of account

Books of account with regard to inter-bank (in Bangladesh and outside Bangladesh) transactions and inter-branch transactions are reconciled in all material respects. There were no un-reconciled entries which could materially affect the financial condition or results of the Bank.

2.14 Reporting period

The reporting period of these financial statements cover the First Quarter (Q1) starting from 1 January to 31 March of the calendar year 2011.

2.15 Offsetting

No asset or liability has been offset or reduced by any other asset or liability unless a legal right of set-off exists and the offsetting represents the expectation as to the realization or settlement of the asset or liability.

2.16 Compliance report on Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs)

The Institute of Chartered Accountants of Bangladesh (ICAB) is the official standard setting body as well as the regulator of accounting profession in the country. ICAB has adopted most of the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs). The Bank has complied with most of the Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards for preparation and presentation of the financial statements of the Bank as at 31 March 2011.

2.17 Approval of the financial statements

The Board of Directors of the Bank in its 108th meeting held on 4 May 2011 approved the financial statements of the Bank for the first quarter ended 31 March 2011.

3. General

- 3.1 Wherever considered necessary previous year's figures have been rearranged to conform with the current year's presentation.

4. Calculation of Earnings Per Share (EPS)

The earnings per share of the Bank has been calculated in accordance with the **Bangladesh Accounting Standard (BAS) 33, 'Earnings Per Share'** under Basic Earning Per Share method as follows:

	<u>31-Mar-11</u> <u>Taka</u>	<u>31-Mar-10</u> <u>Taka</u>
Basic earnings (net profit after tax) [numerator]	519,990,786	425,125,158
Number of ordinary shares outstanding (denominator)	20,000,000	20,000,000 *
Earnings Per Share (Taka)	<u>26.00</u>	<u>21.26</u>

* Restated


Chief Financial Officer


Managing Director