

Annual report 2008

BRAC Bank Ltd.
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Annual Report 2008

Everyday, at every
BRAC Bank branch
doors open and close
a million times or more.
Everyday, people walk
in through those
doors with personal
stories of hope,
change and ambition.
Helping bringing these
stories alive is what we
believe is our mission.

Award & Achievement

A fully operational Commercial Bank, BRAC Bank focuses on pursuing unexplored market niches in the Small and Medium Enterprise Business, which hitherto has remained largely untapped within the country. Through our team of 6,061 employees, BRAC Bank offers a broad range of products and services, including SME, Retail, Commercial and Corporate banking to more than 6.5 lac customers.

Total operating profit BDT 3,174 million

DHL - DAILY STAR BANGLADESH BUSINESS AWARD

BRAC Bank received the prestigious Business Award styled DHL-Daily Star Bangladesh Business Award 2008 as 'Financial Institution of the Year' for its innovation in products, services, financial performance/ productivity, company management and contribution to Bangladesh's development. BRAC Bank is a full fledged commercial bank; yet, it has significantly contributed in the development of the SME sector by creating a unique model of collateral free SME lending, which enabled the SME entrepreneurs (the missing middle) to get easy access to finance. Furthermore, with its wide distribution network, BRAC Bank reached the greater population even at the distant corners of Bangladesh.

On behalf of the Bank, Mr. Muhammad A. (Rumee) Ali, Chairman of BRAC Bank Limited received the award from Dr. Saleh Uddin Ahmed, Governor, Bangladesh Bank and the chief guest of the award giving ceremony.



BRAC Bank receives National Award as the Highest VAT payer for the financial year 2007-2008.



BRAC Bank receives ICAB National Award for one of the Best Published Accounts and Reports 2007.



Snapshot : 2008

- Profit before tax BDT 2,023 million
- Profit after tax BDT 973 million
- Capital Adequacy Ratio 12.76%
- Deposits grew by 55%
- Loans & Advances grew by 62%
- The growth rates of both Deposits & advances of the bank are believed to be the highest in industry.
- Total Assets grew by 56%
- Return on average shareholders' equity 22.88%
- Price earnings ratio 13.29
- Net Asset Value per share BDT 312
- Earnings per share (EPS) 62.30

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To
All Shareholders
Bangladesh Bank
Securities and Exchange Commission
Registrar of Joint Stock Companies & Firms
Dhaka Stock Exchange Limited
Chittagong Stock Exchange Limited

Sub: The Annual Report for the year ended December 31, 2008

Dear Sir (s)

We are pleased to enclose a copy of the Annual Report together with the Audited Financial Statements as at December 31, 2008 for your kind information and record.

Yours sincerely



Rais Uddin Ahmad
Company Secretary

Letter of Transmittal

Forward Looking Statement

Certain sections of the Annual Report contain forward looking statements that are based on management's expectations, estimates, projections and assumptions. Words such as "expects," "anticipates," "plans," "believes," "scheduled," "estimates" and variations of these words and similar expressions are intended to identify forward-looking statements, which include but are not limited to projections of revenues, earnings and cash flows. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results and trends may differ materially from what is forecast in forward-looking statements due to a variety of factors, which are:

- National political and economic conditions;
- Changing in national budget;
- Changing customer demand or preferences for business, including the effects of economic conditions on the business;
 - ✓ Changing government policy issues viz.
 - ✓ Withholding Tax, VAT on banking services
 - ✓ Corporate tax rate
 - ✓ CRR and SLR of the banks
 - ✓ Lending rates to finance essential items;
 - ✓ Provisioning requirement would change the ROA and ROE;
- Volatility in interest rate;
- Volatility in capital market;
- Change in international prices of essential which is growing pressure on foreign exchange market resulting to volatility in Foreign Exchange market;
- International embargo on certain countries is likely to affect remittances and trade;
- Risk management of lending portfolio often require stress testing which are based on sophisticated mathematical tools and cannot solely be dependent on existing MIS. The level of technology in banking industry is yet to acquire that sophistication.

Notice of the Tenth Annual General Meeting

NOTICE IS HEREBY GIVEN, that the TENTH Annual General Meeting (AGM) of BRAC Bank Limited will be held on Sunday, 17 May 2009 at 9.30 a.m. at **Bashundhara Convention Centre (BCC), Bashundra Residential Area Dhaka-1229**, to transact the following businesses:

AGENDA

- AGM-10-01-2009: To receive, consider and adopt the audited financial statements for the year ended December 31, 2008 and the Auditors' and Directors' Reports;
- AGM-10-02-2009: To declare dividend for the year ended 31st December 2008;
- AGM-10-03-2009: To elect/ re-elect Directors;
- AGM-10-04-2009: To appoint auditors of the Company for the year 2009 and to fix their remuneration;

All the Shareholders of the Company are requested to make it convenient to attend the meeting.

By the order of the Board



Rais Uddin Ahmad
Company Secretary

April 19, 2009

NOTES:

- a) The "Record Date" is 05 April 2009.
- b) The shareholders whose name would appear in the Register of Members of the Company on the Record Date shall be entitled for the dividend.
- c) A member eligible to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on his/her behalf. Proxy form must be affixed with revenue stamp of Taka 10.00 and submitted to the Registered Office of the Company not later than 72 hours before the time fixed for the Annual General Meeting.
- d) Election of Directors will be dealt in terms of Articles of Association of the Company and relevant Rules/Circular in force.
- e) Shareholders and Proxies are requested to record their entry at the AGM well in time. No entry will be recorded after 9:30 a.m.

Corporate Vision

Building a profitable and socially responsible financial institution focused on Market and Business with growth potential, thereby assisting BRAC and stakeholders build a “just, enlightened, healthy, democratic and poverty free Bangladesh”.

Corporate Mission

- Sustained growth in ‘Small & Medium Enterprise’ sector
- Continuous low-cost deposit growth with controlled growth in Retail Assets
- Corporate Assets to be funded through self-liability mobilization. Growth in Assets through Syndications and Investment in faster growing sectors
- Continuous endeavor to increase non-funded income
- Keep our Debt Charges at 2% to maintain a steady profitable growth
- Achieve efficient synergies between the bank’s branches. SME unit offices and BRAC field offices for delivery of Remittance and Bank’s other products and services
- Manage various lines of business in a fully controlled environment with no compromise on service quality
- Keep a diverse, far flung team fully motivated and driven towards materializing the Bank’s vision into reality

Core Values

- Value the fact that we are a member of the BRAC family
- Creating an honest, open and enabling environment
- Have a strong customer focus and build relationships based on integrity, superior service and mutual benefit
- Strive for profit & sound growth
- Work as a team to serve the best interest of our owners
- Relentless in pursuit of business innovation and improvement
- Value and respect people and make decisions based on merit
- Base recognition and reward on performance
- Responsible, trustworthy and law-abiding in all that we do

Vision | Mission
Core Value

Corporate Chronicle & Information

- Registered Office : 1, Gulshan Avenue, Gulshan-1, Dhaka-1212
- Company Registration Number : C-37782 (2082) of 1999
- Inauguration of Banking Operations: 4th July 2001
- First SME unit office: 1st January 2002
- Signing with Shore Cap as investor: 29th December 2003
- Signing with IFC as investor: 08th May 2004
- First ATM installed: 3rd April 2005
- Preferential share issued: 31st January 2006
- Signing with infosys and 3i infotech for changing Bank's IT platform: 1st August 2006
- 24x7 Phone Banking Opening: 9th September 2006
- Initial public offering of shares held in 2006
- Listing with CSE: 24th January 2007
- Listing with DSE: 28th January 2007
- Commencement of share trading in DSE and CSE: 31st January 2007
- Credit Card launching: February 06, 2007
- 2500 remittance deliver point
Gulshan-1, Dhaka-1212
- Introduced Probasi Banking: April 14, 2007
- Launching of Travel Related Services (TRS) : November 01, 2007
- Launching of Omnibus with 12 member banks : November 20, 2007
- Auditor
KPMG, Rahman Rahman Huq,
Chartered Accountants, 9 Mohakhali C/A
(11th & 12th Floor), Dhaka- 1212
- Legal Advisor
Law Valley
Shajan Tower, Commercial Block
Suit - 202 (First Floor),
4 Segunbagicha, Dhaka-1000
- Tax Advisor
KPMG, Rahman Rahman Huq,
Chartered Accountants, 9 Mohakhali C/A
(11th & 12th Floor), Dhaka- 1212
- 1st SME service center : Elephant Road, Dhaka
- Right share subscription : 13 - 31 July 2008
- 50th Branch : Bashundhara
- 100th ATM : Alliance Franciase, 26 Mirpur Road
- 500,000 Customer achieved on 11th May, 2008
- 10,000 Crore Fund Under Management 29th July, 2008
- E-Lobby : 30th April, 2008

Financial Goals & Achievements

Financial Indicator	Goals		Achievements			
		2008	2007	2006	2005	2004
Return on average equity (ROE)	Over 20%	22.88%	23.83%	23.05%	28.07%	20.14%
Return on average assets (ROA)	Over 2%	1.64%	1.62%	1.43%	1.43%	1.36%
Growth in Operating Profit	Over 60%	63.14%	85.24%	81.03%	80.88%	467.26%
Growth in profit after tax	Over 35%	60.03%	79.29%	107.35%	41.94%	600.00%
Growth in Total Assets	Over 50%	56.18%	54.55%	77.83%	68.51%	120.50%
Capital Adequacy Ratio	Over 12%	12.76%	12.28%	13.53%	9.39%	10.15%

Chairman's Message



Dear Shareholders

I have great pleasure in welcoming you to the 10th Annual General Meeting of BRAC Bank Limited. I express my heartfelt gratitude to you for your continued support and cooperation.

The world economy has changed since September 2008. What began as a slump in the US housing sector is now a global crisis, spreading to both rich and poor economies. Many believe that this may go down in history as the worst crisis since the Great Depression of the 1930s wiping out almost 10 trillion US dollar worth of value from stock markets over the past months.

Governments across the world have taken multiple initiatives/measures to mitigate the impact of financial crisis. In the US, Congress adopted a massive bailout plan with taxpayers' money. It initially approved to buy \$1.5 trillion worth of bad mortgages and other assets from the troubled banks which would wipe out debts from their books with the hope that they will be able to start lending more freely again. The International Monetary Fund (IMF) has urged the major central banks to provide direct support to the banking system, saying some \$657 billion would be needed in the next few years. Several meetings have already taken place regarding the restructuring of the global financial system and more are scheduled in the near future.

Global consequences of the financial crisis includes sharp fall in exchange rates of most of the currencies against the US dollar, despite ongoing recession in the US territory, sharp decline in global stock markets, fall in property prices in many western countries, sharp rise in unemployment in the US, payroll employment in the US fell by 524,000 over the month of December 2008 and by 1.9 million over the last 4 months of 2008. Currently, unemployment rate in USA is estimated to be around 7.2%. Some projections made by IMF in its World Economic Outlook, October 2008 indicate that world economic growth will slow down to 3.9% in 2008 and 3.0% in 2009 from the relatively robust growth of 5.0% in 2007.

Bangladesh, though not fully integrated with global economy as many developed countries, still has to depend significantly on foreign trade. More significantly, its exports including readymade garments, shrimps, leather, etc are heavily dependent on the western consumer demand. Therefore, falling employment and declining income of the average consumers in the USA and Europe are bound to have serious impacts on our export

potentials. This may impact negatively the export of Bangladeshi low-skilled manpower following declining oil prices, with potential depression in infrastructural development activities in the Middle-East & Far East. One positive thing is the falling price of oil and commodities in the international market. This will dampen inflationary pressures in Bangladesh economy.

2008 was an exceptionally challenging year for the global economy, for the world's financial markets, for the banking sector. Political turmoil, soaring commodities price, labor unrest, global economic downturn have impacted our national economy. But we were less affected by these negative impacts than some other major banks in Bangladesh, as you have elected a competent and efficient Board of Directors to oversee the activities of the Bank.

Small Enterprises play a crucial role in the global economy. In Bangladesh around 95% of all business units of Bangladesh are in the Small Enterprise category. As you know BRAC Bank was formed primarily to assist small entrepreneurs. The aim of Sponsors of BRAC Bank Limited was to create jobs for poor people in rural Bangladesh. Entrepreneur can start their own business, but our loans help to create additional employment. Being the pioneer in Bangladesh to patronize the SME sector, from the very inception, your bank has distributed loan to 192,754 small entrepreneurs. In 2008 we have distributed loans to 80,000 small entrepreneurs amounting to Tk 37000 million, which is higher by 16000 million from the previous year. So far we have 429 SME unit offices and in the year 2008, we have converted 30 SME Service Center, with the kind permission of Bangladesh Bank. For the year 2009 Bangladesh Bank has already given us permission to convert 30 more SME unit offices to Service Centers.

Your BRAC Bank is expanding its business rapidly to reach the doorsteps of our valuable clients. As a part of this, we now have 56 Branches; opening 20 branches in 2008. We have been allowed, by Bangladesh Bank, to open 15 more branches across the country in 2009. Beside this, in 2008 we have opened 67 ATM booths to reach 150. We have 951 POS Terminal, 25 Cash Deposit Machines and 1900 Remittance Delivery points across the country. Not only have we expanded the branches and SME centers but also launched many new and innovative products for all segments of the customers. In 2008, your Bank has recruited 1881 new personnel and provided training to 3665 people both locally and abroad.

Your Bank has also played a proactive role in the community that we serve in by participating in Corporate Social Responsibility activities like sponsoring Autism Awareness Program, set up a 'Short Stay Ward' at ICDDR, sponsored programs like Ekushey Boi Mela, Pohela Boishakh Program, Jatio Haor Utshab, National Bird Festival etc.

Financially, your Bank turned in a solid performance. We took advantage from the favorable and unfavorable conditions to enable us to reach a strong position. Our strength, confidence and your cooperation helped us to make 63% growth in operating profit. In 2008, our total assets stood at 72 billion. In 2007 it was 46 billion. Growth rate is 60%. During the year our total deposits 58 billion. Last year, it was 37 billion. Growth rate is 55.23%. In 2008, our operating profit stood at 3173.90 million. Growth rate is 63.14% from the previous year. Our Net Profit was 973.45 million in 2008, which is 57.43% higher from last year. The earning per Share (EPS) is 62.30. Previous year, it was 42.30. The growth rate is 47.28%.

According to Bangladesh Bank guidelines each Bank is required to maintain a minimum capital of 10% of their total risk-weighted assets. On the other hand, Bangladesh Bank also instructed to maintain minimum 4000 million capital of which minimum Tk. 2000 million will be in paid up capital by 2011 for implementation Basel-II to create an international standard that banking regulators can use to create regulations about how much capital banks need to put aside to guard against the types of financial and operational risks the banks face.

To expand our business as well as to meet relevant capital adequacy requirements, we have issued Rights Shares for BDT 264.0 million and bonus Shares for BDT 120 million. In 2008 our Paid up capital reached taka 1584.0 million. Capital adequacy ratio stood at 12.76 of total Risk weighted Assets (RWA). But this fund is not enough for the continuous expanding business. Therefore, to meet this capital adequacy as well as to run our business smoothly for 2009 and beyond, we are going to issue Subordinated convertible bond as tier-II capital, subject to the approval of the Regulatory Body. The bond issue size is BDT 30 billion. The face value is BDT 1,000 each.

Your Bank has a strong operating platform and a clear, focused strategy. Tight management of risks, capital and costs will continue to be a priority. We have built leading positions in our core business and well-placed to benefit from better quality of assets. We will continue to develop our stable business. While continuing to pursue business targets, your Bank is committed to maintaining a high standard of Corporate Governance in the operations of the Bank. A report on the activities of the Board Audit Committee is enclosed in the Annual Report.

The year 2008, World Stock markets sank amid concerns about the length and depth of the global economic downturn and renewed fears about the financial industry. There was some disquiet for the shaky share price of BRAC Bank Limited. But if you compare it with our contemporary Banks, we are in a strong position in comparison with our peer group banks. You can find more information in the Directors Report.

You know that we had signed a memorandum of understanding with GSP Finance Company (Bangladesh) Limited to acquire 51% shares of its share, with a view to expand our business in a different area. In compliance with all legal & regulatory requirements in the interest of the shareholders, naturally we proceeded with caution, as we are the trustee of the company's shareholders. Due to difference in position on some key areas like management control and indemnification of past liabilities, BBL and GSP could not reach an agreement to finalize the deal. Accordingly BBL has decided not to proceed with the transaction and withdrew its offer of acquiring the GSP shares.

In closing, I would like to thank all our Directors for their guidance and support. I also would like to thank to our respective shareholders, clients, patrons, well wishers, and all employees for their continued support and cooperation, without which the bank would not be able to achieve its present position. As we continue our work to deliver ever-higher standards of service and performance for our customers, our Shareholders, stakeholders and our communities, we look forward to your continued cooperation and support for 2009.

I would like to express my gratitude to the Government of Bangladesh, the Bangladesh Bank, the Securities and Exchange Commission, the Registrar of Joint Stock Companies & Firms, the Dhaka Stock Exchange and the Chittagong Stock Exchange and Central Depository Bangladesh Limited for all their support.

Finally, we would like to express our firm commitment to continue our effort to work towards enhancing long term shareholder value.



Muhammad A. (Rumee) Ali
Chairman

Managing Director & CEO's Message



Dear Shareholders

It gives me immense pleasure to welcome you to the 10th Annual General Meeting of the Bank. I am pleased to place before you some of the highlights of the bank in 2008. During the year, we continued to move towards successful accomplishment of our strategic goal to grow the company and strengthen the shareholder's value.

In 2008, the global economy started to slow down. The country was gradually impacted by the world financial crisis. Political transition and soaring commodities prices influenced our national economy. Despite the challenges, your bank had grown significantly in term of business and distribution channel.

2008 was yet another year of success of BRAC Bank Ltd. During the year, we continued to retain the growth in every sector. Your bank is the undisputed leader in SME banking in Bangladesh with a strong Retail and Wholesale Banking presence.

In the past year, your bank continued to maintain remarkable business growth to extend our horizon in line with our vision. In 2008, despite the challenge in the economic arena, the bank grew its assets by 56.18% and deposits by 54.70% while the industry growth was 16.03% in deposit and 18.84% in assets. The Bank earned 3.173 billion operating profit in 2008 which is 63.14% higher than previous year. Our net income stood at 973.45 million which is 57.43% higher from the last year. In 2008 our EPS stood BDT 62.30 and in 2007 it was BDT 42.30. Growth rate is 47.28%. Our total assets growth is 56.18%. We have every confidence that our profits will continue to increase in the years to come.

We are continuously expanding our business to reach at the doorsteps of our valued clients and stakeholders. As part of this, in 2008 we had increased our branches network to 56 by opening 20 new branches and opened 67 ATM booths to reach 150 ATMs.

Since the inception BRAC Bank is working on perusing unexplored market niches in the Small and Medium Enterprise, which hitherto has remained largely untapped within the country. To flourish this unexplored

market, in 2008 we had opened 30 SME Service Center. We also had opened 37 SME Unit offices to reach 429 unit offices, the largest bank in Bangladesh. We hold the undisputed number one position in the SME sector in Bangladesh. We are also permitted to open another 30 SME service center in 2009. Your Bank now has one of the largest distribution networks to reach its customers in the country.

We continued to draw talented and dynamic professionals from the industry to further strengthen our pool of human resources. As part of this, in 2008 the appointment of a few senior executives have resulted in further strengthening the bench strength of the Management of the Bank.

In 2008 we received the prestigious ICB award for publish Annual Report 2007 from the Institute of Chartered Accountants Bangladesh (ICAB). We also received the highest VAT payer Bank from the National Board of Revenue (NBR) on the last fiscal year.

All the support areas had contributed significantly in helping the business attain the results by providing the critical assistance they required in terms of people, technology, solutions back office processing MIS, etc. The list goes on and on and it is impressive. All of us should be proud of this achievement.

I am absolutely confident that we will also be on track in 2009. We are developing a host of knowledge and financial services to help our valuable clients. I look forward to even greater achievements in the year ahead.

I want to thank our Board of Directors for their guidance, support and leadership and convey my sincere appreciation to the management and staff of BRAC Bank for their dedication and hard work. I would like thank to our respected shareholders and all the stakeholders for their trust in the management and employees of BRAC Bank Ltd.



A. E. A. Muhaimen
Managing Director & CEO

Directors' Report

Global Economy

As stated in the World Economic Outlook (October 2008), IMF stated that the world economy is now entering a major downturn in the face of the most dangerous shock in mature financial markets since the 1930s. Against an exceptionally uncertain background, global growth projections for 2009 have been marked down to 3 percent, the slowest pace since 2002, and the outlook is subject to considerable downside risks. The major advanced economies are already in or close to recession, and, although a recovery is projected toward the end of 2009, the pickup is likely to be progressive gradual, held back by continued financial market deleveraging. In this context, elevated rates of headline inflation should recede quickly, provided oil prices stay at or below current levels. The emerging and developing economies are also slowing, in many cases, to rates well below trend, although some still face significant inflation pressure even with more stable commodity prices. The immediate policy challenge is to stabilize global financial markets, while nursing economies through a global downturn and keeping inflation under control. Over a longer horizon, policymakers will be looking to rebuild firm underpinnings for financial intermediation and will be considering how to reduce procyclical tendencies in the global economy and strengthen supply demand responses in commodity markets.

On an average annual basis, global growth is expected to be moderate, from 5.0 percent in 2007 to 3.9 percent in 2008 and 3.0 percent in 2009; its slowest pace since 2002. The advanced economies would be in or close to recession in the second half of 2008 and early 2009, and the anticipated recovery later in 2009 will be exceptionally gradual by past standards. Growth in most emerging and developing economies would decelerate below trend. On the inflation front, the combination of rising slack and stabilizing commodity prices is expected to contain the pace of price increases, bringing inflation back below 2 percent in 2009 in advanced economies. In emerging and developing economies, inflation would be more gradual, as recent commodity price increases continue to feed through to consumers.

The growth of world trade volume in 2008 is projected to decline to 4.9 percent compared with 7.2 percent in 2007, which is lower than previous forecasts. The growth of exports from both the advanced economies and other emerging market and developing countries are projected to decline to 4.3 percent and 6.3 percent respectively in 2008 and also lower than previous forecasts. The growth of imports for both the advanced economies and other emerging market and developing countries are projected to decline in 2008. The U.S. current account deficit is projected to decline at around 5 percent of GDP in the first half of 2008, as it benefits from recent real effective depreciation of the U.S. Dollar. However, dollar appreciated significantly during October 2008. If this trend continues, current account deficit as percentage of GDP for US may rise again.

Inflation risks will likely remain elevated for some time, even if commodity prices exert less direct inflation pressure than during the past year and a half, because the adjustment to the large increase in relative commodity prices is still in train. There have already been second-round effects in some economies and some others remain at risk. Emerging and developing economies are generally more vulnerable to the main risk factors, including having a large share of commodities in final expenditure and having less-credible monetary management.

Looking forward in 2009, in the face of financial crisis entering a new, more severe stage in September 2008, the global economy is projected to slow further to 3.0 percent growth, 0.9 percentage point lower than the July 2008 World Economic Outlook projection, with slowed activity in the advanced economies, while growth will also moderate in the emerging and developing economies. Output growth forecasts have been revised downward in all of the countries of advanced economies where growth would be negative in Italy, Spain and the UK. Among other emerging markets and developing countries, growth is expected to ease but remain at a high level: China is projected to grow at 9.3 percent in 2009, driven by strong domestic demand and a rapidly rising current account balance. South Asia's (Bangladesh, India, Pakistan and Sri Lanka) growth rate is also expected to be quite robust. The world trade volume is projected to grow at a lower rate by 4.9 percent in 2008 compared with 7.2 percent in 2007. With the projected decline in non-fuel commodity prices, inflation is projected to decline in both advanced economies and emerging market and developing economies.

Bangladesh Economy

As stated in the Annual Report of Bangladesh Bank, During FY08 (July 2007 - June 2008), the Bangladesh economy showed signs of resilience by maintaining a satisfactory growth momentum in the face of repeated floods and cyclone Sidr and a spike in oil prices, rice and most commodities in the global market. The Government and the Bangladesh Bank continued to adopt policies in bringing the economy back to its growth momentum. The Government's growth stimulating and poverty reduction programmes coupled with prudent monetary policies of BB contributed toward a strong real GDP growth of 6.2 percent in FY08, slightly lower than 6.4 percent of FY07. Economic growth was also aided by rapid growth in exports and surging remittances. Inflation was on uptrend during FY08 due mainly to rising import prices of fuel oil, food grains and some other essentials in the international market; and lower growth of crop production. To stave off the uptrend in inflation, the monetary policy stance pursued by the Bangladesh Bank aimed at stabilizing the exchange rate of Taka. The annual average inflation increased modestly to 9.9 percent in June 2008 from 7.2 percent in June 2007, while 12-month consumer price inflation on point to point basis increased over the same period to 10.0 percent. Broad money (M2) grew by 17.6 percent in FY08, which was higher than the 17.0 percent growth recorded in FY07 and also higher than the target under the programme. Total domestic credit grew by 21.8 percent, while credit to private sector increased by 24.9 percent in FY08 reflecting increased economic activities in the real sector. In U.S. dollar terms, export earnings recorded a strong growth of 15.7 percent, while the growth of import payments was high at 25.6 percent. At the same time, remittances from non-resident Bangladesh nationals increased substantially by 32.4 percent. The country's external current account balance continued to record a significant surplus with a substantial increase in remittances more than offsetting widened trade deficit and service deficit. A significant surplus in current account balance and a surplus in capital account more than offsetting a deficit in financial account led to a sizeable surplus in the overall balance, albeit lower than surplus of FY07, which helped improve the international reserve position.

GDP

The 6.2 percent real GDP growth in FY08 was underpinned, on the supply side, by a moderate growth in the agriculture sector and continued strong growth in the industry sector and in the service sector. Growth rate in the agriculture sector achieved a moderate growth of 3.6 percent in FY08 following two consecutive floods, cyclone Sidr and a widespread outbreak of the avian flu in the country, resulting mainly from a lower growth in animal farming, and crops and horticulture sub-sector. Forest and related services sub-sector attained a slightly higher rate of growth in FY08.

The industry sector attained a satisfactory growth of 6.9 percent in FY08, but this was lower than 8.4 percent of FY07. The growth was supported mainly by sustained growth in export oriented manufacturing activity and expansion in domestic demand. There was a sustained growth rate increase in the mining and quarrying sub-sector. The growth rate of power, gas and water supply sub-sector was 4.9 percent in FY08 as compared to 2.1 percent in FY07 due mainly to an upward trend in gas output. The growth rate in construction sub-sector declined to 5.9 percent in FY08 from 7.0 percent in FY07 reflecting slowdown in private and public construction due to high price of construction materials as well as downsizing of the Annual Development Programme. Overall the services sector grew by 6.7 percent in FY08, slightly lower than 6.9 percent recorded in FY07 and remaining well above the trend level. Despite some fluctuations, the growth was fairly well spread in the different sub-sectors. Increase in industrial output and trade-related activities underpinned the services sector growth in FY08. Transport, storage and communication sub-sector made a higher growth in FY08.

On the demand side, the growth was broad based reflecting expansion in all major components. Real domestic demand increased by 6.0 percent in FY08, compared with 6.6 percent of FY07. Of the two components of domestic demand, consumption and investment grew by 5.9 percent and 6.4 percent respectively in FY08, against 5.9 percent and 8.5 percent in FY07. Exports of goods and services posted growth of 16.9 percent in FY08, compared to 15.2 percent in FY07.

CPI & Inflation

The annual average rate of inflation (12-month annual average CPI, 1995-96=100) decreased to 8.90 percent in December, 2008 from 9.11 percent of December, 2007. The rate of inflation on point to point basis also decreased to 6.03 percent in December, 2008 from 11.59 percent of December, 2007.

Trade balances

Trade balance recorded a larger deficit of US\$2974 million during July-December, 2008 compared to the deficit of US\$2227 million during July-December, 2007. Despite larger current transfers of US\$4874 million, current account balance recorded a surplus of US\$232 million during July-December, 2008 against the surplus of US\$298 million during July-December, 2007. The overall balance also showed a surplus of US\$489 million during July-December, 2008 against the surplus of US\$44 million during July- December, 2007.

Remittances

Remittances in 2008 stood higher at US\$8,979.00 million against US\$6,557.81 million of 2007. This was, however, higher by US\$2,421.19 million or 36.92 percent against US\$6,557.81 million of 2007.

Imports

Import payments during July-December, 2008 increased by US\$2231.60 or 23.25 percent to US\$11831.50 million compared to US\$9599.90 million during July- December, 2007. Of the total import payments during July-December, 2008, imports under Cash and for EPZ stood at US\$11320.70 million, imports under Loans/Grants US\$42.60 million, imports under direct investment US\$40.60 million and short term loan by BPC US\$427.60 million.

Settlement of import LCs during July-December, 2008 increased by US\$2037.02 million or 22.44 percent to US\$11115.39 million against US\$9078.37 million during July-December, 2007. Fresh opening of import LCs during July-December, 2008 increased by US\$454.56 million or 4.24 percent to US\$11176.65 million against US\$10722.09 million during July-December, 2007.

Exports

Export receipts during July-December, 2008 increased by US\$1258.78 million or 19.38 percent to US\$7754.70 million as compared to US\$6495.92 million of July-December, 2007.

Foreign Exchange Reserve

Gross foreign exchange reserves of the Bangladesh Bank as at December, 2008 stood higher at US\$5787.80 million than US\$5514.58 million reserves as of end December, 2007. Gross foreign exchange balances held abroad by commercial banks as at December 2008 were higher at US\$404.85 million than the balance of US\$389.03 million as of end December, 2007.

Broad money

Broad money recorded an increase of Tk.23184.00 crore or 9.32 percent during July-December, 2008 against the increase of Tk.19216.80 crore or 9.09 percent during July-December, 2007. Of the components of broad money, currency outside banks rose by Tk.4861.50 crore or 14.87 percent and deposits increased by Tk.18322.50 crore or 8.48 percent; of which, time deposits increased by Tk.17785.90 crore or 9.39 percent. However, demand deposits increased by Tk.536.60 crore or 2.02 percent.

Domestic credit

Domestic credit recorded an increase of Tk.21638.90 crore or 8.70 percent during July-December, 2008 against the increase of Tk.19216.80 crore or 9.09 percent during July-December, 2007. The rise in domestic credit during the period under report was due to the significant rise of private sector credit by Tk.14396.70 crore or 7.57 percent. In the component of credit to the public sector, credit to the Govt.(net) increased by Tk.5323.20 crore or 11.33 percent and credit to the 'other public sector' increased by Tk.1919.00 crore or 16.50 percent.

Changes in Monetary and Credit Regulations

The major policy measures taken in monetary and credit fronts in FY08 were as follows:

Due to devastating cyclone and tidal upsurge in the country, massive damage in the agricultural sector took place. In this backdrop, to reduce the sufferings of the affected farmers, following decisions were taken regarding agricultural credit operations. a) Agricultural credit disbursement activities should be strengthened in the cyclone affected areas. b) Affected farmers should be provided new loan as early as possible after rescheduling old loan by relaxing conditions for down payment of overdue loan. c) High official of concern banks will ensure proper disbursement of credit by visiting the field. d) The bank will arrange proper monitoring so that any affected farmer does not face any delay in getting the loan and/or is not harassed. In this view, nationalized commercial banks and agricultural banks will set up "Complaint and Loan Monitoring Cell" and will monitor the issue regularly. e) Bangladesh Bank should be informed regarding agricultural credit disbursement activities on a fortnightly basis.

Relaxation of credit norms for Agricultural/Rural Credit Programme has been made due to uptrend in the price of agricultural inputs. In general, banks will follow the credit norms in determining the amount of loan, disbursement of loan, and loan repayment schedule, but may increase/decrease the amount of loan fixed for different crops for a maximum of 20 percent instead of 10 percent considering actual credit demand of the farmers.

Banks/Financial Institutions have been advised to give more endeavor and advised to invest their excess liquidity in different emerging productive SME sectors including women entrepreneurs. In this regard, banks and financial institutions are advised to finance at least 40 percent of total amount to loan ascertained for the SME sector to small entrepreneurs and the rest to medium entrepreneurs. Moreover, banks/financial institutions have been advised to take assistance of NGOs in selection of borrowers, disbursements and recovery of credit in order to reduce supervision cost in credit disbursement and recovery. In addition, Bangladesh Bank has taken a decision in principle to accord permission for opening SME Service Centres. As a latest step, for the necessity of strengthening, encouraging and expanding SME sector, fund for "Refinance Scheme for Small Enterprise Sector" has been raised from Taka 300.00 crore to Taka 500.00 crore with effect from 12 June 2008.

With a view to meeting the growing demand by the lower and middle income people in the urban areas for housing, the Bangladesh Bank has undertaken a scheme named "Refinance Scheme for Housing" in order to provide refinance facility to banks and financial institutions against loans provided to buy/build new apartment for only own residential purpose.

New Capital Accord (Basel II) will be implemented from early 2009. In this regard, on the basis of quantitative impact study (QIS) conducted by the Bangladesh Bank to assess the readiness of banks for implementing Basel II, an action plan/roadmap has been finalized and approved by the competent authority and has been sent to banks for gearing up the efforts of implementing Basel II.

Fund allocation for woman entrepreneurs under the Refinance Scheme for Women Entrepreneurs of Small and Medium Entrepreneurs (SME) of Bangladesh Bank has been raised from 10 percent to 15 percent with a view to extending participation of women entrepreneurs in industrial development of the country and to ensure availability of credit by more women entrepreneurs for establishing industry and to operate business activities. Out of this 15 percent fund, 40 percent will be allocated for small women entrepreneurs.

With a view to encouraging transaction of government securities after issuance and to establish a more

effective secondary market, some amendments have been made in the guidelines regarding revaluation of Treasury bills and bonds on the basis of Marking to Market.

With a view to making secondary transaction process of government securities effective and competitive, some amendments have been made in the guidelines regarding provision of liquidity facility.

1. Liquidity facility will be provided against government treasury bills and bonds devolved towards primary dealers for maximum 1 (one) month continuously from the date of issue. This facility could be availed once or more, any time within the month.
2. Performance of the primary dealers will be reviewed quarterly and on the basis of combined evaluation of success ratio achieved in every quarterly auction and secondary market turnover aforesaid facility will be provided to the 3 (three) best primary dealers for maximum 2 (two) months.

Capital Market

The General index of Dhaka Stock Exchange (DSE) at the end of December, 2008 stood lower at 2795.34 compared to 3017.21 at the end of December, 2007. Total market capitalization of all shares and debentures of the listed securities at the end of December, 2008 stood higher at Tk.105953.00 crore, indicating Tk.9598.30 crore or 9.96 percent higher than Tk.96354.70 crore at the end of November, 2008. The downward trend of DSE general price index persisted with some volatility since July 2008. All indicators of the capital market showed some decline during Q2 FY09. During Q2 FY09, DSE general index and market capitalization declined by 5.8 percent and 2.4 percent respectively. Year-on-year DSE general index declined by 7.4 percent. On the other hand, market capitalization increased by 30.8 percent. In view of the present global financial crisis, the important issue is to ensure good risk management for capital market institutions. For an institution, a good risk management system should enable it to take risks and reap returns ensuring exit at the first opportunity if the situation demands. The aim would be to create a liberalized, market based, and effectively supervised and regulated financial sector essential to promote and sustain rapid growth of the capital market in Bangladesh.

Near Term Economic Outlook for Bangladesh Economy

So far developments in H1 FY09 are mostly positive for the Bangladesh economy in both domestic and external fronts. On the domestic front, the economy has shown reasonable stability in terms of most macroeconomic indicators and exhibited higher growth potential. On the external front, Bangladesh's exposure to the contagion effects of the global financial markets has been low and the country's financial sector remained largely immune to the recent global financial turmoil. At present, the world economy especially the developed economies have entered into a major downturn. A modest recovery is likely to begin in late 2009 but it would probably be gradual when it comes.

The financial risks have been low due to satisfactory macroeconomic performance, good health of the financial sector, and its limited exposure to foreign capital markets. Overall, Bangladesh's recent macroeconomic policies have been prudent toward ensuring a robust external sector. In the financial sector, liquidity and credit conditions remained comfortable and market interest rates stable. The money market and the foreign exchange market also showed reasonable stability. The exchange rate did not suffer from any undue volatility and the foreign exchange reserves remained satisfactory.

During Q2 FY09, the real sector growth momentum of the first quarter was sustained and remained well supported by both domestic and external demand. The growth of real GDP is likely to be around 6.0 percent in FY09. On the other hand, both food and non-food inflation has fallen during the quarter and the trends are likely to continue in the coming months. The cost push increase of non-food prices and its transmission along the supply chain to drive up non-food inflation that was observed in Q1 FY09 seems to have ended and, as prices in the global market stabilize at new levels, their direct impact on inflation would gradually wash out. Several non-monetary factors would also dampen inflationary pressure such as downward adjustments in administered fuel prices, reduced impact of lagged effects of past global price hikes, reduced uncertainty relating to the need for domestic market adjustments to expected global shocks, and low possibility of emergence of supply bottlenecks for specific commodities in the backdrop of good domestic production and easing world market for food and other commodities. Recent estimate by PAU shows that, if the current trends are maintained, average inflation could fall to around 8.0 percent in FY09. Since reasonable price

stability is one of the principle objectives of BB's monetary policy, the priority would be to bring inflation down further by anchoring inflation expectations in the medium term.

The money and credit market developments were generally satisfactory during H1 FY09. However, both broad money (M2) and domestic credit (DC) growth exceeded their programmed levels. In response, BB's repo and reverse repo rates were increased by 25 basis points to 8.75 percent and 6.75 percent respectively in September and November 2008. These adjustments would help in fine tuning the short term liquidity mismatch in the money market and anchoring inflation expectations by mopping up excess liquidity from the banking system. The growth of credit to private sector was strong showing y-o-y growth of 24.3 percent in November 2008. The monetary and credit growth requires careful monitoring in order to avoid the buildup of any excess demand pressure in the economy. Although the major share of private credit went to productive sectors, the share of agriculture was low (less than 7 percent of total bank advances). This calls for adoption of more effective measures to increase the flow of credit to agriculture, SMEs, and similar other priority and employment intensive activities and ensure greater involvement of private sector banks in such lending activities. This would help both in containing demand pressure from excessive monetary and credit growth and improving the asset quality of the banks.

In the fiscal sector, growth in tax revenue fell short of its target while expenditure showed high growth resulting in government's bank borrowing to exceed BB's monetary program target. The implementation rate of the annual development program (ADP) was 24 percent during H1 FY09 showing the priority to take measures to enhance the implementation of ADP projects especially in social and physical infrastructure sectors like electricity, gas, agriculture, transport, education, health, and poverty reduction activities.

The positive near term outlook of this quarterly is underpinned by several factors covering both policy and institutional dimensions. With continuing slowdown of global growth, the risk of export demand slowing down and remittances losing momentum cannot be fully ruled out. The possibility of export slowdown for RMG products is low due to Bangladesh's export concentration in the low price and basic product segment of the apparel market in the advanced countries. However, the weakening possibility is higher for exports of several other items such as shrimps, leather and leather goods, electronics, ceramic tableware, vegetables, and similar other items. Although the export shares of these items are low, it is important to monitor the export performance of the vulnerable items and take appropriate measures so that strong export growth is sustained.

The best way of providing assistance to the RMG sector would be to enhance the efficiency of customs, ports, and infrastructure, as producers/exporters need cost-cutting measures to stay competitive. For increasing productivity, this is the time to install and strengthen safety net programs for garment workers such as through public-private partnerships.

Along with our vigilance regarding price competitiveness, more efforts are needed toward diversifying the export basket, adding more value added products to export items and exploring new markets in order to expand both export products and destinations. For the RMG sector, it would be critical to ensure smooth and production friendly environment and uninterrupted access to power and other inputs to retain competitiveness. It may be useful to adopt a comprehensive export (including export of services) promotion program to expedite the implementation of short and medium/long term export promotion measures employing a product and country specific approach.

Since much of the remittances come from low skilled workers from oil-rich countries of the Middle East, their remittances do not face much immediate risk as these economies have accumulated large reserves from the oil price boom. The fall in oil prices might partially wipe out the windfall gains, but the massive programs of modernization and infrastructure buildup in the region are likely to be tempered but not halted. As such, migrant workers from Bangladesh would continue to be in demand. However, new recruitments might slow down. Remittances from USA and Europe could face modest but temporary setbacks. As such, Bangladesh's policy priority should be to resolve the hurdles facing expatriate workers at home and abroad and explore new markets especially for skilled technical and service workers.

The Bangladesh Bank, in its monetary policy stance for H2 FY09, did not bring any major change in its policy stance of H1 FY09 since those policies succeeded remarkably in maintaining financial and economic stability and ensuring growth momentum amidst economic turbulences raging across the world. In this context, the important issue for BB would be to ensure a balance between the concerns about inflation on the one hand and ensuring adequate liquidity in the financial system on the other. The priority should be to correct the

short term debt yield curve and ‘plan for tomorrow’ especially in terms of dampening inflation expectations and ensuring price stability.

In recent months, there have been some sharp cross-rate movements through strengthening and weakening of currencies of Bangladesh’s major trading partners the impact of which on the country’s export competitiveness is an issue that needs careful consideration. In adopting an appropriate foreign exchange rate policy, Bangladesh needs to take into account a number of considerations including (i) direction of trade covering both origin of imports and destination of exports; (ii) industry composition of trade flows; and (iii) origin of capital inflows especially remittances.

The fiscal sector had to withstand significant pressure during H1 FY09 due to rapidly rising cost of subsidies and other current expenditures. In view of the large demands for public funds that are already accommodated in the FY09 budget, tax collection efforts need strengthening especially since earning from customs duty is likely to slowdown in the coming months due to falling value of imports resulting from declining commodity prices in the international market. Otherwise, borrowing from the banking system, which exceeded BB’s monetary program target in the first half of FY09, could rise fast, putting pressure on the monetary targets.

While growth prospects remain bright, productivity growth across the entire economy would be the key element in sustaining the positive near term outlook and moving to higher growth trajectories essential to achieving the poverty reduction and social development objectives. In this respect, some critical issues need priority action including inadequate energy supply especially electricity and gas shortages, transport bottlenecks, inefficiencies in agricultural input distribution and marketing networks, and other infrastructure deficiencies. In particular, effective measures are needed to ensure that the farmers do not face any hurdle in procuring the needed inputs in time especially diesel and fertilizer at subsidized prices announced by the government to realize their planned production during the boro season. In addition, improvement in business confidence and investment climate would be critical to further improving the near term outlook along with ensuring economic stability and brightening the prospects of higher economic growth.

With current performance of the real economy, it is likely that Bangladesh would achieve a GDP growth rate of around 6.0 percent in FY09 as projected by PAU. After a bumper harvest in the last boro season, production outlook in agriculture remains bright for FY09 with good output harvested in aus and aman seasons and similar production expected in the coming boro season. With favorable weather, reduced prices of diesel oil and fertilizer, higher disbursement of agricultural credit, better price incentives for the farmers, and government initiatives to ensure timely delivery of inputs and other support services, growth in agriculture is likely to be higher than that in the last fiscal. Industry and services sectors are also poised to record satisfactory growth during FY09. The country’s exports have shown strong resilience despite global financial crisis with a growth of 26.8 percent during the first five months (July-November) of FY09. Overall, the economy has retained its growth momentum during H1 FY09 and displays signs of continuation of similar trends in the remaining period of the fiscal year. With further strengthening of growth supportive policies and institutional measures, the economy’s transition to a higher growth path would become easier to support poverty reduction and social development goals.

So far developments in H1 FY09 are mostly positive for the Bangladesh economy in both domestic and external fronts. On the domestic front, the economy has shown reasonable stability in terms of most macroeconomic indicators and exhibited higher growth potential along with trend towards further improvements despite threats from depressed external outlook in the back drop of the global financial turmoil. The sustenance of the outlook, however, needs support of additional growth friendly measures especially for raising investment and boosting technological progress to accelerate overall economic activities. On the external front, Bangladesh’s exposure to the contagion effects of the global financial markets has been low and the country’s financial sector has remained largely immune to the recent global financial turmoil. Bangladesh’s financial sector has achieved reasonable resilience mainly due to implementation of financial sector reforms and pursuit of prudential guidelines and supervision by BB for promoting a robust financial sector.

The adverse effect of the global financial crisis on capital flows from portfolio and foreign direct investment has also been minimal and the exposure of domestic financial institutions to troubled international financial institutions has been limited. The increased volatility and losses in the stock market in recent months mostly represent short term price adjustments which have resulted largely from shaken confidence of market

participants and increased supply especially through direct listing that diverted funds from the capital market. However, the adjustments are mostly self-corrective in nature and are likely to be temporary. The Bangladesh Bank has pursued prudent policies to ensure effective exchange rate management and provide required liquidity to the financial sector. The financial risks have also been low due to satisfactory macroeconomic performance, good health of the financial sector, and its limited exposure to foreign capital markets. Overall, Bangladesh's recent macroeconomic policies have been prudent toward ensuring a robust external sector. As a result, the balance of payments has remained reasonably satisfactory facilitated by rapidly rising remittances and prudent demand management.

At present, the world economy especially the developed economies have entered into a major downturn resulting from the deep financial crisis that originated in mature financial markets. Along with substantial growth slowdown, the global economic situation is highly uncertain and subject to considerable downside risks. A modest recovery, however, is likely to begin in late 2009 but it would probably be gradual when it comes. The weakening demand is causing inflationary pressures to decline in the world economy. The decline in commodity prices is most notable in food, fertilizer, and energy prices. Although inflation has moderated in many countries since July 2008 reflecting in part falling but elevated commodity and energy prices, high inflation risks are still present emerging mainly from supply conditions, salary/wage adjustments, and high inflation expectations.

Despite adverse developments, several factors are likely to pave the way toward gradual recovery of the world economy starting in 2009: (i) likely stability of commodity prices in the world market, although at 20-year high levels, leading to the start of the unwinding process of adverse terms of trade effects especially in oil importing countries; (ii) end of the intense drag on US growth by the housing sector present since 2006 leading to the start of the recovery cycle of the financial sector and creating positive effect on global financial system and world economy; and (iii) high resilience and relatively unaffected status of the emerging economies providing the momentum to recovery for the global economy.

Recent developments and prospects

Despite the negative impacts of last fiscal year's natural disasters and steep price rises in the global market, most macroeconomic indicators of the Bangladesh economy remained stable in H1 FY09. In the financial sector, liquidity and credit conditions remained comfortable and market interest rates stable. The money market and the foreign exchange market also showed reasonable stability.

The exchange rate did not suffer from any undue volatility and the foreign exchange reserves remained satisfactory. The current account balance (CAB) remained consistently in surplus during Q1 FY09 although huge trade deficit in October 2008 to meet large import payments against import LCs opened during Q4 FY08 at high prices that prevailed during the period turned it into deficit. However, the situation is expected to reverse soon as import payment liabilities are on the decline resulting from falling commodity prices in the world market. Moreover, healthy growth in workers' remittances and higher external aid flows are providing cushion to the external balance helping to maintain a comfortable international reserves position.

During Q2 FY09, the real sector growth momentum of the first quarter was sustained and remained well supported by both domestic and external demand. The growth outlook for the agriculture sector remains bright and PAU projections indicate that overall agricultural growth could be above 3.6 percent achieved in FY08. The industry sector has also remained buoyant supported by high domestic credit growth, healthy export demand and decline in prices of several key inputs including imported construction materials. Current projection by PAU shows that industry sector growth in FY09 could exceed last fiscal year's growth rate of 6.9 percent. Supported by higher agriculture and industry sector growth and buoyant economic activities, growth in the services sector is also likely to be satisfactory.

Thus PAU projections show that the economy is now well poised to achieve a GDP growth rate of around 6.0 percent in FY09 if the present trends are sustained. Moreover, with an elected government in power and adoption of new economic measures by the present government, it is likely that business confidence and investment climate would further improve in the coming months and if no drastic shock to the present buoyant export growth takes place, the economy could grow faster in FY09.

Bangladesh experienced an average inflation of 9.9 percent in FY08 which reached a peak of 10.1 percent at the end of Q1 FY09. The inflation rate has started to ease thereafter and fell to 8.9 percent in December 2008.

Both food and nonfood inflation has fallen. The above trends are likely to continue in the coming months, and this would significantly moderate the overall inflationary pressure in the economy. It appears that cost push increase of nonfood prices and its transmission along the supply chain to drive up nonfood inflation that was observed in Q1 FY09 have ended and, as prices in the global market stabilize at new levels, their direct impact on inflation would wash out after a year. In other words, by late 2009 these items would not be making much contribution to the rate of consumer price inflation.

Moreover, inflationary pressure is likely to fall due to several non-monetary factors such as downward adjustments in administered fuel prices, reduced impact of lagged effects of past global price hikes, reduced uncertainty relating to the need for domestic market adjustments to expected global shocks and low possibility of emergence of supply bottlenecks for specific commodities in the backdrop of good domestic production and easing world market for food and other commodities. If the current trends are maintained, it is likely that average inflation would be lower than the previous estimates of PAU and could fall to around 8.0 percent in FY09.

Since reasonable price stability is one of the principle objectives of BB's monetary policy, the priority would be to bring inflation down further in order to anchor inflation expectations in the medium term. This would facilitate the pursuit of the goal of sustained high growth. In the medium term, the real upside risks to inflation lie in high inflation expectations among individuals. Raising interest rates can in time bring inflation down even when expectations of future inflation are high. But the process is painful as it works through increased threat of lowering growth and rising unemployment. Thus the risk of inflation expectations drifting up is a central concern for monetary policy at present.

Although the near term expectations of inflation might have risen this year, but this is inevitable given the country's inflation experience in the recent past. What matters now is the expectation of inflation over the medium term. The important concern for policy would be to create a gap between people's perceptions of current inflation and their expectations of a year or more ahead so that medium term expectations fall back.

The money and credit market developments were generally satisfactory during H1 FY09. However, both broad money (M2) and domestic credit (DC) growth exceeded their programmed levels. In response, BB's repo and reverse repo rates were increased by 25 basis points to 8.75 percent and 6.75 percent respectively in September and November 2008. These adjustments would help in fine tuning the short term liquidity mismatch in the money market and anchoring inflation expectations by mopping up excess liquidity from the banking system.

With effective and more active use of the tools, it is likely that BB would retain growth of M2 and DC around their growth targets during the remaining period of FY09 and facilitate achieving the desired levels of net foreign assets and foreign exchange reserves. The growth of credit to private sector was strong showing y-o-y growth of 24.3 percent in November 2008. Although the major share of private credit went to productive sectors, the share of agriculture was low (less than 7 percent of total bank advances). This calls for adoption of more effective measures to increase the flow of credit to agriculture, SMEs, and similar other priority and employment intensive activities.

In the fiscal sector, growth in tax revenue fell short of its target while expenditure showed high growth resulting in government's bank borrowing to exceed BB's monetary program target. During H1 FY09, government's bank borrowing increased by Tk. 70.6 billion against the BB monetary program target of Tk. 43.0 billion; but less than the budgetary provision for FY09 of Tk. 136.0 billion.⁴ Revenue collection efforts need strengthening, otherwise borrowing from the banking system which exceeded BB's monetary program target in the first half of FY09, could rise fast putting pressure on the monetary targets. The implementation rate of the annual development program (ADP) was only 24 percent during H1 FY09 showing the priority to take measures to enhance the implementation of ADP projects especially in social and physical infrastructure sectors like electricity, gas, agriculture, transport, education, health and poverty reduction activities.

Although Bangladesh suffered significant loss of income in the external sector from severe terms of trade shock originating from higher food and petroleum prices, the loss was partly met by compensating growth in remittances.⁵ Nevertheless, potential channels of transmission of multiple downside risks of the global financial crisis still remain including lower inflow of foreign aid and foreign capital, adverse effect on exports, downward pressure on remittances and slowdown in investments and growth. It is important, however, to recognize that significant uncertainty still surrounds the nature, scope and severity of the crisis and the extent and duration of slowdown of global growth so that it is extremely difficult to predict the impact of the crisis on the Bangladesh economy.

Banking Industry

The major indicators of the banking system showed improvement during year 2008. Total deposit and advances of the banking sector increased by 16.03 percent and 18.84 percent respectively in 2008 compared with their 2007 levels. The country's banking sector remained shielded from the global financial turmoil mainly due to low level of global integration and good health underpinned by prudent regulation and sound management. The major contribution of this growth came out from PCBs, FCBs and SDBs showing a consistent growth of loans and deposits. Deposit & Advances position of banking industry as on 27th November 2008 are as follows:

Taka in Billion

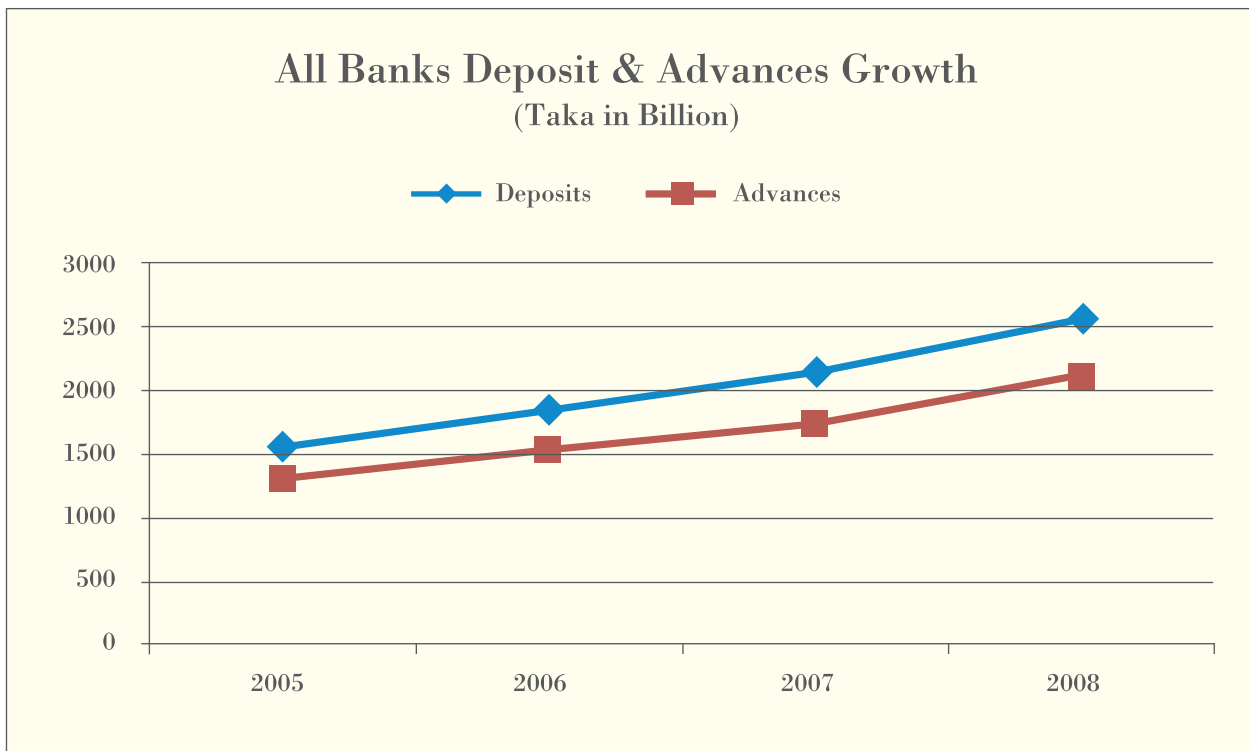
SL.	Particulars	SCBs 4	PCBs 30	FCBs 9	SDBs 5	Total 48
1.	Deposti (excluding interbank items)	758.8	1450.68	214.1	137.81	2561.39
	Demand Deposit	194.38	232.68	71.59	17.5	516.15
	Time Deposit	564.42	1218	142.51	120.31	2045.24
2.	Credit provided in Bangladesh	528.81	1283.66	149.46	147	2108.93
	Loans and Advances	474.42	1207.88	143.23	144.98	1970.51
	Inland Bills	25.22	66.94	3.15	1.39	96.69
	Foreign Bills	29.17	8.84	3.08	0.64	41.73
3.	Credit Deposit Ratio (%)	69.69%	88.49%	69.81%	106.67%	82.34%
4.	Total Investment in securities (Book value)	203.5	185.63	38.66	8.42	436.21
5.	Investment Deposit Ratio (%)	26.82%	12.80%	18.06%	6.11%	17.03%
6.	Money at Call at short notice	4.55	19.5	6.94	2.01	33.00
7.	Borrowing from Bangladesh Bank (in Lcy)	0.10	25.20	0.03	62.59	87.92
8.	Borrowing from Bangladesh Bank (in Fcy)	0.90	5.22	0.74	2.00	8.94

Source: Weekly Financial Position of Schedule banks, Bangladesh Bank.

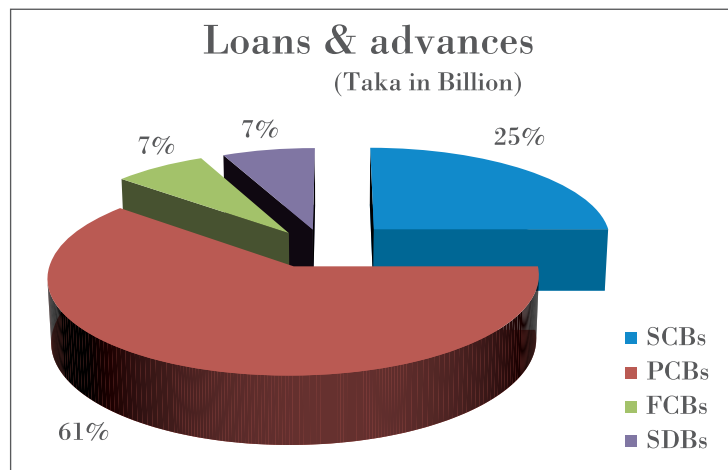
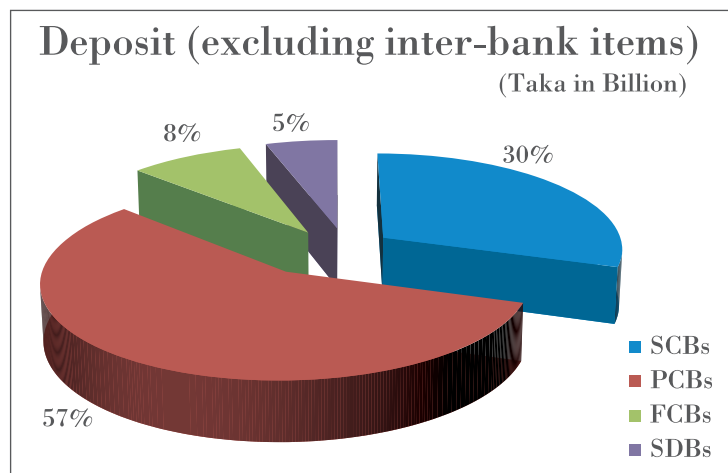
SCBs=State-owned Commercial banks
FCBs=Foreign Commercial banks

PCBs=Private Commercial banks
SDBs=Specialized Development banks

In 2008, an overall higher positive growth of loans & advances was observed in line with positive deposit growth in the banking sector. As on December 31, 2008 deposit growth was 19.20% with respect to December 2007 which was 15.5% in December 2007 than that of December 2006. Similarly as on December 31, 2008 advances growth was 22.31% with respect to December 2007 which was 11.7% in December 2007 than that of December 2006.

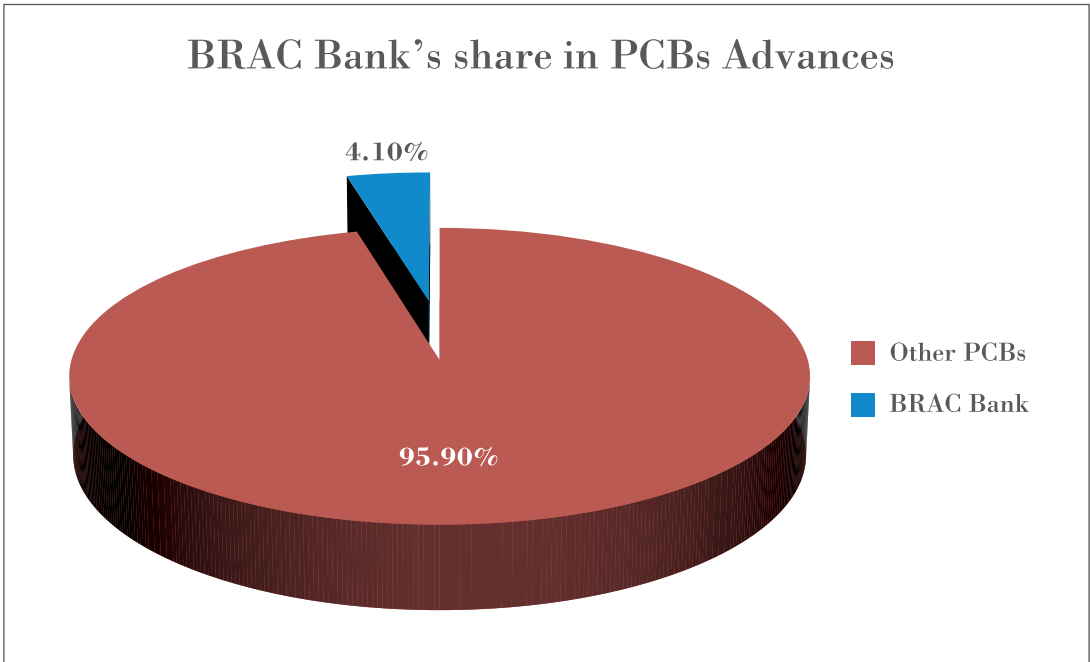
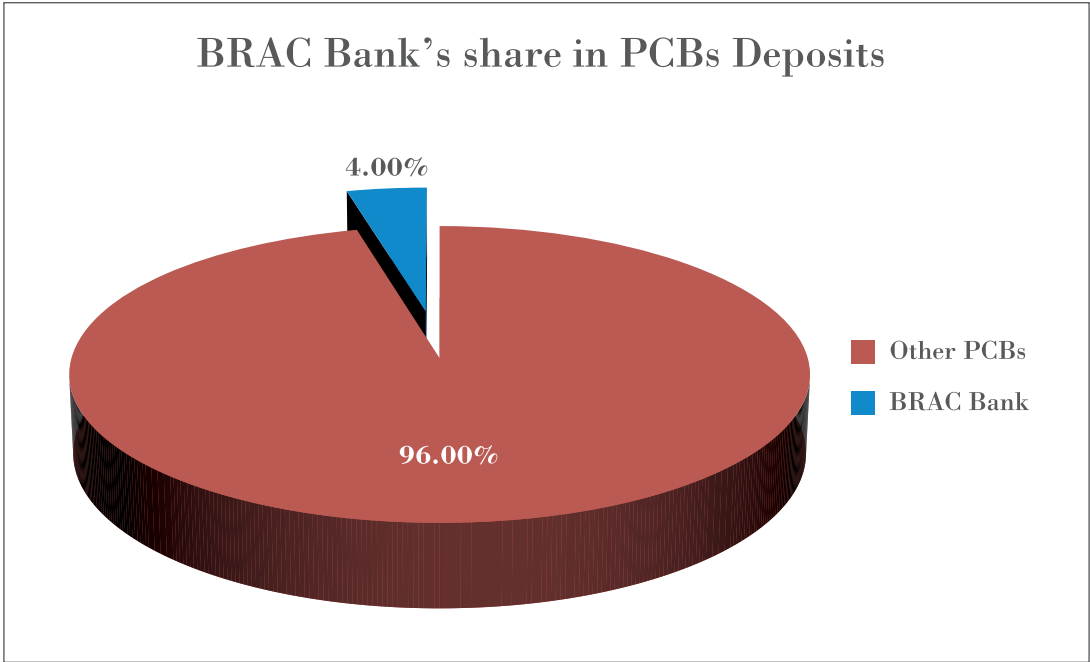


Bank group-wise market share of Deposits & Advances is as follows:



PCBs had the major market share in loans (61%) and deposits (57%) as well. The trend was observed as market share was shifting from SCBs to PCBs. As SCBs were operating on comparatively restricted pattern and PCBs are offering more diverse banking services in the country. SCBs had 25% market share of total loans and 30% of total deposits. FCBs had 7% market share of total loans and 8% share of total deposits. On the other hand SDBs had 7% market share of total loans and 5% share of total deposit.

BRAC Bank holds a significant percentage of Total PCBs Deposits & advances. An overall positive growth of deposits was observed in line with much higher loans growth in BRAC Bank’s market share on total PCBs deposits and loans. BRAC Bank holds 4.00% deposits of Total PCBs (30 PCB as in 2008) deposits, which shows a growth of 0.75% (3.25% in 2007) over last year. BRAC Bank holds 4.10% advances of Total PCBs advances, which shows a growth of 0.79% (3.31% in 2007) over last year.



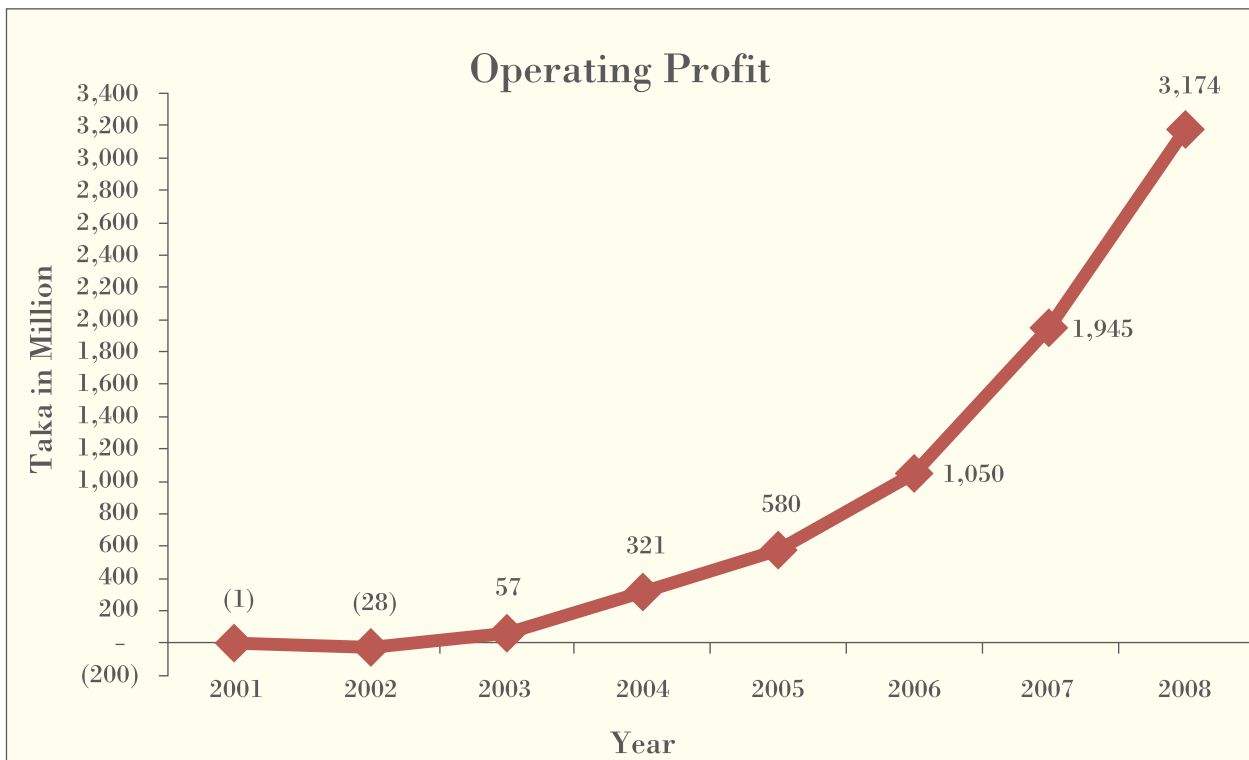
BRAC Bank Highlights

Financial Review

The 2008 financial year has been challenging for the financial services sector. The continued fall-out from the ongoing volatility in global credit markets and slowing economic growth has combined to place significant pressure on the financial performance and capital positions. In this environment, the BRAC Bank Limited has performed well, delivering solid Deposits, Advances & Profit growth. The bank remains in a strong financial position with a continued focus on delivering on its mission of building a profitable and socially responsible financial institution focused on marketing and business with growth, thereby assisting BRAC and stakeholders build a “just, enlightened, healthy, potential democratic and poverty free Bangladesh”.

Financial Performance

BRAC Bank’s had a successful year despite the difficult market conditions. The world economic crisis had no direct impact on the bank, which continued to expand its banking activities. The bank has strengthened its teams to provide more focused and efficient services to its clients and it has continued its efforts to improve the infrastructure. Despite the challenges, through our efficient management and continued effort of our dedicated staff, we made an Operating Profit of BDT 3,174 million.

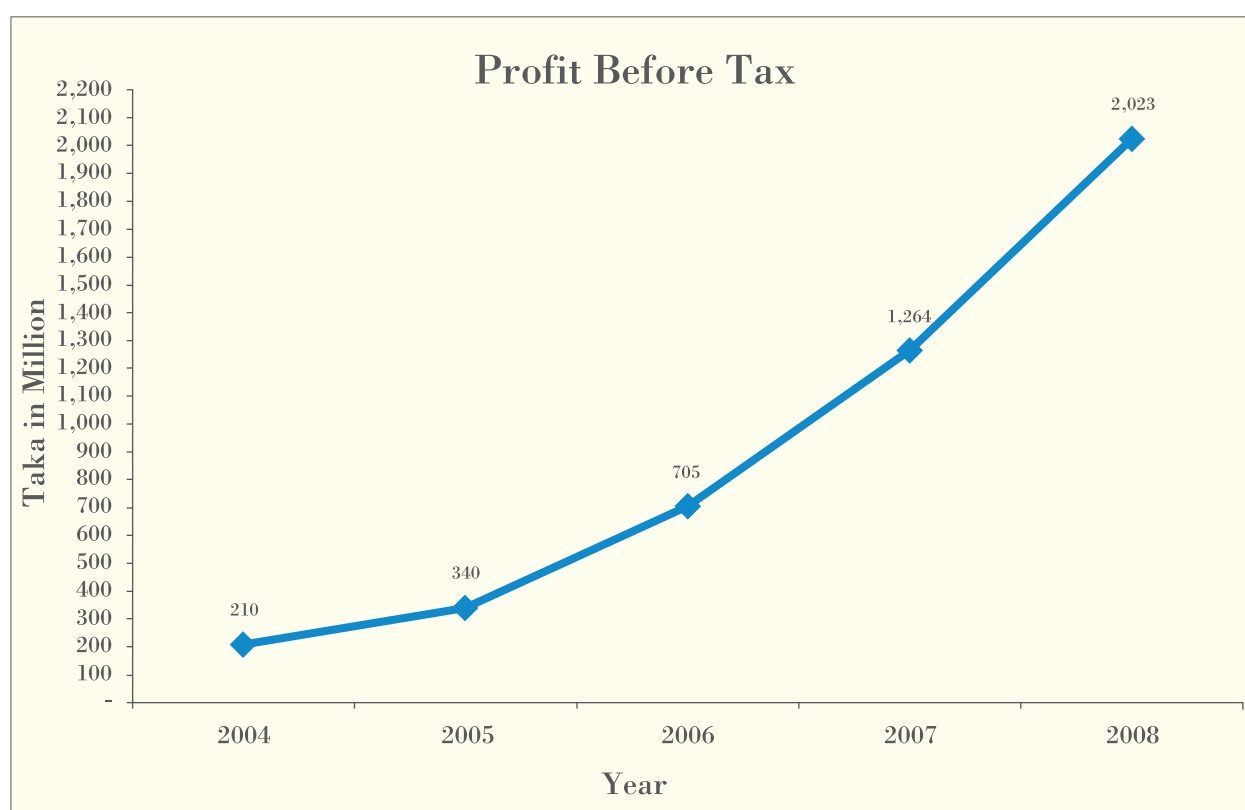


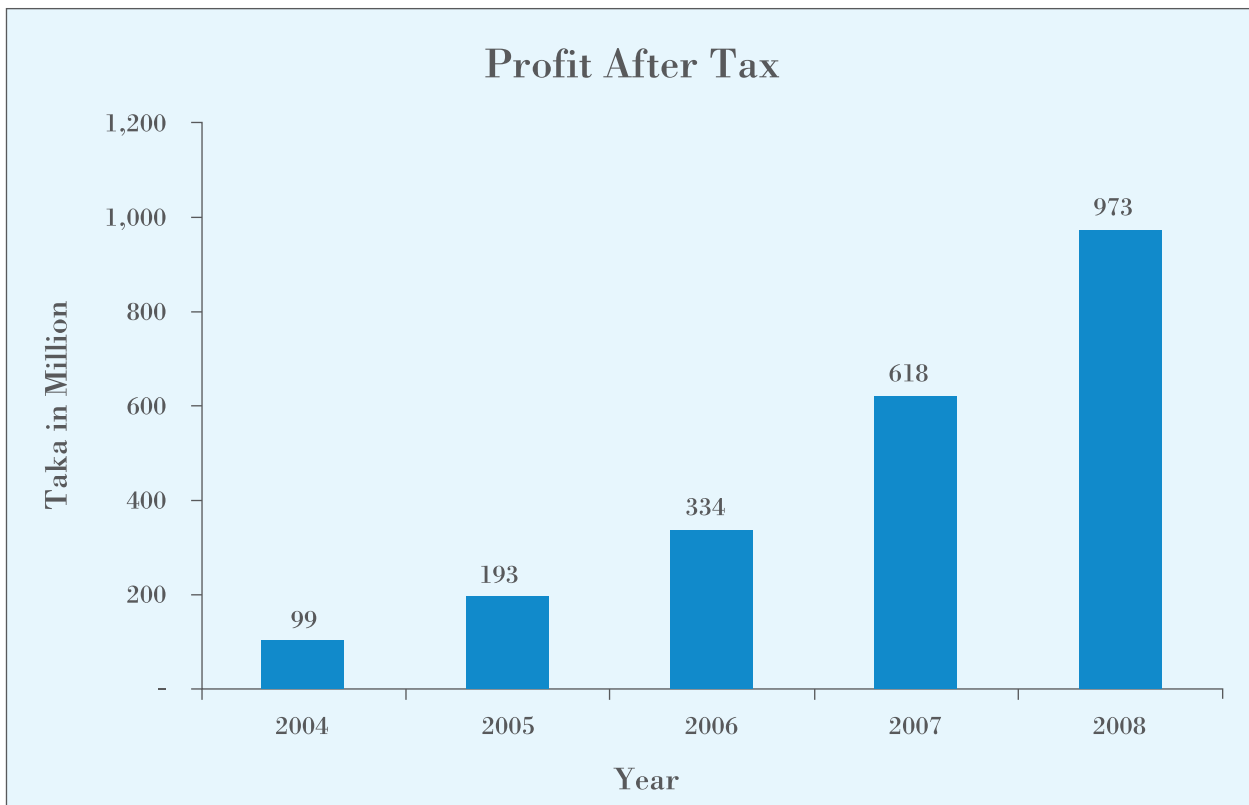
Operating Results

BDT in Million

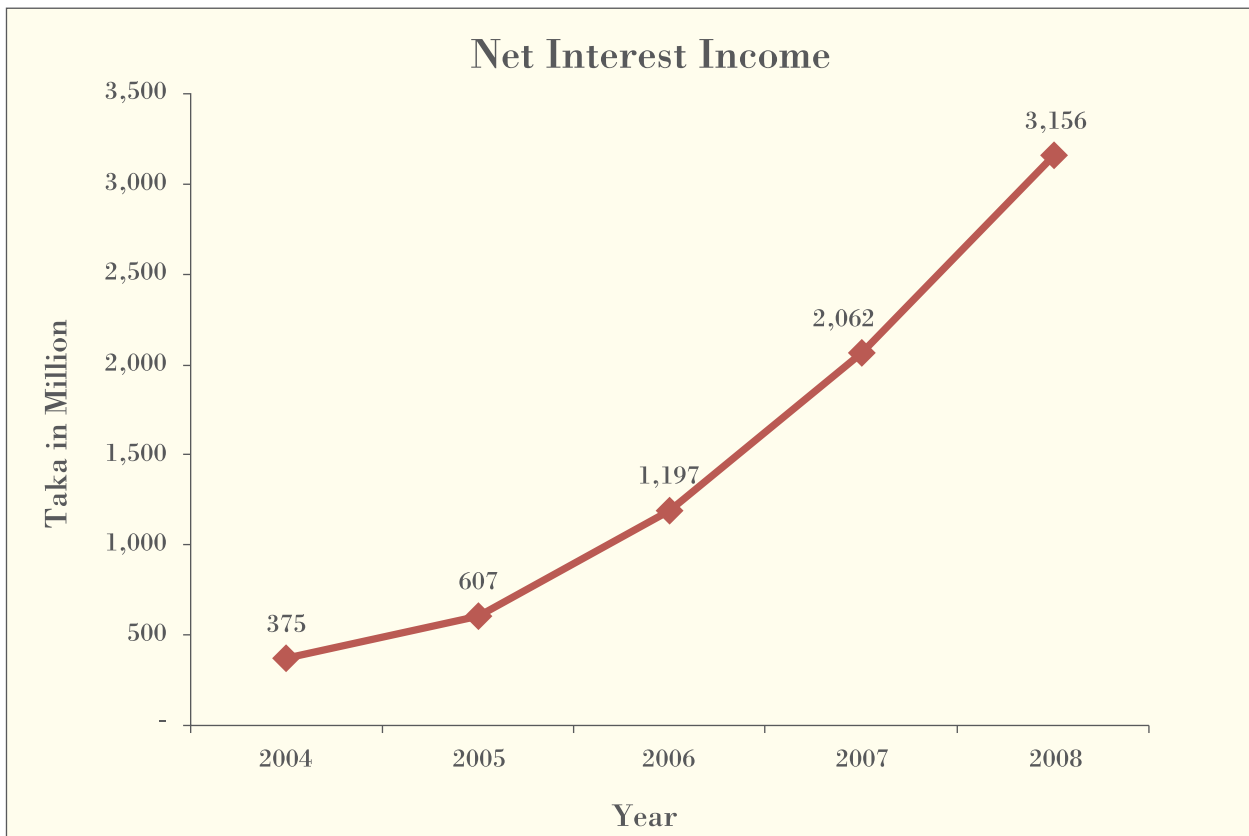
Particulars	2008	2007	% of Change
Net Interest Income	3156.01	2062.11	53%
Income from Investment	909.13	771.78	18%
Non-Funded Income	1971.05	709.26	178%
Operating Expenses	2862.28	1597.66	79%
Loan Loss Provision	1150.46	681.16	69%
Net Profit Before Taxes	2023.45	1264.34	60%
Provision for Taxes	1050.00	646.00	63%
Profit after taxes	973.45	618.34	57%

BRAC Bank's Profit before tax in 2008 was BDT 2023.45 Million - an increase of 60% from last year. Net profit after tax in 2008 was BDT 973.45 Million - an increase of 57% from last year. Return on Equity (ROE) was 22.88%, compared to 23.83% in 2007. Earnings per share were 62.30 versus 42.30 in 2007.



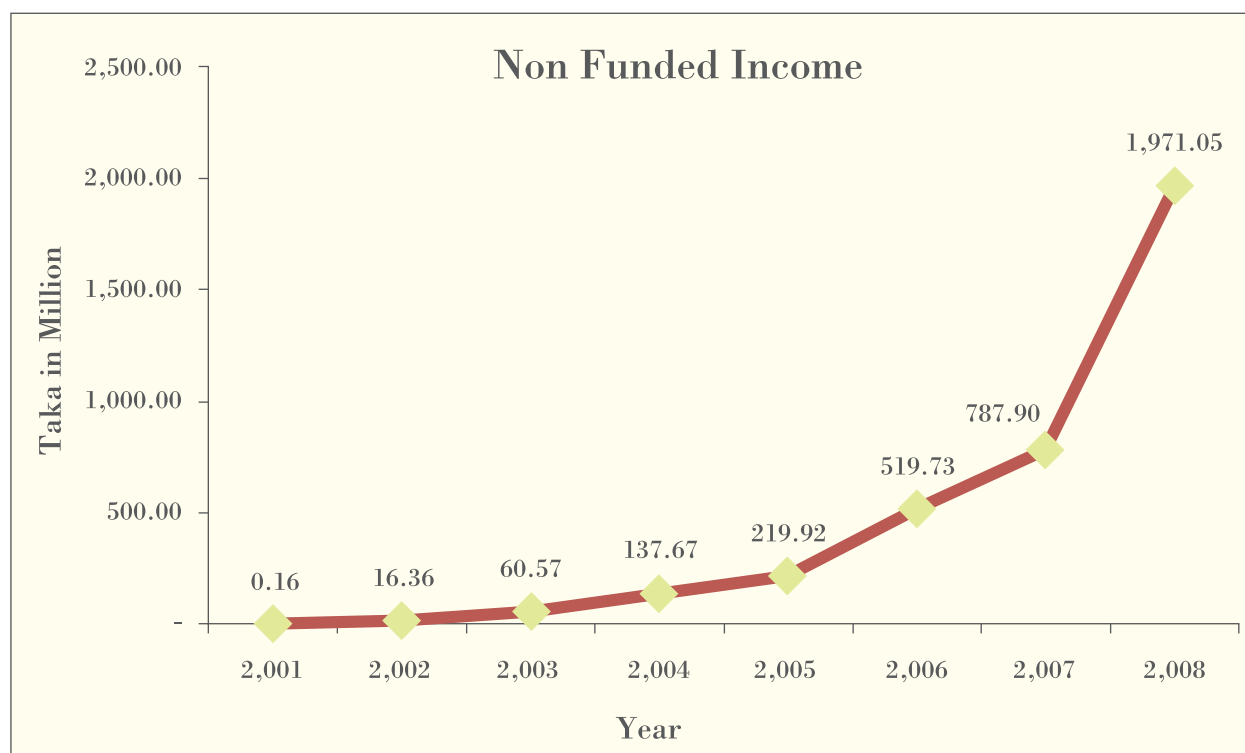


Interest income has increased by 73% in 2008 in consistent with the increase of loan & advances by 62% and for the dynamic changes in portfolio mix. Investment income has increased by 18% over previous year; because of the change in investment mix and inclusion of long term nature BGTB at higher interest rates. These factors cause the significant increase in Net Interest Income over the previous year.



Interest expense has increased by 89% in 2008, as liabilities were re-priced at higher rates and the deposit mix tilted towards high cost funds (2% increase over 2007) and mostly for the increase of deposit volume by 55%.

Non Funded income grew this year by 178% which reduced the burden ratio by 20% over the last year. The bank is focusing on to increase its non funded income and to reduce its burden ratio that resulted in BDT 1,261.79 million growth in 2008 over 2006 (Tk 1,971.05 million in 2007 against BDT 709.26 million).



Operating expenses has increased by 79% in 2008. Operating expenses were impacted by:

- Staff salary & allowances increased by 81% for supporting the increasing business volume, service outlets and the effect of inflation on general expenses. No. of staff has increased by 37% over last year, whereas the Fund Under Management (FUM) has increased by 59%.
- Further investment in strategic growth initiatives, including the Banking Business Growth Strategy.
- Increasing volume of Rent, taxes & insurance expenses resulting from market rent increases, relocation of the Branches and increases of Branch by 20, Service Centers by 30, SME unit offices by 37 and ATM's by 83.
- Increasing volume of depreciation & repairs & maintenance expenses resulting from the higher acquisition of fixed assets.
- Other expense has increased for supporting the business growth.

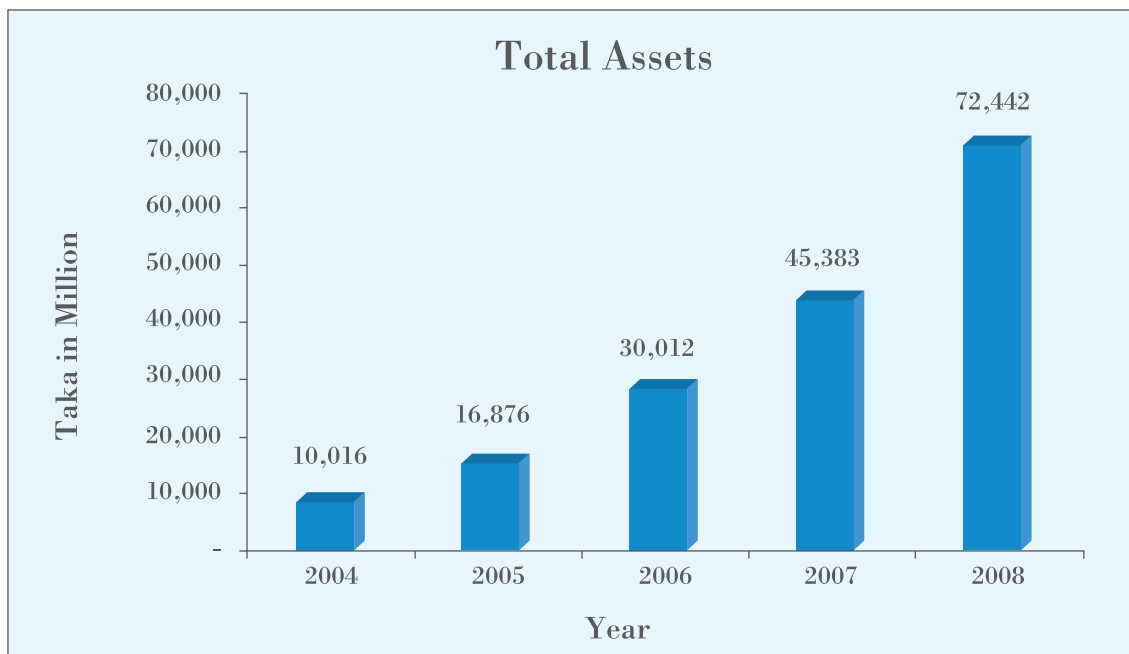
The provision for loan losses has increased by 69% in 2008 due to increase of loans & advances by 62% and to cover the loss for non performing loans & advances. Due to the prudent provisioning policy, the bank has already achieved the general provisioning requirement and excess provision over requirement set by Bangladesh Bank. This reflects the bank's constant emphasis on a quality credit portfolio, which has now become the primary reason for the bank's consistent and sustainable performance. The bank's gross Non Performing Loan (NPL) ratio increased this year to 4.69% compared to 4.45% in 2007 due to high interest rates and inflation exerting pressure on the repayment capacity of borrowers. However the bank has kept the NPL ratio at a manageable level due to the prudent risk management strategies, a committed recovery team and excellent monitoring and control systems implemented.

Balance sheet Summary

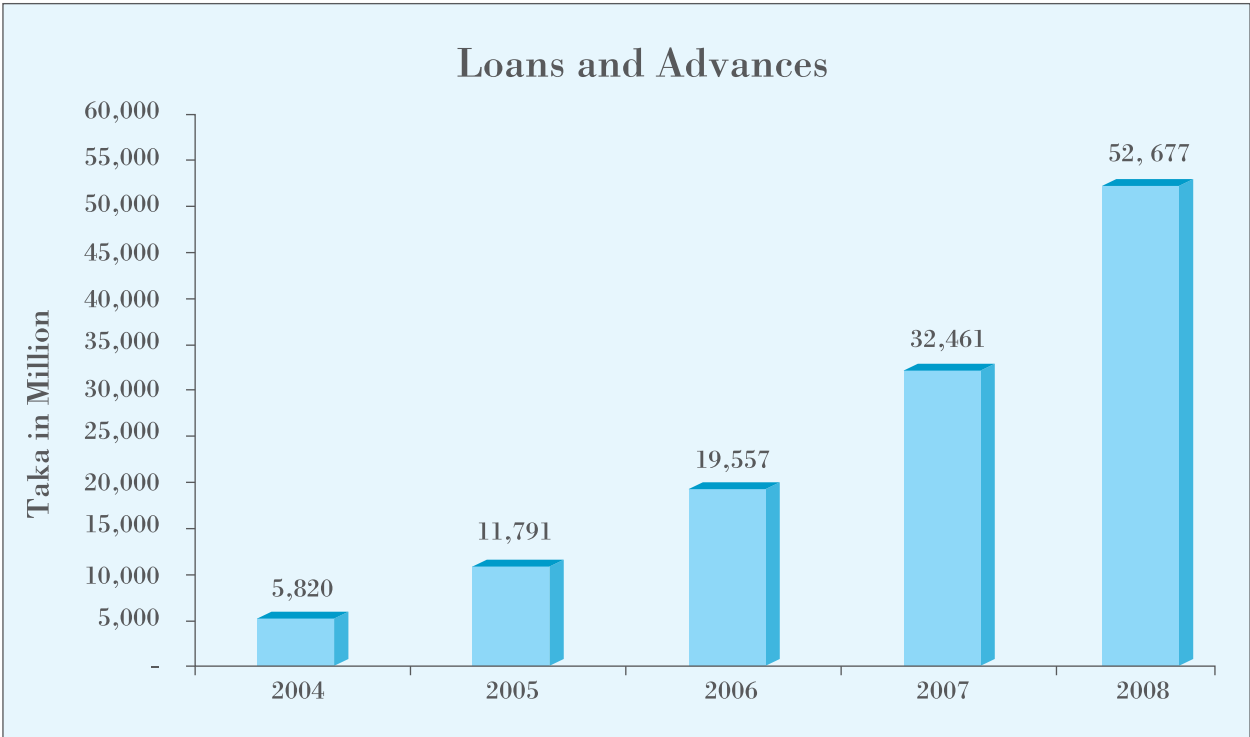
Taka in Million

	2008	2007
PROPERTY AND ASSETS		
Cash	4,316	3,115
Balance with other banks and financial institutions	3,195	3,065
Money at call and short notice	-	100
Investments	8,245	4,997
Loans and advances	52,677	32,461
Property, plant & equipments	1,472	943
Other assets	2,537	1,703
Total Property and Assets	72,442	46,383
LIABILITIES AND CAPITAL		
Borrowings from other banks, financial institutions & agents	2,280	2,240
Deposits and other accounts	58,007	37,368
Other liabilities	6,717	3,702
Total Liabilities	67,004	43,311
Shareholders' equity	5,438	3,072
Total Liabilities and Shareholders' Equity	72,442	46,383

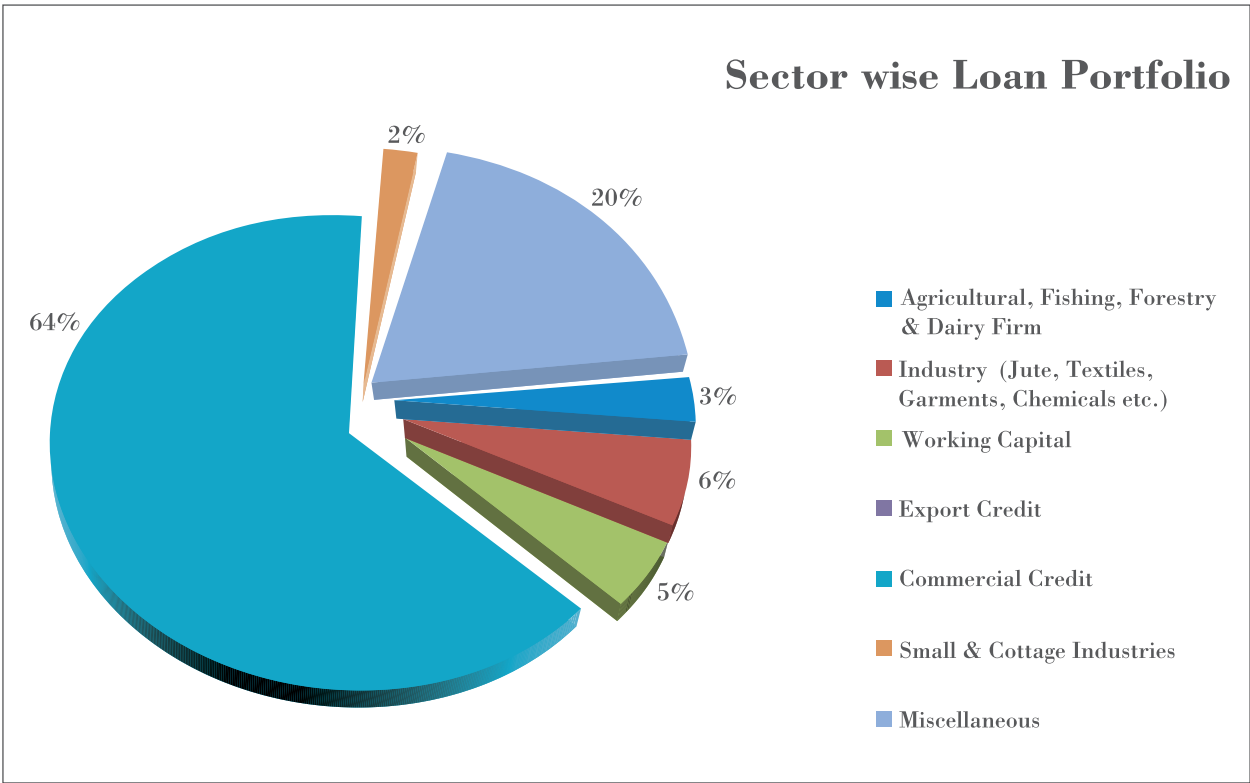
Total Assets of the bank rose to BDT 72,442 million in 2008 from BDT 46,383 million in 2007 registering a growth of 56%. Significant increases in assets documented in loans and advances, investments, fixed assets and cash assets maintained by bank.



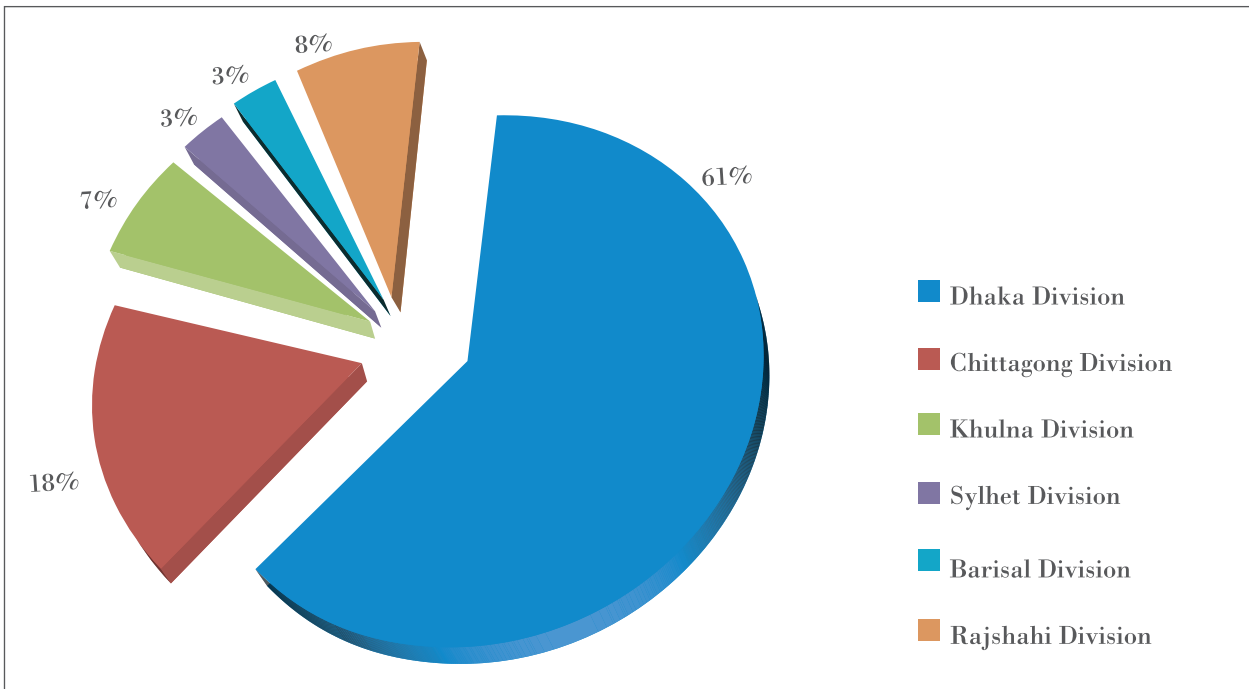
Loans and advances increased by BDT 20,216 million or 62% to BDT 52,677 million at 31 December 2008. This is a result of continued growth in lending business and solid growth in banking industry reflecting a continued focus on customers and profitable growth.



SME sector, the main concentrated area for the bank financing since its inception, comprises of 63% of the total loans and advances. Major portfolio of BRAC Bank belongs to Commercial sector. Sector-wise Credit Portfolio is shown in the figure below:

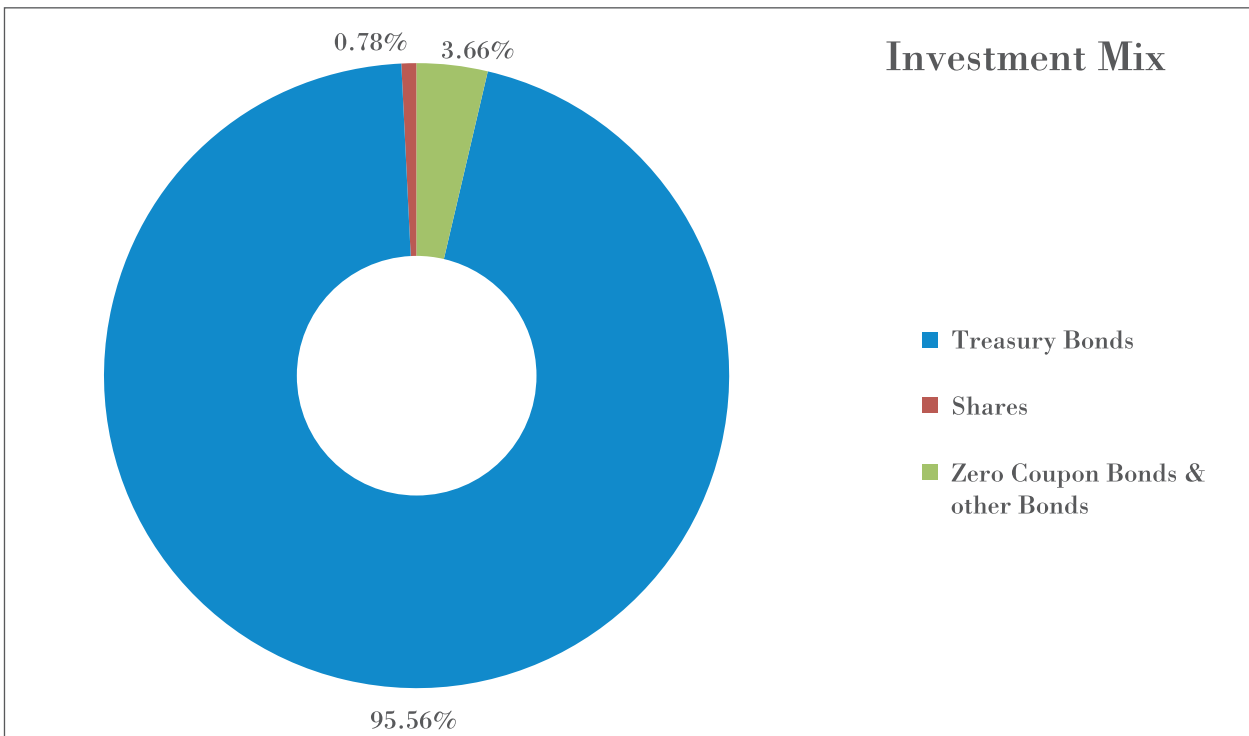


Credit Concentration is shown in the following pie –chart to elaborate the area of concentration of loans and advances. About 39% of total loan portfolio concentrated outside Dhaka.



Total Cash and Cash equivalents and Due from other banks have increased by BDT 1,232 million through the bank holding additional levels of liquidity.

The bank's investment, during the year 2008, were made mostly in government securities which stood at Tk. 8,245 million as on December 31, 2008 as against Tk. 4,997 million in 2007. Out of total investment, 96% is concentrated in Government Securities to maintain CRR and SLR of the bank comfortably and to use of our surplus fund in a cost effective means.

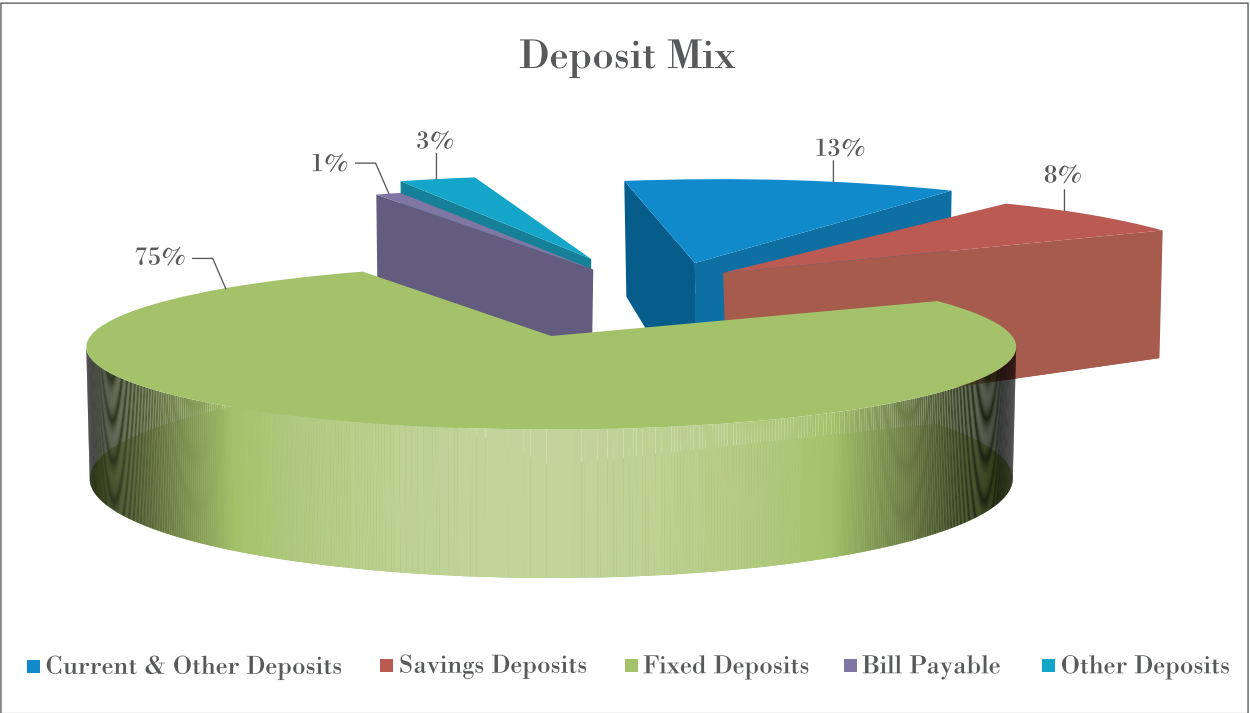


Total liabilities at 31 December 2008 increased by 55% to BDT 67,004 million from BDT 43,311 million at 31 December 2007. Significant increases in Liabilities documented in Deposits and Other Liabilities.

Customer deposits of the bank grew by 55% in 2008. The bank ended the year 2008 with total customer deposits of Tk. 58,007 million compared to Tk. 37,368 million in the year 2007.

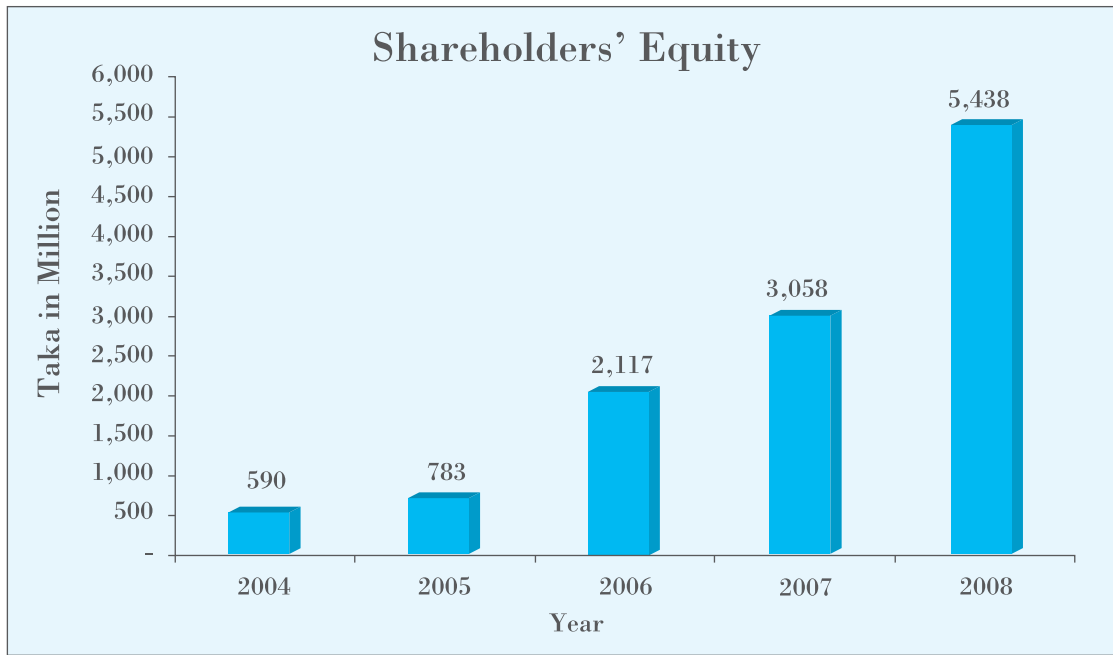


Currently, the bank’s deposits mostly comprise of fixed deposits. Since, almost 75% of total deposits are in the form of fixed while only 13% are in the form of current deposits. This deposits mix scenario is quite similar to that in the previous year.

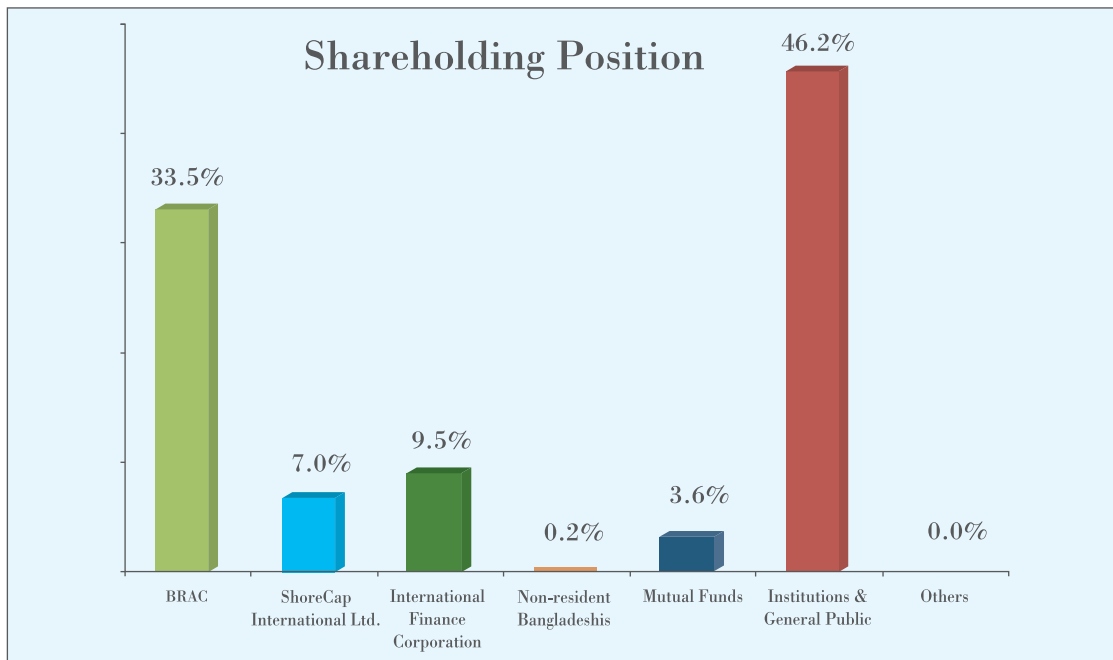


Shareholder’s Equity

The shareholder’s equity has increased by 77% over the previous year. Paid up capital of the bank is being raised from Tk.1,200 to Tk. 1,584 million in the year 2008 through issuance of bonus shares out of retained earnings in 2007 and by issuance of Right share. The statutory reserve also increased by BDT 405 million over previous year balance of BDT 504 million. This year bank’s created Revaluation reserve of BDT 119 million after adjusting deferred tax of BDT 97 million according to Bangladesh bank guideline.



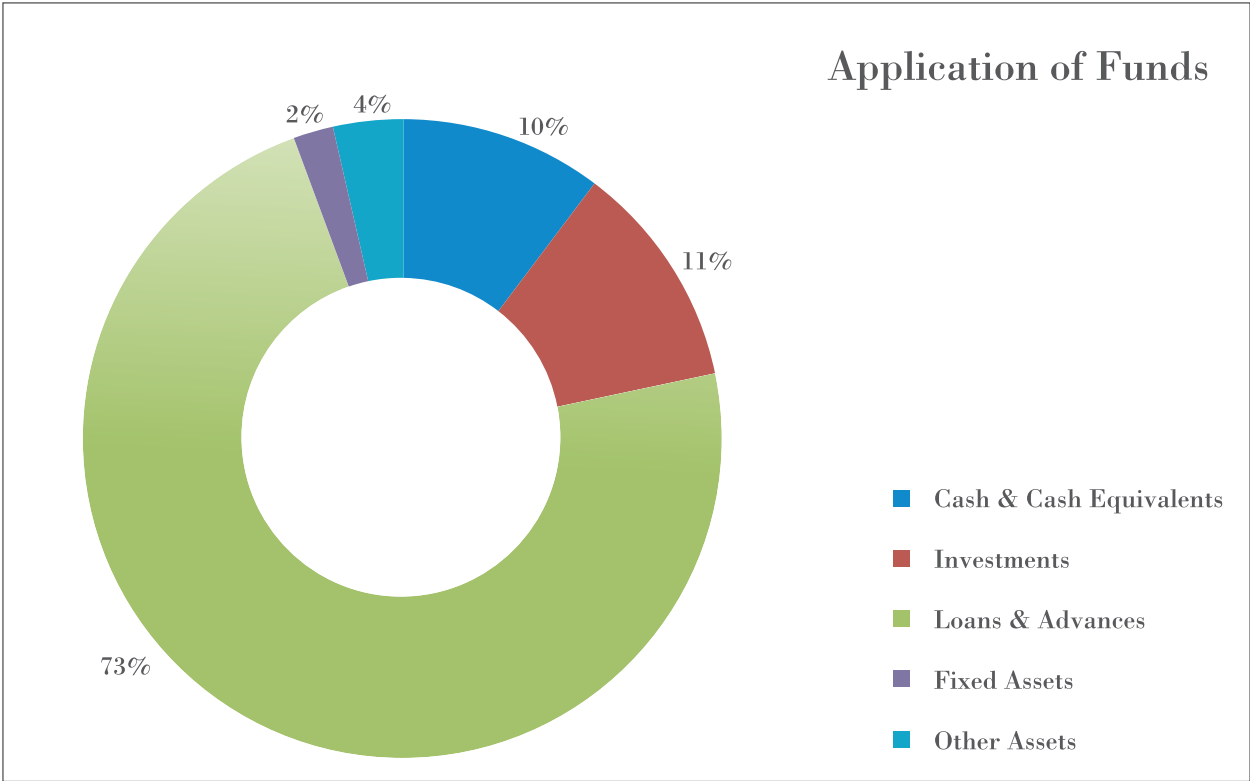
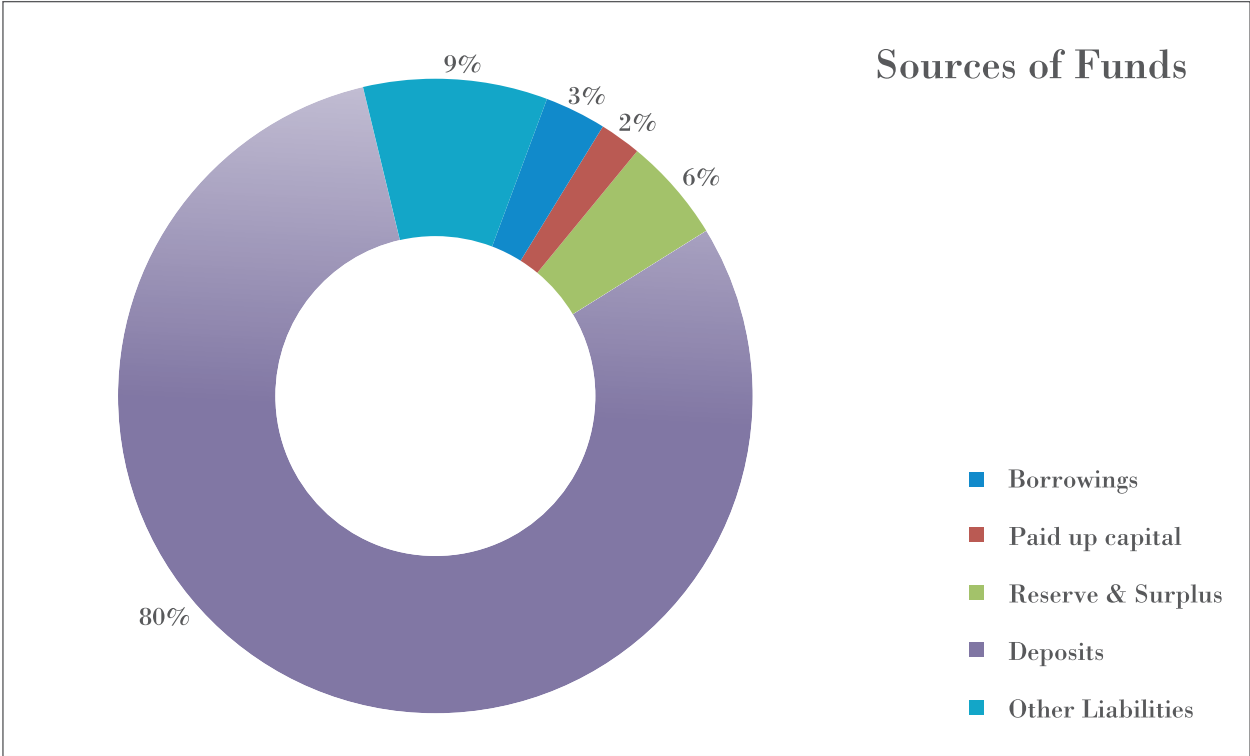
The Shareholding position as on 31st December 2008 is as follows:



Shareholding of BRAC public has increased to 33.51 % due to release of shares by ShoreCap International Ltd. Shareholdings of others remain as usual of previous year.

Sources and application of Funds

Main source of fund is customer deposits which composed of 80% of the total fund. Bank's major funds are utilized in loans & advances and investments comprising around 73% and 11% respectively of total funds available to the bank. A portion of fund is maintained in the form of cash and cash equivalents to maintain CRR and SLR which is about to 10% of total funds.



Capital Adequacy

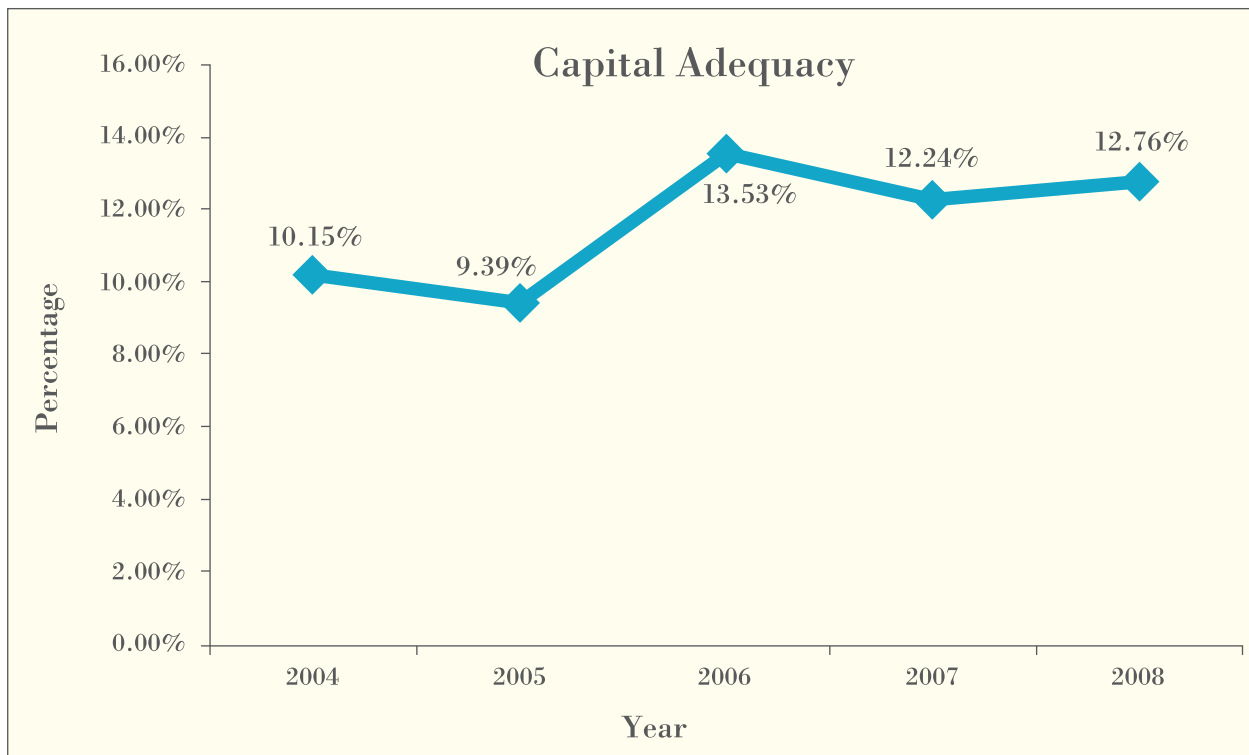
The Bank attained contentedly adequate capital of 12.76% compared to the current regulatory requirement of 10.00%. In 2008 the bank's core capital and total capital base improved by 10.05% & 12.76% respectively. The bank's total capital ratio which stood at 12.28% in 2007 increased significantly to 12.76% in 2008. The increase shown in the ratio is mainly due to the Issuance of Right Share with premium in 2008.

Taka in Million

Capital Composition	2004	005	006	007	2008
Capital - Core (Tier I)*	590.20	782.88	1,967.15	2,571.98	4,818.63
Capital - Supplementary (Tier II)**	60.08	206.00	529.14	1,220.49	1,297.95
Total Capital	650.28	988.88	2,496.29	3,792.47	6,116.58

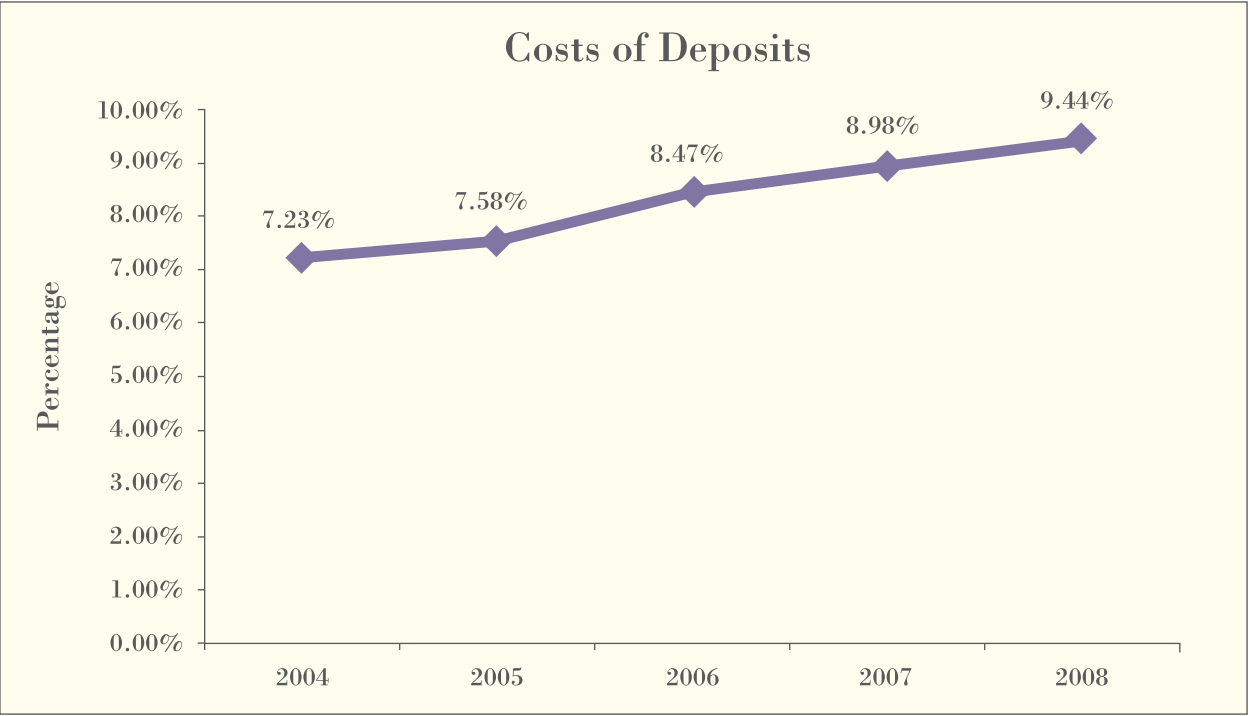
* Core Capital (Tier I) includes Paid-up Capital, Share Premium Account, Statutory Reserve and Retained Earnings.

** Supplementary Capital (Tier II) includes General provision (on unclassified loans), Preference Share and Exchange Equalization Fund.



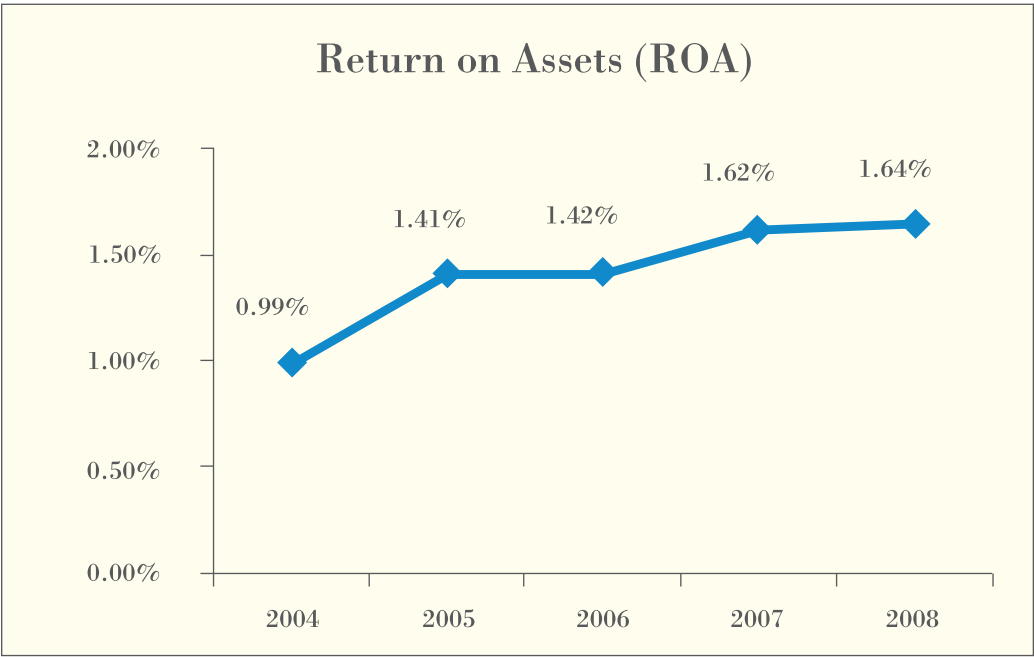
Cost of Deposit

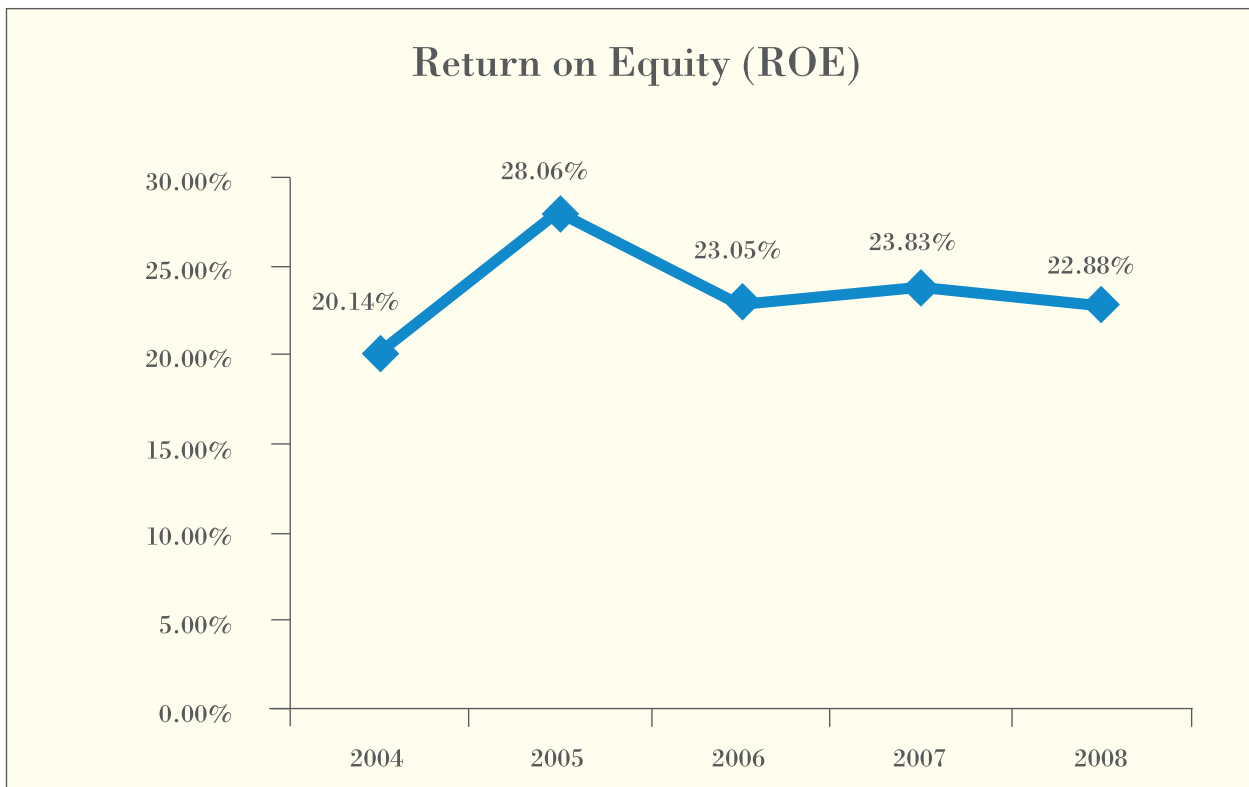
The Bank’s cost of deposits is pretty much consistent over the years to maintain a steady spread. Cost of deposit is a bit higher compared to that of previous year because of highest concentration of fixed deposit to support business growth, scarcity of fund, present political and economic scenario of the country in 2008.



Return on Assets (ROA) & Return on Equity (ROE)

Return on Assets this year stood at 1.64%, recording an increase from 2007 (1.62%). Return on Equity (ROE) stood at 22.88%, recording a decline 2007 (23.83%).





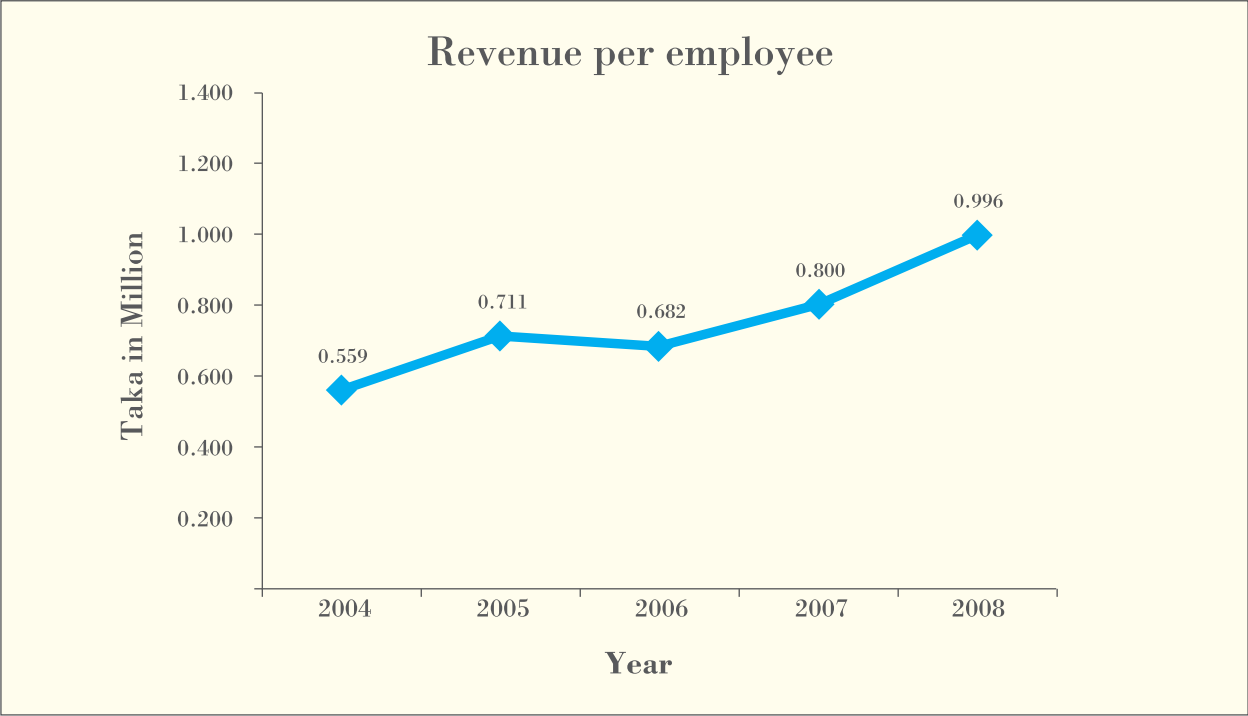
Earnings per share

Earnings per share stood at Tk. 62.30 as on December 31, 2008 compared to Tk. 42.30 at the end of the previous year which is restated because of issuance of bonus shares during the year.



Revenue per employee

Trend of revenue per employee is gradually increasing over the last five years except in the year 2006 as recruitment in that year was mainly done last quarter of the year, hence revenue per employee had been slightly lower. Revenue per employee has been shown in thousand Taka.



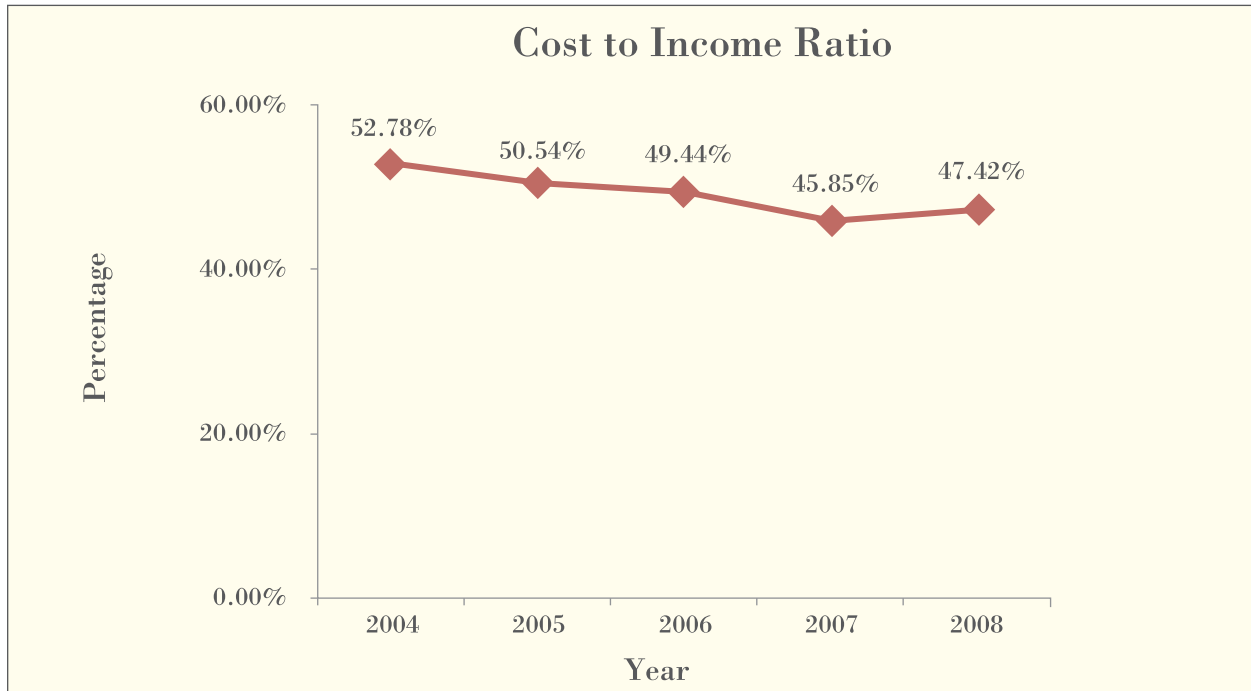
Operating Cost Per Employee

Operating cost per employee is increased in the year 2008 due to recruitment of a number of loan staff as well as launching of new branches, SME service centers, SME unit Offices and ATM booths during that year.



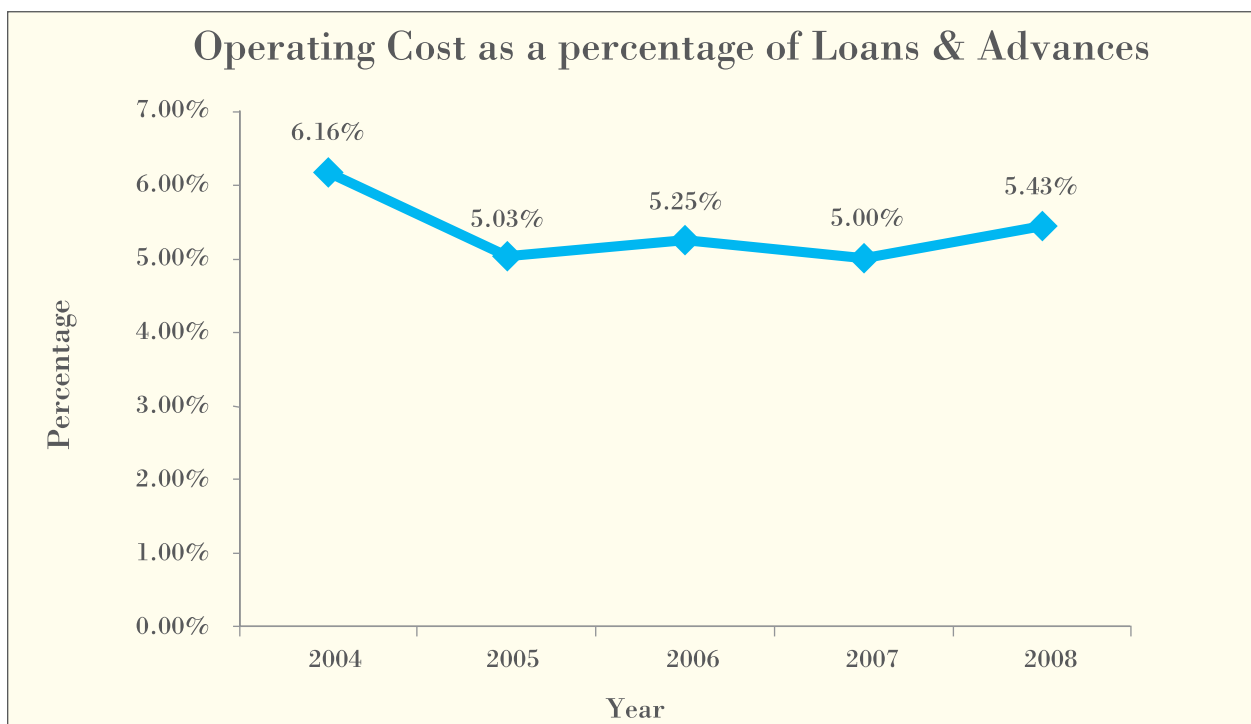
Cost to Income Ratio

Cost to income ratio has been lower from 52.78% to 47.42% during the last five years because of efficient cost management. However, In the year 2008 cost to income ratio has slightly increased from 45.85% (in 2007) to 47.42% (in 2008) due to recruitment of a number of loan staff as well as launching of new branches, SME service centers, SME unit Offices and ATM booths in 2008.



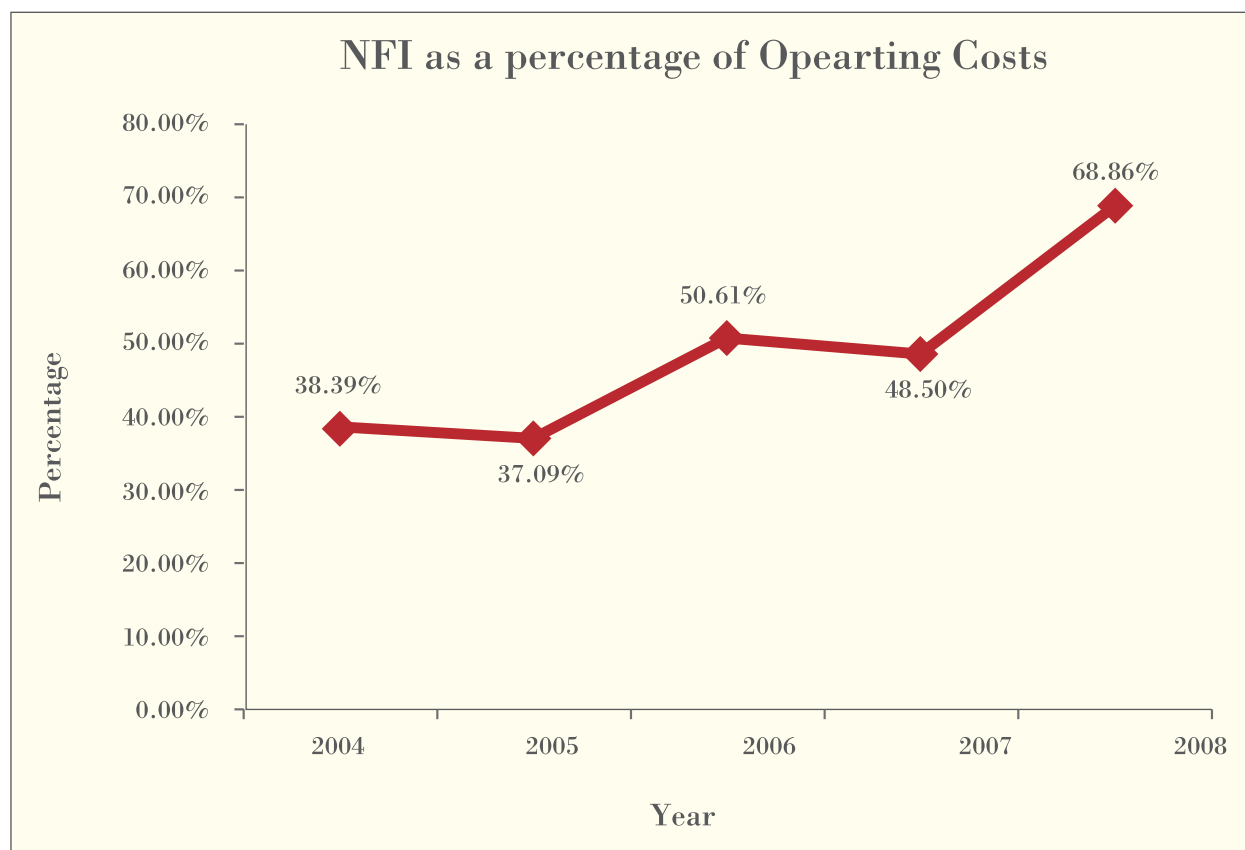
Operating Cost as a percentage of Loans & Advances

Operating cost of the bank is consistent over last five years. It remains around 5 % to 7 % of total average outstanding loans and advances.



Non Funded Income as a percentage of Operating Costs

Non Funded income of the bank is gradually increasing over last five years. Due to this Non Funded income as percentage of operating costs increased over the last 5 years. In the year 2008, there is a significant increase from 48.50% (2007) to 68.86% (2008).



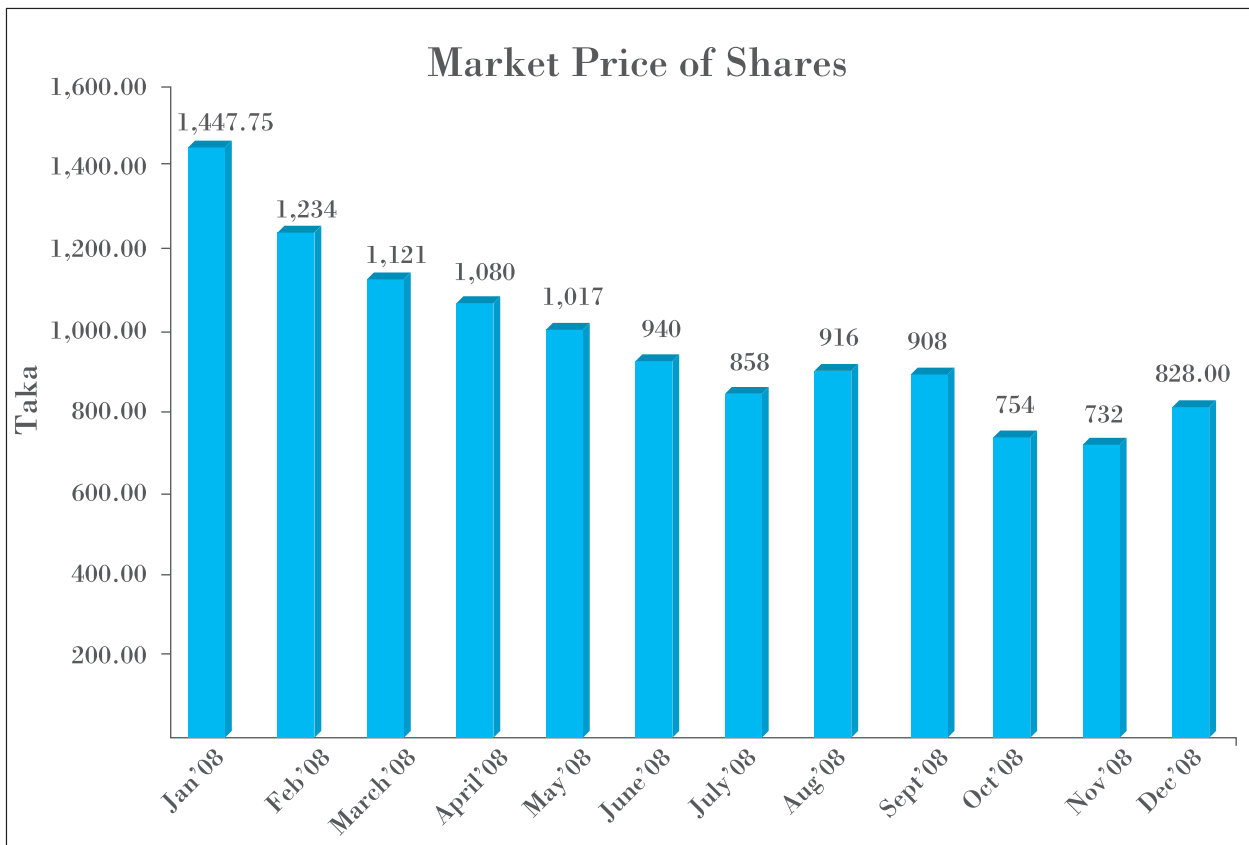
Contribution to National Exchequer

BRAC Bank has contributed much to the national economy in collecting Govt. revenue and depositing the same to Govt. Exchequer according to prescribed laws prevailing in the country. Bank authority deducts tax, VAT and excise duty timely at the time to making payments for goods and services. Besides these, bank also pays income tax on its earnings. bank's contribution to National Exchequer is highlighted below:

Deposit to Government Exchequer	2008	2007
Tax paid on banks income	810.12	355.10
Tax-collected at source	448.57	240.57
VAT	447.80	111.96
Excise duty	32.95	21.53
Total	1,739.44	729.16

Shareholders' Value and Market Price Information

With our competent and visionary Board of Directors, quality manpower, advance technology, BRAC Bank is always trying to increase the value of the shareholder. Bank management is always striving its efforts toward improving value of the shareholders as well as increasing its earning base assets that will generate income in future. BRAC Bank emerged as a socially responsible bank as well as a committed bank that will create such impression in the mind of investors to be one of the leading banks. Reported market price of shares of BRAC Bank Limited in Dhaka Stock Exchange is Tk. 828 on close of the business of the year 2008. The bank's market capitalization at 31 December 2008 was Tk.13,116 million which is 1.61% of total market capitalization of DSE. (Source of information: Monthly Review of December, 2008)



Risk Management

Risk Management is related to control over daily operational risk and core risk through monitoring of the bank. Sound risk management practices are integral parts to make available high quality return for the shareholders. The structure of risk management has been designed as per guideline of central bank to manage the risk more effectively. Bangladesh bank has identified six-core areas of risk and out lined various processes to effectively manage the risk.

Credit Risk: Credit risk is a risk where the borrower may not be able to willing to repay the debt he or she owes to the bank. The bank deals with these credit risks by establishing different levels of authority for credit approval depending on the type of business.

Asset and Liability: Asset Liability Management Committee (ALCO) controls assets and liabilities of the bank. BRAC Bank is the first private bank in the country to adopt a robust and international ALM software for measuring and monitoring liquidity and interest rate risk, the two most risky areas for any bank.

Foreign Exchange Risk: Foreign exchange risk arises when the bank is involved in foreign currency transactions, which may result in deficits or surplus in the bank's foreign currency position. They may incur gains or losses on exchanges as a result of movements in exchange rates. BRAC Bank has a robust foreign exchange risk management policy approved by its board of directors complying with the guidelines of Bangladesh Bank.

Internal Control & Compliance Risk : Internal control and compliance function consists of (i) compliance (ii) monitoring and (iii) Audit and inspection process. BRAC Bank has implemented internal control & compliance guideline of Bangladesh Bank to ensure the bank manages its internal control and compliances risk. This system ensures all the departmental process and procedure are as per guideline provided and also maintains ethical standard, accounting rules, and efficiency in business process and safeguarding of assets are ensured.

Money laundering: According to BB guideline, banks and financial institutions should view money-laundering prevention as part of their reputation and operational risk management, as it has an adverse impact on national economy, security and social values. Money laundering is the processing of money acquired through illegal means so that it appears to have come from a legitimate source. It is one of the six core risk areas identified by Bangladesh Bank guidelines in Managing Core risk in banking. New money laundering prevention Ordinance 2008 was promulgated with effect from April 15, 2008. BRAC Bank has formulated and adopted a policy to counter money laundering.

Information Technology:

In accordance to the Bangladesh Bank guideline on Information & Communication Technology, BRAC Bank is committed to manage its IT environment in a controlled and secured manner. A Comprehensive information Technology policy has been established as guided by Bangladesh Bank guideline.

Corporate Governance

BRAC Bank Limited places the greater emphasis to maintain high standard of Corporate Governance. As the trustee on behalf of the shareholders of the company, your board is fully aware of its responsibilities and therefore, endeavors to safeguard the interests of all concerned.

The Board of Directors is the highest level of authority in the organization structure of BRAC Bank Limited. The board is responsible for the overall direction and is ultimately accountable to the shareholders for the activities, strategies and performance of the company. In terms of the Corporate Governance principles set out by the Securities and Exchange Commission our Board of Directors has appointed an Independent Director.

The prime concern of the board is to ensure that the overall activities of the business are conducted responsibly and with focus on long-term value creation. The board meets periodically to transact matters placed before them that require board's approval and directions. Board reviews the overall activities of the business and where necessary strategic guidelines one given for onward implementation.

The Management Committee of BRAC Bank Limited is engaged to implement the decisions of Board of Directors and supervisions of day-to-day business affairs of the company. The committee is also responsible for achieving the business plan. The committee consists of functional heads of different operating/business segments and is headed by the Managing Director and the CEO. In conformity with the Corporate Governance principles set out by the Securities and Exchange Commission, the Board of Directors constituted an Audit Committee.

Corporate Social Responsibility (CSR)

In the corporate sector in our country, CSR activities are increasing as well as being recognized by the corporate body. Corporate Social Responsibility (CSR) can be key different elements and means for achieving greater business value in this competitive world. Customers and the public are very much aware of the CSR and demanding greater social accountability these days. Your bank is always aware to ensure compliances and attaining greater social goals through good governance. Your bank has already laid an emphasis on its commitment to the society.

Credit Rating of the Bank

According to the Bangladesh Bank's BPRD Circular No. 06 dated July 05, 2006 and in order to improve the risk management and corporate governance as well as to safeguard the interest of investors, depositors, creditors and Shareholders, we have completed credit rating by Credit Rating Agency of Bangladesh Limited (CRAB) for the year ended 31 December 2008.

We are pleased to inform that the entity rating of BRAC Bank Limited has been affirmed to "AA₂" (Pronounced Double A Two) rating to BRAC Bank Limited in the Long Term and "ST-2" rating in the Short Term. Commercial banks rated in this category is adjudged to be very strong banks, Characterized by very good financials, healthy and sustainable franchises and a first rate-operating environment. Rating in this category is characterized with commendable position in terms of liquidity, internal fund generation and access to alternative sources of fund.

Subordinated Convertible Bond

To support the business growth of the bank for 2009 and beyond, the Board of Directors of BRAC Bank Limited has recommended issuing the Subordinated Convertible Bond of BDT 3.00 billion as Tier-II capital subject to the approval of the Regulatory Authorities. The tenor of the bond is 84 Months, Interest rate, 182 days TB+6.00% to 6.50% Margin (Indicative). At current 182 days TB rate, the total interest is at 14.00 % to 14.50% p.a. The face value of each bond is taka 1000. 25% of total bond will be converted into equity in the following manner:

- 5th year - 5% of issue size @ a price of 3 to 3.5 times of Book value
- 6th year - 10% of issue size @ a price of 3 to 3.5 times of Book value
- 7th Year - 10% of issue size @ a price of 3 to 3.5 times of Book value

Dividend

The Board of Directors perused a dividend policy that makes a continuous effort to uphold and protect the interest of the Shareholders. Accordingly the Board has recommended 30% Stock dividend for the year ended 31 December 2008 subject to the approval of the 10th Annual General Meeting.

Award and Recognition

We are happy to report that we received the prestigious 8th ICAB National Awards from the Institute of Chartered Accountants of Bangladesh (ICAB) for best publish Annual Report 2007. We are also awarded for the highest VAT payer bank by the National Board of Revenue (NBR) on the last financial year. We believe this achievement is for our valuable shareholders, stakeholders and well-wisher for their comprehensive support and cooperation.

Meeting of Directors

During the year 2007, 14 (fourteen) meetings of the Board of Directors and 06 (six) of the Audit Committee of the Board was held.

Retirement and Re-election of Directors

Pursuant to the Articles of Association and the Companies Act 1994 the following Directors from the Board of BRAC Bank Limited will retire in the 10th Annual General Meeting. Subsequently, they are eligible for reelection or reappointment to the Board of Directors:

1. Mr. Quazi Md. Shariful Ala
2. Mr. Muhammad A. (Rumee) Ali

Appointment of Auditors

In accordance with the BRPD Circular Letter no-12 dated 11 July 2001, regarding appointment of external Auditor of bank Companies, one Auditor cannot be appointed for more than three consecutive years. Our existing Auditors' M/s Rahman Rahman Huq, Chartered Accountants, member firm of KPMG has completed their third consecutive year in 2008. Therefore Rahman Rahman Huq, Chartered Accountants are not eligible for re-appointment. Accordingly, M/S S. F Ahmed & Co, M/s ACNABIN & Co. and M/s Shamsul Alam & Co have expressed their interest to be the Auditors of the Company for the year 2009 and among of them M/s S. F. Ahmed & Co. Chartered Accountants have been recommended by the Board of Directors to appoint as Auditors for the year 2009.

Finally, we are thankful for your confidence on us. Your continued support is the driving force behind the growth and development of our business. Thanks to the commitment, dedication and hard work of the BRAC Bank Limited employees who are core to our success. I also take this opportunity to recall with appreciations the support and cooperation we have received from our shareholders, clients, government agencies, regulatory bodies and everyone the company interested with in conducting its business.



Chairman

Our Performance

Financial position

Amount in BDT (Million)

Particulars	2008	2007	2006	2005	2004
Cash & bank balances	7,510.86	6,279.13	5,107.59	2,254.00	2,198.37
Investments	8,245.37	4,996.86	3,768.01	2,163.81	1,625.91
Loans & advances	52,676.72	32,461.10	19,557.17	11,791.31	5,819.79
Fixed assets	1,472.02	942.93	389.38	156.36	30.68
Other assets	2,536.92	1,702.57	1,189.68	510.53	341.19
Total assets	72,441.89	46,382.60	30,011.82	16,876.01	10,015.94
Borrowings	2,280.00	2,240.00	1,332.97	1,473.39	568.21
Total deposits	58,006.89	37,368.41	23,001.92	13,409.01	8,168.98
Other liabilities	6,717.48	3,702.16	3,559.73	1,210.68	688.54
Equity	5,437.53	3,072.03	2,117.19	782.93	590.21
Total liability	72,441.89	46,382.60	49,620.46	28,685.80	16,341.01
Credit deposit ratio	90.81%	86.87%	85.02%	87.94%	71.24%
Interest earning assets	69,338.49	44,445.21	28,774.45	16,278.38	9,704.67
Non-Interest earning assets	3,103.40	32,328.95	1,237.37	597.62	311.28
Net assets value per share	311.71	214.34	196.72	156.59	118.04
Total contingent liabilities & commitments	2,161.00	2,156.55	1,319.23	1,392.45	292.06
Interest & Fee Income	8,941.04	5,346.23	3,311.99	1,731.98	953.39

BRAC Bank Ltd.
Five years of the bank at a glance

Amount in BDT (Million)

Profitability					
Operating income	6,036.18	3,543.15	2,077.43	1,173.32	679.45
Operating expenses	2,862.28	1,597.66	1,027.02	593.00	358.616
Operating profit	3,173.91	1,945.49	1,050.41	580.32	320.84
Provisions for loans and others	1,150.46	681.16	345.05	239.96	110.53
Profit before Tax	2,023.45	1,264.34	705.36	340.36	210.30
Provision for Tax	1,050.00	646.00	371.10	147.68	111.00
Profit after Tax	973.45	618.34	334.26	192.68	99.30
Portfolio Yield	16.97%	16.47%	16.93%	14.69%	16.38%
Return on investment (ROI)	12.61%	11.64%	9.69%	8.54%	8.57%
Return on assets (ROA)	1.64%	1.62%	1.43%	1.43%	1.36%
Return on equity (ROE)	22.88%	23.83%	23.05%	28.06%	20.14%
Cost of deposit	9.44%	8.91%	8.47%	7.58%	7.23%
Weighted average earning per share	62.30	42.29	*29.38	38.54	23.16
Net income per share	58.50	49.99	32.08	38.54	19.86
Management Efficiency					
Net Revenue per Employee	1.15	0.95	0.88	0.82	0.69
Operating Cost per Employee	0.55	0.43	0.44	0.41	0.37
Cost to income ratio	47.42%	45.09%	49.44%	50.54%	52.78%
Net Profit per employee	0.39	0.34	0.30	0.24	0.21
Equity measures					
Authorized capital	4,800.00	2,000.00	2,000.00	1,000.00	1,000.00
Paid-up capital	1,584.00	1,200.00	1,000.00	500.00	500.00
Capital - Core (Tier I)	4,818.63	2,571.98	1,967.15	782.89	590.21
Capital - Supplementary (Tier II)	1,297.95	1,220.49	529.14	206.00	60.09
Total capital	6,116.58	3,792.47	2,496.29	988.89	650.29
Capital surplus/(deficit)	1,322.26	704.41	835.66	40.57	73.68
Share premium	1,406.00	350.00	350.00	-	-
Statutory reserve	908.76	504.07	251.20	58.40	19.86
Retained earnings	919.87	517.91	365.94	224.49	70.35
Capital adequacy ratio	12.76%	12.28%	13.53%	9.39%	10.15%

Amount in BDT (Million)

Asset Quality					
Total loans & advances	52,676.72	32,461.10	19,557.17	11,791.31	5,819.79
Classified loans	2,473.01	1,444.78	594.79	265.18	114.41
Classified loans to total loans & advances	4.69%	4.45%	3.04%	2.25%	1.97%
Provision for Unclassified loan	769.67	707.95	379.10	205.96	60.04
Provision for Classified loan	1,637.71	607.13	267.33	134.06	86.99
Provision Adequacy Ratio	1.37	1.04	1.02	1.09	1.38
Other Business					
Import business	10148	5,113.75	3,889.50	3,015.40	561.50
Export business	682.8	640.50	412.20	277.20	135.60
Inward Remittance (USD)	502	285.84	119.51	41.02	13.44
Outward Remittance (USD)	14.15	284.27	115.81	40.63	12.63
Guarantee business	311.10	178.15	194.80	72.00	20.20
Share information					
Market Price per share (DSE)	828	1,612	531.50	-	-
Dividend	30%	10%	20%	0%	0%
Bonus	30%	10%	20%	-	-
Cash	-	-	-	-	-
Price earning ratio	13.29	30.03	-	-	-
Net Asset Value per share (NAV)	312	214	197	157	118
Market capitalization	13,116	19,344	-		
Distribution network					
Number of branches	56	36	26	18	13
Human Capital (nos)	6,061	4,428	3,047	1,650	1,216
Number of ATM	125	60	22	9	-
Number of Zonal office	137	107	89	51	36
Number of SME service center	30	-	-	-	-
Number of Unit office	429	392	355	292	265

* Last year figures have been rearranged to confirm current year's presentation.

Economic Impact Report

Economic system involves the production, distribution and consumption of goods and services between the entities in a particular society. The economic system is composed of people and institutions, including their relationships to productive resources, such as through the convention of property. Economic impact could be defined as any increase or decrease in productive potential of an economy. Economic impact extends beyond the boundaries of any single organisation and is linked to both the environmental and social elements of sustainable development. By analysing economic impact, we seek to understand how a company adds value to society. Economic impacts can be broadly categorised into two main area i.e. direct and indirect. Direct impacts are the immediate economic effects of a company's financial transactions while indirect impacts are the economic effects that are created through a company's operations or provision of goods and services. Banks' direct contributions to the economy of its nation would comprise of creation of employment opportunities, collection of taxes on behalf of the Government etc. Inculcating the savings habits among members of the community and improvement of socio-economic and environmental performance in client organisations through lending, could be considered as indirect contributions. Therefore, financial services sector of any country has a vital role to play in the development of an economy, principally in allocating financial capital through its lending strategies to different economic activities.

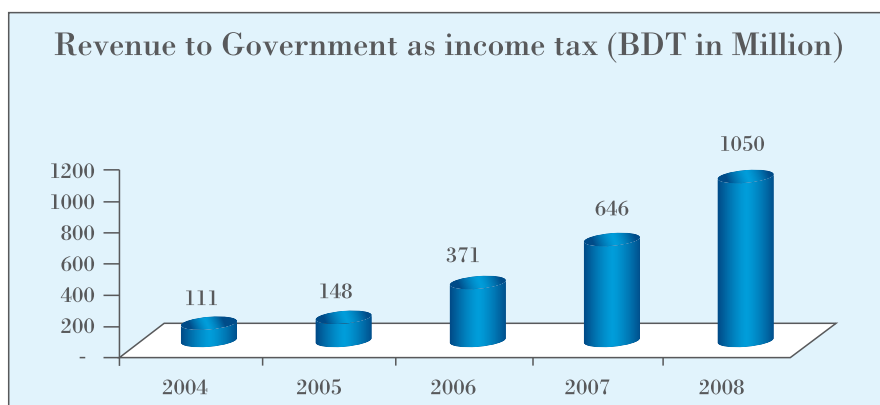
Banks do not operate in isolation. Different sectors in the society contribute in numerous ways for the smooth functioning of their operations. These different parties when put together are identified as stakeholders of a bank. They include the shareholders who provide the much needed capital, depositors and investors who invest their money in the bank, borrowers who obtain credit facilities, employees who put their effort to serve the customers and the government who provides basic financial infrastructure by way of regulations, systems, processors and supervision.

Through the provision of financial services, banks create wealth. Therefore, it is bound to distribute the wealth so created among these stakeholders in many different forms. Shareholders will accrue wealth and receive a dividend in return for the risk of the equity investment, depositors and investors receive interest for risks undertaken on their investments, borrowers obtain credit facilities at prevailing competitive rates in the industry, employees receive salaries and other benefits for the contribution made to its institutions whilst the government earns tax revenue, commensurate with the value created by the financial services industry to the economy.

This section elaborates the creation and delivery of 'Value' to various stakeholders by the bank.

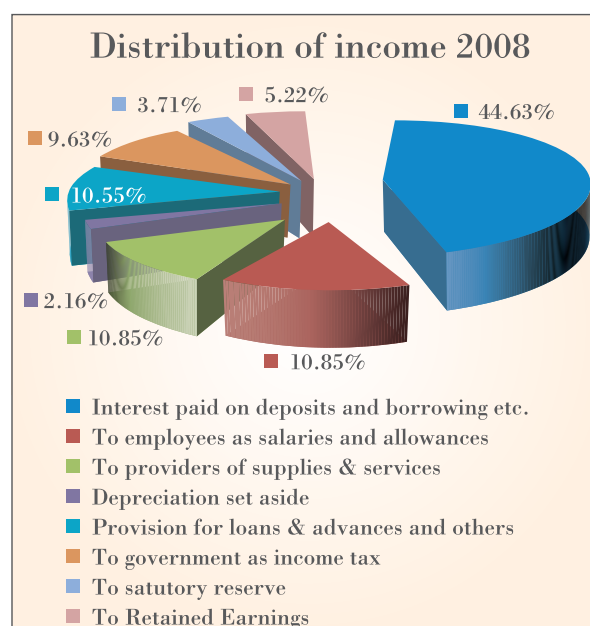
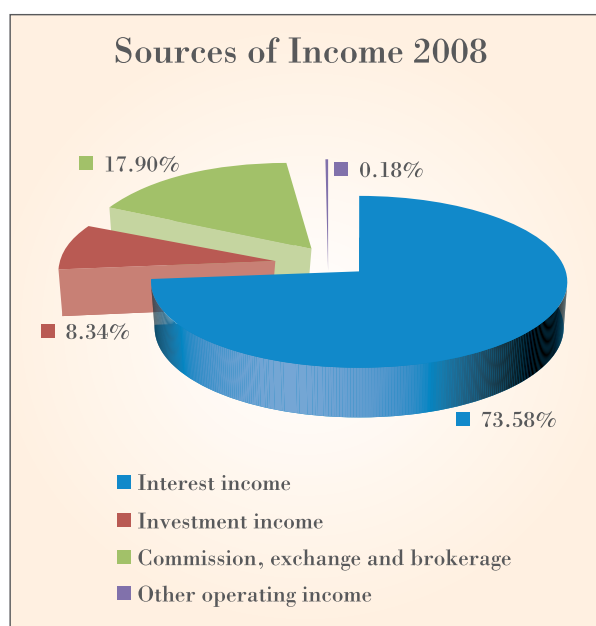
BRAC Bank is a model corporate body. It creates value through provision of financial services in line with its mission, "Building a profitable and socially responsible financial institution focused on Markets and Business with growth potential, thereby assisting BRAC and stakeholders build a "just, enlightened, healthy, democratic and poverty free Bangladesh". The bank has its own systems, processes and procedures in place to check verify and validate the value creation process. The bank conducts its business in a transparent and ethical manner in line with the best industry practices while being fair to every stakeholder. It adheres to good Corporate Governance principles as set out in the Securities & exchange Commission's notification dated 20 February 2006 and BRPD Circular No. 16 dated 24 July 2003. Though profit maximisation is not the sole objective of the bank, it is essential to earn profits to fulfill the aspirations of different stakeholders. The bank is mindful of the need to add value on a sustainable basis to these stakeholders in this value creation process. It has not been a case of building financial value and enhancing the bottom line at any cost for the bank, but participating in a process of creating value through fair and ethical means.

The bank continued to receive awards and accolades during the year 2008. Credit Rating Agency of Bangladesh Limited assigned "AA2" (pronounced double A two) rating to the bank in the Long Term and "ST-2" rating in the Short Term, which is adjudged to be very strong for a banks, Characterized by very good financials, healthy and sustainable franchises and a first rate-operating environment. Rating in this category is characterized with commendable position in terms of liquidity, internal fund generation and access to alternative sources of fund. The external auditors continue to issue an unqualified audit opinion on the Financial Statements of the bank. These awards, accolades and ratings have been presented in appreciation of the sustainable performance maintained by the bank while conducting its business in a transparent, ethical and fair manner.



Sources & Distribution of Income for the year ended 31 December 2008

	BDT in Million	
Particulars	2008	2007
Sources of Income		
Interest income	8,021.10	4,633.35
Investment income	909.13	693.14
Commission, exchange and brokerage	1,951.19	771.78
Other operating income	19.85	16.11
	<u>10,901.28</u>	<u>6,114.39</u>
Distribution of Income		
Interest paid on deposits and borrowing etc.	4,865.09	2,571.24
Salaries and allowances	1,444.07	798.11
To providers of Supplies & services	1,183.27	669.88
Depreciation set aside	234.94	129.67
Provision for loans & advances and others	1,150.46	681.16
To Government as income tax	1,050.00	646.00
To statutory reserve	404.69	252.87
To Retained earnings	568.76	365.47
	<u>10,901.28</u>	<u>6,114.39</u>



Maintaining Capital Adequacy

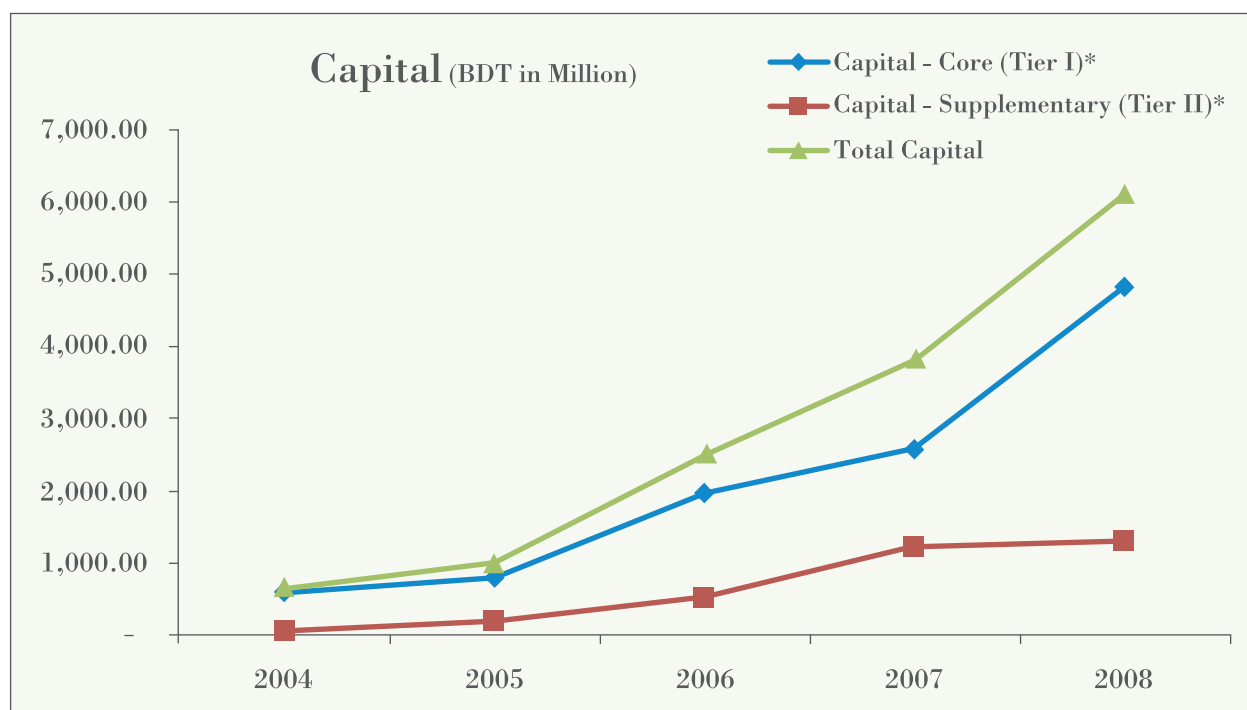
Capital Adequacy Ratio (CAR) is the measure of the financial strength and sustainability of a bank. Capital adequacy ratio determines the capacity of the bank in terms of meeting the time liabilities and other risk such as credit risk, market risk, etc. Bank's capital is the "cushion" for potential losses, which protect the bank's depositors or other borrowers. In this regard, Bangladesh Bank uses CAR as a mechanism to protect depositors and enhance confidence in the banking system.

Day-to-day business of a bank leads to expand the size of the balance sheet with the acquisition of assets and liabilities. To supplement the growth in assets, the bank incurs liabilities to providers of capital, depositors and lending institutions. The CAR recognizes the different risk profiles attached to these assets in determining the capital required to "cushion" any potential losses as the composition of the balance sheet of a bank is different to a normal organization where a major portion of assets and liabilities comprise of advances and deposits.

Vulnerability of the banks' financial stability would affect the systemic importance of the banks to the economy. Regulatory capital requirements are therefore necessary to limit operations of banks to prevent overtrading. At the same time, banks can leverage their growth to optimise the return on assets. Therefore maintaining a healthy CAR would ensure a stable and sound banking industry, which undoubtedly contribute to the growth of the economy.

During the year the bank raised BDT 264.00 million by way of a rights issue to supplement the funding needs of the bank. This has resulted in increasing the CAR to a very satisfactory level, which compares well with the ratios reported by other banks.

The detailed Capital Adequacy Computation of the bank as at December 31, 2008 is given on page 173 of the Annual Report.



A more Remunerative Dividend Policy

The bank continued to pay a substantial dividend to its shareholders while ploughing back sufficient profits to augment the funding needs and capital adequacy requirements. The bank is careful of the need to strike a reasonable balance between these aspects in maintaining sustainable growth, commensurate with the risks undertaken by its investors.

This prudent dividend policy has contributed in building the bank's shareholders' funds to the present level and it is considered as one of the major funding sources of the bank's expansion. In fact, BRAC Bank has one of the highest free capital levels among the banks in the country today.

In addition to the enhanced share capital due to the rights and bonus issues, the Board of Directors has proposed dividend of BDT 30 per ordinary share for the year 2008.

Maintaining a Satisfactory Liquid Assets Ratio

The bank maintains liquid assets to carry out the day-to-day operations and fulfill the statutory requirements imposed by the regulator. The Asset and Liabilities Committee of the bank (ALCO) monitors the situation carefully and provides direction to maintain an optimum trade-off between liquidity and profitability.

It is the policy of the bank to carry a positive mismatch primarily in 1-30 days category in interest earning assets and interest bearing liabilities. The bank maintained an optimum amount of liquidity during the year. If and when the liquidity fell below the internally set limits which are always above the statutory limit, the bank took effective and prompt actions to ensure it is maintained above the regulatory limit. These measures have resulted in meeting the funding requirements of all its stakeholders in a timely and efficient manner.

The detailed Liquidity Statement of the bank as at December 31, 2008 is given on page 41 of the Annual Report.

Convenience to Customers

The computer system of the bank is interconnected and the customers have the flexibility of operating from any location of their choice irrespective of the branch where the account was opened. The bank's different delivery points (ATM, CDM, POS etc.) provide maximum customer convenience. The stretched banking facility, large ATM & POS network, Cash Deposit Machines, SMS and Internet banking facility are extensively used to empower our customers with the latest technological advancement.

Managing Risks

An integrated Risk Management approach is in place centrally, to address all risk related functions including credit, market and operational risks. The assets and liabilities of BRAC Bank Ltd. is managed so as to minimize, to the degree prudently possible, the bank's exposure to risk, while at the same time attempting to provide a stable and steadily increasing flow of net interest income, an attractive rate of return on an appropriate level of capital and a level of liquidity adequate to respond to the needs of depositors and borrowers and earnings enhancement opportunities.

These objectives are accomplished by setting in place a planning, control and reporting process, the key objective of which is the coordinated management of the bank's assets and liabilities, current banking laws and regulations, as well as prudent and generally acceptable banking practices.

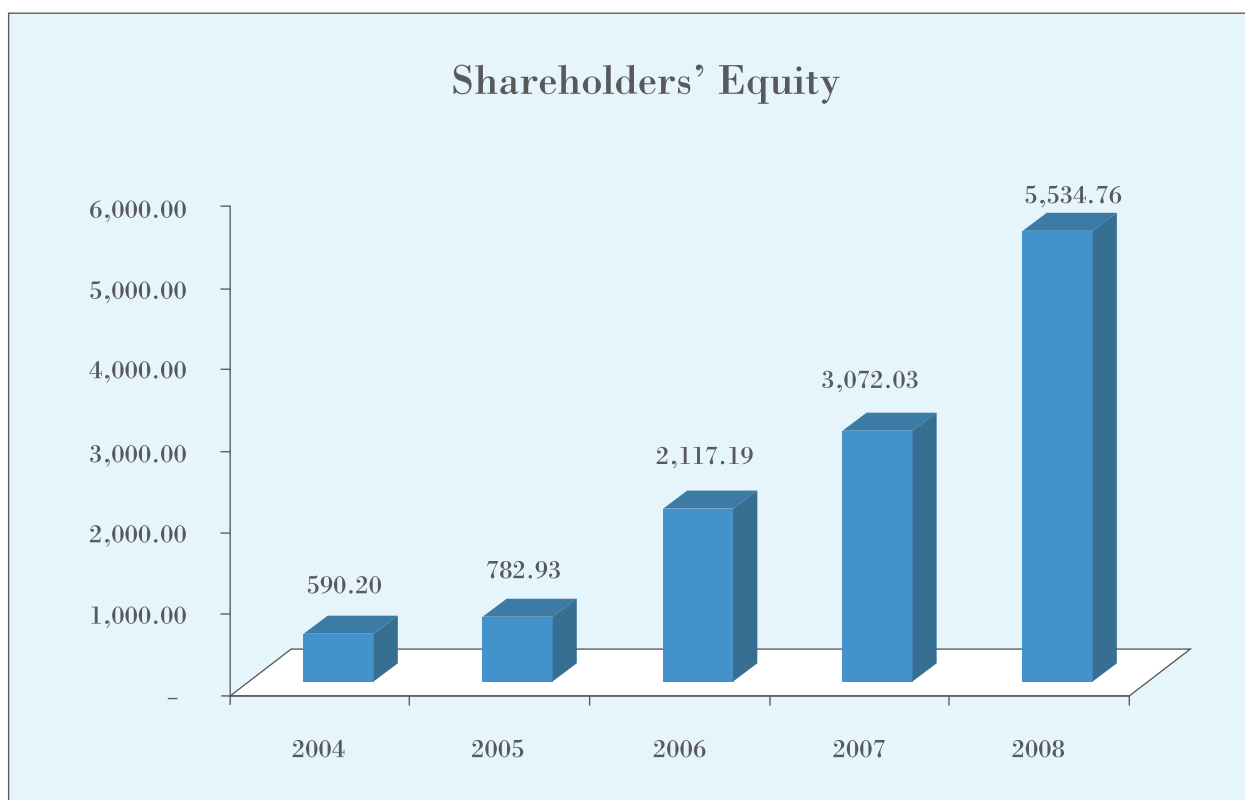
The risk management of the bank covers 6 (Six) Core risk areas of banking, i.e. a. Credit Risk Management, b. Foreign Exchange Risk Management, c. Asset liability Management, d. Prevention of Money Laundering, e. Internal Control & Compliance and f. IT policy as per BRPD circular No. 17 of 07 October, 2003.

Optimum Utilisation of Resources

In its endeavour, the bank is mindful of mobilising the scarce resources such as capital, deposits and borrowings at attractive terms. The bank is vigilant in mobilising the resources in the most cost efficient manner and is cognizant of the need for prudent investment of funds for the improvement of profitability. Hence, it carefully analyses the lending propositions and makes sure follow up action is in place before disbursement of funds.

These internal processes has contributed immensely to record the lowest non-performing advances ratio among the local commercial banks in the country. In addition, the cost/income ratio reported by the bank which is the lowest among any local commercial bank, testifies the Optimum utilisation of resources.

The bank's shareholders' equity stood at BDT 5,534.76 million as at December 31, 2008, mainly due to the initiatives taken, such as prudent dividend policy, tax planning and controlled capital expenditure over the years.



Value Added Statement for the year ended 31 December 2008

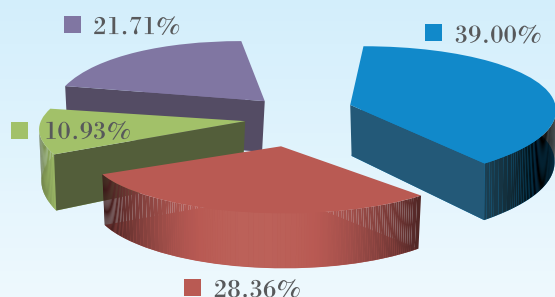
Value added is the wealth created by BRAC Bank through its different banking operations. The value added statement shows the total wealth created, how it was distributed to meet certain obligations and reward those responsible for its creation, and the portion retained for the continued operation and expansion of BRAC Bank.

The value added statement of BRAC Bank limited shows how the value is created and distributed to the different stakeholders of the bank.

BDT in Million

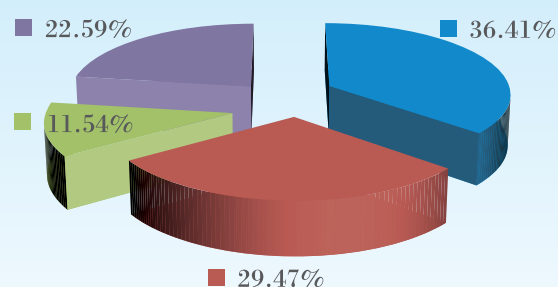
Particulars	2008	2007
Income from banking services	10,901.28	6,114.39
Less: Cost of services and supplies	6,048.36	3,241.11
	4,852.92	2,873.27
loan loss provision and other provisions	1,150.46	681.16
Total value added	3,702.46	2,192.12
Distribution of added value		
As salaries and allowances	1,444.07	798.11
To Government as income tax	1,050.00	646.00
To statutory reserve	404.69	252.87
To expansion & growth	803.70	495.14
Retained earnings	568.76	365.47
Depreciation	234.94	129.67
	3,702.46	2,192.12

Value added statement
2008



- To employees as salaries and allowances
- To Government as Income tax
- To statutory reserve
- To expansion & growth

Value added statement
2007



- To employees as salaries and allowances
- To Government as Income tax
- To statutory reserve
- To expansion & growth

Economic Value Addition

Economic value addition is a measure to calculate the economic value added by the enterprise to the stakeholders. In computing economic value addition, economic profit and contribution to the Govt. Exchequer is considered.

Economic Profit

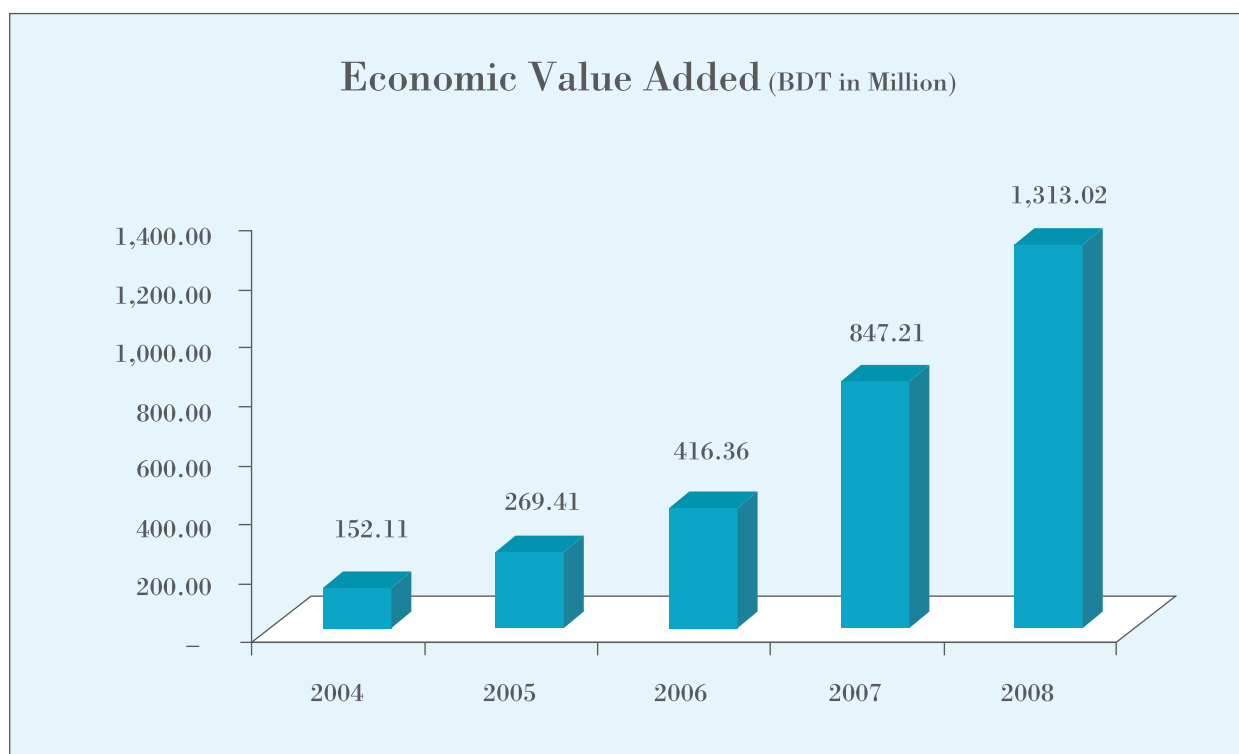
Economic profit is a residual measurement which subtracts the cost of capital from the net operating profits after tax generated in the business. The bank's internal performance measures include economic profit, a calculation which compares the return on the financial capital invested in the bank by its immediate sponsors of the bank with the cost of that capital. The bank prices its cost of capital internally and the difference between that cost and post-tax profit attributable to the ordinary shareholders represents the amount of economic profit generated. Economic Profit is used by the management as one of the measures to decide where to allocate resources so that they will be most productive.

Economic Value Added Statement

BDT in Million

Particulars	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Shareholders' equity	5,437.53	3,072.03	2,117.19	782.93	590.21
Add : Provision for loans and Advances	2,407.38	1,315.08	646.43	340.02	147.03
	7,844.91	4,387.10	2,763.62	1,122.95	737.24
Average Shareholders' Equity	6,116.01	3,575.36	1,943.29	930.09	584.87
Earnings					
Profit after taxation	973.45	618.34	334.26	192.68	99.30
Add: Provision for loans and advances	1,150.46	681.16	371.10	239.41	110.53
Less: Written Off during the year	(40.27)	-	(38.51)	(46.42)	-
	2,083.64	1,299.49	666.85	385.67	209.84
Average Cost of Equity (based on weighted average rate of Treasury Bills plus 2% Risk Premium)	12.60%	12.65%	12.89%	12.50%	9.87%
Average Cost of Equity	770.62	452.28	250.49	116.26	57.73
Economic Value Added	1,313.02	847.21	416.36	269.41	152.11
Growth Over last year	54.98%	103.48%	54.54%	77.12%	337.89%

In EVA terms, we have created BDT 1,306.90 Million during the year 2008 and BDT 2,991.98 Million over the past 5 years.



Market Value Added (MVA)

Market Value Added (MVA) is the difference between the current market value of a company and the capital contributed by investors. The higher the MVA, the better. A high MVA indicates the company has created substantial wealth for the shareholders. A negative MVA means that the value of management's actions and investments are less than the value of the capital contributed to the company by the capital market (or that wealth and value have been destroyed).

Market Value Added Statement

	BDT in Million	
	2008	2007
Particulars		
Market Capitalisation	13,115.52	19,344.00
Less : Total Invested capital	5,534.76	3,072.03
Market Value Added	18,650.28	22,416.03

Market Value Added represents the confidence that the market places on the future stream of EVAs.

Maturity Analysis

The assets and Liabilities Committee of the bank closely monitors the maturities of assets and liabilities of the bank. A summary of the maturity pattern of the respective assets and liabilities of the bank as at December 31, 2008, is as follows:

	BDT in Million					
	0 - 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	Above 5 Years	Total
Interest Earning Assets	10,895	10,685	23,496	15,194	9,070	69,338
Non-Interest Earning Assets	142	562	1,114	979	306	3,103
Total Assets	11,037	11,247	24,610	16,173	9,376	72,442
Interest Bearing Liabilities	7,763	16,876	30,950	2,574	2,124	60,287
Non-Interest Bearing Liabilities	782	1,397	1,749	658	2,035	6,620
Total Liabilities	8,546	18,273	32,698	3,231	4,159	66,907
Maturity Gap	2,491	(7,026)	(8,089)	12,941	5,217	5,535

Board of Directors

Muhammad A. (Rumee) Ali

Mr. Muhammad A. (Rumee) Ali, joined the Board of BRAC Bank in 2007 and was elected the Chairman, in 2008 taking over from the Founder Chairman Mr. Fazle Hasan Abed. He is the Managing Director, Enterprises at BRAC and also a Director of BRAC BDMail Network Limited, Delta Brac Housing Finance Corporation Limited and Square Informatics Limited.

Rumee Ali served at different levels in local and international banking sectors. Prior to joining in BRAC in 2007, he served as the Deputy Governor of Bangladesh Bank from 2002 to 2006. With his appointment as Country Head and General Manager of ANZ Grindlays in March 1997, Rumee Ali became the first Bangladeshi to head a major international bank in Bangladesh. In July 2000, following the takeover of ANZ Grindlays by Standard Chartered Bank, Rumee Ali was appointed the CEO of the Standard Chartered Group in Bangladesh, heading both Standard Chartered Bank and Standard Chartered Grindlays Bank. His banking experience includes stints in India, United Kingdom and Australia. Rumee Ali was elected a Fellow of the Institute of Bankers, Bangladesh, in 2001. At present, he is the Vice Chairman of Bangladesh Association of Banks.

Rumee Ali is a director on the boards of several organizations, including the Governing Board of PKSF and is also a member of the Global Steering Committee of the 'Performance Based Grants Initiative' of the Interantional Finance Corporation, Washington DC. He served as a member of the Better Business Forum and is, at present, a member of the Technical Advisory Committee of the Bangladesh Investment Climate Fund. He is a member of the Advisory Board of LR Global Asset Management Co. (Bangladesh) Ltd. He also served as a member of the National Advisory Committee on Small & Medium Enterprises (2005/6).

Rumee Ali is Masters in Economics from Dhaka University and was born in Dhaka, Bangladesh, in 1951.

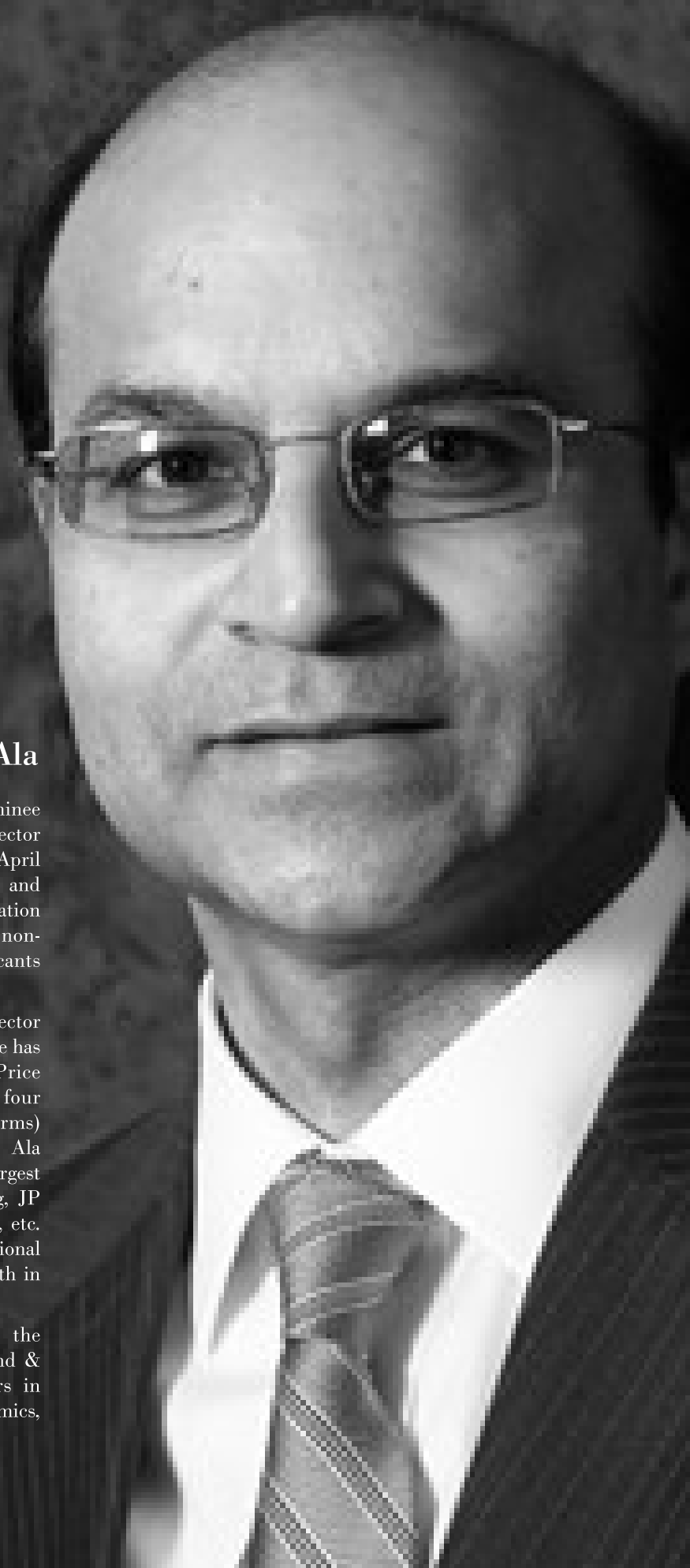


Quazi Mohammad Shariful Ala

Mr. Quazi Mohammad Shariful Ala is a nominee Director of BRAC. He was appointed as a Director to the Board of BRAC Bank Limited since April 2005. He is presently the Managing Director and CEO of Delta Brac Housing Finance Corporation Limited (DBH). Beside this, he is also a non-executive Director of Mobil Jamuna Lubricants Limited.

Prior to joining DBH, he was the Finance Director of Green Delta Insurance Company Limited. He has also worked in the London Office of Price Waterhouse Coopers (one of the big four international accountancy and consultancy firms) for six years. Whilst at PriceWaterhouse, Mr. Ala had worked on assignments with some of the largest listed companies in the UK and US including, JP Morgan, Barclays Bank, Shell Group, Unilever, etc. He has altogether more than 28 years professional experience primarily in the financial sector both in Bangladesh and in the United Kingdom.

Mr. Ala is a Chartered Accountant from the Institute of Chartered Accountants of England & Wales and graduated with first class honors in Economics from the London School of Economics, University of London, UK.



Nihad Kabir

Ms. Nihad Kabir has been an Independent Director on the Board of BRAC Bank Limited since July 2007, and also a Depositor Director, as approved by Bangladesh Bank. In addition, she is a member of the Board Audit Committee of the Bank. She is a Director of Kedarpur Tea Company Limited.

Ms. Nihad is the Senior Partner of Syed Ishtiaq Ahmad and Associates. She is an advocate of Supreme Court of Bangladesh, and the Treasurer of AIN O SALISHI KENDRA. She is the Legal Adviser of Centre for Policy Dialogue (CPD), and Committee Member of the Metropolitan Chamber of Commerce and Industries, as well as Chair of its Commercial Legislation Sub-Committee. She is a member of the Asian Round Table on Corporate Governance. She has been a member of the Company Law Reform Committee and the WTO Working Group on TRIPS and TBT, Government of Bangladesh. She was the first legal counsel of the Securities and Exchange Commission. She worked as Counsel at the Asian Development Bank, and is currently a member of the National Education Policy Committee. She has more than 18 years of work experience as a lawyer.

Ms. Nihad is a Barrister-at-law; she was called to the Bar from Grays Inn in England. She has a B.A. (Hons) degree in law and an LLM from the University of Cambridge, England.



Tamara Hasan Abed

Ms. Tamara Hasan Abed has been elected as Director to the Board of Directors of BRAC Bank Limited in April 2008. In addition, she is the Director of AARONG, a leading fair trade organization dedicated to bring about positive changes in the lives of disadvantaged artisans and underprivileged rural women by reviving and promoting their skills and crafts. She is also the director of BRAC Dairy Food Project (BDFP) & Ayesha Abed Foundation (AAF). In addition, she is also the Director of SOLVIT Limited.

She started her career in Peregrine Capital Ltd., Bangladesh. She also worked for Goldman Sachs in New York, USA. In addition, she has also worked for BRAC Urban Development Program. Altogether she has more than 12 years of work experience in retail, development, finance and investment both locally and internationally.

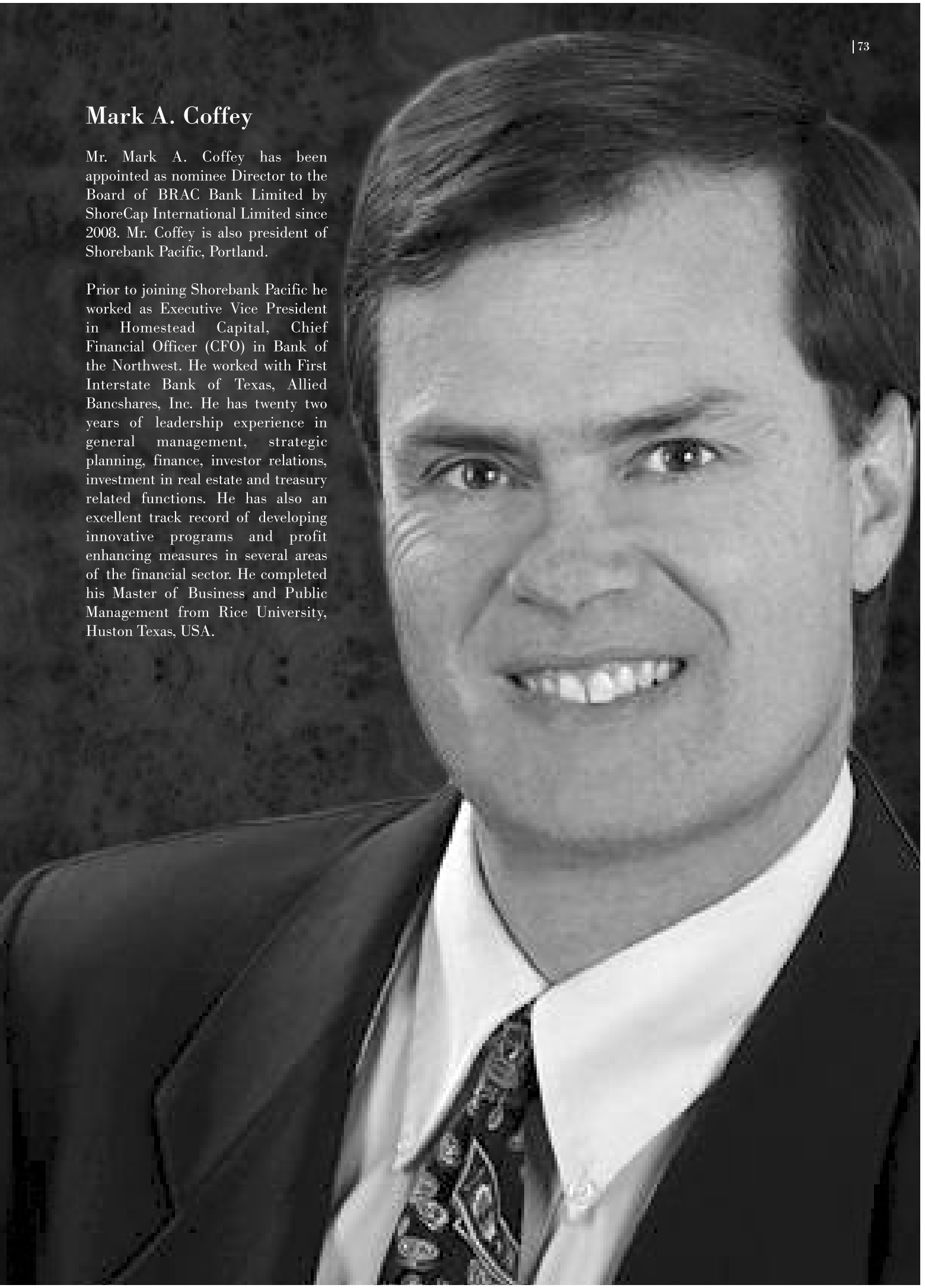
Ms. Tamara completed BSc. (Economics) from London School of Economics, London, UK and MBA in Finance from Columbia Business School, Columbia, NY, USA.



Mark A. Coffey

Mr. Mark A. Coffey has been appointed as nominee Director to the Board of BRAC Bank Limited by ShoreCap International Limited since 2008. Mr. Coffey is also president of Shorebank Pacific, Portland.

Prior to joining Shorebank Pacific he worked as Executive Vice President in Homestead Capital, Chief Financial Officer (CFO) in Bank of the Northwest. He worked with First Interstate Bank of Texas, Allied Bancshares, Inc. He has twenty two years of leadership experience in general management, strategic planning, finance, investor relations, investment in real estate and treasury related functions. He has also an excellent track record of developing innovative programs and profit enhancing measures in several areas of the financial sector. He completed his Master of Business and Public Management from Rice University, Huston Texas, USA.



A black and white portrait of Mr. Shib Narayan Kairy, a middle-aged man with a mustache and glasses, wearing a dark suit, white shirt, and a patterned tie. He is smiling slightly and looking towards the camera. The background is dark and out of focus.

Shib Narayan Kairy

Mr. Shib Narayan Kairy is the Director to the Board of Directors of BRAC Bank Limited from April 2008. In addition, he is the Chairman of Board Audit Committee. Beside this, he is Director Finance & CFO of BRAC. He is also Director of Documenta TM Ltd., Bangladesh Netting Factory Ltd., BRAC Industries Limited, BRAC Services Limited, BRAC Karnafuli Tea Co. Ltd., BRAC Kaiyachera Tea. Co. Ltd., BRAC Banshali Tea Co. Ltd. and BRAC Kodala Tea Co. Ltd. He has altogether more than 25 years of working experience in Finance and Accounts.

Mr. Shib Narayan Kairy completed M. Com. in Accounting from Dhaka University.

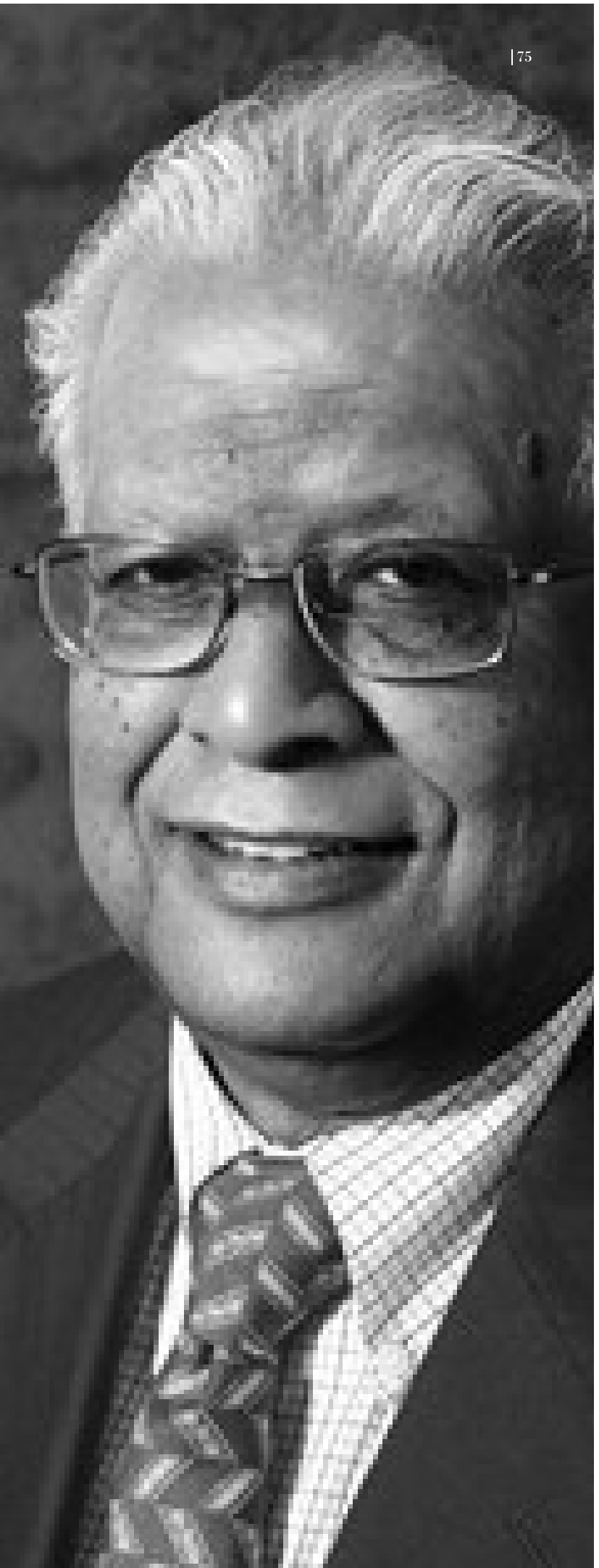
Dr. Hafiz G.A. Siddiqi

Dr. Hafiz G.A. Siddiqi is the Depositor Director of BRAC Bank Limited. He has been appointed to the Board in October 2008.

Dr. Siddiqi is the Vice Chancellor of North South University. He is the president of the Hyderabad based Association of Management Development Institution in South Asia (AMDISA), a SAARC affiliated association of top Business School of South Asian Countries. He is the member of Steering committee, Bangladesh Commission for UNESCO, founder Chairman of Institute of Management Consultants, Bangladesh, Member and founder Chairman in the Board of Directors of MIDAS.

Dr. Siddiqi worked as International Consultant to many international organizations, including the World Bank. He advised many agencies of the Government of Bangladesh on various aspects relating to management development, marketing, performance evaluation, human resources development, globalization & technology transfer. He is the author/co-author, editor of 14 books and published many articles. His latest book is "The Readymade Garment Industry of Bangladesh" published by University Press Ltd. Dhaka in 2004. Dr. Siddiqi has more than 40 years experience as an educationist, researcher, international consultant and business executive.

Dr. Siddiqi obtained his Ph.D from Manchester Business School, University of Manchester, UK, MBA from Graduate School of Business, Indiana University, USA, Master of Public and International Affairs (MPIA) from University of Pittsburgh, Pennsylvania, USA, M. A. (Economics), University of Dhaka.



Report on Audit Committee

In accordance with the BRPD Circular Number 12 dated December 23, 2002 of Bangladesh Bank and the notification of Securities and Exchange Commission vide SEC /CMRRCD/2006-158/admin/02-08 dated February 20, 2006, the Audit committee of BRAC Bank Limited was formed by the Board of Directors of BRAC Bank Limited in March 2003.

The audit committee oversees the development of sound corporate governance practices; financial reporting and developing a robust internal control system introduced to minimize various business risks.

According to the Bangladesh Bank and SEC guidelines, the Audit Committee is a sub committee of the Board of Directors. The Committee reports on its activities to the Board of Directors. The Company Secretary of the Bank is the Secretary of the Audit Committee. The Head of Internal Control concurrently reports to Managing Director as well as to the Board of Directors. The Audit Committee of BRAC Bank Limited is comprised of three members of the Board of Directors. We have an Independent Director in the Audit Committee.

The composition of present Audit Committee is as under;

Mr. Shib Narayun Kairy	Chairman
Mr. Muhammad A. (Rume) Ali	Member
Ms. Nihad Kabir	Member
Mr. Rais Uddin Ahmad	Secretary

The audit committee assists the board in fulfilling its oversight responsibilities including implementation of the objectives, strategies and overall business plans set by the board for effective functioning of the bank. The committee reviews the financial reporting process, the system of internal control and management of financial & operational risks; through the audit process.

The Audit Committee of the Bank convenes once in every alternate month. Total 06 (six) Audit Committee meeting held in 2008. The main objectives of the Audit Committee are;

Financial Reporting:

- To improve the financial reporting quality, focus on changes in accounting practices, significant adjustments resulting from audit and compliance with accounting standards;
- In case of financial reporting the income must not be over accrued and the expenses are not hidden or capitalized and the off-balance sheet activities do not have any material effect on the situation.

Control:

- To appraise, improve and reinforce the control environment;
- To review bank's system risk analysis and ensure that they work in a cost effective manner;
- To Introduce and maintain a of sound financial reporting system.

Internal and External Auditor:

- To improve the communication of Internal and External Auditors and maintenance of independency of these two group;
- Chairman of the committee must ensure the direct access to any employee record as per the Internal or External Auditor's request;
- To review periodically the remuneration and the performance of the External Auditors;

- To assure the uncompromising independency of External Auditors;
- To promote the efficacy of Internal Audit and support it;
- To receive on behalf of the board relevant extracts from internal audits reports and draw to the attention of the CEO and the board any matters in them;
- To seek advise regarding the latest development of accounting and auditing in international arena.

Adhere to laws, regulation and guidance:

- To review External Auditor's management letter and management response;
- To review compliance with the rules and observations of the regulatory agencies, monitor the bank's response and report material deficiencies to the Board;
- To receive periodical report and take appropriate action
- Members of the audit committee, other Executives, and Managers must recognize that the responsibilities resting upon the committee are numerous and heavy;
- The committee may have observations on particular people and should make these known to those responsible, however, they must remember that the responsibility for the competence of management rests with line managers and ultimately with the CEO;
- To commission and receive reports about the reappointment and remuneration of the external auditors and submit their conclusions to the annual general meeting;
- Chairman of the committee should be in attendance to respond to questions.



Shib Narayun Kairy
Chairman Board Audit Committee

Management Committee



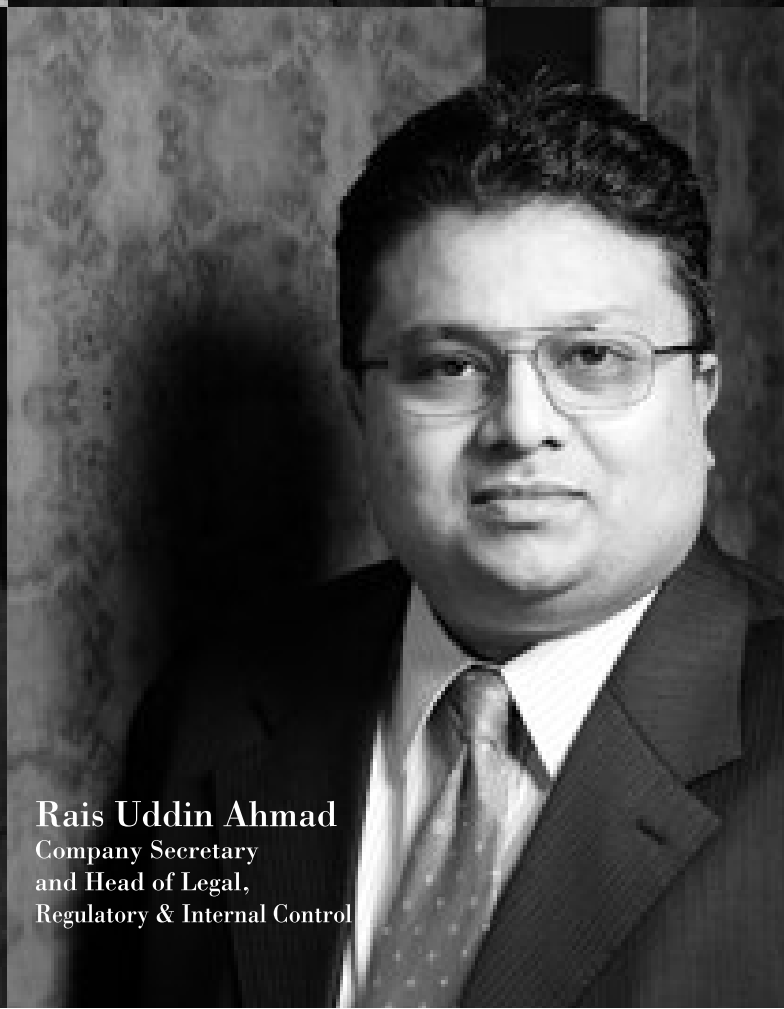
A.E.A. Muhaimen
Managing Director & CEO



Syed Mahbubur Rahman
Deputy Managing Director



Tarique Amin Bhuiyan
Chief Information Officer



Rais Uddin Ahmad
Company Secretary
and Head of Legal,
Regulatory & Internal Control

A.E.A. Muhaimen

Managing Director & CEO

Mr. A.E.A. Muhaimen, Managing Director & CEO of BRAC Bank Limited has been in his position since May 2008. Prior to joining BRAC Bank Limited, he served with the National Bank of Fujairah, Dubai, UAE as Head of Consumer Finance & Transactional Services. Before that he had served as Deputy Managing Director with “The City Bank Limited”. He worked with Standard Chartered Bank in UAE and Bangladesh from 2000 to 2004. He started his career with ANZ Grindlays Bank in 1986 as a Management Trainee. He has 20 years working experience in banking sector in Asia, Australia and Middle East. He has extensive experience in business and support roles in local and foreign banks. He completed MBA from Institute of Business Administration (IBA) Dhaka University.

Syed Mahbubur Rahman

Deputy Managing Director

Mr. Syed Mahbubur Rahman has been working with BRAC Bank Limited since November 2008. Prior to joining BRAC Bank Limited, he served with Prime Bank Limited as Deputy Managing Director. He also worked with IDLC, Standard Chartered, ANZ Grindlays Bank and Citibank, NA in different capacities. He started his career in Saudi Bangladesh Agricultural and Industrial Investment Co. (SABINCO). He has 20 years experience in Banking & Financial Institutions. During his banking career, he attended numerous trainings, seminars and workshops on different aspects of banking held in the country and abroad. Mr. Rahman obtained MBA from Institute of Business Administration, Dhaka University

Tarique Amin Bhuiyan

Chief Information Officer

Mr. Tarique Amin Bhuiyan has been working with BRAC Bank Limited since October 2008. Prior to joining BRAC Bank Limited he served with Tata Consultancy Services Financial Solutions (TCS FS) in Australia as Solutions Manager. He also worked with Saint George Bank-Sydney, ING Bank-Sydney, Lynx Financial Systems-Sydney. He worked in Australian, American and European based banks as well as world leading banking solution vendors and consulting companies. He has over 18 years of banking and consultancy experience in operations and Technology. He completed Masters of Business Administration from Dhaka University and Masters in Information System and Technology from Macquarie University, Australia.

Rais Uddin Ahmad

Company Secretary and Head of Legal, Regulatory & Internal Control

Mr. Rais Uddin Ahmad has been working in the banking sector since 1994. He started his career with ANZ Grindlays Bank, Bangladesh. He joined BRAC Bank Limited on March 2005 as Company Secretary and Head of Risk Management. He also worked with Standard Chartered Bank from 2002 to 2003 as Acting Head of Legal & Compliance, concurrently he was the Integration Manager for SCB & ANZ Grindlays. After that he served as Manager Compliance with Standard Chartered Bank in UAE. Presently Mr. Rais is working with BRAC Bank Limited as Company secretary & Head of Legal, Regulatory & Internal Control. He attained many local and foreign training on Compliance, Internal Control and Money Laundering. He has 14 years working experience in business, Regulatory & Internal Control and Company Matters in banking sector. He was involved with Bangladesh Bank's Core Risk Management Project & worked closely on AML related issues. He obtained Masters of Social Science (Public Administration) from Dhaka University.



Faruk Ahammad
Chief Financial Officer



Nabil Mustafizur Rahman
Chief Credit Officer



Tahniyat Ahmed Karim
Head of Human Resources



Firoz Ahmed Khan
Head of Retail Banking

Faruk Ahammad

Chief Financial Officer

Mr. Faruk Ahammad, Chief Financial Officer (CFO) is working in BRAC Bank Limited since 2003. He joined BRAC Bank Limited as Head of Financial and Administration and Company Secretary. Prior to joining BRAC Bank Limited he worked with IPDC, Bangladesh. He started his career with IPDC, Bangladesh as Financial System Analyst in 1999. During his career, he attended various training courses and participated in Seminars and workshop on different aspects of banking as well as accounts and finance locally and abroad. He has 9 years banking experience on finance and administration. He is the fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB) and also member of Tax and VAT Executive Committee of the same Institute.

Nabil Mustafizur Rahman

Chief Credit Officer

Mr. Nabil Mustafizur Rahman joined BRAC Bank Limited in 2009 as Chief Credit Officer. Prior to joining BRAC Bank Limited he served with AB Bank as Head of Structured Finance. He also worked as Head of Investment with IPDC. Before that he had served with HSBC, Credit Agricole Indosuez and ANZ Grindlays Bank. He started his career with Joyful Miles Ltd in Hong Kong. His expertise and exposure are primarily in Risk Management and Corporate Banking. He attended various training courses and participated in seminars and workshop on different aspects of banking, especially in risk management locally and abroad. He has 16 years working experience in the banking industry and commercial sector. He obtained MBA from Institute of Business Administration, Dhaka University.

Tahniyat Ahmed Karim

Head of Human Resources

Ms. Tahniyat Ahmed Karim has been working with BRAC Bank Limited since December 2003 as Head of Human Resources. Prior to joining BRAC Bank Limited, she served with Standard Chartered Bank from 1999 to 2003. She started her career with Sonargaon Pan Pacific Hotel in 1991. She has 17 years experience in various fields. During her long career she attended numerous trainings and workshops at home and abroad. Ms. Tahniyat obtained Masters of Business Administration and received Vice Chancellors Award from Southeast University. She is the fellow member of the Bangladesh Society for Human Resources Management and also lifetime member of Institute of Personnel Management.

Firoz Ahmed Khan

Head of Retail Banking

Mr. Firoz Ahmed Khan has been in his position from June 2008 in BRAC Bank Limited. Prior to his joining BRAC Bank Limited, he worked with Standard Chartered Bank as Head of Consumer Banking Finance. Before that he worked in the same bank as Manager, Consumer Banking Finance. He also served in ANZ Grindlays Bank & Standard Chartered Bank from 2000 to 2003 in different areas. He started his career in Ekushey Television's Program Management Department in 1999. Mr. Firoz has 9 years working experience in the Banking & Commercial Sector. He attended the Indian Institute of Technology (Madras) graduating with a Bachelor of Technology in Aerospace Engineering in 1996 and completed Masters of Business Administration from Institute of Business Administration, Dhaka University.



Mohd. Rafat Ullah Khan
Head of Corporate IAM



Mohammed Rahmat Pasha
Head of Treasury & Financial Institution



Khwaja Shahriar
Head of Corporate Banking



Shah Alam Bhuiyan
Head of Operation

Mohd. Rafat Ullah Khan **Head of Corporate IAM**

Mr. Mohd. Rafat Ullah Khan has been working with BRAC Bank Limited since 2001. He had joined BRAC Bank Limited as Head of Credit. He also worked with Eastern Bank Limited in 1999 as Assistant Vice President. He started his career with Eastern Bank Limited in 1994. Presently he is serving as Head of Corporate IAM. He has 14 years working experience in different areas. He obtained Masters of Social Science (Statistics) from University of Dhaka.

Mohammed Rahmat Pasha **Head of Treasury & Financial Institution**

Mr. Mohammed Rahmat Pasha joined BRAC Bank Limited in 2001 as Head of Treasury and Financial Institution. He has been working in BRAC Bank Limited for about 8 years. Prior to his joining in BRAC Bank Limited he had served in Dutch Bangla Bank Limited as Senior Executive Officer. He has a long experience in treasury and financial Institutions. During his career, he attended numerous local and foreign training. He obtained Masters in Commerce in Management from University of Dhaka.

Mr. Khwaja Shahriar **Head of Corporate Banking**

Mr. Khwaja Shahriar has joined BRAC Bank Limited on 2001 as Head of Corporate. Presently he has been working as Head of Corporate Banking in BRAC Bank. Prior to joining BRAC Bank Limited he served in Bangladesh Finance & Investment Company Limited as Senior Executive, In Charge of Credit, Leasing & Marketing Division. He started his career with GSP Finance Company (Bangladesh) Limited as Manager, Corporate Accounts. He has a long experience in Corporate Banking, Credit, Leasing and Marketing in the financial sector. He completed Masters of Business Administration in Finance from Victoria University, Australia.

Mr. Shah Alam Bhuiyan **Head of Operation**

Mr. Shah Alam Bhuiyan is working in BRAC Bank Limited since 2002. Prior to joining BRAC Bank Limited he had served in Muslim Commercial Bank as Manager HRD & Establishment. He had joined BRAC Bank Limited as Head of Finance Administration. After that he worked as Head of Loan Administration in 2003. He also had served as Asset Operations Department and Head of Enterprise Risk Management. He attended many local and foreign training, workshop namely financial Audit, workshop on BASEL II, core banking software migration workshop on international trade etc. He has about 18 years job experience in different sector. He obtained his Bachelor of Commerce from Dhaka City College.



Abedur Rahman Sikder
Acting Head of Corporate Affairs
& Head of Alternate Banking



Md. Sarwar Ahmed
Head of IAM-SME & Retail Banking



Syed Faridul Islam
Head of SME Banking

Abedur Rahman Sikder

Acting Head of Corporate Affairs & Head of Alternate Banking

Mr. Abedur Rahman Sikder has been working in BRAC Bank Limited since 2001. Prior to joining BRAC Bank he had served in Dutch Bangla Bank Limited and Uttara Bank Limited. Mr. Sikder joined BRAC Bank Limited as Branch Manager in July 2001. After that he has been appointed as Head of Non Funded Business. He also worked in BRAC Bank Limited as Head of Marketing and Corporate Affairs. Presently he is working as Head of Alternate Banking. He has a long experience in business operation, branding in the financial sector. He attended many training courses and seminars namely L/C Basics and its Latest Development, Supervisory Management & Team Building, Branch Management Home and Abroad. He completed Masters of Arts from Dhaka University.

Md. Sarwar Ahmed

Head of IAM-SME & Retail Banking

Mr. Md. Sarwar Ahmed is working with BRAC Bank Limited since 2002. After that he was appointed as Branch Manager from 2003 to 2005. He also served as Head of Impaired Assets Management from 2006 to 2008. Presently he is appointed as Head of IAM-SME & Retail Banking. He has a long experience in different areas of banking business. He obtained Masters of Arts (English) from University of Dhaka.

Syed Faridul Islam

Head of SME Banking

Mr. Syed Faridul Islam has joined BRAC Bank as the Head of SME Banking on March 30, 2009. Mr. Islam started his career at ANZ Grindlays Bank in 1984. He brings with him 25 years of banking experience covering Branch Management, Business Process Re-engineering, IT integration and working in senior business roles. In 2003 he became the Senior Manager Product, Portfolio & MIS, SME Banking at Standard Chartered where he successfully launched the small and medium enterprise business products. Since 2005 until he joined BBL, Mr. Islam was the Head of Medium Enterprises, SME Banking for Standard Chartered Bank in Bangladesh. He obtained Bachelor of Commerce and has attended numerous training and workshops both in and out of the country.

Functional Units

SME Banking Division

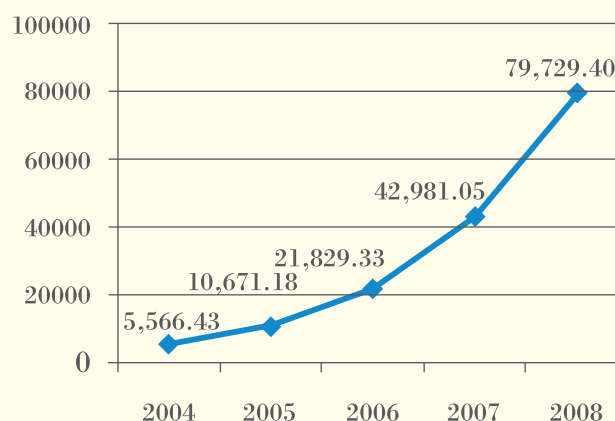
SME Banking Division of BRAC bank Limited has successfully made a mark in creating a platform for Small and Medium Entrepreneurs in “Access to Finance”, the key to the prime obstacle towards growth of SMEs. Since inception, BRAC Bank upholds the motto to finance the “missing middle” the underserved market segment of SMEs. Years of market knowledge & understanding, committed resources, countrywide coverage and well aligned strategies have made the bank an expert in SME financing and the bank has successfully developed an examined and successful model in SME financing in Bangladesh.

The bank has incorporated double bottom line approach in its operation, first one of which is making profit by mobilizing fund from urban to rural areas and second one is performing social responsibility by creating an entrepreneurial class.

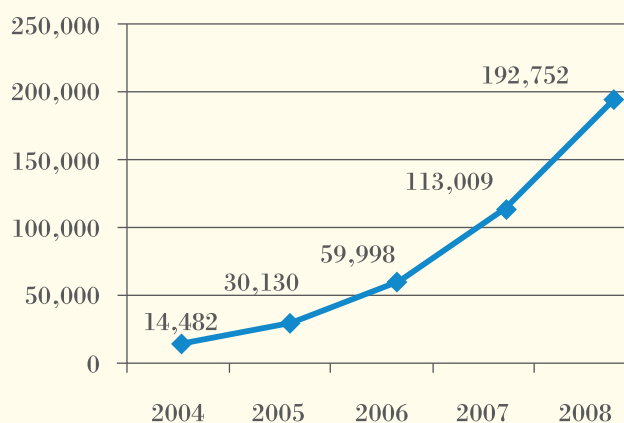
Along with Small & Medium Enterprise financing, SME Banking Division is also actively working in creating awareness and imparting knowledge to SMEs about financial record keeping, dealing with modern banks and industry best practices in SME operation. In an attempt to ensure customer awareness and to strengthen the relationship with customers, SME Banking Division arranged informative campaigns and road shows for SMEs located across the country.

SME Banking Division is ensuring the doorstep service to SMEs across the country through 429 unit offices and over 2,000 committed staff. SME Banking Division of BRAC bank limited has made a revolutionary contribution in SME development by providing BDT 79,729.40 million to more than 192,000 small & medium entrepreneurs since the inception of the bank from July 2001 to December 2008, the present portfolio of which is BDT 33,021.85 million. SME Banking Division has recorded an excellent growth of 74% in the amount of loan disbursement and 50% growth in number of loan disbursement from 2007 to 2008.

Disbursement Amount of SME Banking in million BDT (cumulative)



Number of SME loan disbursement (cumulative)



SME Banking Division is dedicated to cater to the fund and technical requirement of different market segments i.e. traders, manufacturers, importers, suppliers & distributors, women entrepreneurs and other service providers like medical institutions and educational institutions etc. SME Banking Division has successfully transformed the strategies into action by involving instrumental teams for varying market segments with committed workforce equipped with adequate market knowledge.

In line with the vision of financing and developing women entrepreneurs across the country, Women Entrepreneur Cell (WEC) of SME Banking Division has accelerated the growth engine of 2469 SMEs with BDT 105 crore in 2008 and has also arranged training and idea sharing programs for women entrepreneurs. Till introduction WEC has catered to fund requirement of 3542 customers with BDT 147.83 crore.

Understanding the importance of manufacturing sector, one of the critical sectors for a country's economic growth, SME Banking Division started manufacturing Business Unit and the phenomenal response to this



business division can be apparent from the loan disbursement of BDT 103.40 crore to 2079 customers in 2008. The commercial Credit Unit of SME Banking Division has met LC requirement of BDT 27.30 crore of 351 SME clients in 2008.

In addition to offering loans, SME Banking Division has also started collecting deposit from SMEs in a focused way through a dedicated business wing named "Deposit Mobilization Unit". This unit has started operating from September 2008. This initiative of the bank has made possible offering complete banking solutions to SMEs. The total deposit of SME Banking stands at BDT 597.4 million as on 30 December 2008.

2008 was an eventful year for SME Banking Division of BRAC Bank Limited. This business division created a new milestone in the month of May 2008 by disbursing BDT 416.71 crore, the highest ever monthly disbursement in the history of BRAC Bank since inception.

With a view to align with the increasing market demand and vision to render the best quality service to the customers across the country, BRAC Bank Limited has opened 30 SME Sales and Service Centers in 2008 which has added new dimensions in catering to SMEs with complete banking solutions in their vicinity.

SME Banking Division has also taken initiatives to create awareness among Small and Medium Entrepreneurs. BRAC Bank Limited sponsored the 2nd National SME Women Entrepreneurs Conference 2008.

In order to give a platform to SME Women Entrepreneurs to discuss about different issues of SMEs with related communities and policy makers BRAC Bank took an extra step and sponsored the 2nd National SME Women Entrepreneurs Conference organized by SME Foundation.



Workshop on “Managerial Skill Development for Women Entrepreneurs”

A workshop on “Managerial Skill Development for Women Entrepreneurs” was arranged by BRAC Bank and Dhaka Chamber of Commerce and Industry to develop capacity and skill of women entrepreneurs to diversify their entrepreneurship abilities and sustain both at national and international markets.



Training on fire related hazards in the business premises and for motivation to take preventive measures, BRAC Bank Ltd and Swisscontact-Katalyst jointly organized a workshop on “Prevention of Fire Hazards in Business Premises” for Small & Medium Entrepreneurs (SMEs).

In 2008, SME Banking Division has entered into a number of tie ups, which will offer a good platform to the bank to finance the SMEs.



MoU signing between BRAC Bank Limited and JCI, Bangladesh

BRAC Bank Limited signed a Memorandum of Understanding (MoU) with Junior Chamber International (JCI) Bangladesh on promotion of corporate social responsibility on Small & Medium Enterprise (SME) under UN Global Compact Agreement, adding that the organization is a platform that is promoting CSR agenda globally. Under the agreement, the SME entrepreneurs who have received SME loan from BRAC Bank will receive training on health and safety issues. This initiative is believed to create a network between SMEs and thus opening new business horizon.



MoU Signing between BRAC Bank Limited and Bangladesh Supermarket Owners Association (BSOA)

BRAC Bank Limited has signed an agreement with Bangladesh Supermarket Owners Association (BSOA) and the bank has offered a privilege to suppliers of supermarkets throughout the country to take customized loan product with special features.

MoU Signing between BRAC Bank Limited and The Metal Pvt Limited (MPL)

BRAC Bank Limited has signed an agreement with The Metal Pvt Limited. Under this agreement, MPL tractor purchasers will be offered special loan facility for agricultural vehicles.

Retail Banking

BRAC Bank Retail Banking division has grown rapidly in size over the past few years. In banking terms, we are still considered a mid-sized bank, however the bank is perhaps the largest retail bank in the country in terms of customer base, where demand for our personalized attention is stronger than ever and where competition is very high. We see this as a great combination.

Retail Banking Division is committed to maintaining strength in both earnings and balance sheet. Clients continue to enjoy their relationship with BRAC Bank with the assurance that their deposits are safe and the service level will not change due to financial weakness in the industry.

The year 2008 was another successful year for BRAC Bank Retail Banking division despite immense political, economic and monetary shocks. A few comments are worthy of discussion:

Branch Banking:

The year 2008 was a successful yet a very challenging year for Branch Banking. BRAC Bank enjoys the pride of opening record highest number of branches and SME service centers in Bangladesh in a single year - 20 new branches and 30 SME service centers.

In Branch Banking, our superior customer service continues to attract customers from all walks of life. We are not content to take the easy path and look for the latest banking fad to impact short-term earnings. Instead, we're building our relationship with clients in old-fashioned way – one great client at a time.

In 2008, we launched our 50th branch at Bashundhara residential area which was opened by the Chairperson of BRAC, Mr. Fazle Hasan Abed



Retail Lending:

Retail lending department is the business wing under Retail Banking Division, responsible for increasing net asset book of Retail Banking. Products consist of unsecured personal loans, hypothecated car loan, secured facilities and home loan offered to individual customers. Acquiring of the businesses is done by retail banking channels which are Branch, Direct Sales, Premium Banking and Telesales. Target markets are salaried individuals, self employed people and businessmen who are eligible to be financed as per the bank's internal guideline as well as per the prudential guideline of the Central Bank.

During the year 2008, the bank established lending relationships with more than 11,000 new customers where the total disbursement amount was BDT 6,283 million. Home Loan being a very new entrant in the retail lending portfolio, could successfully finance 147 units of home with a volume of BDT 346 million. A total of 788 units of vehicles were financed with a volume of BDT 844 million. Under cash secured facility, we financed BDT 2,582 million and under unsecured personal loan we financed BDT 2,511 million. The portfolio was mixed in a way so that it minimizes the risk of the portfolio and increase profitability of the bank. With proper training and selective market targeting, we were focused to add positive growth to business and develop human resources, which in the long run will take the Retail Business miles ahead.



Liability & Wealth Management:

Liability & Wealth Management unit focus on growth of retail deposit portfolio through innovation and business excellence. It works on optimizing product and portfolio, channel and sales force improvement. In

2008, retail deposit grew by BDT 12,560 million. The deposits are primarily collected through different channels such as Branch, Premium Banking, Direct Sales Channel and Telesales team. The customers acquired by Direct Sales and Telesales are distributed to the branch to retain the portfolio and to provide service to the customers.



যতো সঞ্চয় ততো প্রাপ্তি

ব্র্যাক ব্যাংক নিয়ে এসেছে আকর্ষণীয় Triple Benefits সেভিংস্ অ্যাকাউন্ট

- বার্ষিক মুনাফা সর্বোচ্চ ৮% ;
মাসিক ভিত্তিতে মুনাফা প্রদান করা হয়
- ডেবিট কার্ড ফি নেই
- অ্যাকাউন্ট সম্পর্কিত বাহিরে/অধিবাসিক ফি* নেই

অন্যান্য সুবিধা:

- ব্র্যাক ব্যাংকের ২০০টিরও বেশি এটিএম-এ নেতাকেন্দ্রের সুবিধা
- সার্বমুখ্য ব্র্যাক ব্যাংকের ০.৬৫ শতাংশে ব্রেনলোইন নেতাকেন্দ্রের সুবিধা
- সন্ধ্যা ৯টা থেকে রাত ৮টা পর্যন্ত ব্যাংকের নিম্নলিখিত শাখাসমূহে নেতাকেন্দ্রের সুবিধা
- ২৪-ঘণ্টা কোন ব্যাংকিং, এস.এম.এস ব্যাংকিং ও ইন্টারনেট ব্যাংকিং সুবিধা

২৪-ঘণ্টা কোন ব্যাংকিং: ০৯৮৯৯ ২০০০০০

BRAC BANK
আমরা পরিচয়

Liability & Wealth Management (L&WM) has a wide variety of liability products. The products are designed to meet the customer need of savings, transaction and wealth enrichment. L&WM is always keen to come up with differentiated products to serve customers.

The lists of products offered by L & WM are listed below:

- Savings : Triple Benefits Savings Account, Savings Classic & Femina Savings Account
- Current : Current Classic, Ezee Account, Salary Account & Campus Account
- Fixed Deposit : Classic Fixed Deposit, Freedom Fixed Deposit, Abiram Fixed Deposit, Interest First Fixed Deposit
- Scheme : Money Multiplier Scheme & Flexi DPS

Liability Sales Team

L&WM has a dedicated Sales Team working to reach customers through various sales centers located throughout the country. The sales force goes directly to the deposit market, identifies potential customers, and sells deposit products.

Premium Banking

Premium Banking channel maintain the relationship with the top segment customers. The Relationship Managers (RMs) of this channel provide dedicated service to the customers of their portfolio. BRAC Bank provides Premium Services in Dhaka and Chittagong. Premium Customers can avail preferential rates and charges as well as home delivery service.

Non Funded Business

Non Funded Business includes Travel Related Service and Education Related Service. The idea of Travel Related Services (TRS) package is to provide one stop services to customers for all travel requirements and foreign exchange from BRAC Bank with loan facilities. The services offered from BRAC Bank include FCY/TC sell, FCY/TC endorsement and encashment, medical file, student file, etc.

Cards

The year 2008 marks an eventful year for Cards department as it successfully completes its 2nd year of journey in the competitive Cards industry. Being the latest entrant into the Card market, the department

faced the greatest challenge to establish itself in an already demanding marketplace and create its own stand. In a space of two years, BRAC Bank still remains the fastest growing issuer of Credit Card in the country.

Card Department, one of the core business wings of Retail Banking, has been responsible for contributing to the overall net asset portfolio of Retail Banking Division. Primarily, the main focus has continued to be on penetrating and enlisting large segments of the middle and upper middle-income group who are willing to adopt the plastic card as part of their everyday life.

During the year 2008, the Card Department has seen a significant increase in its Cards base, achieving a growth of almost 41%. At the same time, through implementation of value-added services and proper follow-up, the total portfolio outstanding increased from BDT 596.1 million to BDT 1,520.44 million, marking a growth of approximately 155%. In order to further enhance the scope for increasing revenue for the card business, Acquiring Unit has successfully established relationship with 769 merchants situated mainly around Dhaka, Chittagong & Sylhet. The installation of 864 Merchant Terminals has ensured a merchant sale volume of BDT 679.85 million, which has lead to earnings of BDT 12.27 million as Merchant Service Fee.

With the goal of improving customer satisfaction, a range of value added-services were introduced throughout the year:

- Card Cheque
- SMS Pull Services
- E-Statement
- Payment Mode: ATM, IVR & CDM
- Credit Shield with Triple Benefits

Upcoming Products & Services for the Year 2009:

- Universal Card
- Reward Point Program
- Installment Plan Program
- Utility Payment Option
- Transaction Alert

Alternate Banking:

BRAC Bank Ltd. is the first ever financial institution in Bangladesh to depart from ‘brick and mortar’ concept of banking system by introducing branchless banking system facilities through Alternate Banking channels. BRAC Bank’s developments in alternate banking are relatively new, reflecting developments in, and the diffusion of new information and communications technology. The focus of BRAC Bank’s channels has to date been mainly on service providing activity which is available to customers 24/7. Alternate Banking is a department in Retail Banking Division that deals with alternate means of providing services to our valuable clients. The main drive behind the introduction of Alternate Banking is to widen the range of customer services available by utilizing modern technology. Alternative channels were seen as a means of adding to the frontline services and complementing face-to-face contact.

Alternate Banking can be broadly divided into two parts, Phone Banking and Automated Banking. Phone Banking is further divided into two wings, which are Call Center (Inbound) and Telesales (Outbound). Automated Banking has the following components:

Automated Banking

- Automated Teller Machines (ATM)
- Cash Deposit Machines (CDM)
- Internet Banking (IB)
- M-Commerce (Mobile Commerce)

ATM & CDM

The main objective of automated banking is to enhance the ATM network. Currently there are 135 ATM booths all over the country. These ATM booths are widely spread over urban and semi urban areas. On 15th December 2008 BBL inaugurated the 100th ATM booth next to Alliance Francaise, Dhaka.

BBL customer can avail the following facilities through ATMs

- Withdraw cash up to BDT 20,000 at a time and up to BDT 50,000 in 24 hours, and the maximum number of transactions in a day is 5.
- Check Account Balance
- Print a Mini Statement
- Change ATM PIN
- Payment of GP postpaid bill
- Payment of BBL credit card bill

BRAC bank has the second largest ATM network in the country and soon we hope to be the leader in this arena. The bank has incorporated world class Automated Teller Machines from the world's renowned brands.

There are 30 Cash Deposit Machines, with the help of which our clients may deposit both Cash and Cheques into their accounts. The Cash Deposit Machines are located in various ATM booths within Dhaka City. Anyone may deposit cash to any BBL account using CDM; he/she need not be an account holder of the bank.

Total volume of cash dispensed through ATMs

	2007	2008
Volume of transactions	953.7 crore	2,155.9 crore
Number of transactions	2,146,772	4,618,124

Internet Banking

All account holders of BRAC Bank are eligible to enjoy the Internet Banking Service offered as BRAC Bank Direct. Client who wants to use the Internet banking facility has to register by providing a valid email address for the service.

Facilities of Internet Banking are:

- ♦ Account information.
- ♦ Loan information.
- ♦ Account balance inquiry.
- ♦ Account mini statement.
- ♦ Cheque status.
- ♦ Lost card (Debit / Credit) reporting
- ♦ Loan calculator.



M Commerce:

M Commerce or SMS Banking as we may put it helps to provide service with the help of mobile phones. All account holders of BRAC Bank Ltd. are eligible to enjoy the SMS Banking Service. Clients who want to use the SMS banking facility has to register by providing a valid mobile phone number (GrameenPhone, Banglalink, Warid or Aktel) for the service.

The following alarms are set for those who want to avail them.

- ♦ Large transaction alarm
- ♦ Maturity alarm for FDR.
- ♦ Account status alarm.
- ♦ Loan payment failure alarm.
- ♦ Welcome message for newly opened account holders.

Phone Banking

Call Center

The Call Center is in other words an inbound facility, where trained agents are servicing all internal clients with their account related queries, complaints and requests and, additionally providing product related information to all existing and prospective clients. Our Call Center is operating 24-hours a day and 365 days a year without a break.

The Call Center is equipped with a special networking system where a number of customers can call and get connected instantly and concurrently. Call Center agents operate with the help of IVR, which is interactive voice response software.

Some of the services that are provided through our call center are as follows:

- ♦ Credit card payments
- ♦ Cheque book request
- ♦ Transaction details
- ♦ Product highlight
- ♦ FDR, DPS A/C inquiry
- ♦ Credit card balance
- ♦ Loan account service
- ♦ Personal Account Service

Telesales

The vision of telesales is to ensure the retention of the existing client by increasing the number of products own by each client. In other terms telesales will be working with the objective that a client will own a product portfolio rather than a single product. It will enable to restrain the competition from snatching the client away.

Telesales team of BRAC Bank is first of its kind in the Bangladeshi banking industry. No other bank so far has introduced the concept of telesales of such magnitude. Though it is a common practice of the individuals in the entire industry to do telesales but it is neither a team effort nor backed up the organization of that individual.

Developing the use of alternative channels is now seen as an important strategy for delivering significant savings for BRAC Bank Ltd. BRAC Bank Ltd. plans to invest into the development of alternative channels where efficiency savings can be realized. In the future we have plans of expanding our services significantly by adapting state of the art technology in order to satisfy the needs of our clients at an optimum level and convert 'brick of the mortar' concept to 'click of the mortar' concept.

Retail Banking division continues its commitment to contribute maintaining a strong and efficient balance sheet. We are truly proud of our achievements last year and recognize that they reflect the collective efforts of dedicated and professional team members of Retail Banking division.

Probashi Banking

At the very beginning, remittance business of BRAC Bank was only involved in the process of channelizing the remittance from remitters to beneficiaries along with offering the NRBs some deposit products. However, in 2008, Probashi Banking Service was officially launched to serve the NRBs and their respective Beneficiaries under single roof. As a result, BRAC Bank has become the pioneer of establishing such a unique concept of “One Stop Solution” for NRBs and their Beneficiaries in the country. This has turned out remittance one of the core business areas of BRAC Bank from the 1st quarter of 2008.

Probashi Banking Service has very skilled, competent and dedicated teams for processing different kind of remittances, opening and maintaining accounts only prioritizing the NRBs and beneficiaries. Thus, BRAC Bank Probashi Banking Service ensures a smooth, competitive and quality service to the customers.

The year 2008 remained as a rewarding and successful one in terms of new tie-ups and partnerships with a focus on pursuing unexplored and niche markets around the globe. BRAC Bank has got Bangladesh Bank approval for commencing 14 new Exchange Houses in Malaysia, UAE, Italy, Greece and Oman for remittance drawing arrangement.

Association with international renowned Bank like ICICI Bank UK is also one of the major accomplishments of the year 2008. A management strategic alliance has been made with Jamuna Money Exchange of UK. This association had significantly impacted on remittance inflow from UK market.

The network of remotely connected BRAC Field offices (BDP) have been expanded more than 1800 outlets across the country for remittance payment, with a goal of providing fastest and expeditious services. This has enabled the Bank to deliver remittances even in the remotest corner of Bangladesh.

In a view to expand more distribution networks, Probashi Banking Service has been associated with another private bank “EXIM Bank Limited” as the 3rd Western Union Subagent of BRAC Bank.

Considering the “One Stop Solution” concept, Probashi Banking Service has been facilitating the NRBs and their respective Beneficiaries by offering them different deposit and investment products. This wide range of products includes different attractive and competitive term deposit products, FC accounts, Bonds and other facility targeting both NRB and Beneficiary segments.

These products and services have been extremely successful as the growth in terms of number of accounts was increased from 2007 to 2008 by 111%. Furthermore, the growth in terms of total fund acquisition has also risen from 2007 to 2008 by 404%.

BRAC Bank has secured 4th position among private commercial banks and 7th among all the banks in Bangladesh in terms of bringing inward Remittance with the volume of 501 Million in the year 2008. This has made BRAC Bank to acquire 8% share of total remittance inflow in Bangladesh in 2008.

BRAC Bank has acquired 51% of Western Union market share in disbursing remittance in the country. As a result, BRAC Bank has been considered as the Market Leader in terms of Western Union payouts with approximately 7.7 million transactions in 2008 among all WU agents and subagents in Bangladesh. This has honored BRAC Bank as one of the three largest WU agents in South Asia. Additionally, BRAC Bank has the widest network in the country including the BRAC BDP payout points, branches and SME Sales and Service Center and sub agent locations.

Credit Risk Management

- ▶ Disciplined processes are in place that are intended to ensure that credit risks are accurately assessed and properly approved and monitored.
- ▶ An independent credit risk management function exists within each major business unit.

Credit risk is the risk of loss due to borrower or counterparty default. Credit risk is managed at both the transaction and portfolio levels. Risk management processes are disciplined and designed both to preserve the independence and integrity of risk assessment and to integrate effectively with business management.

Credit Risk Management Process

Risk Measurement

BBL credit risk management discipline begins with an assessment of the risk of loss resulting from the default by an obligor or counterparty. All credit exposures are assessed; whether on- or off-balance sheet. These exposures include loans and advances to Retail Credit, and loans & lending-related commitments (e.g., letters of credit, Bank Guarantee etc.) to Corporate Credit and SME Credit.

Risk Management Processes

BBL's credit risk management process is developed and guided by the policies and procedures set by Credit Risk Management (CRM) guidelines of Central Bank. At both the business unit and corporate level, disciplined processes are in place that are intended to ensure that risks are accurately assessed and properly approved and monitored. The arrangement has not only ensured segregation of duties and accountability but also helps in minimizing the risk of compromise with quality of the credit portfolio.

In addition to establishing corporate-wide policies and procedures, the Chief Credit Officer has the primary responsibility for the credit risk measurement framework, allocating the cost of credit, assessing concentration risks, setting limits to provide for adequate portfolio diversification, delegating approval authorities and managing problem assets.

Within each major business unit, there is an independent credit risk management function that reports to the Chief Credit Officer. These units are responsible for the tactical credit decision making. They approve significant new transactions and product offerings, have the final authority over credit risk assessment and monitor the credit risk profile of the business unit's portfolio.

Credit Risk Management infrastructures are implemented across the organization. These include: continuing review of credit risk policies, systems and procedures; rationalization of the credit risk functional organization; continuing review of the internal credit limit structure; adoption of updated systems and technology; centralized Management Information System (MIS); compliance with Environmental policy; implementation of Credit Risk Rating System; and periodic review of the adequacy of loan loss reserves.

Credit Risk Management for Retail Assets

Retail credit risk management uses sophisticated portfolio modeling which is based on Product Program Guideline (PPG) for each products, and decision support tools to project credit risks and establish underwriting standards. Risk parameters are established in the early stages of product development, and the cost of credit risk is an integral part of the pricing and evaluation of a product's profit dynamics. Retail portfolios are monitored to identify deviations from expected performance and shifts in consumers' patterns of behavior. Retail Credit is diversified by many different products, including mortgages, credit cards and auto loans.

Credit Risk Management for SME Assets

SME credit risk management is also based on Product Program Guidelines (PPG) for each product developed from the Board approved policy. BBL developed & applies in-house assessment methodologies for evaluating the creditworthiness of the SME borrowers to identify credit risks and establish underwriting standards. As the SME credit is also PPG driven, risk parameters are established in the early stages of product development, and the cost of credit risk is an integral part of the pricing and evaluation of a product's profit dynamics.

This portfolio is geographically well-spread all over the country including the rural area. There is an independent Risk Management team who conducts pre-approval audit inspection for checking the authenticity of data for all credit proposals under SME.

Credit Risk Management for Corporate Assets

Within the Corporate sector, credit risk management begins with the client selection process. BBL's industry concentration approach helps BBL to be aware of an industry's developing risk so that exposures can be reduced where risk is increasing. BBL's strategy, especially in emerging markets, is to focus on the largest, leading firms. The commercial and industrial portfolio consists primarily of loans made to large corporate and middle-market customers. The financial institutions portfolio includes loans to companies whose businesses primarily involve lending, financing, investing, and underwriting.

Concentration management is critical to managing corporate credit risk. BBL manages concentrations by obligor, risk grade, industry, and product. Concentration management is also facilitated by BBL's strategy of origination for diversification.

Monitoring Credit exposures on a continuing basis using the risk management tools like Portfolio review etc. and also have the procedures in place to identify at an early stage credit exposures for which there may be an increased risk of loss. Counterparties that, on the basis of the application of the risk management tools, demonstrate the likelihood of problems are identified well in advance so that can effectively manage the credit exposure and maximize the recovery. The objective of this early warning system is to address potential problems while adequate alternatives for action are still available. This early risk detection is a tenet of BBL credit culture and is intended to ensure that greater attention is paid to such exposures. In instances where we have identified counterparties where problems might arise, the respective exposure is placed on a watch list.

This risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the level of decision-making authority required to extend or materially change the credit and the monitoring procedures we apply to the ongoing exposure.

IAM- SME & Retail

Impaired Assets Management-SME & Retail Banking department's vital role is to deal Bank's nonperforming loans through legal procedure and facilitate recovery of the same to maintain Bank's portfolio at risk at a minimum level.

For focusing the legal and recovery activities, IAM is segregated into IAM-SME and IAM-Retail units, with a support from its Monitoring and MIS unit for both portfolios. We have experienced internal and external teams comprising of our officers and panel lawyers working across the country. We protect Bank's interest by operating legal procedures timely and effectively. We also assist recovery of Bank's dues through internal forces and 3rd party agencies, amicable settlement, execution of decrees and arrangement of auction to sell the mortgaged property.

Finance Department

Keeping up with the aggressive business expansion, the Finance Department has been categorical to deliver the utmost support to the business. In delivering best financial services, the department is relentless to maintain a smooth, prompt and fully policy complied operation practice. In an emerging business institution like us, the Finance department has the crucial role to retain intensive relationship with all other departments of the organization and stakeholders. Within our domain, we assume all our business divisions, operation wings, other supporting departments, shareholders, central bank, regulatory bodies, suppliers, and vendors as our valuable clients. It is extremely important to have an innovative and effective process flow to render the financial services within a short timeframe. We are aware of imparting the best outcome from regular process reengineering practice to go on with swift processing and procedures to curve out the ‘best in line services’.

Wide array of activities that start from payment processing for numerous projects and development activities, settlement of huge number of bills, payment of over 3500 stuffs, settling the claims from and to related parties, policy wise depreciation charging to assets size of around 1500 million and expenses provisioning of over 100 million each year, ensuring insurance arrangement for the assets and related properties, GL maintenance and monitoring, revamping office accounts, budget preparation starting from sales target setting, asset acquiring, deposit collection to outlining cost level, rigid controlling is established to make sure that the budgetary planning is on track, preparing comprehensive financials; annual reports and ensuring authentic cooperation to internal and external auditors to sum up a clear outlook of the organization’s performance, devising capital adequacy, preparation of financial forecasting and planning for strategic decision making, analyzing cost with budget to find gap and sequentially providing future guidelines to overcome targets, collaboration with technical teams like IT to initiate automation of process to achieve superior efficiency and bug fixing, presenting quality MIS packages to top management and the Board of Directors, commencement of all capital and operating expenditure in the form of procurement, keeping up close liaison with TAX & VAT authority, meeting all regulatory requirements from Central Bank and other regulatory bodies as and when necessary.

The limitless venture of over 60 competent personnel with effective leadership have created a vital synergy that makes us try harder to match with the financial algorithm for a bank which has 56 Branches and 30 SME Service Centers, more than 150 ATM and BPM locations, 429 SME unit offices and almost 2000 remittance distribution points. It might seem a mammoth, even impossible affair to many. But where sky is the target to reach, we don’t have fear to push our limit to the horizon. We believe our capability can cross any limit as we have the potential to use state of the art technology and constantly increasing efficiency. We set unwavering challenge before us to serve the Bank with highest level of commitment in coming years.

Human Resources Division

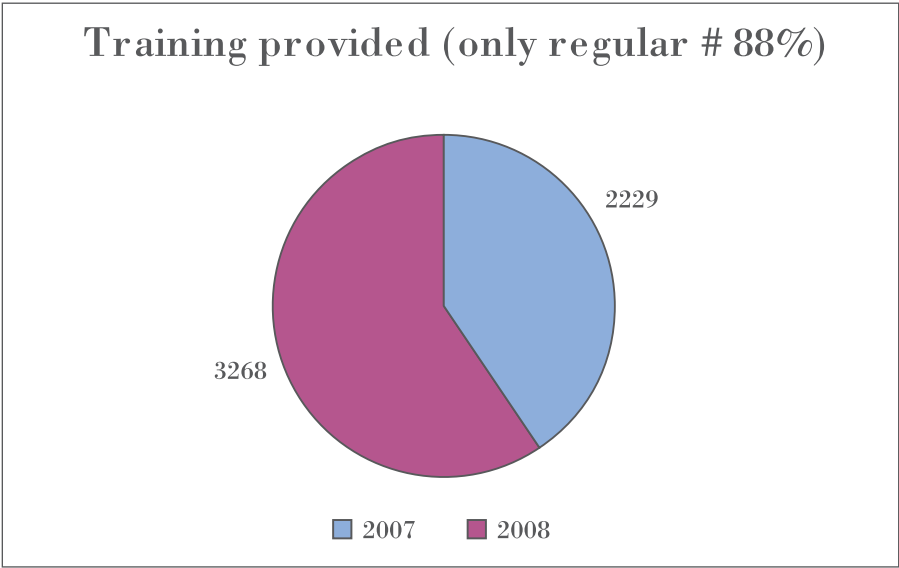
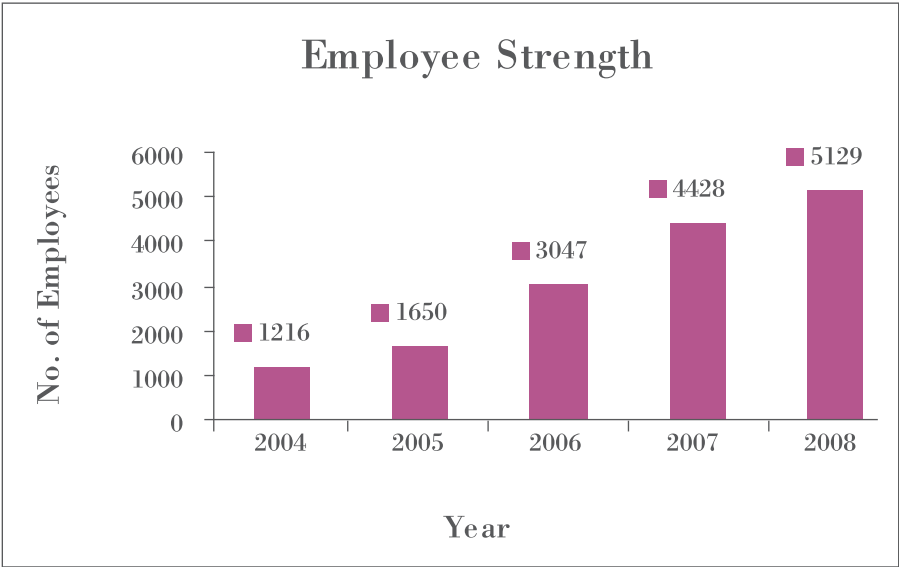
The Human Resources Division plays strategic role in the development of BRAC Bank Limited and finds them focusing strategies that will align with the strategic business needs and priorities of the Bank. HRD is managing a large number of employees which is a challenging task and requires efficient handling. HRD delivers day-to-day operational support to its employees ensuring excel in service so that employees are being satisfied and believe that as an employer “BRAC Bank do care to its employees”.

Process improvement and adaptation of continuous organizational changes are also important task to HRD and is always striving to simplify the HR related processes and move towards automation processes to create less paper environment for its employees. Change management is being done in a professional manner and continuous follow up from HRD helps to mitigate stress at work. Talent management has enormous impact on and an important role in the performance of the Bank’s overall growth. Keeping in mind, HRD is always striving to employ the right candidate for the right position. As a part of exploring future leaders of the Bank, the Bank has been initiating the recruitment of Management Trainee Officers since 2005. HRD arranges different training programs around the year for the employees of the bank so that they could deliver their duty efficiently and effectively towards the bank customers. Besides, HRD arranges foreign training and need based training as well for the employees of the Bank. General orientation program is a common program for all newly joined employees.

The following charts shows employee strength and trained up employee strength of the Bank : HRD arranges different training programs around the year for the employees of the bank so that they could deliver their duty efficiently and effectively towards the bank customers. Besides, HRD arranges foreign training and need based training as well for the employees of the Bank. General orientation program is a common program for all newly joined employees. BRAC Bank recognizes that the employees are the most important resource and HRD will continue to ensure their fair and equitable treatment and the recognition of their contribution to the Bank.

The following charts shows employee strength and trained up employee strength of the Bank:

HRD is look forward to partnering in developing and implementing strategies and programs to make the Bank “employer of choice” and to provide our employees with the tools they need to be the most effective and efficient workforce serving the Bank.



Corporate Banking Division

Corporate Banking Division has been playing a significant role in attaining the overall objectives of the Bank by contributing to the economic well-being of the country through the development of the industrial and service sectors. The Division is segmented into asset and liability units which cater to the associated customer segment for a more focused approach.

The operation of Corporate Banking Division is centralized at Head Office but it uses a wide network of 20 Cash Collection Booths, 56 BBL Branches, 30 SME Sales & Service Centers and 1,133 Correspondent Bank Branches to provide optimum service for its valued corporate clientele. The Division has achieved a business growth of 38.85% in Advances and 45.11% in Deposits in 2008 compared to 2007.

Corporate Banking helps its clients to fulfill their objectives by carefully listening and analyzing their ideas, providing necessary expertise through tailored composite products under the following four wings:

- Structured Finance,
- Corporate Institutions,
- Emerging Business,
- Cash & Trade.

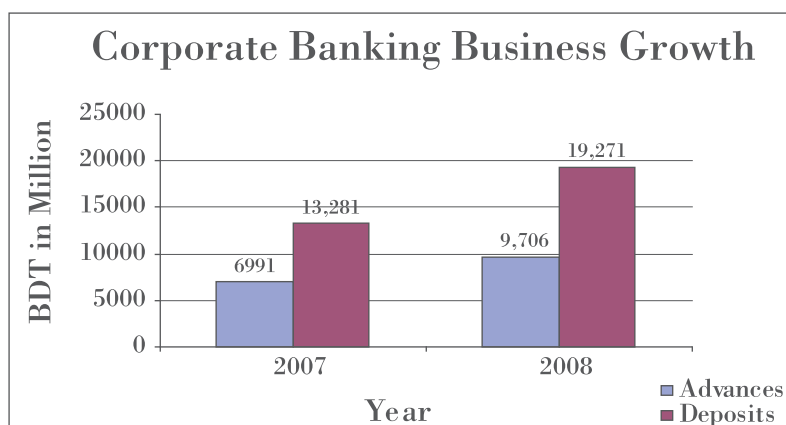
Structured Finance

Structured Finance provides project finance by arranging syndicated finance involving two or more banks and institutional investors for projects beyond their individual financing capacity, while diversifying the total risk of financing large scale projects. The Structured Finance wing of Corporate Banking Division caters to this segment of the financial industry taking the role of Lead Arranger, Co-Arranger, Participant Lender or Agent. It has successfully implemented various projects by providing financial services, consultation and loan documentation. In addition the following services are also provided:

- Corporate Advisory Service,
- Quasi Equity Instruments,
- Equity Participation,
- Project Counseling.

Corporate Institutions

This wing of Corporate Banking Division has been accommodating the financing needs of different corporate houses (both local and multi-national), social organizations, government organizations, trading houses and other institutions. The product offerings are structured to cater to the diverse needs of corporates and institutions. The credit facilities offered ranges from Term Lending to Working Capital facilities such as Trade Finance, Bank Guarantee, Post Import Finance, Local Bill Purchases, etc. As Corporate clients, specially manufacturing, services and trading businesses have a significant impact on the development of the economy, the products and services are customized based on their diverse investment needs and specific industry requirements.



Emerging Business

The Emerging Business wing caters to the smaller and growing segment of the corporate market who have facility requirements like large corporate bodies but in smaller volume. This wing not only provides long term and short term financing, but also helps to develop their clients' business strategy and provides guidance for long term sustenance. Range of facilities provided includes Term Lending, Trade Finance and Working Capital finance through specially designed products such as Commerz Loan, Supplier Finance, MFI Receivables Finance, Light Engineering Finance and Work Order Finance. The Emerging Business clientele generally includes proprietorship concerns, private limited companies, companies providing backward integration for large businesses, educational institutions, NGOs, trading houses, etc.

Cash & Trade

The Cash & Trade wing provides essential support to the bank through liability mobilization and reduced cost of fund. Efficient cash management is now a vital issue for large business houses to ensure maximum utilization of its financial resources to increase its operational efficiency. Corporate Banking Division's Cash & Trade wing has been providing various cash management solutions to the different corporate bodies and institutions of the country through its wide range of products and services. The team works to create value for its clientele with tailor-made country-wide Collection and Payment Solutions, Mobile Banking Services, Cash Pick-up Services, etc. through the expanding network of BBL's branches, SME sales & service centers, correspondent banks and other alternative delivery channels. In addition to accumulating large ticket deposits for the bank and providing cash management solutions, Cash & Trade also provides Distributor Financing packages.

Company Secretariat and Legal, Regulatory & Internal Control

Company Secretariat

The Company Secretariat occupies a key position in the management of BRAC Bank Limited. It plays as the central source of guidelines and advice to the board on the matters ethics and corporate governance. There are two wings of Company Secretariat in BRAC Bank Limited (a) Board Secretariat & (b) Share Division. The main tasks of Board Secretariat are to convene and conduct meetings of Directors and Shareholders. The department also involves raising capital through share/bond. Beside this, the Company Secretariat maintains a clear and distinct relation and liaison with the Regulatory bodies as well as Shareholders and many others of the market economy. On the other hand Share Division is directed under the Board Secretariat. The activities of Share Division are involved with Share Management as well as maintain all statutory registers related shareholders.

Legal Affairs

Legal Affairs unit has been newly formed under the Department of Legal, Regulatory and Internal Control, but it works with all departments of the bank. The department is engaged as first line of defensive for the bank on legal matters; works as a bridge between the bank and its panel lawyers. This unit has been especially formed to deal with important complex cases of the bank and keep liaison with senior lawyers of the country. In addition, this unit is equipped with experienced barristers and advocate so as to pass legal opinion and advises for cases of any legal difficulties, to guide the management to perform their day to day affairs in strict compliance with the laws of land, to take necessary and preventive course of action against fraud and forgery, to prevent oversight and malpractice, etc. It has been set as watch-dog for due diligence and regular monitoring of due compliance of laws, regulatory issues and also to deal with the regulatory and other concerned authorities as and when required.

Regulatory and Internal Control

With a view to manage the banks supervisory issues and internal control systems, BRAC Bank Ltd from the very beginning of its commencement established a Internal Control mechanism approved by its Board of Directors. With the core principle of establishing a Compliant Culture across the bank, this mechanism guides the bank to:

- ✓ Manage its operations effectively and efficiently,
- ✓ Ensures compliance with applicable laws and regulation of the land,
- ✓ Ensure compliance to with Internal policies, plans and procedures,
- ✓ Identify and minimize risk associated with the operation of the bank.

As guided by the Central Bank, BRAC Bank Limited has adopted Core Risk Management Policy. These core risks are associated with the daily operations of the bank. Being a Centralized banking Operation, identification, managing and mitigation of any risk associated with the operation is much easier and faster. Among the six core risk defined by the Central Bank, Regulatory and Internal Control Department ensure two, compliances namely (i). Internal Control & Compliance Risk, (ii). Anti Money Laundering Risk

(i) Internal Control & Compliance Risk: BRAC Bank has implemented Internal Control & Compliance Guideline of Bangladesh Bank to ensure the Bank manages its Internal Control and Compliance Risk. These risks are defined as unexpected loss, consequential loss derived from human error, loopholes in the operational procedure, fraud and forgeries and technological failure. These risks are inherent in all our activity. The Internal Control System of the bank enforces checks in all possible way to minimize risk exposure towards internal and external factor. This system ensures all the departmental process and procedure are as per guideline provided and also maintains ethical standard, accounting rules, and efficiency in Business Process and safeguarding of assets are ensured.

A Board Audit Committee is in place to ensure the Senior Management is continuously monitoring the Internal Control Mechanism. With an objective of positioning the bank in a balanced position of Risk and Return, the Regulatory & Internal Control Department has been segregated into numbers of functional units. They are (i) Compliance & Monitoring, and (ii) Audit and Inspection process. The bank has placed all these procedures in its day to day activities.

Compliance: Ensures the bank operates by the rules and regulation of the country, regulatory bodies and internal policies and procedure and also maintain liaison between the regulators and internal departments. Compliance function also ensures subject related to Regulatory Bodies are handled with precision. Being in the middle of the Regulatory Bodies and Internal Departments of the bank, this unit serves as a center point. This department is responsible for receiving guidelines and instruction from the regulators, analysis and dissemination among concerned Departments. Regular follow up is also made to ensure compliance as guided.

Monitoring: Ensures operational performance of all departments and branches. Periodic returns, DCFCLs and reports on demand are analyzed to identify risk associated to individual departments. Deviation from the actual vs planned results for the sensitive area are reported to the Management Committee and Board Audit Committee as deemed necessary. The Monitoring team also undertakes regular surprise visits across the bank's departments and branches.

Audit: Audit function undertakes periodical and special audit. Monitoring and review of adverse audit comments ensures units are run efficiently with finest operational accuracy. A risk based system audit plan is developed to handle sensitive area with priority and extra care. Any deficiency identified is reported to the senior management of the bank and Board Audit Committee as deemed necessary. Based on the monitoring review, surprise audit checks are undertaken from time to time. Moreover all our SME loans are audited prior to disbursement. All SME Loans are disbursed on the conformity of the auditor upon verification of the validity of data provided in account and loan documentation.

(ii) Anti Money Laundering Risk: In recognition of the fact that financial institutions are particularly vulnerable to be used by money launderers, the Board of Directors of the BRAC Bank Limited has formulated and adopted a policy to counter money laundering. As guided by Bangladesh Bank, Head of

Legal, Regulatory & Internal Control has been nominated as the Chief Anti Money Laundering Compliance Officer (CAMLCO); to ensure the overall compliance with laws of the land regarding Anti Money Laundering. At branch a senior experienced person is nominated to act as Branch Anti Money Laundering Compliance Officer (BAMLCO). BAMLCOs throughout all our branches monitor all accounts and transactions with an established procedure of Know Your Customer (KYC), Transaction Profile (TP), Cash Transaction Report (CTR), Suspicious Transaction Report (STR) and so on. KYC updates process for our legacy accounts is in place. The Managing Director and CEO has issued a message addressing all the officials expressing the banks commitment to implement the orders of Money Laundering Prevention Act and instruction of Bangladesh Bank. In line with our objective towards prevention of Money Laundering all the relevant departments are instructed to be vigilant, and prevent from such activities. The bank also conducts training programs and regular workshops for developing awareness regarding Anti Money Laundering. In line with the Anti Terrorism Ordinance 2008, bank is in process of adopting an anti-terrorism policy to counter terrorist financing. Uniform Account Opening Form & Risk Based KYC policy is in place as guided by the Central Bank. BRAC Bank Limited is always at the front foot in the battle against Money Laundering.

Operations

Operations provide centralized services to all business / income generating units (e.g. SME, Retail, Corporate, Probashi & Treasury) starting from May 2003. At BRAC Bank, the management always strives for improvement and changes that will entail not only quality services and best in class customer satisfaction but also increase profitability to ensure shareholders stake.

While ensuring such BRAC Bank has recently restructured its entire operational units from business centric to a functionality wise model attempting to bring in specialization, service excellence, improvement in relationships, processes and compliances, and risk mitigated deliveries.

Six business centric operational units were active in 2008: SME Banking Operations, Retail Banking Operations, Wholesale Banking Operations, Probashi Banking Operations, and Cards Operations.

Five operational units are now regrouped in four functional units to perform as a focused group ensuring speed and accuracy in service deliveries: Banking Services, Trade & Remittances, Originations, and Business Relationship & Support, while Cards Operations remain unchanged.

Banking Services is to provide basic operational services to all business units and its customers as follows:

- Execution of all loans related services like disbursement, repayments, rescheduling, static data changes, closing, clearances and security release.
- Execution of deposits related services like transaction processing, static data changes, encashment of term deposit, and closing of current, savings and term deposit accounts.
- Treasury Operations provides services and compliance support to treasury business unit.
- Financial Institutional Services deals with fund settlement and collection services relating to about 580 local correspondent accounts.

Trade & Remittances is to meet all business requirements relating to foreign exchange transactions and remittances as follows:

- Perform all trade finance related activities like Import, Export, and Guarantee Services of SME and corporate customers.
- Provide all transactional support and meeting regulatory compliance relating to inward and outward remittances, exchange house, Western Union cash payouts, and payment investigation.

Originations is to ensure proper and timely creation of all deposit and loan account relationships and obtaining CIB:

- Opening of all deposit customer accounts (current, savings & term deposits) complying to KYC details along with docs checking and item productions.
- Similarly initiating the loan accounts opening and documents checking relating to all business units.
- Procuring CIB status report from the central bank, and maintaining a CIB databank on loan customers of all business units.

Business Relationship & Support is to ensure better customer services by being a single point of contact for all the business units and meet the following goals:

- Improve business relationship with all business units by taking prompt care and giving attention to all their service needs.
- Identify and analyze operational risk issues and provide solutions / recommendations in a focused way.
- Seek opportunities for process upgrading and automation in a cost-effective manner.
- Create a one point operational help desk for receiving all files and documents, attending queries, and monitoring / tracking of docs deferral.
- Provide other linked services like clearing, inter branch cash management (IBCM), and reconciliation.
- Ensure service quality, cost and turn around time saving through similar deliveries from all Regional Operating Center (ROC); SME business alone contributes to 20% besides activities of other business units.

Cards Operations solely handle all deliverables relating to credit card services along with merchant payments, fund settlement and resolving disputes as follows:

- Execute credit card accounts processing, limit setting, card production, delivery, and activation.
- Ensure cards transactions, statement printing and delivery, and card payments monitoring.
- Deal with merchant payments, and relationship monitoring.
- Ensure fund claim and disputes settlement under various card networks (like Visa Int'l, Q-Cash & OMNIBUS etc.).

Operational Risk Management

The management of BRAC Bank has replaced the previous Enterprise Risk Management (ERM) by Operational Risk Management (ORM) department with an objective to manage these risks in a more focused way.

ORM will however continue to identify, analyze and mitigate all kinds of risks (e.g. credit, market, operational, legal, compliance, reputation, strategic risk etc.) like ERM with proposed actions / suggestions for risk mitigation at the Enterprise Risk Management Committee (ERMC) and then put an executive summary to the Board Audit Committee for information.

ORM is a new look risk control department aimed at identifying potential risk events relating to in-house, industry and global banking operations, and setting up the right strategies through management for such risk mitigation to effectively meet the organizational objectives.

ORM will check and provide support to all business and operational units on following 3 key areas:

- ♦ Process Control – develop / upgrade and provide process manuals to ensure proper accountability and operational control.
- ♦ Risk Reporting – forecast and identify risk, analyze and suggest on risk mitigation, and timely report to management for strategic decisions.
- ♦ Basel-II Implementation – gear up resources to meet all requirements set by Bangladesh Bank on capital adequacy, risk supervision and disclosure.

Treasury & Financial Institutions

Dealing Room

BRAC Bank's Dealing Room is equipped with state of the art Treasury Software and modern telecommunication infrastructure facilities, which includes: SWIFT, Reuters, Bloomberg, Internet etc., to provide best price and services to its customers. It is mentionable here that BRAC Bank Limited is the first private bank to have automated treasury system in place. Dealing room also enjoys online connectivity with all its branches and offices to ensure fast and efficient services.

Money & Fx. Market

BRAC Bank is a very active player in inter-bank money and Fx. market. It is one of the main suppliers of foreign currency in the inter-bank Fx. market. Money market maintains the portfolio of call and term placement, investment, Repo & Reverse Repo, T-Bill/T-Bond buying/selling on bank's account and customer's account. Fx. dealers are well equipped to provide best cross currency, forward and SWAP rates to its customers.

BRAC Bank Limited has a robust foreign exchange risk management policy approved by its Board of Directors complying with the guidelines of Bangladesh Bank. The policy delineates the authority and limit for every foreign currency transactions and dealing. Each deal in foreign currency is done within counterparty, dealer and deal size limit. Stop loss limit for each deal is strictly monitored. BRAC Bank also strictly maintain foreign currency open position limit and currency-wise foreign currency limit.

Corporate Exchange

BRAC Bank has separate set-up for offering and managing valued corporate customers with very competitive fx. rate for trade, remittances. This has enabled corporate houses to save their cost and manage fx. in a very efficient manner.

Front Office, Mid Office & Back Office

BRAC Bank Ltd. has clearly demarcated front office, mid office and back office having separate reporting lines. The front office is involved only in dealing activities, mid office monitors limits, valuation and compliance while the back office is responsible for all related settlement and support functions. All deals are recorded in voice recording machine for dispute resolution and easy reference. BRAC Bank is the first private bank in Bangladesh to adopt international standard software for smooth functioning of its treasury operations.

Asset Liability Management

BRAC Bank Ltd. has an approved Asset Liability Management (ALM) Policy, key responsibility of which lies on the Asset Liability Management Committee (ALCO). ALCO scrutinizes the overall balance sheet position; monitors liquidity and interest rate risk and makes recommendations for necessary action/change in composition of assets, liabilities and pricing of assets and liabilities. BRAC Bank is the first private bank in the country to adopt robust and international ALM software for measuring and monitoring liquidity and interest rate risk, the two most risky areas for any bank.

Asset Liability Management unit supports ALCO with all the necessary information. ALCO sits at least once in a month while special ALCO convened as and when required. ALCO minutes are circulated among the members within 3 business days from the date of ALCO for necessary compliance.

Financial Institutions

BRAC Bank Limited continued its effort to reach every corner of the world through its correspondent's network. It has successfully established correspondent relationship with the world's leading banks, which include: HSBC, Citibank NA, UniCredit, Hypovereinsbank, Commerzbank, ING Bank, JP Morgan, Swedbank, SEB, Zurcher Kantonalbank, Westpac Banking Corporation, The Bank of Nova Scotia, ICICI Bank, Mashreqbank, UBAF, Nova Scotia, Dresdner Bank, Danske Bank, Banca Nazionale del Lavoro, Fortis Banque, International Moscow Bank, Standard Chartered Bank, Bank Austria, Bank of Asia Public Company Ltd., AB Bank Mumbai etc. to provide best of services to its client efficiently & profitably.

BRAC Bank Ltd. also maintains about 590 accounts with different local banks to support its Small & Medium Enterprise (SME), Cash Management and Remittance business throughout the country.

Treasury made operating profit of Tk 66.35 crore in the year 2008, which grew 35.5% from previous year.

General Administration and Infrastructure Services (GA&IS)

General Administration and Infrastructure Services (GA&IS) plays the pivotal role to ensure general administrative and infrastructure support services including physical security management for the bank across the country. This department consists of five functional units namely Infrastructure Development, Infrastructure Management, General Administration, Country Security and Logistics. With the combined roles and responsibilities of all these units, GA&IS is actually the execution point for all administration related activities including the development of infrastructure setups for new Head Office Premises, Branch, SME Sales & Service Centers and ATM Booths for the bank.

Program Management

Project Delivery Performance:-

Projects	2007	2008
Branch	16	20
SME Sales & Service Center	-	30
ATM Booth	39	76
Total	55	126

Program Management is a new concept combining the traditional project activities with more contemporary practices to create a sustainable business environment in the organization that is well balanced in terms of efficient processes, service deliveries, optimum risk management and cost containments.

Program Management is one of the fastest growing concepts in this area and is a key tool for effective implementation of project management across the organization. Program Management is a newly introduced department in BRAC Bank Limited and comprises of the following units:

- Infrastructure & Technical Projects
- Program Management Office (PMO)
- Enterprise Projects
- Business Solutions Projects

Infrastructure & Technical Projects:

Basic concept of Infrastructure & Technical Projects under Program Management is to deal with all Infrastructure Development or ID projects and any technical projects of BRAC Bank Ltd. This unit plays a vital role in bank's expansion in terms of delivery of infrastructure development or any technical projects within the stipulated time line as well as making it a cost effective one. Continuous monitoring and management and involvement of this unit in every step of all ID/technical projects shall certainly ensure efficiency at every level. This certainly ensures better transparencies at each and every step of the process and most importantly strengthens the risk management area.

Program Management Office (PMO):

PMO is responsible for improving project management within an organization. PMO strives for ensuring constant improvement of the organizations level of project management success. PMO is responsible for making sure that the organization implements the right projects, using the right processes and the right tools needed to succeed within a controlled cost structure. The major tasks of PMO are:

- Identifying and resolving common problems across projects
- Standardizing project management processes and tools
- Improving project management capabilities and skills
- Monitoring and reporting on project status
- Reducing the cost of projects
- Improving project success
- Coordinating document management and the maintenance of project libraries
- Mentoring on the development of the project schedule, budget, and risk issues

Enterprise Projects:

The main function of this unit is to deploy, implement and manage projects that aim to contribute to the organization as a whole, involving enterprise wide resources. Essentially, this unit will function as a focal point for running these enterprise level projects.

The unit will conduct relevant project reviews according to organizational policy and oversee the progress of the project for congruency with the outlined plan.

Information Technology:

Technology being the nerve center of BRAC Bank's rapid growth, some of the best in class Information Technology platform has been implemented in the bank to ensure faster yet smoother delivery of services to customers on 24/7 basis. The bank has invested substantially both in terms of technology infrastructure and in human resources. With a massive drive in business growth in mind, the overall Information Technology has been restructured and split into three broad areas e.g.

- ▶ Business Solutions Development,
- ▶ Technology Applications and
- ▶ Technology Operations;

All under direct supervision of the Chief Information Officer, who reports directly to the MD and CEO of the bank.

This is very similar to the enterprise projects in terms of project monitoring and controlling, however, this team will mainly handle all internal development related projects and other projects that affects a segment of a business unit.

One of the major focuses in 2008 was to fine tune and to stabilize the core banking application along with surrounding applications. Priority was given to regulatory and compliance issues and to ensure high availability of critical business applications in case of a disaster or any unforeseen event that may take place at the production center. Through business process reengineering and development of new processes, applications and solutions, the technology platform of BRAC Bank is now robust and secured.

As its unique contribution to a truly broad-based and participatory electronic banking system in Bangladesh, BRAC Bank has a wide coverage of 86 service outlets including branches and SME service centers, 119 bank's own ATMs plus about 80 ATMs with partner networks serving 13 member banks, 989 POS terminals, Internet Banking and SMS banking services.

Shareholding Structure of BRAC Bank Limited

Shareholding Structure of BRAC Bank Limited

As on 31.12. 2008

Sl. No.	Name of shareholder	Total shares	% of total shares
1	BRAC	5,307,681	33.51
2	Mr. Fazle Hasan Abed	158	0.001
3	Mr. Syed Humayun Kabir	158	0.001
4	Mr. A. S Mahmud	132	0.001
5	Mr. Faruq A. Choudhury	132	0.001
6	Mr. Dr. Salehuddin Ahmed	158	0.001
7	Mr. Md. Aminul Alam	158	0.001
8	Ms. Tamara Hasan Abed	132	0.001
9	Mr. Shib Narayan Kairy	120	0.001
10	ShoreCap International Ltd.	1,106,884	6.99
11	International Finance corporation (IFC)	1,504,483	9.50
12	General Shareholders	7,919,804	50.00
	Total	15,840,000	100.00

Board of Directors' Responsibility Statements

The responsibility of the Board of Directors of the Bank prepared pursuant to ‘The Companies Act’ 1994; the guidelines of Bangladesh bank Circular no: 16, dated 24 July 2003; Notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006 of the Securities and Exchange Commission.

As per the provision of the Companies Act 1994, Annual General Meeting of every company shall be held once at least in every calendar year. The report of the company’s affairs and the Audited Financial Statements duly certified is generally to be laid down before the Annual General Meeting for discussion. In preparing the Annual Report, the Board of Directors is required to ensure that;

- The state of the company’s affairs; the amount, if any, which the Board proposes to, carry to any reserve in such balance sheet; the amount, if any, which the Board recommends should be paid by way of dividend. The Board shall also be bound to give the fullest information and explanations in its report aforesaid on every reservation, qualification or adverse remark contained in the auditor’s report.
- Material changes and commitments, if any, affecting the financial position of the company which has occurred between the end of the financial year of the company to which the balance sheet related and the date of the report.
- The Board report and any addendum thereto shall be signed by its Chairman if he is authorized in that behalf by the Board, and where he is not so authorized shall be signed by such number of director as are required to sign the balance sheet and the profit and loss account or the income and expenditure account, of the company by virtue of sub-section (1) and (2) of section 189.

The Board of Directors of the Bank should comprise of the competent, professionally skilled persons with a view to ensuring good and corporate governance in the bank management. In view of this, according to the guidelines of Bangladesh Bank the responsibilities and authorities among the Board of Directors have specified. The Board of Directors are liable to; (i) Work-planning and strategic management (ii) Lending and risk management (iii) Internal Control Management (iv) Human Resources Management & Development (v) Financial Management (vi) Formation of Supporting Committees.

In our opinion, the Directors to the best of their knowledge and belief are satisfied to perform the related responsibilities of the Board of Directors guided by the Companies Act 1994, The Bank Company Act 1991, Guidelines of Bangladesh Bank and Securities and Exchange and Commission.

Managing Director & CEO's Responsibility

The responsibility of the Managing Director & Chief Executive Officer (CEO) of the bank has been prepared pursuant to the guideline of Bangladesh Bank Circular no: 16, dated 24 July 2003 and the Bank Companies Act 1991.

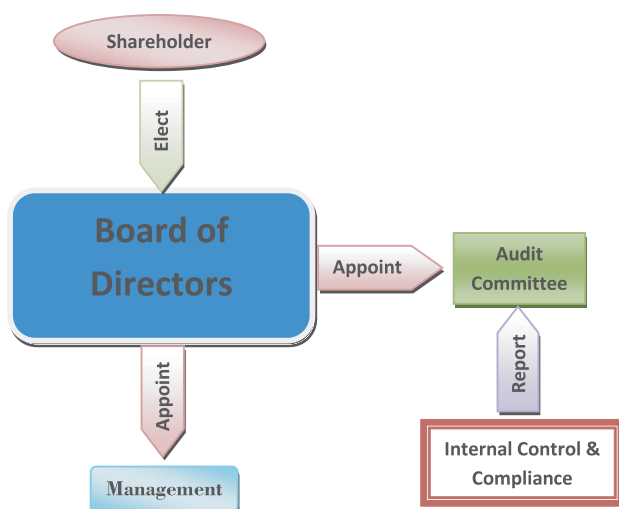
The responsibility & authority of the Managing Director & CEO should be specific. In the absence of specific division of responsibilities and authorities, it is difficult to achieve the desired goal of the organization. Bangladesh Bank has imposed a guideline regarding the responsibility and authorities of Managing Director & CEO of the bank.

According to the Bangladesh Bank guideline, the responsibility and authorities of Managing Director and CEO are follows:

1. In terms of the financial, business and administrative authorities vested upon him by the board, the Managing Director & CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administrative and financial management.
2. The Managing Director and CEO shall ensure compliance of the Bank Companies Act, 1991 and/or other relevant laws and regulations in discharge of routine functions of the bank.
3. The Managing Director and CEO shall report to Bangladesh Bank on issues violative of the Bank Companies Act, 1991 or of other laws/regulations and, if required, may apprise the board post facto.
4. The recruitment and promotion of all staff of the bank except those in the two tiers below him shall rest on the Managing Director and CEO. He shall act in such cases in accordance with the approved service rules on the basis of the human resources policy and sanctioned strength of employees as approved by the board. The board or the chairman of any committee of the board or any director shall not get involved or interfere into such affairs. The authority relating to transfer of and disciplinary measures against the staff, except those at one tier below the Managing Director and CEO, shall rest on him, which he shall apply in accordance with the approved service rules. Besides, the human resources policy as approved by the board, he shall nominate officers for training etc.

We are pleased to report that, the Managing Director & CEO of BRAC Bank Limited is always in compliance the guideline imposed by the Bangladesh Bank and the Bank Companies Act 1991 to the best of our knowledge.

Corporate Governance



Integrity is the foundation of BRAC Bank’s business and the key to building strong, lasting relationships with all of our stakeholders - including shareholders, employees, customers and the communities in which we operate.

As our business grows consistently, we strive to ensure that our practices meet or exceed all local and international standards and requirements. The bank’s corporate governance practices fully complied with the Securities & Exchange Commission’s listed company corporate governance standards and Corporate Governance guideline of Bangladesh Bank. Our commitment to operating with integrity is rooted in a strong corporate governance structure and culture, based on the principles of accountability and openness. BRAC Bank’s corporate governance policies are designed to maintain the independence of the Board of Directors and its ability to effectively supervise management’s operation of the bank. The Board, which is composed of independent directors, depositor director and nominated director by the institution (BRAC, ShoreCap) maintains responsibility for the bank’s corporate governance structures and procedures. Strong internal compliance procedures and comprehensive risk management policies are also part of the everyday structure and operation of the bank.

BRAC Bank continually looks for ways to strengthen its corporate governance policies and procedures at all levels across the bank. BRAC Bank was recognized by the Institute of Cost & Management Accountants of Bangladesh (ICMAB) for Best Corporate Award 2007 for its Capital Adequacy, Asset quality, Profitability, Liquidity, Corporate Governance, Market Share, Contribution to National Economy, Risk Management, Regulatory Compliance, Disclosure and CSR.

We firmly believe that our ongoing commitment and efforts to ensure a strong corporate governance structure and culture across our bank help us deliver value to all our stakeholders.

Our best practices

- BRAC Bank’s Board is led by a non-executive chairman.
- 3 (1 independent and 2 depositor director) of the bank’s current 7 directors are independent.
- The representation of women on the board stands at 29%.
- Audit Committee is formed according to the guideline of Bangladesh Bank and SEC.
- Attendance of CFO & Company Secretary in the Board of Directors Meeting.

Compliance Report

Corporate Governance Compliance Report

Status of Compliance with the conditions imposed by the Securities and Exchange Commission's Notification No SEC/CMRRCD/2006-158/admin/02-08 dated 20th February 2006 issued under section 2CC of the Securities and Exchange Commission Ordinance 1969

Condition No.	Title	Complied status (put in ✓ the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.00	Board of Directors			
1.1	Board's size: should not be less than 5 (five) and more that 20 (twenty)	✓		
1.2(i)	Independent Director: at least 1/10 i.e. minimum one	✓		
1.2 (ii)	Appointment of independent director by elected directors	✓		
1.3	Separate chairman of the board and chief executive and clearly defined roles and responsibilities	✓		
1.4	Directors report to shareholders	✓		
1.4(a)	Fairness of financial statements	✓		
1.4 (b)	Maintenance of proper books of account	✓		
1.4 (c)	Adoption of appropriate accounting policies and estimates	✓		
1.4 (d)	Compliance with International Accounting Standards	✓		
1.4 (e)	Soundness of Internal Control System	✓		
1.4 (f)	Ability to continue as a going concern	✓		
1.4 (g)	Significant deviations in operating results from last year			No Deviation
1.4 (h)	Presentation of at least preceding three years financial data	✓		
1.4 (i)	Declaration of Dividend	✓		
1.4 (j)	Details of Board Meeting	✓		
1.4 (k)	Shareholding Pattern	✓		
2.00	CFO, Head of Internal Audit & Company Secretary			
2.1	Appointment of CFO, Company Secretary & Head of Internal Audit and defining their responsibilities	✓		
2.2	Attendance of CFO & Company Secretary in the board of directors meeting	✓		

Condition No.	Title	Complied status (put in ✓ the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
3.00	Audit Committee:			
3.1 (i)	Constitution of Audit Committee	✓		
3.1 (ii)	Constitution of Audit Committee with Board Members including the Independent Director	✓		
3.1 (iii)	Filling of casual vacancy in the Audit Committee			No such case
3.2 (i)	Chairman of the Committee	✓		
3.2 (ii)	Professional Qualification and experience of the chairman of the Committee	✓		
3.3.1 (i)	Reporting on the activities of the Audit Committee	✓		
3.3.1(ii) (a)	Reporting of conflict of interest to the board directors			No such case
3.3.1 (ii) (b)	Reporting of any fraud or irregularity to the Board of Directors			No such case
3.3.1 (ii) (c)	Reporting of violation of Laws to the Board of Directors			No such case
3.3.1 (ii) (d)	Reporting of any other matter to the Board of Directors	✓		
3.3.2	Reporting of qualified point to commission			No such case
3.4	Reporting of activities to the shareholders and General Investors	✓		
4.00	External/Statutory Auditors:			
4.00 (i)	Non-engagement in appraisal or valuation	✓		
4.00 (ii)	Non-engaged in designing of Financial Information System	✓		
4.00 (iii)	Non-engagement in book-keeping	✓		
4.00 (iv)	Non-engagement in appraisal or valuation	✓		
4.00 (v)	Non-engagement in Actuarial Services	✓		
4.00 (vi)	Non engagement in Internal Audit	✓		
4.00 (vii)	Non-engagement in any other services	✓		

Status of compliance of Bangladesh bank's guidelines for Corporate Governance (BRPD circular No 16 dated 24.07.2003)			
SL NO.	Particulars	Compliance Status	
		Yes (✓)	No (X)
01	Responsibilities and authorities of the board of directors:		
	(a) Work-planning and strategic management:		
	(i) The board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rests the development of implementation of the work-plans.	✓	
	(ii) The board shall have its analytical review incorporated in the Annual Report as regard the success/failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies. It shall set the Key Performance Indicators (KPIs) for the CEO and other senior executives and have it evaluated at times.	✓	
	(b) Lending and risk management:		
	(i) The policies, strategies, procedures etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, reschedulement and write-off thereof shall be made with the board's approval under the purview of the existing laws, rules and regulations. The board shall specifically distribute the power of sanction of loan/investment and such distribution should desirably be made among the CEO and his subordinate executives as much as possible. No director, however, shall interfere, directly or indirectly, into the process of loan approval.	✓	
	(ii) The board shall frame policies for risk management and get them complied with and shall monitor at quarterly rests the compliance thereof.	✓	
	(c) Internal control management:		
	The board shall be vigilant on the internal control system of the bank in order to attain and maintain satisfactory qualitative standard of its loan/investment portfolio. It shall review at quarterly rests the reports submitted by its audit committee regarding compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.	✓	
	(d) Human resources management and development		
	(i) Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules shall be framed and approved by the board. The chairman or the directors shall in no way involve themselves or interfere into or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the set service rules. No member of the board of directors shall be included in the selection committees for	✓	

	recruitment and promotion to different levels. Recruitment and promotion to the immediate two tiers below the CEO shall, however, rest upon the board. Such recruitment and promotion shall have to be carried out complying with the service rules i.e., policies for recruitment and promotion.		
	(ii) The board shall focus its special attention to the development of skills of bank's staff in different fields of its business activities including prudent appraisal of loan/investment proposals, and to the adoption of modern electronic and information technologies and the introduction of effective Management Information System (MIS). The board shall get these programs incorporated in its annual work plan.	✓	
	(e) Financial management:		
	(i) The annual budget and the statutory financial statements shall finally be prepared with the approval of the board. It shall at quarterly rests review/monitor the positions in respect of bank's income, expenditure, liquidity, non-performing asset, capital base and adequacy, maintenance of loan loss provision and steps taken for recovery of defaulted loans including legal measures.	✓	
	(ii) The board shall frame the policies and procedures for bank's purchase and procurement activities and shall accordingly approve the distribution of power for making such expenditures. The maximum possible delegation of such power shall rest on the CEO and his subordinates. The decision on matters relating to infrastructure development and purchase of land, building, vehicles etc. for the purpose of bank's business shall, however, be adopted with the approval of the board.	✓	
	(f) Formation of supporting committees:		
	For decision on urgent matters an executive committee, whatever name called, may be formed with the directors. There shall be no committee or sub-committee of the board other than the executive committee and the audit committee. No alternate director shall be included in these committees.	✓	
	(g) Appointment of CEO:		
	The board shall appoint a competent CEO for the bank with the approval of the Bangladesh Bank.	✓	
02	Responsibilities of the chairman of the board of directors:		
	(a) As the chairman of the board of directors (or chairman of any committee formed by the board or any director) does not personally possess the jurisdiction to apply policymaking or executive authority, he shall not participate in or interfere into the administrative or operational and routine affairs of the bank.	✓	
	(b) The chairman may conduct on-site inspection of any bank-branch or financing activities under the purview of the oversight responsibilities of the board. He may call for any information relating to bank's operation or ask for investigation into any such affairs; he may submit such information or investigation report to the meeting of the board or the executive committee and if deemed necessary, with the approval of the board, he shall effect necessary action thereon in accordance with the set rules through the CEO. However, any complaint against the CEO shall have to be apprised to Bangladesh Bank through the board along with the statement of the CEO.	✓	

	(c) The chairman may be offered an office-room, a personal secretary/assistant, a telephone at the office and a vehicle in the business-interest of the bank subject to the approval of the board.	✓	
03	Responsibilities of the adviser:		
	The adviser, whatever name called, shall advise the board of directors or the CEO on such issues only for which he is engaged in terms of the conditions of his appointment. He shall neither have access to the process of decision-making nor shall have the scope of effecting executive authority in any matters of the bank including financial, administrative or operational affairs.		No such case
04	Responsibilities and authorities of the CEO:		
	(a) In terms of the financial, business and administrative authorities vested upon him by the board, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administrative and financial management.	✓	
	(b) The CEO shall ensure compliance of the Bank Companies Act, 1991 and/or other relevant laws and regulations in discharge of routine functions of the bank.	✓	
	(c) The CEO shall report to Bangladesh Bank of issues violative of the Bank Companies Act, 1991 or of other laws/regulations and, if required, may apprise the board post facto.	✓	
	(d) The recruitment and promotion of all staff of the bank except those in the two tiers below him shall rest on the CEO. He shall act in such cases in accordance with the approved service rules on the basis of the human resources policy and sanctioned strength of employees as approved by the board. The board or the chairman of any committee of the board or any director shall not get involved or interfere into such affairs. The authority relating to transfer of and disciplinary measures against the staff, except those at one tier below the CEO, shall rest on him, which he shall apply in accordance with the approved service rules. Besides, under the purview of the human resources policy as approved by the board, he shall nominate officers for training etc.	✓	

Corporate Social Responsibility

Corporate Social Responsibility is the commitment of businesses towards the society to contribute to sustainable economic development by working with employees, the local community and society at large to improve their lives in ways that are good for business and for development.

BRAC Bank believes in delivering shareholders' value in a socially, ethically and environmentally responsible manner. Firmly believing that Bank's business and community growth are interlinked, we have striven to achieve a balanced mix of projects, which result in sustainable long term benefits to society.

Partnering with communities is of great importance to BRAC Bank Limited and we aim to contribute actively to the communities in which we operate. Our community activities complement our business and help communities to achieve higher levels of sustainability.

Corporate Social Responsibility (CSR) of BRAC Bank:

Since the inception as a responsible corporate body BRAC Bank Ltd. has undertaken various initiatives considering the interest of customers, employees, shareholders, communities and environment. These initiatives go beyond the statutory obligation and mandatory compliances to voluntary activities that promote sustainable development. BRAC Bank's vision focuses on double bottom line that it should make decisions based not only on profit but also based on social and environmental consequences is closely linked to the principles of CSR.

CSR is a fundamental part of the way BRAC Bank conducts business. It's an opportunity to build better relationships with all stakeholders by paying closer attention to how we fulfill our social, economic, environmental and ethical responsibilities. CSR allows us to align our operations with standards and expectations that are increasingly important to our shareholders, employees, customers and communities where we operate.

While most of our overall environmental impact is indirect, resulting from our financing and investment activities, we also have a direct impact on the environment through our day-to-day business operations. We are working towards reducing waste and the more efficient use of resources. The second step is reducing our indirect environmental impact by managing our investing activities. As a policy BRAC Bank does not invest in businesses which use child labour or engage in environmentally hazardous activities.

Reduction in use of the paper

Paper continues to be the most significant single material input to our business. We use paper in the office and in the production of customer information documents. A4 paper use is a major component of our office based paper usage. Reducing the use of paper and recycling it, provide both an environmental and economic benefit, and some of the initiatives taken by us during the year are:

- We insist on double-sided printouts and photocopies wherever relevant.
- Paper communication between the divisions/customer centers of BRAC Bank has been replaced with on-line communication where possible, resulting in significant reduction in paper usage.
- We have converted selected staff training sessions into our e-learning process, which has resulted in reduced paper usage on training materials.
- We encourage our customers to sign up for e-Statements, Internet Banking & SMS Banking facilities.

BRAC Bank's CSR activities



Contribution to the Prime Minister's Relief Fund.

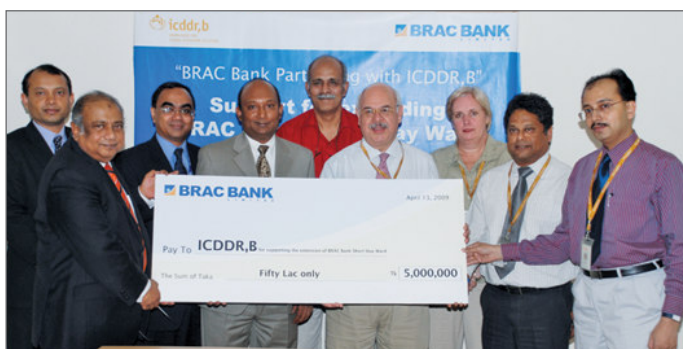
BRAC Bank as part of its Corporate Social Responsibility (CSR), has contributed BDT 2,500,000/- (taka twenty five lac only) to the Prime Minister's Relief Fund for the bereaved families of BDR incident.

BRAC Bank's Chairman Mr. Muhammad A. (Rume) Ali handed over the cheque to Honorable Prime Minister Sheikh Hasina, at the Prime Minister's Office.

BRAC Bank Short Stay Ward at ICDDR,B Dhaka Hospital



ICDDR,B's Dhaka and Matlab hospitals provide free treatment to more 120,000 patients each year with a commitment to never turn away anyone arriving for treatment. In the past, accommodating these patients required the use of tents as temporary wards. In 1993, to handle large numbers of flood-affected patients, a temporary shed was erected adjacent to the Dhaka Hospital. Later this shed was used to accommodate, under less than ideal conditions, the increasing numbers of patients arriving at the Dhaka Hospital on a regular basis. With the support of BRAC Bank the short stay ward has now been renovated with full air conditioning, new washrooms, hand-washing sinks, surrounding walls and upgraded floors and ceilings.



ICDDR,B being one of the busiest and well known cholera and diarrhea hospitals is serving patients from all walks of life specially the under privileged citizens. In this notion, BRAC Bank as part of its corporate social responsibility has contributed Tk. 5,000,000 with addition to its US\$38,525 donated earlier, to facilitate ICDDR,B to treat its patients with better care.

3rd South-Asia Regional Conference on Autism

Autism is a life long neuro-development disorder in children, in which they have difficulty in relating to others, comprehending other people's feelings and making sense of external activities. In Bangladesh, autism is thought to affect 1 child in every 500 and currently 4.4 million children worldwide are diagnosed with autism. There is wide spread ignorance, prejudice and superstition among the illiterate poor. Children with autism may have profound level of intellectual function and the spectrum can range from mental retardation to very high conventional IQ's. The only recovery of this disorder is earlier diagnosis the better will be the prognosis.



In this regard, 'Society for the Welfare of Autistic Children' (SWAC) organized the 3rd South-Asian Regional Conference on Autism. In support of this noble initiative, BRAC Bank contributed Tk. 2 million to successfully execute the conference. The main objective was to enhance the knowledge of parents, professionals, specialists and teachers, so that they can have a better understanding of autism and offer improved services to children with autism, raise awareness about autism in the society. The speakers and participants working with autism are invited from India, Pakistan, Nepal, Bhutan, Brunei, Sri Lanka, UK, USA, Finland etc. BRAC Bank with SWAC supported this praiseworthy initiative to raise awareness among the mass to alleviate the misconception on autism.

Bangladesh Wintering Waterfowl Census & Bird Festival

Wetland in Bangladesh has great ecological, economic, commercial and cultural importance. They contain very rich components of biodiversity of local, national and regional significance. Wetlands also provide habitat for a variety of resident and migratory waterfowl, including a significant number of globally threatened species. But these resources have suffered considerably from the impacts of burgeoning human population. An estimated 2.1 million hector of wetlands have been lost to flood control, drainage and irrigation development.



Waterfowls are those groups of birds that inhabit wetlands. Some of them are aquatic and few are ecologically dependent on wetlands. These birds are popularly known as water birds, shore birds, waders. These birds are rapidly sent to extinction due to lack of wetlands, poaching and illegal killing of the migratory birds.

BRAC Bank with Nature Conservation Committee (NCC) supported Bangladesh

wintering waterfowl census & Pakhi utsab, by contributing Tk. 3,50,000 for the said initiative to conserve migratory and local bird's survey, their habitat conservation and related research, training, education and awareness activities to promote sustainable utilization of the country's biological diversity.

Jatio Protibondhi Unnayan Foundation

Disabled people of the society are ignored, who do not receive proper training and medicine from individual or organization. Proper rehabilitation of these people will help them to live independently, with dignity, in a barrier-free family and community, and are equally contributive to their own and society's development. To uplift their living standard, disabled people need proper job placement, vocational training, advocacy, community based rehabilitation and awareness raising organization. The needs and expectations of people with disabilities were not being met with current programs and services. Also, there is no effective grassroots disabled peoples' movement in Bangladesh.

A day-long seminar for creating awareness and promoting opportunities for persons with disabilities, on issues concerning with disabled people and their access to education, training and employment opportunity was organized by Jatiyo Protibondhi Unnayan Foundation with BRAC Bank's support.



9th and 10th Daily Star O & A Level award giving ceremony

To salute and encourage the nation builders of tomorrow, BRAC Bank consecutively supported the 9th and 10th award presentation ceremonies organized by The Daily Star for the students who earned exceptional grades in O'Level & A'Level examinations. They are the future leaders who will lead the way from the forefront.

MoU with JCI for Health & Safety training initiatives for SME's

BRAC Bank Limited has signed a MoU with Junior Chamber International (JCI), Bangladesh to promote Corporate Social Responsibility (CSR) in Small and Medium Enterprises (SMEs). This initiative will help SME Entrepreneurs in the country to be aware about health and safety aspect of working condition, which included bio-security, fire & electrocution hazard at workplace, etc. Selected BRAC Bank's SME Clients from various sectors will be given technical assistance, training and other necessary supports to improve their work environment towards changing the lifestyle of self and community as a whole.



BRAC Bank organizes a workshop on "Prevention of Fire Hazards in Business Premises"

BRAC Bank and Swisscontact-Katalyst have jointly organized a workshop on Prevention of Fire in Business premises recently for a number of SME Entrepreneurs. The objective of the program is to create awareness regarding fire related hazards in the business premises of the Small & Medium Enterprises (SMEs) of the country, and to introduce the ways to minimize these hazards among the participants.

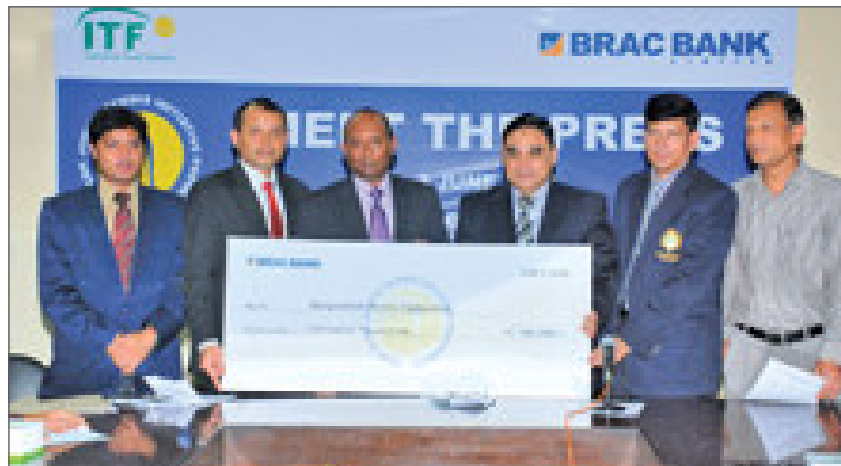


National Vitamin A plus Campaign

BRAC Bank has sponsored 1,000 pieces of t-shirts for the volunteers of country wide Vitamin-A campaign. Each year government's health ministry organizes this campaign where children of 0 to 5 years are given a drop of vitamin A, to prevent them from preventive diseases. To create more awareness against such diseases BRAC Bank lent its support in the campaign.

Junior Tennis Initiative sponsored by BRAC Bank

BRAC Bank has supported Bangladesh Tennis Federation to initiate Junior Tennis Initiative (JTI) Program. Under this program, young school children would be provided with necessary training on tennis. This initiative is taken to create internationally acclaimed tennis stars from Bangladesh. This is also to create enthusiasm among the young school children about games and sports.



Donation made to save a Child's life

BRAC Bank donated Tk. 10,000 to help ongoing treatment of a child name 'Dorpon', who electrocuted himself and burned half of his body.

Talent Hunt Program with Shilpakala Academy

BRAC Bank with Bangladesh Shilpakala Academy has supported Protibha Onneshon a talent hunt program where participants from different parts of Bangladesh show their talents in music, dance, poetry and other cultural arena.



Sponsorship of Viqarunnisa Noon Debating Club

BRAC Bank sponsored the Viqarunnisa Noon Debating Club to organize their annual debating competition. This initiative would help the youth to develop their creative skills, being the future leaders to prepare themselves better to serve the society from the forefront.

Sponsored Women Entrepreneur Association of Bangladesh (WEAB)

BRAC Bank supported WEAB to initiate a relief program under which they helped building house for acid victims especially in cyclone SIDR hit areas namely Cox's Bazar and Barisal. A cultural event was organized to raise fund for the charity.

Sponsoring DMP for Dhaka Traffic Control & Management



Dhaka Metropolitan Police (DMP) commenced community police service in different parts of the city, with a view to involve the community in the criminal administration and traffic control system. In this regard BRAC Bank has supported Dhaka Metropolitan Police as part of its ongoing CSR activities. BRAC Bank has provided the DMP with road divider, traffic cones, police vests and umbrellas to assist them in serving our society for the betterment.

BRAC Bank Sponsors Jatio Haor Utshab at Mohonganj, Netrokona

BRAC Bank as part of their CSR activity supported a 3-day long "Jatio Haowr Utshab" in Mohanganj, Netrokona. Despite having any distribution network in that locality, BRAC Bank joined with Poribesh Bachao Andolon (POBA) to save the environment. The drive was to create awareness to save the surrounding environment of Haor areas and to protect its rich biodiversity.



15th All Asian Inter-Varsity Debate Championship



BRAC Bank supported '15th All Asians Inter-varsity Debate Championship' organized by North South University, where more than 500 participants, adjudicators and faculty members who hail from more than twenty Asian nations exhibited their debating talent; while supporting the whole initiative BRAC Bank exclusively organized 'The Youth Development Night' where debaters discussed about different ongoing global issues and crisis. BRAC Bank as part of its community development initiatives has stood beside different voluntary organizations and community clubs who undertake diverse initiatives to mitigate misery from the people affected by natural calamity or other social perils.



Amor Ekushey Grontho Mela 2008

Amor Ekushey Grontho Mela 2008 was supported by BRAC Bank. This support would facilitate Bangla Academy to continue its ongoing publications and research and development activities.

Bird Fair at Jahangirnagar University

BRAC Bank as part of its CSR activity sponsored BRAC Bank Pakhi Mela 2008 organized by Jahangirnagar University. This was done to raise awareness about conservation of migrating birds and thus to protect them from being endangered.



Chaitra Shancranti Utsab

Bangladesh is a country blessed with colorful seasons each season has its unique attribute. People here in Bangladesh always love to celebrate these seasons. Chaitra Shancranti is one of the vibrant seasons which has been celebrated for many years to welcome the Bengali New Year. Nature looks bright and charming. Trees and plants put on new leaves and twigs. During

this season countless varieties of flowers bloom and make the whole atmosphere delightful with their sweet fragrance. BRAC Bank to celebrate this festive has supported Chitra Shancranti Utsab, to celebrate the beginning of a new year and forget the misery and sorrow of this year.

‘Distance Information’ Art Exhibition

BRAC Bank has supported an art exhibition of British contemporary artist ‘Distance Information’ at British Council. The main purpose this exhibition was to promote international art among the Bangladeshi artists.



Supported Chayanot

BRAC Bank has lent its support to Chayanot for its Shuddho Shongit Utsab 1415 and Desh Ghorer Gaan 1415.

Persona Institute of Beauty and Lifestyle



BRAC Bank with Persona Institute of Beauty and Lifestyle has organized two separate day-long workshops on Beauty Solutions & Marketing Skills Development for Beauty Parlors and Emotional Intelligence for Professional Women. The main objective of the workshop was to enhance professional women to be more confident in dealing with professional environment, being aware about their rights at the workplace and learning to deal with the glass ceiling impact.



Art exhibiton of Saifuddin Ahmed

BRAC Bank has supported art exhibition of eminent artist Saifuddin Ahmed with Bengal Gallery of Fine Arts.

2nd National SME Women Entrepreneur Conference

BRAC Bank supported the 2nd National SME Women Entrepreneurs' Conference 2008 organized by SME Foundation. This conference was focused on different sessions like 'Access to Finance: "Gender Perspective", Communication: Gender perspective for SMEs development in Bangladesh'.



NTV Talk Show on Women's Day

BRAC Banks has lent its support on a talk show telecast on NTV were participators discussed on different issues on condition of women entrepreneurs in Bangladesh, the problems they are facing and recommendation on such situations.

BRAC Bank Club Cup Hockey

BRAC Bank has supported 'BRAC Bank Club Cup Hockey Tournament' with Bangladesh Hockey Federation. The objective of the tournament was to motivate and provide financial support for the promising hockey players of Bangladesh.



Inter- School Soccer Tournament

BRAC Bank has supported an inter-school soccer tournament to encourage young players towards soccer.



BRAC BANK

Series 2008

Bangladesh vs. New Zealand

BRAC Bank supported Bangladesh Cricket Board (BCB) to stage the BRAC Bank Series 2008: BD v NZ. This initiative was undertaken to motivate the players of Bangladesh National Cricket Team.



Financial Statements

**Auditors' report
to the shareholders of
BRAC Bank Limited**

We have audited the accompanying balance sheet of BRAC Bank Limited ("the Bank") as at 31 December 2008 and the related profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes to the financial statements. The preparation of these financial statements is the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

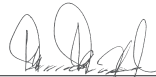
We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) give a true and fair view of the state of the Bank's affairs as at 31 December 2008 and of the results of its operations and its cash flows for the year then ended and comply with the Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- iii) the Bank's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns;
- iv) the expenditure incurred was for the purposes of the Bank's business;
- v) the financial position of the Bank at 31 December 2008 and the profit for the year then ended have been properly reflected in the financial statements, and the financial statements have been prepared in accordance with the generally accepted accounting principles;
- vi) the financial statements have been drawn up in conformity with the Bank Companies Act 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank;
- vii) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- viii) the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- ix) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements; and
- x) the information and explanations required by us have been received and found satisfactory.

Dhaka, 15 March 2009



 Auditors
 Rahman Rahman Huq
 Chartered Accountants

BRAC Bank Limited
Balance Sheet
as at 31 December 2008

		2008	2007
PROPERTY AND ASSETS	Notes	Taka	Taka
Cash:	4		
In hand (including foreign currencies)		908,567,282	511,730,011
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		3,407,320,718	2,602,841,460
		4,315,888,000	3,114,571,471
Balance with other banks and financial institutions:	5		
In Bangladesh		2,925,484,028	2,894,113,161
Outside Bangladesh		269,487,085	170,449,420
		3,194,971,113	3,064,562,581
Money at call and on short notice	6	-	100,000,000
Investments:	7		
Government securities		7,880,195,243	4,893,785,452
Others		365,178,030	103,071,265
		8,245,373,273	4,996,856,717
Loans and advances:	8		
Loans, cash credits, overdrafts, etc.		52,665,236,558	32,446,123,378
Bills purchased and discounted		11,480,182	14,978,802
		52,676,716,740	32,461,102,180
Fixed assets including premises, furniture and fixtures	9	1,472,024,279	942,929,286
Other assets	10	2,536,919,986	1,702,573,183
Non-banking assets	11	-	-
Total assets		<u>72,441,893,391</u>	<u>46,382,595,418</u>
LIABILITIES AND CAPITAL			
Liabilities:			
Borrowings from other banks, financial institutions and agents	12	2,280,000,000	2,240,000,000
Deposits and other accounts:	13		
Current deposits and other accounts		7,652,002,774	5,543,600,799
Bills payable		424,455,762	409,015,536
Savings bank deposits		4,627,686,658	3,985,564,159
Fixed deposits		43,399,790,445	27,307,976,283
Bearer certificate of deposits		-	-
Other deposits		1,902,951,371	122,250,997
		58,006,887,010	37,368,407,774
Other liabilities	14	6,717,480,730	3,702,158,970
Total liabilities		<u>67,004,367,740</u>	<u>43,310,566,744</u>
Capital/shareholders' equity:			
Paid up capital	15.2	1,584,000,000	1,200,000,000
Redeemable preference share capital	16	500,000,000	500,000,000
Share premium	17	1,406,000,000	350,000,000
Statutory reserve	18	908,762,089	504,071,923
Revaluation reserve	19	118,846,147	-
Exchange equalisation reserve		45,000	45,000
Retained earnings	20	919,872,415	517,911,751
Total shareholders' equity		<u>5,437,525,651</u>	<u>3,072,028,674</u>
Total liabilities and shareholders' equity		<u>72,441,893,391</u>	<u>46,382,595,418</u>

	Notes	2008 Taka	2007 Taka
OFF BALANCE SHEET ITEMS			
Contingent liabilities:	35		
Acceptances and endorsements		136,773,626	222,882,782
Letters of guarantee		425,080,706	269,968,985
Irrevocable letters of credit		1,570,706,657	1,437,314,301
Bills for collection		8,570,591	69,227,653
Tax liability		3,367,206	3,367,206
Other contingent liabilities		16,496,673	153,785,106
		2,160,995,459	2,156,546,033
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 off balance sheet items including contingent liabilities		<u>2,160,995,459</u>	<u>2,156,546,033</u>
The annexed notes 1 to 37 form an integral part of these financial statements.			


 Managing Director & CEO


 Director


 Director


 Chairman

As per our report of same date.

Dhaka, 15 March 2009


 Auditors

BRAC Bank Limited
Profit and Loss Account
for the year ended 31 December 2008

	Notes	2008 Taka	2007 Taka
Interest income	22	8,021,101,674	4,633,346,578
Interest paid on deposits, borrowings, etc.	23	(4,865,091,805)	(2,571,236,238)
Net interest income		3,156,009,869	2,062,110,340
Income from investment	24	909,126,833	693,142,387
Commission, exchange and brokerage	25	1,951,193,720	771,783,604
Other operating income		19,853,415	16,113,551
Total operating income		6,036,183,837	3,543,149,882
Salaries and allowances		1,422,467,134	789,774,456
Rent, taxes, insurance, electricity etc.	26	201,185,595	109,452,384
Legal expenses		6,659,649	4,753,874
Postage, stamps, telecommunication, etc.	27	153,973,003	99,026,739
Stationery, printing, advertisement etc.	28	212,445,802	134,980,937
Managing Director & CEO's salary and fees		21,606,094	8,332,800
Directors' fees and expenses	29	729,715	399,144
Auditors' fees		753,125	622,500
Depreciation on and repairs to bank's assets	30	320,428,159	178,180,999
Other expenses	31	522,029,311	272,133,522
Total operating expenses		2,862,277,587	1,597,657,356
Profit before provisions		3,173,906,250	1,945,492,526
Provisions for:			
Loans and advances	32	1,138,548,420	668,649,664
Diminution in value of investments		-	-
Off balance sheet items	33	11,907,000	12,500,000
Others		-	7,225
Total provisions		1,150,455,420	681,156,889
Profit before tax		2,023,450,830	1,264,335,637
Provision for tax:			
Current		1,220,000,000	766,000,000
Deferred		(170,000,000)	(120,000,000)
		1,050,000,000	646,000,000
Profit after tax		973,450,830	618,335,637

	Notes	2008 Taka	2007 Taka
Appropriations:			
Statutory reserve		404,690,166	252,867,127
General reserve		-	-
Proposed dividend		-	-
		404,690,166	252,867,127
Retained earnings		<u>568,760,664</u>	<u>365,468,510</u>
Basic earnings per share	34	<u>62.30</u>	<u>42.30</u>

The annexed notes 1 to 37 form an integral part of these financial statements.


 Managing Director & CEO


 Director


 Director


 Chairman

As per our report of same date.

Dhaka, 15 March 2009


 Auditors

BRAC Bank Limited
Statement of Changes in Equity
for the year ended 31 December 2008

	Ordinary share capital Taka	Redeemable preference share capital Taka	Share premium Taka	Statutory reserve Taka	Reva- luation reserve Taka	Exchange equalisation reserve Taka	Retained earnings Taka	Total Taka
Balance as at 1 January 2007	1,000,000,000	150,000,000	350,000,000	251,204,796	-	45,000	365,943,241	2,117,193,037
Issue of redeemable preference share	-	350,000,000	-	-	-	-	-	350,000,000
Statutory reserve	-	-	-	252,867,127	-	-	-	252,867,127
Issue of bonus share	200,000,000	-	-	-	-	-	(200,000,000)	-
Dividends on preference share	-	-	-	-	-	-	(13,500,000)	(13,500,000)
Net profit for the year	-	-	-	-	-	-	365,468,510	365,468,510
Balance as at 31 December 2007	1,200,000,000	500,000,000	350,000,000	504,071,923	-	45,000	517,911,751	3,072,028,674
Statutory reserve	-	-	-	404,690,166	-	-	-	404,690,166
Revaluation reserve	-	-	-	-	118,846,147	-	-	118,846,147
Share premium	-	-	1,056,000,000	-	-	-	-	1,056,000,000
Issue of bonus share	120,000,000	-	-	-	-	-	(120,000,000)	-
Issue of right share	264,000,000	-	-	-	-	-	-	264,000,000
Dividends on preference share	-	-	-	-	-	-	(46,800,000)	(46,800,000)
Net profit for the year	-	-	-	-	-	-	568,760,664	568,760,664
Balance as at 31 December 2008	1,584,000,000	500,000,000	1,406,000,000	908,762,089	118,846,147	45,000	919,872,415	5,437,525,651

BRAC Bank Limited
Cash Flow Statement
for the year ended 31 December 2008

	Notes	2008 Taka	2007 Taka
A) Cash flows from operating activities:			
Interest receipt		8,752,901,827	4,922,951,545
Interest payment		(4,308,796,588)	(2,252,942,906)
Dividend receipt		6,400,000	5,087,381
Fees and commissions receipt		1,951,193,720	774,387,965
Cash payment to employees		(1,320,858,916)	(776,229,023)
Cash payment to suppliers		(359,009,559)	(235,006,534)
Income tax paid		(809,274,043)	(355,091,639)
Receipt from other operating activities	36.1	19,853,415	16,113,551
Payment for other operating activities	36.2	(690,261,152)	(422,069,222)
<i>Cash generated from operating activities before changes in operating assets and liabilities (i)</i>		3,242,148,704	1,677,201,118
 Increase/(decrease) in operating assets and liabilities:			
Loans and advances		(20,215,614,560)	(12,903,936,800)
Other assets		(239,704,724)	98,137,075
Deposits from customers		20,638,479,236	14,366,486,085
Other liabilities		294,581,854	(1,378,579,293)
<i>Cash utilised in operating assets and liabilities (ii)</i>		477,741,806	182,107,067
<i>Net cash inflow from operating activities (i+ii)</i>		3,719,890,510	1,859,308,185
B) Cash flows from investing activities:			
Encashment/(investment) of treasury bills		848,242,240	494,284,989
Encashment/(investment) of treasury bonds		(3,617,744,127)	(1,833,497,304)
Sale/(investment) of shares		-	(50,000,000)
Redemption of debenture		-	100,000,000
Investment in bonds		(270,000,000)	-
Encashment of zero coupon bonds		7,893,235	59,942,969
Encashment of prize bonds		(824,000)	424,700
Acquisition of fixed assets		(765,393,785)	(685,128,143)
Proceeds from disposal of fixed assets		946,357	490,000
<i>Net cash outflow from investing activities</i>		(3,796,880,080)	(1,913,482,789)
C) Cash flows from financing activities:			
Receipt from issue of redeemable preference shares		-	350,000,000
Receipt from issue of right shares		264,000,000	-
Receipt from share premium		1,056,000,000	-
Payment of dividend on preference share		(46,800,000)	(13,500,000)
Payment for finance lease		(4,485,369)	(17,805,446)
Borrowing from other banks		40,000,000	1,340,000,000
Repayment to Bangladesh Bank		-	(432,974,167)
<i>Net cash in flow from financing activities</i>		1,308,714,631	1,225,720,387

	Notes	2008 Taka	2007 Taka
D) Net increase in cash and cash equivalents (A+B+C)		1,231,725,061	1,171,545,783
E) Effects of exchange rate changes on cash and cash equivalent		-	-
F) Cash and cash equivalents at beginning of the year		6,279,134,052	5,107,588,269
G) Cash and cash equivalents at end of the year (D+E+F)		<u>7,510,859,113</u>	<u>6,279,134,052</u>
Cash and cash equivalents at end of the year:			
Cash in hand (including foreign currency)		908,567,282	511,730,011
Balance with Bangladesh Bank and its agent bank(s) (including foreign currency)		3,407,320,718	2,602,841,460
Balance with other banks and financial institutions		3,194,971,113	3,064,562,581
Money at call and on short notice		-	100,000,000
		<u>7,510,859,113</u>	<u>6,279,134,052</u>

BRAC Bank Limited
Notes to the Financial Statements
as at and for the year ended 31 December 2008

1. The Bank and its activities

1.1 Corporate information

BRAC Bank Limited is a scheduled commercial bank established under the Bank Companies Act, 1991 and incorporated as a public company limited by shares on 20 May, 1999 under the Companies Act, 1994 in Bangladesh. The primary objective of the Bank is to carry on all kinds of banking businesses. The Bank could not start its operations till 3 June, 2001 since the activity of the Bank was suspended by the High Court of Bangladesh. Subsequently, the judgment of the High Court was set aside and dismissed by the Appellate Division of the Supreme Court on 4 June, 2001 and accordingly, the Bank has started its operations from 4 July 2001. At present the Bank has 56 (fifty six) branches, 30 SME service centres, 137 zonal offices and 429 unit offices of SME and employs about 1,855 business loan officers.

The registered address of the Bank is 1 Gulshan Avenue, Gulshan 1, Dhaka 1212, Bangladesh.

BRAC Bank Limited is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded company from 28 January 2007 and 24 January 2007 respectively.

A fully operational Commercial Bank, BRAC Bank Limited focuses on pursuing unexplored market niches in the Small and Medium Enterprises Business, which hitherto has remained largely untapped within the country.

1.2 Principal activities

The principal activities of the Bank are banking and related activities such as accepting deposits, personal banking, trade financing, SME, retail and corporate credit, lease financing, project financing, issuing debit and credit cards, SMS banking, internet banking, phone banking, call center, remittance facilities, dealing in government securities, etc.

2. Basis of preparation

2.1 Statement of compliance

The financial statements of the Bank have been prepared in accordance with the “First Schedule (sec-38) of the Bank Companies Act 1991 and amendment in 2007, BRPD Circular no 14 dated 25 June, 2003, other Bangladesh Bank Circulars, Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Ordinance 1969, the Securities and Exchange Rules 1987 and other prevailing laws and rules applicable in Bangladesh.

2.2 Basis of measurement

The financial statements of the Bank have been prepared on the historical cost basis except for the following:

- Government Treasury Bills and Bonds (HFT) at present value using marking to market concept
- Government Treasury Bills and Bonds (HTM) at present value using amortisation concept
- zero Coupon Bond at present value using amortisation concept
- Quoted ordinary shares at cost or market price whichever is lower at balance sheet date

2.3 Going concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

2.4 Functional and presentation currency

These financial statements are presented in Taka, which is the Bank’s functional currency. Except as indicated, financial information have been rounded off to the nearest Taka.

2.5 Use of estimates and judgements

The preparation of financial statements requires management to make judgments, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The key items which involve these judgments, estimates and assumptions are discussed below:

Impairment losses on loans and advances

In addition to the provision made for loans and advances based on the guideline of Bangladesh Bank, the bank reviews its loans and advances portfolio on monthly basis whether a further allowance for impairment should be provided in the profit and loss account. The judgments made by the management is required in the estimation of these amounts and such estimations are based on assumptions about a number of factors though actual results may differ, resulting in future changes to the provisions.

2.6 Cash flow statements

Cash flow statements have been prepared in accordance with the Bangladesh Accounting Standard 7: “Cash Flow Statement” under direct method as recommended in the BRPD Circular No. 14 dated 25 June 2003 issued by the Banking Regulation and Policy Department of Bangladesh bank (central bank of Bangladesh).

2.7 Statement of liquidity

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following basis:

- a) Balance with other banks and financial institutions, money at call and on short notice etc. are on the basis of their maturity terms.
- b) Investments are on the basis of their maturity terms.
- c) Loans and advances are on the basis of their repayment schedules.
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their realisation/amortisation.
- f) Borrowings from other banks, financial institutions and agents as per their maturity/ repayment terms.
- g) Deposits and other accounts are on the basis of their maturity terms and behavioural past trend.
- h) Other liabilities are on the basis of their maturity terms.

2.8 Reporting period

These financial statements cover one calendar year from 1 January to 31 December 2008.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

3.1 Basis of branch consolidation

The bank uses FINACLE as core banking software for its all branches and service centres. The system produces consolidated and separate balance sheet and profit and loss account of all branches and services centres. These consolidated and separate records are maintained at the Head office of the Bank based on which these financial statements have been prepared.

3.2 Basis consolidation

Investment in subsidiaries

Subsidiaries are the entities over which the bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. A parent of subsidiary should present consolidated financial statements according to BAS 27 “Consolidated financial statements and accounting for investments in subsidiaries”. BRAC Bank has no subsidiaries according to the definition of subsidiaries. Hence *consolidated financial statements according to BAS 27 is not required.*

Investment in associates

Associates are the entities over which the bank has significant influence but not control, generally accompanying a holding of 20% or more of the voting power (directly or through subsidiaries) will indicate significant influence unless it can be clearly demonstrated otherwise as per BAS 28 “Investment in Associates”. **BRAC Bank has no such associates according to the definition of associates.**

3.3 Foreign currency

Foreign currency transactions

Foreign currency transactions are converted into equivalent Taka at the ruling exchange rates on the respective dates of such transactions as per BAS-21 “The effect of Changes in Foreign Exchange Rates”.

Foreign currency translations

Monetary assets and liabilities denominated in foreign currencies as at 31 December 2008 have been converted into taka at the average of the prevailing buying and selling rates of the concerned foreign currencies at that date except foreign currency balances held with other banks and financial institutions outside Bangladesh which are converted into Taka at weighted average rate on inter-bank market as determined by Bangladesh Bank on the closing date of every month.

Commitments

Contingent liabilities/commitments from letters of credit and letters of guarantee denominated in foreign currencies are expressed in Taka terms at the rates of exchange ruling on the balance sheet date.

Translation gains and losses

The resulting exchange translation gains and losses are recognised in the profit and loss account.

3.4 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and balances with Bangladesh Bank and its agent bank, and deposit with other banks and money at call and on short notice.

3.5 Investment

All investment securities are initially recognised at cost, including acquisition charges associated with the investment. Premiums are amortised and discounts are accredited.

Held to Maturity

Investments which have “fixed or determinable payments” and are intended to be ‘Held to Maturity’ are classified as held to maturity.

Held for Trading

Investment classified in this category are acquired principally for the purpose of selling or repurchasing -in short trading or if designated as such by the management.

Revaluation

As per the DOS Circular letter no.-05, dated 26 May 2008, HFT securities are revaluated on weekly basis and HTM securities are amortised on yearly basis. The HTM securities are also revaluated if they are reclassified to HFT category with the Board’s approval. Any gain or loss on revaluation of HTM securities is recognised in the statement of changes in equity. Gain/(loss) on revaluation of HFT securities is recognised in the profit and loss account on weekly basis and gain on revaluation is transferred to statement of changes in equity on monthly basis.

Value of Investments has been shown as under:

Government Treasury Bills and Bonds (HFT)	At present value (using marking to market concept)
Government Treasury Bills and Bonds (HTM)	At present value (using amortisation concept)
zero Coupon Bond	At present value (using amortisation concept)
Prize Bond & Other Bond	At cost
Debentures	At cost
Un quoted Shares (ordinary)	At cost
Quoted shares (ordinary)	At cost or market price whichever is lower at balance sheet date

Details are shown in Note 7.

3.6 Loans and advances

- Loans and advances are stated in the balance sheet on gross basis.
- Interest on loans and advances is calculated on daily product basis, but charged and accounted for monthly on accrual basis. Interest is calculated on classified loans and advances as per BRPD circulars no. 16 of 1998, 9 of 2001 and 10 of 2005 and recognised as income on realisation.

- c) Provision for loans and advances is made based on the arrear in equivalent month and reviewed by the management following instructions contained in Bangladesh Bank BRPD circulars no. 16 of 6 December 1998, 9 of 14 May 2001, 9 and 10 of 20 August 2005, 5 of 5 June 2006, 8 of 7 August 2007, 10 of 18 September 2007 and 5 of 29 April 2008.

Rates of provision on loans and advances are given below:

Particulars	Rates	
	2008	2007
General provision on:		
Unclassified loans & advances	1%	1%
Small enterprise financing	1%	2%
Consumer finance for house building loan and loan for professional setup	2%	2%
Consumer finance other than house building loan and loan for professional setup including credit cards	5%	5%
Special mention account	5%	5%
Off balance sheet exposure	1%	0.50%
Specific provision on:		
Substandard loans and advances	20%	20%
Doubtful loans and advances	50%	50%
Bad/loss loans and advances	100%	100%

3.7 Fixed assets and depreciation

Fixed assets including premises, furniture and fixtures are presented at cost less accumulated depreciation.

Subsequent costs of enhancement of an existing assets are recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Land is not depreciated. Depreciation is charged on straight-line method. In case of acquisition of fixed assets, depreciation is charged in the following month of acquisition, whereas depreciation on disposed off fixed assets is charged up to the month prior to the month of disposal. Asset category-wise depreciation rates are as follows:

Category of assets	Rate of depreciation
Furniture and fixture	10%
Office equipments	20%
IT equipments	20%
Motor vehicles	20%

Gain or loss on sale of assets are recognised in profit & loss account as per provision of IAS 16 "Property plant and equipments"

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the assets should be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss is recognised as an expenses in the profit and loss account.

Useful life and method of depreciation of fixed assets are reviewed periodically. If useful lives of assets do not differ significantly as it was previously estimated, Bank Management does not consider to revalue its assets by the meantime.

3.8 Other assets

Other assets include all other financial assets and include interest, fees and other unrealised income receivable, Prepaid interest expenses on Interest First Fixed Deposits, advance for operating and capital expenditure, security deposits and stocks of stationery and stamps. Details are shown in Note 10.

3.9 Liabilities and provisions

3.9.1 Borrowings from other banks, financial institutions and agents

Borrowings from other banks, financial institutions and agents include interest-bearing borrowings redeemable at call, on-demand and short-term deposits. These items are brought to account at the gross value of the outstanding balance. Details are shown in Note 12.

3.9.2 Deposits and other accounts

Deposits and other accounts include non interest-bearing current deposit redeemable at call, interest bearing on-demand and short-term deposits, savings deposit and term deposit. These items are brought to account at the gross value of the outstanding balance. Details are shown in Note 13.

3.9.3 Other liabilities

As per BAS- 37: “Provisions, Contingent Liabilities and Contingent assets” the Bank recognises provisions only when it has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Other liabilities comprise items such as provision for loans and advances, provision for taxes, interest payable, interest suspense, accrued expenses etc. Other liabilities are recognised in the balance sheet according to the guidelines of Bangladesh bank, Income Tax Ordinance-1984 and internal policy of the Bank. Details are shown in Note 14.

3.10 Capital/shareholders’ equity

Capital management

The Bank has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. This capital management process aims to achieve four major objectives: exceed regulatory thresholds and meet longer-term internal capital targets, maintain strong credit ratings, manage capital levels commensurate with the risk profile of the Bank and provide the Bank’s shareholders with acceptable returns.

Capital is managed in accordance with the Board-approved Capital Management Planning. Senior management develops the capital strategy and oversee the capital management planning of the Bank. The Bank’s Finance, Treasury and Risk Management department are key in implementing the Bank’s capital strategy and managing capital. Capital is managed using both regulatory capital measures and internal matrix.

Authorised capital

Authorised capital is the maximum amount of share capital that the bank is authorised by its Memorandum and Articles of Association to issue to shareholders.

Paid up capital

Paid up capital represents total amount of shareholder capital that has been paid in full by the ordinary shareholders. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at shareholders’ meetings. In the event of a winding-up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation. Details are shown in Note 15.

Preference share capital

Preference Shares are those share which give their holders an entitlement to a fixed dividend but do not carry voting rights.

Share premium

Share premium is the capital that the Bank raises upon issuing shares that is in excess of the nominal value of the shares. The Share Premium shall be utilised in accordance with provisions of section 57 of the Companies Act, 1994.

Statutory reserve

Statutory reserve has been maintained @ 20% of profit before tax in accordance with provisions of section 24 of the Bank Companies Act, 1991 until such reserve equal to its paid up capital together with amount in the share premium account.

Revaluation reserve

Revaluation reserve arises from the revaluation of Treasury bills and bonds (HFT & HTM) in accordance with the DOS circular no. 5 dated 26 May 2008.

3.11 Contingent liability

Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

Any present obligation that arises from past events but is not recognised because:

- * it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- * the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.

Contingent assets are not recognised in the financial statements as this may result in the recognition of income which may never be realised.

3.12 Revenue recognition

Interest income

Interest on loans and advances is calculated on daily product basis, but charged and accounted for on monthly/quarterly basis. As per Bangladesh Accounting Standard (BAS -18), Revenue, interest income is recognised on accrual basis. Interest on loans and advances ceases to be taken into income when such advances fall into SMA and under classification. When such advances fall under SMA and under classification, interest is kept in interest suspense account. Interest on SMA and classified advances is accounted for on a cash receipt basis.

Investment income

Income on investments is recognised on accrual basis. Investment income includes discount on Treasury bills and zero coupon bonds, interest on treasury bonds, zero coupon, debentures and fixed deposit with other banks. Dividend income from shares is recognised when Bank's right to receive the payment is established.

Interest and fees receivable on credit cards

Interest and fees receivable on credit cards are recognised on accrual basis. Interest and fees are ceases to be taken into income when the recovery of interest and fees is in arrear for over three months. Thereafter, interest and fees are accounted for on cash basis.

Fees and commission income

The Bank earns fees and commissions from diverse range of services provided to its customers. This include fees and commission income arising on financial and other services provided by the bank including trade finance, credit cards, debit cards, passport endorsement, visa processing, student service, loan processing, loan syndication, locker facilities and SMS banking etc. Fees and commission income arises on services rendered by the Bank recognised on a realisation basis. Commission charged to customers on letters of credit and letters of guarantee is recognised as revenue on realisation basis.

Interest paid on borrowing and other deposits

Interest paid and other expenses are recognised on accrual basis.

3.13 Employee benefits

3.13.1 Provident Fund

Provident fund benefits are given to the staff of the bank in accordance with the registered Provident fund rules. The Commissioner of Income Tax, Large Tax Payers Unit, Dhaka has approved the Provident Fund as a recognised fund within the meaning of section 2(52) read with the provisions of part - B of the First Schedule of the Income Tax Ordinance 1984. The recognition took effect from 1 January 2003. The fund is operated by a Board of Trustees consisting of 11 (eleven) members of the Bank. All confirmed employees of the bank are contributing 10% of their basic salary as subscription of the fund. The bank also contributes equal amount of the employees' contribution to the fund. Interest earned from the investments is credited to the members' account on half yearly basis. Members are eligible to get both the contributions after 3 (three) years of continuous service from the date of their membership.

3.13.2 Gratuity Fund

Gratuity fund benefits are given to the staff of the Bank in accordance with the approved Gratuity fund rules. National Board of Revenue has approved the gratuity fund as a recognised gratuity fund on 6 March 2006. The fund is operated by a Board of Trustees consisting of 7 (seven) members of the Bank. Employees are entitled to gratuity benefit after completion of minimum 5 (five) years of service in the Bank. Gratuity is calculated on the basis of last basic salary and is payable at the rate of one month's basic pay for every completed year of service.

3.13.3 Other employee benefits

Staff Security Fund

The objective of the fund is to provide death or permanent disability benefits to its confirmed employees/their families with a sum equal to 36 times of the last drawn basic salary to the nominee. The Bank contributes to this fund at a predetermined rate which equals to Taka 5 (five) for each Taka 1, 000 (one thousand) of last basic salary per staff per year. There shall be at least 7 (seven) members Management Committee to manage the fund. The Managing Director & CEO of the Bank will be the chairperson of this committee and other 6 members are nominated from the regular staff.

Staff Welfare Fund

The objective of the fund is to provide benefits to its regular employees from junior officer (JO) to senior principal officer (SPO) of the Bank incurring severe accidents during official job, extended illness (not less than 3 months), education for children; marriage of children which costs would not be affordable by the employee and which are not covered by any other means. All regular confirmed employees of the Bank shall contribute monthly to the Fund according to their designation. The sum subscribed monthly from salaries of employees shall be credited separately in an “Staff Welfare Fund” as a liability of the Bank. There shall be at least 7 (seven) members management committee to manage the fund. The Managing Director & CEO of the Bank will be the chairperson of this committee and other 6 members are nominated from the regular staff.

Hospitalisation insurance

The Bank has introduced a health insurance scheme to its confirmed employees and their respective dependants at rates provided in health insurance coverage policy.

Incentive bonus

The Bank started an incentive bonus scheme for its employees @ 3% of net profit before tax in every year as incentive bonus. This bonus amount is being distributed among the employees based on their performance. The bonus amount is paid annually, normally 1st quarter of the every following year and the cost are accounted for the period to which it relates.

Leave fare assistance

The provision for leave fare represents the current outstanding liability to employees at Balance Sheet date. Leave Fare Assistance is a non-recurring benefit for all permanent employees of the Bank who is entitled to annual leave. According to Bangladesh Bank policy all permanent employees have to avail 15 consecutive days of mandatory leave and LFA will be given in this leave period.

Subsidised scheme - Staff loan

Personal, house building and car loan is provided to the permanent staff at a subsidised rate. Criteria and details of types wise staff loan is given below:

Personal Loan: A permanent staff completing 1 year of service can avail personal loan taking recommendation from departmental head and head of HR and approval from the Chief Credit Officer.

House building Loan: A permanent staff completing 5 years of service can avail house building loan taking approval from Managing Director and CEO and recommended by House Building Loan Committee.

Car Loan: All staff at job grade from PO can avail staff car loan taking approval from Chief Credit Officer and recommended by Head of HR and Departmental Head.

3.14 Taxation

The Bank accounted for deferred tax as per Bangladesh Accounting Standard (BAS) - 12. Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss account except to the extent that it relates to items recognised directly in shareholders' equity, in which case it is recognised in shareholders' equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Provision for current income tax has been made as per the provision of Income Tax Ordinance 1984 on total income from Banking business, interest on securities actually received and dividend actually received. Details are shown in note 14.6.1.

Deferred tax

Deferred tax is recognised using balance sheet method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted by the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences. They are also recognised for taxable temporary differences arising on investments and it is probable that temporary differences will not reverse in the foreseeable future. Deferred tax assets associated with these interests are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and there will be sufficient taxable profits against which to utilise the benefits of the temporary difference.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax relating to unrealised surplus on revaluation of held to maturity (HTM) and held for trading (HFT) securities are recognised directly in revaluation reserve as a part of equity and is subsequently recognised in profit and loss account on maturity of the security.

Details are shown in Note 14.6.2.

3.15 Leases**The Bank as lessor**

Amount due from lessees under finance lease are recorded as receivables at the amount of the Bank's net investment in the leases (Note 8.3). Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

The Bank as lessee

In compliance with the Bangladesh Accounting Standard (BAS) - 17 "Lease", cost of assets acquired under finance lease along with obligation there against are accounted for as assets & liabilities respectively of the company, and the interest elements are charged as expenses. Details of leased assets have been shown in Annexure - F to the financial statements. Assets held under finance leases are depreciated on the basis of lease term.

3.16 Earnings Per Share

Earnings per Share (EPS) has been computed by dividing the basic earning by the weighted average number of ordinary shares outstanding as at 31st December, 2008 as per Bangladesh Accounting Standard (BAS) - 33 "Earnings Per Share". Details are shown in Note 34.

Basic earnings

This represents earnings for the year attributable to ordinary shareholders. Net profit after tax less preference dividend has been considered as fully attributable to the ordinary shareholders.

Weighted average number of ordinary shares outstanding during the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares issued during the year multiplied by a time weighted factor. The time weighting factor is the number of days the specific shares are outstanding as a proportion of the total number of days in the year. (Note 34)

The basis of computation of number of shares is in line with the provisions of BAS 33 "Earnings per share". The logic behind this basis is, that the bonus shares are issued to the existing shareholders without any consideration, and therefore, the number of shares outstanding is increased without an increase in resources generating new earnings. In contrast, other shares were issued against consideration in cash or in kind, and accordingly there is an increase in resources generating new earnings. Therefore, the total number of shares issued in 2008 has been multiplied by a time weighting factor which is the number of days the specific shares were outstanding as a proportion of total number of days in the period.

Diluted earnings per share

No diluted earning per share is required to be calculated for the year as there was no scope for dilution during the year under review.

3.17 Reconciliation of inter-bank/inter-branch account

Books of accounts with regard to inter-bank (in Bangladesh and outside Bangladesh) are reconciled on monthly basis and there are no material differences which may affect the financial statements significantly. Details of provision on Nostro accounts are shown in Note 14.2.

Un-reconciled entries in case of inter-branch transactions as on the reporting date are not material.

(Details are shown in Note 10.3.1)

3.18 Segment reporting

The bank has only one reportable business segment and the bank is operating in the geographical territory of Bangladesh. Hence segment reporting in accordance with BAS 14 “Segment Reporting” is not applicable.

3.19 Dividend

Dividend on ordinary shares are recognised as a liability and deducted from retained earnings when they are approved by the shareholders in the annual general meeting.

Dividend on ordinary shares for the year that are recommended by the directors after the balance sheet date for approval of the shareholders at the annual general meeting are disclosed in note 37.6 to the financial statements.

3.20 Risk Management

“The possibility of losses, financial or otherwise is defined as risk. The assets and liabilities of BRAC Bank Ltd. is managed so as to minimise, to the degree prudently possible, the Bank’s exposure to risk, while at the same time attempting to provide a stable and steadily increasing flow of net interest income, an attractive rate of return on an appropriate level of capital and a level of liquidity adequate to respond to the needs of depositors and borrowers and earnings enhancement opportunities.”

These objectives are accomplished by setting in place a planning, control and reporting process, the key objective of which is the coordinated management of the Bank’s assets and liabilities, current Banking laws and regulations, as well as prudent and generally acceptable Banking practices.

The risk management of the Bank covers 5 (five) Core risk areas of Banking i.e. (a) Credit Risk Management, (b) Foreign Exchange Risk Management, (c) Asset liability Management, (d) Prevention of Money Laundering and (e) Internal Control & Compliance as per BRPD circular no. 17 of 7 October 2003.

3.20.1 Credit Risk Management

Credit risk is most simply defined as the potential that a Bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions. The goal of credit risk management is to maximise a Bank’s risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters.

Considering the key elements of Credit Risk the Bank has segregated duties of the officers/ executives involved in credit related activities. Separate division for Corporate, SME, Retail and Credit Cards has been formed which are entrusted with the duties of maintaining effective relationship with the customers, marketing of credit products, exploring new business opportunities etc. For transparency in the operations i. Credit Approval Team, ii. Asset Operations Department, iii. Recovery Unit, and iv. Impaired Asset Management have been set up.

In credit management process, Sales Teams of the above-mentioned business units inputs the details of customer into the system; the Credit Division does thorough assessment before approving the credit facility. The risk assessment included borrower risk analysis, financial analysis, industry analysis, and historical performance of the customer. Asset Operations Department ensures compliance of all legal formalities, completion of all documentation security of the proposed credit facility and finally disburses the amount. The Sales Team reports to the Managing Director & CEO through their line reporting; the Credit Division reports to the Managing Director & CEO, while the Operations Department reports to the Chief Information Officer. The above arrangement has not only ensured segregation of duties and accountability but also helps in minimising the risk of compromise with quality of the credit portfolio.

3.20.2 Foreign Exchange Risk Management

Foreign exchange risk is defined as the potential change in profit/loss due to change in market prices. Today’s financial institutions engage in activities starting from imports, exports and remittances

involving basic foreign exchange and money market to complex structured products. Within the Bank, Treasury department is vested with the responsibility to measure and minimise the risk associated with Bank's assets and liabilities.

All treasury functions are clearly demarcated between treasury front office and back office. The front office is involved only in dealing activities and the back office is responsible for all related support and monitoring functions. Treasury front and back office personnel are guided as per BB core risk management and their job description. They are barred from performing each other's job. As mentioned in the previous section, 'Treasury Front Office' and 'Treasury Back Offices' has separate and independent reporting lines not only to ensure segregation of duties and accountability but also to minimise the risk of the deal.

Dealing room is equipped with Reuter's information, a voice screens recorder for recording deals taking place over phone. Counter party limit is set by the Credit Committee and monitored by Head of treasury. Trigger levels are set for the dealers, Chief Dealer and head of Treasury. Any increase to trigger limit of the head of Treasury requires approval from the MANCOM.

Before entering into any deal with counter party, a dealer ensures about the counter party's dealing style, product mix and assess whether the customer is dealing in an appropriate manner.

3.20.3 Asset Liability Management

Changes in market liquidity and/or interest rate exposes Bank's business to the risk of loss, which may, in extreme cases, threaten the survival of the Bank. As such emphasise has given so that the level of balance sheet risks are effectively managed, appropriate policies and procedures are established to control and limit these risks and proper resources are available for evaluating and controlling these risks. The Asset Liability Committee (ALCO) of the Bank monitors Balance Sheet risk and liquidity risks of the Bank.

Asset liability Committee (ALCO) reviews country's over all economic position, Bank's liquidity position, ALM ratios, Interest rate risk, Capital adequacy, Deposit advance growth, Cost of deposit and yield on advance, Foreign exchange gap, Market interest rate, Loan loss provision adequacy and deposit and lending pricing strategy.

3.20.4 Prevention of Money Laundering

In recognition of the fact that financial institutions are particularly vulnerable to be used by money launderers. The bank has established Anti Money Laundering Policy. The purpose of the Anti Money Laundering Policy is to provide a guideline within which to comply with the laws and regulations regarding money laundering both at country and international levels and thereby to safeguard the Bank from potential compliance, financial and reputation risk. KYC procedure has been set up with address verification. As a part of monitoring, account transaction, the estimated transaction profile and high value transactions are being reviewed electronically. Training has been taken as a continuous process for creating/developing awareness among the officers.

3.20.5 Internal control and compliance

Internal Control is the mechanism in place on a permanent basis to control the activities in an organisation, both at a central and at a departmental/divisional level. Management through Risk Management Department controls operational procedure of the bank. Internal Audit & Inspection team under Risk Management undertakes periodical and special audit of the branches, SME Unit Offices and Departments at Head Office for review of the operation and compliance of statutory requirement. In addition to the Internal Audit & Inspection team, the Monitoring team conducts surprise inspection at the Branches, SME Units and the Departments at Head Office as well. The Board Audit Committee reviews the reports of the Risk Management Department periodically.

3.20.6 Information and communication technology

BRAC Bank follows the guideline stated in BRPD circular no. 14 dated 23 October 2005 regarding "Guideline on Information and Communication Technology for Scheduled Banks".

IT management deals with IT policy documentation, internal IT audit, training and insurance.

IT operation management covers the dynamics of technology operation management including change management, asset management and operating environment procedures management. The objective is to achieve the highest levels of technology service quality by minimum operational risk.

Physical security involves providing environmental safeguards as well as controlling physical access to equipment and data.

In order to ensure that information assets are protected against risk, there are controls over:

- a) Password
- b) User ID maintenance
- c) Input control
- d) Network security
- e) Data encryption
- f) Virus protection
- g) Internet and e-mail

The Business Continuity Plan (BCP) is formulated to cover operational risks and taking into account the potential for wide area disasters, data centre disasters and the recovery plan. The BCP takes into account the backup and recovery process. Keeping this into consideration this covers BCP, Disaster Recovery Plan and Backup/Restore Plan.

3.20.7 Enterprise Risk Management

BRAC Bank Limited, one of the fastest growing bank in Bangladesh, is concerned regarding risky areas, which are being identified by the Risk Management department through enterprise risk management committee (ERMC)

The Management under the guidance of the Board of Directors has developed an Enterprise Risk Management Policy for submission of a formal report to the Board Audit Committee on quarterly basis.

Primary Objectives:

- * Maximise earnings and return on capital within acceptable and controllable levels of the key risk areas.
- * Provide for growth that is sound, profitable and balanced without sacrificing the quality of service.
- * Manage and maintain a policy and procedures that are consistent with the short and long term strategic goals of the Board of Directors.

Development of ERMC policy

The MANCOM approved the ERMC policy, which contains the guidelines for reporting to Risk Management Committee. The ERMC has twelve members. Head of Risk Management, the Managing Director, COO, Head of Retail, Head of SME, Head of Credit, Head of Treasury, Head of Financial Administration, Head of HR, Head of Corporate Banking, Head of SRS, Head of External Affairs and Head of Impaired Assets Management. Head of Risk Management chairs the committee.

The policy provides guideline & templates to the respective departments and units for providing the information, which are considered as risky and vulnerable areas for the organisation. ERMC scrutinise and analyse the provided information and parameterise it according to the sensitivity and vulnerability.

The ERMC meet on 15th of every month. The committee discuss about the various issues raised relating to previous month and updates the same provided by units reported to Risk Management department in the prescribed formats by 7th of the current month. The units qualify the specific risk according to the matrix provided by Bangladesh Bank. The meeting is minuted, which is reviewed by the Board Audit Committee on quarterly basis.

Outcome of ERMC:

- * Vulnerable areas of the Bank are being identified
- * Appropriate plan and initiatives are taken to mitigate and minimise the risk.
- * Follow up and monitoring are being done on the overall position of the bank regarding mitigation and minimisation of risky areas.
- * Upgrading the “Leading Key Risk Indicator” and DCFCLs are developing gradually through inclusion and exclusion item.

3.20.8 Implementation of BASEL-II

To comply with international best practices and to make the bank’s capital more risk-sensitive as well as to build the banking industry more shock absorbent and stable, Bangladesh Bank provides revised regulatory capital framework “Risk Based Capital Adequacy for Banks” which is effective from

January 2009. According to the BRPD circular no. 09 dated 31 December 2008, following specific approaches are suggested for implementing BASEL-II:

a) Standardised Approach for calculating Risk Weighted Assets (RWA) against Credit Risk; b) Standardised (Rule Based) Approach for calculating RWA against Market Risk; and c) Basic Indicator Approach for calculating RWA against Operational Risk.

Under the Standardised Approach of the Risk Based Capital Adequacy Framework (Basel II), credit rating is to be determined on the basis of risk profile assessed by the External Credit Assessment Institutions (ECAIs) duly recognised by BB.

Along with the existing capital adequacy rules & reporting to BB (Ref. BRPD Circular no. 10, dated 25-11-2002) banks will start quarterly reporting as per the set of reporting formats provided by Bangladesh bank. For the purpose of statutory compliance during the period of parallel run i.e. 2009, the computation of capital adequacy requirement under existing rules will prevail.

BRAC Bank management is aware about guideline of Bangladesh Bank and prepared for implementing new capital Accord-BASEL-II. BASEL-II implementation committee is formed headed by Head of Operations. Adequate training from home & abroad to the concerned staff on BASEL-II is given for better understanding and smooth implementation of the BASEL-II.

3.21 Compliance of Bangladesh Accounting standard (BAS) and Bangladesh Financial Reporting Standard (BFRS)

Bangladesh Accounting Standard (BAS) and Bangladesh Financial Reporting Standards (BFRS)	Ref.	Status
Presentation of Financial Statements	BAS-1	Applied
Inventories	BAS-2	Not Applicable
Cash Flow Statements	BAS-7	Applied
Net profit or loss for the period, Errors and Changes in Accounting Policies	BAS-8	Applied
Events after Balance Sheet date.	BAS-10	Applied
Construction Contracts	BAS-11	Not Applicable
Income taxes	BAS-12	Applied
Property Plant & Equipments	BAS-16	Applied
Leases	BAS-17	Applied
Revenue	BAS-18	Applied
Employee Benefits	BAS-19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	BAS-20	Not Applicable
The Effect of Changes in Foreign Exchanges Rate.	BAS-21	Applied
Business combination	BAS-22	Not Applicable
Borrowing Cost	BAS-23	Not Applicable
Related party Disclosures	BAS-24	Applied
Consolidated Financial Statements and Accounting for Investments in subsidiaries	BAS-27	Not Applicable
Accounting for Investment in Associates	BAS-28	Not Applicable
Financial Reporting of Interest in Joint Ventures	BAS-31	Not Applicable
Earning Per Share	BAS-33	Applied
Interim Financial Reporting	BAS-34	Not Applicable
Impairments of Assets	BAS-36	Applied
Provision, Contingent Liabilities and Contingent Assets	BAS-37	Applied
Intangible Assets	BAS-38	Applied
Investment property	BAS-40	Not Applicable
Agriculture	BAS-41	Not Applicable
First-time adoption of International financial Reporting Standards	BFRS-	Not Applicable
Shares Based Payment	BFRS-2	Not applicable
Business combination	BFRS-3	Not applicable
Non-current assets Held for Sale and Discounted operations	BFRS-5	Not applicable
Exploration for and Evaluation of Mineral Resources	BFRS-6	Not applicable
Financial Instruments: Disclosures	BFRS-7	Applied
Operating Segments	BFRS-8	Not applicable

3.22 Regulatory and legal compliance

The bank complied with the requirements of following regulatory and legal authorities:

- a) The Bank Companies Act, 1991.
- b) The Companies Act, 1994.
- c) Rules and Regulations issued by Bangladesh Bank.
- d) The Securities and Exchange Rules 1987, The Securities and Exchange Ordinance 1969, The Securities and Exchange Commission Act 1993, The Securities and Exchange Commission (Public Issue) Rules 2006.
- e) The Income Tax Ordinance, 1984.
- f) The VAT Act, 1991.

4. Cash

	2008	2007
	Taka	Taka
In hand:		
Local currency	881,268,730	488,755,091
Foreign currencies	27,298,552	22,974,920
	908,567,282	511,730,011
Balance with Bangladesh Bank		
Local currency (statutory deposit)	2,952,870,014	2,228,345,721
Foreign currencies	352,478,757	333,654,194
	3,305,348,771	2,561,999,915
Balance with agent bank (Sonali Bank Ltd)		
Local currency (statutory deposit)	101,971,947	40,841,545
Foreign currencies	-	-
	101,971,947	40,841,545
	<u>4,315,888,000</u>	<u>3,114,571,471</u>

Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.

4.1 Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) have been calculated and maintained in accordance with section 33 of Bank Companies Act, 1991 and BRPD circular nos. 11 and 12 dated 25 August 2005.

The statutory Cash Reserve Requirement on the Bank's time and demand liabilities at the rate 5% has been calculated and maintained with Bangladesh Bank and its agent bank in local currency and 18% Statutory Liquidity Requirement, including CRR, on the same liabilities has also been maintained in the form of cash in hand, treasury bills, bonds and debentures. CRR and SLR reserves maintained by the Bank are shown below:

4.1.1 Cash Reserve Requirement (CRR):

5% of Average Demand and Time Liabilities:

Required reserve	2,878,435,000	1,593,369,150
Actual reserve held	3,042,583,344	2,093,533,814
Surplus/(deficit)	<u>164,148,344</u>	<u>500,164,664</u>

Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.

4.1.2 Statutory Liquidity Requirement (SLR):

18% of Average Demand and Time Liabilities including 5% CRR:

Required reserve	10,362,366,000	5,736,128,940
Actual reserve held	11,831,345,869	5,736,128,940
Surplus/(deficit)	<u>1,468,979,869</u>	<u>-</u>

	2008 Taka	2007 Taka
4.1.3 Held for Statutory Liquidity Ratio		
Cash in hand	908,567,282	511,730,011
Balance with Bangladesh Bank and its agent bank(s) as per statement	3,042,583,344	2,093,533,814
Government securities	7,880,195,243	3,130,810,915
FC used in BDT	-	54,200
	<u>11,831,345,869</u>	<u>5,736,128,940</u>
5. Balance with other banks and financial institutions		
In Bangladesh (Note 5.1)	2,925,484,028	2,894,113,161
Outside Bangladesh (Note 5.2)	269,487,085	170,449,420
	<u>3,194,971,113</u>	<u>3,064,562,581</u>
5.1 In Bangladesh		
On Demand Deposit accounts		
Standard Chartered Bank - Current account	3,094,209	25,000,172
Southeast Bank Ltd - Current account	200	3,052
	<u>3,094,409</u>	<u>25,003,224</u>
On Short Term Deposit (STD) accounts		
Southeast Bank Ltd.	173,917	196,068
One Bank Ltd.	982,056	906,749
Prime Bank Ltd.	1,000	1,000
Pubali Bank Ltd.	528,779,578	51,890,544
Janata Bank Ltd.	411,275,669	197,364,141
Bangladesh Krishi Bank	230,877,870	102,018,023
The City Bank Ltd.	22,824,468	16,925,637
Agrani Bank Ltd.	280,361,163	111,364,033
Islami Bank (BD) Ltd.	25,336,746	75,439,860
United Commercial Bank Ltd.	2,164,172	5,451,313
National Bank Ltd.	5,433,166	3,138,860
Sonali Bank Ltd.	22,062,465	33,226,572
ICB Islamic Bank Ltd.	89	89
AB Bank Ltd.	1,000	1,358
Rupali Bank Ltd.	102,411,770	34,613,720
Dhaka Bank Ltd.	5,677,432	5,571,970
First Security Bank Ltd.	1,027,058	1,000,000
Uttara Bank Ltd.	3,000,000	-
	<u>1,642,389,619</u>	<u>639,109,937</u>
On Fixed Deposit accounts		
With banks:		
Habib Bank Ltd.	-	100,000,000
Dhaka Bank Ltd.	-	200,000,000
First Security Bank Ltd.	-	70,000,000
Trust Bank Ltd.	-	100,000,000
Southeast Bank Ltd.	-	100,000,000
With financial institutions:		
Industrial & Infrastructure Development Finance Co. Ltd.	140,000,000	190,000,000
International Leasing & Financial Services Ltd.	100,000,000	100,000,000
Uttara Finance & Investment Ltd.	-	50,000,000
Fareast Finance & Investment Ltd.	110,000,000	110,000,000
Union Capital Ltd.	60,000,000	80,000,000
National Housing Finance Company Ltd.	-	50,000,000
Prime Finance & Investment Co. Ltd.	50,000,000	100,000,000
Premier Leasing & Financial Services Ltd.	190,000,000	100,000,000

	2008	2007
	Taka	Taka
Phoenix Leasing Company Ltd.	100,000,000	250,000,000
Bangladesh Industrial Finance Company Ltd.	80,000,000	80,000,000
United Leasing Co. Ltd.	300,000,000	400,000,000
Lanka Bangla Finance Co. Ltd.	150,000,000	150,000,000
	<u>1,280,000,000</u>	<u>2,230,000,000</u>
	<u>2,925,484,028</u>	<u>2,894,113,161</u>

5.2 Outside Bangladesh

On Demand Deposit accounts (Non-interest bearing):

Standard Chartered Bank-USA(USD)	14,293,552	10,230,935
Mashreq Bank -USA(USD)	7,028,715	45,809
The Bank of Nova Scotia- Canada (CAD)	5,129,726	1,143,431
Citibank, NA-USA (USD)	6,344,342	1,640,928
AB Bank- India (ACU Dollar)	19,515,399	116,892
ICICI- India (ACU Dollar)	177,470	736,873
Standard Chartered Bank-UK (GBP)	139,102	727,747
Hypo Vereins Bank Germany (EURO)	26,181,105	8,010,179
HSBC - USA(USD)	175,344,010	132,545,922
HSBC - UK (GBP)	8,655,749	10,792,494
HSBC - AUS (AUD)	258,862	439,850
HSBC - Pakistan (ACU Dollar)	15,687	44,957
HSBC - India (ACU Dollar)	10,688	107,249
Zuercher Kantonal Bank- Switzerland (CHF)	656,904	473,980
ING NV/SA- - Belgium (EURO)	835,308	397,701
Unicredito Italiano SPA- Italy (EURO)	1,612,297	700,832
Commerz Bank AG- Germany (EURO)	156,795	-
Standard Chartered Bank -UK (EURO)	-	208,761
Union DE Banques Arabes ET Francaises- Japan (JPY)	779,703	57,398
Westpack Banking Corporation- Australia (AUD)	2,351,671	2,027,482
	<u>269,487,085</u>	<u>170,449,420</u>

Details are shown in Annexure - C.

5.3 Maturity grouping of balance with other banks and financial institutions

Up to one month	1,944,971,113	1,034,562,581
More than one month but not more than three months	50,000,000	550,000,000
More than three months but not more than one year	1,200,000,000	1,380,000,000
More than one year but not more than five years	-	100,000,000
More than five years	-	-
	<u>3,194,971,113</u>	<u>3,064,562,581</u>

6. Money at call and on short notice

Banking company	-	-
Non-banking financial institutions:		
Bangladesh Finance & Investment Co. Ltd.	-	50,000,000
Industrial & Infrastructure Development Finance Co. Ltd.	-	50,000,000
	<u>-</u>	<u>100,000,000</u>

7. Investments

Government securities (Note 7.1)	7,880,195,243	4,893,785,452
Others (Note 7.2)	365,178,030	103,071,265
	<u>8,245,373,273</u>	<u>4,996,856,717</u>

Investments in securities are classified as follows:

Held for trading (HFT)	5,579,080,748	1,762,974,962
Held to maturity (HTM)	2,300,062,195	3,130,582,190
Other securities	366,230,330	103,299,565
	<u>8,245,373,273</u>	<u>4,996,856,717</u>

	2008 Taka	2007 Taka
7.1 Government securities		
Treasury Bills (Note 7.1.1)	-	848,242,240
Treasury Bonds (Note 7.1.2)	7,879,142,943	4,045,314,912
Prise Bonds	1,052,300	228,300
	<u>7,880,195,243</u>	<u>4,893,785,452</u>
7.1.1 Treasury Bills		
30 days Bangladesh Bank Bills	-	749,698,550
5 years Treasury Bills	-	98,543,690
	<u>-</u>	<u>848,242,240</u>
7.1.2 Treasury Bonds		
Treasury Bonds (3 years TNT)	19,751,262	19,136,142
Treasury Bonds (5 years BGTB)	93,380,521	90,325,296
Treasury Bonds (10 years BGTB)	3,785,918,309	3,238,953,474
Treasury Bonds (15 years BGTB)	1,439,437,803	490,000,000
Treasury Bonds (20 years BGTB)	2,540,655,048	206,900,000
	<u>7,879,142,943</u>	<u>4,045,314,912</u>
7.2 Other investments		
Ordinary shares (Details are shown in Annexure - D)		
Industrial and Infrastructure Development Finance Co. Ltd.	10,000,000	10,000,000
Bank Asia Ltd.	230,000	230,000
Mercantile Bank Ltd.	270,000	270,000
Central Depository Bangladesh Ltd.	4,000,000	4,000,000
	<u>14,500,000</u>	<u>14,500,000</u>
Preference shares (Details are shown in Annexure - D)		
STS Holdings Ltd. (5,000,000 preference shares of Tk 10 each redeemable after 5 years)	50,000,000	50,000,000
Debentures	-	-
Bonds		
Dutch Bangla Bank Ltd.	-	30,000,000
Grameenphone Ltd.	300,000,000	-
	<u>300,000,000</u>	<u>30,000,000</u>
Zero Coupon Bonds		
IDLC Finance Limited	536,975	6,273,895
United Leasing Company Ltd.	141,055	2,297,370
	<u>678,030</u>	<u>8,571,265</u>
	<u>365,178,030</u>	<u>103,071,265</u>
7.3 Maturity-wise grouping		
Up to one month	1,730,330	769,893,296
More than one month but not more than three months	14,500,000	49,444,488
More than three months but not more than one year	19,751,262	62,302,298
More than one year but not more than five years	443,380,521	175,382,818
More than five years	7,766,011,160	3,939,833,817
	<u>8,245,373,273</u>	<u>4,996,856,717</u>
8. Loans and advances		
Loans, cash credits, overdrafts, etc.:		
Overdrafts	2,187,399,583	1,893,173,564
Demand loans	3,721,756,147	2,421,193,520
Term loans	11,441,179,801	7,231,601,248
Lease finance (Note 8.3)	490,368,566	442,641,544
Small and medium enterprises	33,019,122,381	19,718,168,870
Credit cards	1,519,531,846	590,336,603
Staff loan (Note 8.7)	285,878,234	149,008,029
	<u>52,665,236,558</u>	<u>32,446,123,378</u>
Bills discounted and purchased (Note 8.16)	11,480,182	14,978,802
	<u>52,676,716,740</u>	<u>32,461,102,180</u>

	2008 Taka	2007 Taka
8.1 Net loans and advances		
Gross loans and advances	52,676,716,740	32,461,102,180
Less: Interest suspense (Note 14.3)	453,484,281	236,131,399
Provision for loans and advances (Note 14.1)	2,407,379,898	1,315,076,042
	2,860,864,179	1,551,207,441
	<u>49,815,852,561</u>	<u>30,909,894,739</u>
8.2 Maturity-wise grouping		
Repayable on demand	4,214,137,339	3,239,223,130
Not more than three months	10,535,343,348	4,918,858,256
More than three months but not more than one year	21,929,042,690	13,901,552,281
More than one year but not more than five years	14,694,170,135	10,314,818,765
More than five years	1,304,023,228	86,649,748
	<u>52,676,716,740</u>	<u>32,461,102,180</u>
8.3 Lease finance		
Lease finance receivables within 3 months	1,583,757	-
Lease finance receivables within 3 to 12 months	46,438,614	232,032,407
Lease finance receivables within 1 to 5 years	442,346,195	210,609,137
	<u>490,368,566</u>	<u>442,641,544</u>
8.4 Loans and advances under the following broad categories		
In Bangladesh:		
Loans	50,489,317,157	30,567,928,616
Cash credit	-	-
Overdrafts	2,187,399,583	1,893,173,564
	<u>52,676,716,740</u>	<u>32,461,102,180</u>
Outside Bangladesh	-	-
	<u>52,676,716,740</u>	<u>32,461,102,180</u>
8.5 Geographical location-wise grouping		
In Bangladesh:		
Dhaka Division	32,264,176,566	20,396,894,258
Chittagong Division	9,649,861,805	5,745,692,989
Khulna Division	3,494,369,831	2,446,338,417
Sylhet Division	1,519,919,453	738,307,946
Barisal Division	1,534,227,358	718,926,857
Rajshahi Division	4,214,161,727	2,414,941,713
	<u>52,676,716,740</u>	<u>32,461,102,180</u>
Outside Bangladesh	-	-
	<u>52,676,716,740</u>	<u>32,461,102,180</u>
8.6 Significant concentration-wise grouping		
Directors and others	-	-
Staff:		
Managing Director and CEO	-	5,500,929
senior executives	46,461,636	39,813,743
Others	239,416,598	103,693,357
	<u>285,878,234</u>	<u>149,008,029</u>
Industries:		
Agricultural loan	1,337,548,758	1,185,292,004
Large and medium enterprises	3,256,045,721	1,175,076,093
Small and cottage	1,288,845,545	241,900,067
	<u>5,882,439,933</u>	<u>2,602,268,164</u>
Consumers	9,661,482,413	8,971,085,980
Trade and commercial	36,846,916,160	20,738,740,007
	<u>52,676,716,740</u>	<u>32,461,102,180</u>
8.7 Staff loan		
Personal loan	71,263,331	47,500,315
Car loan	72,521,784	24,549,651
House building loan	142,093,119	76,958,063
	<u>285,878,234</u>	<u>149,008,029</u>

	2008 Taka	2007 Taka
8.8 Details of large loan		
As at 31 December 2008 there were three (2007: two) clients with whom amount of outstanding and classified loans and advances exceeded 10% of the total capital of the Bank. Total capital of the Bank was Tk 6,117 million as at 31 December 2008 (Tk 3,792.47 million in 2007).		
Details are shown in Annexure - E.		
8.9 Grouping as per classification rules		
Unclassified:		
Standard including staff loan	49,102,865,704	30,001,002,686
Special Mention Account	1,100,839,246	1,015,321,964
	50,203,704,950	31,016,324,650
Classified:		
Sub-standard	1,004,430,866	646,601,996
Doubtful	684,605,428	317,048,692
Bad/loss	783,975,496	481,126,842
	2,473,011,790	1,444,777,530
	<u>52,676,716,740</u>	<u>32,461,102,180</u>
8.10 Loan type wise classified loan		
Overdraft	53,046,328	41,203,990
Demand loan	163,249,733	166,197,766
Term loan including SME	2,123,098,856	1,228,159,396
Lease finance	18,272,997	9,216,378
Credit cards	89,561,285	-
	<u>2,447,229,199</u>	<u>1,444,777,530</u>
8.11 Sector-wise allocation of loans and advances		
Government	-	-
Private:		
Agriculture, fishing, forestry and dairy firm	1,337,548,785	1,185,292,004
Industry (jute, textiles, garments, chemicals, cements, etc.)	3,256,045,721	1,175,076,093
Working capital financing	2,489,438,711	5,324,841,258
Export credit	112,631,994	1,691,032
Commercial credit	33,683,845,545	15,412,207,717
Small and cottage industries	1,288,845,545	241,900,066
Miscellaneous	10,508,360,740	9,120,094,010
	<u>52,676,716,740</u>	<u>32,461,102,180</u>
8.12 Securities against loans /advances including bills discounted and purchased		
Collateral of moveable/immoveable assets	10,070,158,193	7,381,442,866
Local banks' and financial institutions' guarantee	-	-
Government guarantee	-	-
Foreign banks' guarantee	-	-
Export documents	-	-
Fixed deposit receipts (FDR)	4,339,123,433	2,939,385,923
FDR of other banks	-	-
Government bonds	-	-
Personal guarantee	38,225,441,472	22,120,409,749
Other securities	41,993,642	19,863,642
	<u>52,676,716,740</u>	<u>32,461,102,180</u>

8.13 Particulars of required provision for loans and advances

Status	2008			2007	
	Outstanding loans and advances as at 31 Dec 2008 Taka	Base for provision Taka	% of required provision	Required provision Taka	Required provision Taka
For loans and advances:					
Unclassified - General provision					
All unclassified loans (other than small enterprises, housing finance, and loans for professionals, consumer financing and special mention account)	13,051,789,400	13,051,789,400	1%	130,517,894	188,118,617
Small enterprise financing	30,736,581,450	30,736,581,450	1%	307,365,815	358,825,742
Consumer finance for housing and loan for professionals	2,031,584,993	2,031,584,993	2%	40,631,700	34,512,990
Consumer finance- others	3,352,675,337	3,352,675,337	5%	167,633,767	23,016,453
Special Mention Account (SMA)	1,100,839,246	1,056,797,159	5%	52,839,858	49,866,954
				698,989,033	654,340,756
Classified - Specific provision:					
Sub-standard	1,004,430,866	885,881,606	20%	177,176,321	117,652,770
Doubtful	684,605,428	573,370,034	50%	286,685,017	128,094,446
Bad/loss	783,975,496	565,159,938	100%	565,159,938	372,416,575
				1,029,021,276	618,163,791
For off balance sheet items - General provision					
Acceptances and endorsements	136,773,626		1%	1,367,736	1,114,414
Letters of guarantee	425,080,706		1%	4,250,807	1,349,845
Irrevocable letters of credit	1,570,706,657		1%	15,707,067	7,186,572
Bills for collection	8,570,591		1%	85,706	346,138
				21,411,316	9,996,969
Required provision for loans and advances and off balance sheet items				1,749,421,625	1,282,501,516
Total provision maintained (Note 14.1):					
For loans and advances				2,407,379,898	1,315,076,042
For off balance sheet items				24,407,000	12,500,000
				2,431,786,898	1,327,576,042
Excess provision				682,365,273	45,074,526

8.14 Particulars of loans and advances

	2008 Taka	2007 Taka
i) Loans considered good in respect of which the bank is fully secured	14,409,281,626	10,320,828,789
ii) Loans considered good against which the bank holds no security than the debtors' personal guarantee	1,590,795,177	637,836,918
iii) Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtors	36,676,639,937	21,502,436,473
iv) Loans adversely classified; provision not maintained there against	-	-
	52,676,716,740	32,461,102,180

	2008 Taka	2007 Taka
v) Loans due by directors or officers of the bank or any of them either separately or jointly with any other persons	285,878,234	149,008,029
vi) Loans due from companies or firms in which the directors or officers of the bank have interest as directors, partners or managing agents or, in case of private companies, as members	272,281,037	211,475,528
vii) Maximum total amount of advances, including temporary advances made any time during the year to directors or managers or officers of the bank or any of them either separately or jointly with any other persons	285,878,234	149,008,029
viii) Maximum total amount of advances, including temporary advances granted during the year to companies or firms in which the directors of the bank are interested as directors, partners or managing agents or, in case of private companies, as members	272,281,037	211,475,528
ix) Due from banking companies	-	-
x) Classified loan for which interest has not been charged:		
(a) Increase/decrease of provision (specific)	1,030,582,602	339,802,202
Amount of Loans written off	61,679,683	-
Amount realised against the loans previously written off	6,573,347	5,104,283
(b) Provision against the loan classified as bad/loss at the date of balance sheet	783,975,500	481,126,842
(c) Amount of interest credited to the interest suspense account	453,484,281	236,131,399
xi) Amount of the loan written off:		
- Current year	61,679,683	-
- Cumulative to date	169,011,139	107,331,456
The amount of written off loans for which law suit filed	169,011,139	107,331,456
8.15 The directors of the Bank have not taken any loan from the Bank during the year or there is no outstanding loan balances with any director of the Bank.		
8.16 Bills discounted and purchased		
Payable in Bangladesh	11,480,182	14,978,802
Payable outside Bangladesh	-	-
	<u>11,480,182</u>	<u>14,978,802</u>
8.17 Maturity wise grouping of bills discounted and purchased		
Payable within one month	5,049,330	2,105,778
More than one month but not more than three months	5,508,420	3,127,924
More than three months but not more than six months	922,432	9,745,100
More than six months	-	-
	<u>11,480,182</u>	<u>14,978,802</u>
8.18 Write off of loans and advances		
Balance at the beginning of the year	98,720,834	103,825,117
Add: Write off during the year	61,679,683	-
	160,400,517	103,825,117
Less: Recovery of write off loans	6,573,347	5,104,282
Balance at the end of the year	<u>153,827,170</u>	<u>98,720,835</u>
9. Fixed assets including premises, furniture and fixtures		
Cost:		
Land	87,940,465	-
Furniture and fixtures	517,726,279	313,298,380
Office equipments	393,730,920	174,662,975
IT equipments	954,976,513	727,365,108
Motor vehicles	48,773,301	25,069,761
	2,003,147,478	1,240,396,224
Less: Accumulated depreciation and impairment	531,123,199	297,466,938
Written down value at the end of the year	<u>1,472,024,279</u>	<u>942,929,286</u>
Details are shown in Annexure - F.		

	2008 Taka	2007 Taka
10. Other assets		
Income generating other assets :		
Interest receivable (Note 10.1)	663,093,383	492,166,703
Prepaid interest expenses on Interest First Fixed Deposit (IFFD)	191,208,688	192,627,701
Receivable against Sanchaya Patra	14,221,666	2,811,653
Stock of travellers' cheque	1,728,538	5,721,141
Receivable from Omnibus	35,290,252	14,791,372
	905,542,527	708,118,570
Non income generating other assets		
Stock of stamps	4,759,984	106,759
Other receivables (Note 10.2)	21,345,959	47,942,520
Stock of security stationery	34,255,268	6,676,310
Stock of printing stationery	22,163,051	12,401,040
Advance to staff and supplier	7,888,499	8,683,574
Advance to ELDORADO	1,813,362	-
Deferred revenue expenditure	21,130,996	4,252,140
Advance payment of income tax	1,089,682,999	665,967,600
Advance to staff for motor cycle purchase	102,365,784	79,067,002
Advance to SME unit offices	1,443,000	1,444,000
Advance against fixed assets	39,592,613	9,590,170
Advance against office rent	270,792,462	145,811,379
Advance security deposit	9,777,400	5,855,500
Advance cash to Group-4 for ATM replenishment	-	2,000,000
Frauds, forgeries and operating loss	-	56,000
* Leased assets - Premises	4,078,667	4,123,000
Branch/cost centre adjustment account (Note 10.3)	287,415	477,619
	1,631,377,459	994,454,613
	2,536,919,986	1,702,573,183
* The Bank has taken lease an office premises under operating lease for a period of 99 years started from 2002 with an option to renew the lease after that date. Lease rentals paid Tk 4,389,000 at the time of lease (2002) are amortised over the term of the lease.		
10.1 Interest receivable		
Interest receivable consists of interest receivable on loans and investments.		
Government securities	202,606,672	88,865,854
Other securities	7,271,046	13,282,878
Balance with other bank	97,571,954	122,574,635
Loans and advances	355,643,711	267,443,336
	663,093,383	492,166,703
10.2 Other receivables		
Remittance in transit	114,984	6,536,733
Receivable against remittance	15,204,666	22,230,705
Receivable against bills pay	-	30,000
Receivable against DD	-	1,710,000
Receivable against Cheques	173,441	441,800
Receivable against cards	14,053	523
Account receivable - FCY (Unclaimed)	-	150,838
Receivable from Merchant	4,321,350	12,135,643
Reimbursement receivable	1,027,465	4,576,747
Receivable from member bank - Omnibus	490,000	129,531
	21,345,959	47,942,520
10.3 Branch/cost centre adjustment account		
Interbranch account - BDT (Note 10.3.1)	-	10,000
Cost centre account	287,415	467,619
	287,415	477,619

	2008	2007
	Taka	Taka
10.3.1 Interbranch account - BDT		
Interbranch account - Debit	-	10,000
Interbranch account - Credit	-	-
	<u>-</u>	<u>10,000</u>

Branch adjustment account represents outstanding inter-branch, inter-division and head office transactions which are originated but not to be responded by the counter transaction at the balance sheet date.

11. Non-banking assets

No non-banking assets is under the possession of the bank which acquired as claims as at 31 December 2008.

12. Borrowings from other banks, financial institutions and agents	
	Tenor
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12.100	

In Bangladesh:			
Secured		-	-
Un secured			

Money at call and on short notice:

Banking company:

BASIC Bank Ltd.	150,000,000	-
Citibank, NA.	70,000,000	-
Dutch Bangla Bank Ltd.	50,000,000	-
One Bank Ltd.	10,000,000	-
Habib Bank Ltd.	20,000,000	-
Pubali Bank Ltd.	20,000,000	-
Agrani Bank Ltd.	100,000,000	-
Commercial Bank of Ceylon Ltd.	60,000,000	-
National Bank Ltd.	150,000,000	-
Mutual Trust Bank Ltd.	100,000,000	-
	730,000,000	-

Non banking financial institutions

Term borrowing:

Banking company:

Trust Bank Ltd.		-	300,000,000
The City Bank Ltd.		-	500,000,000
Eastern Bank Ltd.		-	390,000,000
Janata Bank Ltd.		-	200,000,000
Pubali Bank Ltd.	1 month	300,000,000	-
BASIC Bank Ltd.	3 months	400,000,000	200,000,000
Dutch Bangla Bank Ltd.		-	300,000,000
Sonali Bank Ltd.	3 months	400,000,000	-
ICB Islamic Bank Ltd.	6 months	300,000,000	-
Mutual Trust Bank Ltd.		-	300,000,000
Standard Chartered Bank	3 months	150,000,000	-
Premier Bank Ltd.		-	50,000,000
		1,550,000,000	2,240,000,000

Non banking financial institutions

Outside Bangladesh

12.1 Maturity wise grouping

Up to one month	1,030,000,000	1,240,000,000
More than one month but not more than three months	950,000,000	500,000,000
More than three months but not more than one year	300,000,000	500,000,000
More than one year but not more than five years	-	-
More than five years	-	-
	<u>2,280,000,000</u>	<u>2,240,000,000</u>

	2008 Taka	2007 Taka
13. Deposits and other accounts		
Local currency:		
Current deposits and other accounts	7,559,545,979	5,488,220,953
Bills payable (Note 13.3)	424,455,762	409,015,536
Savings bank deposits	4,627,686,658	3,985,564,159
Fixed deposits	42,966,367,653	26,780,133,617
Other deposits (Note 13.4)	1,869,308,657	101,484,618
	57,447,364,709	36,764,418,883
Foreign currency:		
Current deposits and other accounts	92,456,795	55,379,846
Fixed deposits	433,422,792	527,842,666
Other deposits	33,642,714	20,766,379
	559,522,301	603,988,891
	58,006,887,010	37,368,407,774

Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.

13.1 Deposit details concentrating liquidity nature

Demand deposit

Current deposits	5,095,542,106	3,543,448,681
Savings bank deposits (10%)	462,768,666	398,556,416
Foreign currency deposit	126,099,510	76,146,225
Sundry deposit	8,006,494	8,583,673
Bills payable	424,455,761	409,015,536
	6,116,872,537	4,435,750,531

Time deposit

Savings bank deposits (90%)	4,164,917,992	3,587,007,743
Foreign currency deposit	433,422,792	527,842,666
Fixed deposit	41,360,039,985	25,651,795,983
Short term deposit	2,464,003,873	1,944,772,271
Deposit Pension scheme	1,606,327,668	1,128,337,634
Security deposit - Loan	1,829,557,889	28,296,439
Security deposit - Other	31,744,274	64,604,506
	51,890,014,473	32,932,657,242
	58,006,887,010	37,368,407,773

13.2 Maturity-wise grouping

Repayable on demand	2,186,639,843	1,549,331,168
Repayable within one month	4,546,705,761	4,247,487,806
Over one month but within six months	23,325,135,799	13,964,393,523
Over six months but within one year	23,250,613,148	9,781,413,260
Over one year but within five years	2,573,764,791	6,882,081,634
Over five years but within ten years	1,907,986,033	893,700,382
Over ten years	216,041,635	50,000,000
	58,006,887,010	37,368,407,773

13.3 Bills payable

	Notes	2008 Taka	2007 Taka
Stamp charges payable for loan clients		3,838,654	5,194,207
Insurance premium payable from SME loan clients		72,712,454	60,596,311
Pay orders issued		336,682,082	327,961,901
Sundry creditors		7,930	2,435
Payable - cards		11,214,642	15,260,682
		424,455,762	409,015,536

	Notes	2008 Taka	2007 Taka
13.4 Other deposits - Local currency			
Security money		31,744,274	64,604,506
Security deposit - Loan (SME)		1,803,023,997	580,580
Security deposit - Loan (Retail)		26,533,892	27,715,859
Merchant POS settlement account		233,245	239,046
Lease deposit		7,773,249	8,344,627
		<u>1,869,308,657</u>	<u>101,484,618</u>
14. Other liabilities			
Provision for loans and advances	14.1	2,407,379,898	1,315,076,042
Provision for off balance sheet items	14.1	24,407,000	12,500,000
Provision for Nostro accounts	14.2	61,777	198,697
Interest suspense	14.3	453,484,281	236,131,399
Withholding tax payable	14.4	73,629,436	39,356,319
VAT payable	14.5	65,657,611	24,583,665
Provision for tax (including deferred tax)	14.6	1,807,767,245	1,046,088,132
Interest payable		1,278,624,884	722,329,667
Accrued expenses		407,782,128	157,990,261
Excise duty payable		32,793,996	20,447,207
Obligation under finance lease	14.7	-	4,485,369
Share subscription - IPO (refund warrant)		223,073	(277,159)
Right share subscription		3,164,500	-
Other bank cheque clearing account		68,733,931	19,335,721
Margin on L/C		62,118,810	76,244,081
Margin on L/G		12,757,173	6,949,992
Others		18,894,987	20,719,577
		<u>6,717,480,730</u>	<u>3,702,158,970</u>

14.1 Provision for loans and advances

Provision for loans and advances is made to recover the bank from possible loan losses in the future. General provision is made on outstanding loans and advances according to the prescribed rates of Bangladesh Bank. Classified loans and advances of the bank are categorised as sub-standard, doubtful and bad/loss as per Bangladesh Bank guideline. Specific provision is made on the outstanding amount of the classified loans. Provision for off balance sheet items is made as per BRPD circular no. 8 of 7 August 2007 and 10 of 18 September 2007 to cover the bank for possible losses on off balance sheet items in the future.

A. General

Balance at the beginning of the year	707,946,255	379,098,794
Add: Provision made during the year	61,721,255	328,847,462
Balance at the end of the year	<u>769,667,510</u>	<u>707,946,256</u>

B. Specific

Balance at the beginning of the year	607,129,786	267,327,584
Add: Provision made during the year	1,076,827,165	339,802,202
	<u>1,683,956,951</u>	<u>607,129,786</u>
Less: Interest waiver during the year	5,978,586	-
Write off during the year	40,265,977	-
Balance at the end of the year	<u>1,637,712,388</u>	<u>607,129,786</u>

C. Total provision on loans and advances (A+B)

<u>2,407,379,898</u>	<u>1,315,076,042</u>
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D. General - Off balance sheet items

Balance at the beginning of the year	12,500,000	-
Add: Provision made during the year	11,907,000	12,500,000
Balance at the end of the year	<u>24,407,000</u>	<u>12,500,000</u>

Total provision maintained at the end of year (C+D)

<u>2,431,786,898</u>	<u>1,327,576,042</u>
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	2008 Taka	2007 Taka
14.2 Provision for Nostro accounts		
Provision on unreconciled entries of Nostro account balances is made as per the FEPD (FEMO)/01/2005-677 dated 13 September 2005. Provision maintained thereagainst are as follows:		
Upto 3 Months	-	-
More than 3 months but less than 6 months	850	577
More than 6 months but less than 9 months	9,979	-
More than 9 months but less than 12 months	3,440	-
More than 12 months	-	-
Total required provision	14,269	577
Provision maintained	61,777	198,697
Excess provision	47,508	198,120
Statement of outstanding unreconciled entries are shown in Annexure - G.		
14.3 Interest suspense		
Balance at the beginning of the year	236,131,399	117,853,867
Add: Transferred during the year	544,027,083	452,016,112
	780,158,482	569,869,979
Less: Amount of interest suspense recovered	304,583,794	333,738,580
Write off during the year	18,475,342	-
Interest waiver during the year	3,615,065	-
Balance at the end of the year	453,484,281	236,131,399
14.4 Withholding tax payable		
Withholding tax payable on:		
Interest	61,154,981	33,019,991
Suppliers	2,804,232	2,719,688
Contractors and consultants	4,802,457	750,357
Staff salaries and allowance	1,663,160	2,356,481
Rent	884,688	91,928
Export on knitwear	96,378	111,288
Commission or fees paid	2,223,540	306,586
	73,629,436	39,356,319
14.5 VAT payable		
VAT payable on:		
L/C commission	409,645	233,115
Commission for remittance	566,258	79,220
Loan processing fees	34,664,649	5,773,241
Credit cards	4,723,831	1,878,580
Supplier	4,690,845	2,719,689
DESA and DESCO	16,878,864	10,548,155
Others	3,723,519	3,351,665
	65,657,611	24,583,665
14.6 Provision for tax		
Current (Note 14.6.1)	1,956,447,274	1,122,005,918
Deferred (Note 14.6.2)	(148,680,029)	(75,917,786)
	1,807,767,245	1,046,088,132
14.6.1 Provision for current tax		
Balance at the beginning of the year	1,122,005,918	498,511,560
Add: Provision for the year	1,220,000,000	766,000,000
	2,342,005,918	1,264,511,560
Less: Adjustment of tax provision for previous years	385,558,644	142,505,642
Balance at the end of the year	1,956,447,274	1,122,005,918

Assessment up to the income year ended 31 December 2006 corresponding to the assessment year 2007-2008 has been completed except for the year 2001 (assessment year 2002-2003). It is under appeal with the High Court preferred by the bank against tax department's demand for additional tax of Tk 3,367,206 which has been shown as contingent liability.

	2008 Taka	2007 Taka
14.6.2 Provision for deferred tax		
Balance at the beginning of the year	(75,917,786)	44,082,214
Add: Provision for deferred tax liability:		
Charged/(credited) to profit & loss account	170,000,000	100,000,000
Charged/(credited) to revaluation reserve (Note 14.6.3)	97,237,757	-
	267,237,757	100,000,000
	191,319,971	144,082,214
Less: Provision for deferred tax asset	340,000,000	220,000,000
Balance at the end of the year	(148,680,029)	(75,917,786)

14.6.3 Deferred tax charged/(credited) to revaluation reserve

	Unrealised surplus on revaluation of HTM securities Taka	Unrealised surplus on revaluation of HFT securities Taka	Total Taka
Balance at the beginning of the year	-	-	-
Charged/(credited) to reserve (Note 19)	3,443,253	93,794,504	97,237,757
Balance at the end of the year	3,443,253	93,794,504	97,237,757

14.7 Obligation under finance lease

	2008 Taka	2007 Taka
Furniture and fixture	-	2,875,882
Office equipments	-	429,867
IT equipments	-	1,179,620
Motor vehicles	-	-
	-	4,485,369

15. Share capital**15.1 Authorised**

48,000,000 (2007: 20,000,000) ordinary shares of Tk. 100 each	4,800,000,000	2,000,000,000
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15.2 Issued, subscribed and paid up

10,000,000 ordinary shares of Tk 100 each	1,000,000,000	1,000,000,000
3,200,000 (2007: 2,000,000) ordinary shares of Tk 100 each issued as bonus shares	320,000,000	200,000,000
2,640,000 ordinary shares of Tk 100 each issued as right shares	264,000,000	-
	1,584,000,000	1,200,000,000

Shareholding position was as follows:

Shareholding position was as follows:	2008	2007	
	No. of shares	Face value (Taka)	Face value (Taka)
Sponsor			
BRAC	5,307,681	530,768,100	380,868,000
Shore Cap International Ltd.	1,106,884	110,688,400	105,084,000
International Finance Corporation (IFC)	1,504,483	150,448,300	113,976,000
Others	1,148	114,800	72,000
Non Sponsor			
Non Resident Bangladeshi	32,078	3,207,800	5,688,500
Mutual Funds	572,963	57,296,300	28,980,000
Institutions and general public	7,314,763	731,476,300	565,331,500
	15,840,000	1,584,000,000	1,200,000,000

Classification of shareholders by holding:

	No. of shareholders	No. of shares	Percentage of holding of shares
Less than 500 shares	23,990	2,213,957	13.97%
501 to 5,000 shares	1,421	1,499,842	9.48%
5,001 to 10,000 shares	42	289,193	1.84%
10,001 to 20,000 shares	34	461,375	2.91%
20,001 to 30,000 shares	4	97,860	0.62%
30,001 to 40,000 shares	4	141,029	0.89%
40,001 to 50,000 shares	2	84,228	0.53%
50,001 to 100,000 shares	10	769,092	4.85%
100,001 to 1,000,000 shares	11	2,364,376	14.93%
Over 1,000,000 shares	3	7,919,048	49.98%
	25,521	15,840,000	100.0%

15.3 Right issue

According to Securities and Exchange Commission (Right Issue) Rules-2006 “right share” means new shares offered to the existing shareholders of a public listed company in proportion to their existing holding out of total shares of the company. Out of the total issued, subscribed and fully paid up capital of the bank 2,640,000 ordinary shares of Tk 100 each amounting to Tk 264,000,000 was raised through right offering of shares held in 2008.

15.4 Capital Adequacy Ratio

Calculated as per BRPD Circular nos. 10 dated 24 November 2002, 1 dated 19 February 2007, 5 dated 14 May 2007, 3 dated 12 March 2008 and 6 dated 21 May 2008 issued by Bangladesh Bank.

	2008 Taka	2007 Taka
Tier - I (core capital)		
Paid up capital	1,584,000,000	1,200,000,000
Share premium	1,406,000,000	350,000,000
Statutory reserve	908,762,089	504,071,923
Retained earnings	919,872,415	517,911,751
	4,818,634,504	2,571,983,674
Tier - II (supplementary capital)		
General provision maintained for:		
Unclassified loans and advances	769,667,510	707,946,256
Off Balance Sheet items	24,407,000	12,500,000
Redeemable preference share capital	500,000,000	500,000,000
Exchange equalisation reserve	45,000	45,000
Revaluation reserves of HTM securities (up to 50% of the revaluation reserves)	3,825,837	-
	1,297,945,347	1,220,491,256
Total capital	6,116,579,851	3,792,474,930
Total Risk Weighted Assets	47,943,151,292	30,880,678,643
Required capital based on Risk Weighted Assets - 10%	4,794,315,129	3,088,067,864
Surplus	1,322,264,722	704,407,066
Capital Adequacy Ratio:		
On core capital - against standard of minimum 5%	10.05%	8.33%
On total capital - against standard of minimum 10%	12.76%	12.28%

Capital adequacy ratio are determined by dividing those capital components by risk weighted assets. Risk weighted assets are computed by applying the prescribed risk weights on assets and off balance sheet exposures.

15.5 Computation of Risk Weighted Assets

Particulars	Balance as at 31.12.08	Risk weighted factor	Risk weighted balance as at 31.12.08
Cash in hand and at banks :	(Taka in'000)		(Taka in'000)
a) Cash in hand and balance with banks	6,230,761	0%	-
b) Balances with other financial institutions - Private	1,280,000	20%	256,000
Money at call and on short notice	-	20%	-
Import and inland bills	11,480	100%	11,480
Advances:			
a) Government	-	0%	-
b) Deposit money banks	-	20%	-
c) Other financial institutions - Private	1,247,203	50%	623,601
d) Major non-financial public enterprises	-	50%	-
e) Other non-financial public enterprises	-	50%	-
f) Local authorities	-	20%	-
g) Private sector	43,083,863	100%	43,083,863
Investment: -			
a) Presidency, PM's office, Parliament, etc.			-
i) Treasury Bills and Bonds	7,879,143	0%	-
ii) Bangladesh Sanchaya Patra/DSC etc.	-	0%	-
iii) Prize Bonds	1,052	0%	-
iv) Other securities of Government	-	0%	-
b) Autonomous and Semi Autonomous Bodies	-	20%	-
c) Other financial institutions - Private	14,678	50%	7,339
d) Major non-financial public enterprises	-	50%	-
e) Other non-financial public enterprises	-	50%	-
f) Local authorities	-	20%	-
g) Private sector	350,000	100%	350,000
h) Deposit money banks	500	20%	100
i) Negotiable certificates of deposits	-	20%	-
j) 91 Days BB Bill	-	0%	-
Head office and interbranch adjustment	-	0%	-
Other Assets:			-
a) Off balance sheet items	675,672	50%	337,836
b) Fixed assets	1,472,024	50%	736,012
c) Valuation adjustments	-	50%	-
d) Expenditure account	-	0%	-
e) Others	2,536,920	100%	2,536,920
	64,783,296		47,943,151

16. Redeemable preference share capital

	2008 Taka	2007 Taka
5,000,000 preference shares (9%, 5 years cumulative redeemable) of Tk 100 each	500,000,000	500,000,000

Break up of shareholders are given below:

	2008		2007
	<u>No. of shares</u>	<u>Face value (Taka)</u>	<u>Face value (Taka)</u>
IDLC Finance Limited	500,000	50,000,000	50,000,000
United Leasing Company Ltd.	500,000	50,000,000	50,000,000
Green Delta Insurance Co. Ltd.	500,000	50,000,000	50,000,000
Trust Bank Ltd.	1,000,000	100,000,000	100,000,000
Prime Bank Ltd.	1,000,000	100,000,000	100,000,000
Bank Al-Falah Ltd.	1,000,000	100,000,000	100,000,000
Bangladesh Shilpa Bank	500,000	50,000,000	50,000,000
	<u>5,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>

17. Share premium

	2008	2007
	Taka	Taka
5,000,000 ordinary shares @ Tk 70 per share	350,000,000	350,000,000
2,640,000 ordinary shares @ Tk 400 per share	1,056,000,000	-
	<u>1,406,000,000</u>	<u>350,000,000</u>

Particulars of share premium as at 31 December:

Break up of shareholders are given below:

	2008		2007
	<u>No. of shares</u>	<u>Value (Taka)</u>	<u>Value (Taka)</u>
Sponsor			
BRAC	4,189,548	335,163,840	-
ShoreCap International Ltd.	1,155,924	92,473,920	-
International Finance Corporation (IFC)	1,253,736	100,298,880	-
Others	792	63,360	-
Non Sponsor			
Non Resident Bangladeshi	660,000	87,800,000	35,000,000
Mutual Funds	660,000	87,800,000	35,000,000
Institutions and general public	5,280,000	702,400,000	280,000,000
	<u>13,200,000</u>	<u>1,406,000,000</u>	<u>350,000,000</u>

18. Statutory reserve

	2008	2007
	Taka	Taka
Balance at the beginning of the year	504,071,923	251,204,796
Add: Transferred from profit during the year	404,690,166	252,867,127
Balance at the end of the year	<u>908,762,089</u>	<u>504,071,923</u>

19. Revaluation reserve

Revaluation reserve is made as per the DOS circular no. 5 dated 26 May 2008. Movement of revaluation reserve is as follows:

	2008			2007
	<u>HTM</u>	<u>HFT</u>	<u>Total</u>	<u>Total</u>
Balance at the beginning of the year	-	-	-	-
Add: Addition during the year	7,651,674	208,432,230	216,083,904	-
	7,651,674	208,432,230	216,083,904	-
Less: Deferred tax liabilities	3,443,253	93,794,504	97,237,757	-
Balance at the end of the year	<u>4,208,421</u>	<u>114,637,726</u>	<u>118,846,147</u>	<u>-</u>

20. Retained earnings

	2008	2007
	Taka	Taka
Balance at the beginning of the year	517,911,751	365,943,241
Less: Dividend on preference share	46,800,000	13,500,000
	471,111,751	352,443,241
Less: Issue of bonus share	120,000,000	200,000,000
	351,111,751	152,443,241
Add: Retained surplus for the year	568,760,664	365,468,510
Balance at the end of the year	<u>919,872,415</u>	<u>517,911,751</u>

	2008 Taka	2007 Taka
21. Income statement		
Income:		
Interest, discount and similar income (Note 21.1)	8,923,828,507	5,321,401,584
Dividend income (Note 24)	6,400,000	5,087,381
Fees, commission and brokerage (Note 21.2)	1,759,076,519	612,546,200
Gains less losses arising from dealing in securities	-	-
Gains less losses arising from investment in securities	-	-
Gains less losses arising from dealing in foreign currencies (Note 25)	192,117,201	159,237,403
Income from non-banking assets	-	-
Other operating income	19,853,415	16,113,551
Profit less losses on interest rate changes	-	-
Nominal value of bonus share received	-	-
	<u>10,901,275,642</u>	<u>6,114,386,119</u>
Expenses:		
Interest, fees and commission (Note 23)	4,865,091,805	2,571,236,238
Losses on loans and advances	-	-
Administrative expenses (Note 21.3)	2,105,309,405	1,195,850,399
Other expenses (Note 31)	522,029,311	272,133,522
Depreciation on and repairs to bank's assets (Note 30)	234,938,872	129,673,434
	<u>7,727,369,393</u>	<u>4,168,893,593</u>
	<u>3,173,906,249</u>	<u>1,945,492,526</u>
Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.		
21.1 Interest, discount and similar income		
Interest on loans and advances	7,949,341,136	4,555,233,028
Interest on money at call and on short notice	39,150,974	36,367,868
Interest on balance with other banks	32,609,564	41,745,682
Interest on treasury bills and bonds	692,029,894	436,067,916
Interest on debenture	-	7,416,667
Interest on fixed deposit with other banks	204,232,081	242,363,673
Interest on coupon bearing bond	6,162,500	-
Interest on zero coupon bond	302,358	2,206,750
	<u>8,923,828,507</u>	<u>5,321,401,584</u>
21.2 Fees, commission and brokerage		
Fees	1,500,427,285	492,081,026
Commission	258,649,234	120,465,174
	<u>1,759,076,519</u>	<u>612,546,200</u>
21.3 Administrative expenses		
Salaries and allowances	1,422,467,134	789,774,456
Rent, taxes, insurance, electricity etc.	201,185,595	109,452,384
Legal expenses	6,659,649	4,753,874
Postage, stamps, telecommunication, etc.	153,973,003	99,026,739
Stationery, printing, advertisement etc.	212,445,802	134,980,937
Managing Director & CEO's salary and fees**	21,606,094	8,332,800
Directors' fees and expenses	729,715	399,144
Auditors' fees	753,125	622,500
Repairs and maintenance	85,489,288	48,507,565
	<u>2,105,309,405</u>	<u>1,195,850,399</u>

** This figure includes Tk. 14,085,472 for terminal benefit of former Managing Director & CEO late Mr. Imran Rahman.

	2008 Taka	2007 Taka
22. Interest income		
Interest on loans and advances:		
Retail	1,281,570,721	805,959,899
Corporate	1,018,721,914	712,097,870
Lease finance	78,426,524	51,511,899
SME	5,217,412,505	2,952,692,810
Credit cards	340,848,639	24,874,544
Staff	12,360,833	8,096,006
Interest on money at call and on short notice	39,150,974	36,367,868
Interest on balance with other banks	32,609,564	41,745,682
	<u>8,021,101,674</u>	<u>4,633,346,578</u>
23. Interest paid on deposits, borrowings, etc.		
Interest on deposits		
Current	90,511,882	46,153,742
STD	162,266,704	55,412,993
Savings	127,176,298	115,613,895
Term	4,241,769,898	2,162,793,118
	4,621,724,782	2,379,973,748
Interest on money at call and on short notice	27,398,695	51,387,078
Interest on local bank accounts	205,065,190	136,057,271
Interest on dealing of securities	10,903,138	-
Interest on refinance from Bangladesh Bank	-	3,818,141
	<u>4,865,091,805</u>	<u>2,571,236,238</u>
24. Income from investment		
Interest on treasury bills and bonds	692,029,894	436,067,916
Interest on debenture	-	7,416,667
Dividend on shares	6,400,000	5,087,381
Interest on fixed deposits with other banks	204,232,081	242,363,673
Interest on coupon bearing bond	6,162,500	-
Interest on zero coupon bond	302,358	2,206,750
	<u>909,126,833</u>	<u>693,142,387</u>
Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.		
25. Commission, exchange and brokerage		
Commission from sale of Sanchaya Patra	302,260	856,789
Commission from issue of pay orders, DD & TT	7,125,203	4,610,762
Commission from issue of letter of guarantee	3,874,111	4,336,637
Commission from issue of letters of credit (Import & Export)	36,149,109	20,387,304
Commission on visa processing	6,985,066	6,746,932
Commission on Travellers Cheques	2,371,557	1,312,338
Commission on remittance	199,364,069	81,542,936
Other commission	2,477,860	671,478
Loan processing fees	919,941,878	259,459,899
Account activity fees	34,707,761	20,356,106
Import and export related fees	3,055,800	2,014,379
Fees and commission - Cards	175,861,021	27,252,102
Other fees (Note 25.1)	18,973,310	9,977,441
Foreign exchange earnings	192,117,201	159,237,403
Relationship fees	136,333,458	68,331,031
Loan early settlement fees	64,746,771	28,274,769
Loan penal fees	1,164,311	7,060,495
Service charges for ATM card	131,256,562	59,817,641
Fund collection/transfer fees	7,042,162	4,281,844
Student service centre fees	6,335,000	4,403,431
Cancellation fees	267,500	209,831
Cheque collection fees	741,750	642,056
	<u>1,951,193,720</u>	<u>771,783,604</u>

	2008 Taka	2007 Taka
25.1 Other fees		
Passport endorsement fees	5,598,598	560,530
Charges for locker	2,867,045	2,482,025
DPS penal fees	6,515	266,863
Service charges realisation	1,153,991	1,456,131
IOM service charge	2,346,680	2,206,925
Annual membership fees - Premium banking	336,300	684,400
Annual fees - SMS banking	-	57,510
Syndication arrangement fees	6,246,987	2,243,500
Valuation fees	151,638	-
Omnibus fees	265,556	19,557
	<u>18,973,310</u>	<u>9,977,441</u>
Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.		
26. Rent, taxes, insurance, electricity etc.		
Rent, rates and taxes	135,857,896	75,858,495
Insurance	27,871,858	14,939,443
Power and electricity	34,031,206	16,977,624
WASA and sewerage	3,424,635	1,676,822
	<u>201,185,595</u>	<u>109,452,384</u>
27. Postage, stamps, telecommunication, etc.		
Postage	29,043,610	16,005,314
Telegram, Telex, Fax and e-mail	48,468,589	20,527,292
Court fees and stamps	1,011,304	147,271
Telephone - Office	75,449,500	62,346,862
	<u>153,973,003</u>	<u>99,026,739</u>
Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.		
28. Stationery, printing, advertisement etc.		
Stationery and printing	104,130,563	60,365,128
Security stationery	14,030,203	9,966,118
Advertisement	94,285,036	64,649,691
	<u>212,445,802</u>	<u>134,980,937</u>
29. Directors' fees and expenses		
Directors' fees represent fees paid for attending board meetings @ Tk. 4,000 per director per meeting and travel and hotel accommodation expenses of foreign Director for attending the Board meetings.		
Break up of directors fees and expenses are:		
Directors' fees	232,000	312,000
Travelling and others	497,715	87,144
	<u>729,715</u>	<u>399,144</u>
30. Depreciation on and repairs to bank's assets		
Depreciation		
Furniture and fixture	34,609,771	23,335,925
Office equipment	48,223,403	24,094,538
IT equipments	146,852,041	79,215,585
Motor vehicles	5,253,656	3,027,386
	<u>234,938,871</u>	<u>129,673,434</u>
Repairs and maintenance		
Transport	32,188,563	10,966,064
Office equipment	11,756,948	6,603,944
Computer hardware and software	30,478,924	22,138,331
Premises	11,064,853	8,799,226
	<u>85,489,288</u>	<u>48,507,565</u>
	<u>320,428,159</u>	<u>178,180,999</u>

	2008 Taka	2007 Taka
31. Other expenses		
Transportation and conveyance	70,517,096	41,835,346
Fuel expenses	20,440,278	6,546,263
Travelling	36,317,650	30,440,431
Professional fees	15,663,728	4,807,018
Entertainment	1,598,382	1,189,887
Staff welfare	24,861,718	21,672,546
SWIFT	1,082,194	1,134,057
Business development	8,805,420	5,866,821
Books, news papers and periodicals	1,439,579	1,175,418
Donation and subscription	25,789,447	4,731,964
VAT and excise duty	2,199,845	14,540,674
Fraud, forgeries and operating loss	28,294,019	110,000
Staff training	24,471,516	2,954,471
Staff liveries	3,112,300	347,250
Staff recruitment	898,328	590,590
Bank charges	166,543,170	96,399,436
Finance charge on leased assets	324,782	4,736,384
Crockerries	960,209	552,388
IPO expenses	192,183	1,447,116
Documentation charges - CIB	2,496,792	8,116,245
Data verification charge	3,809,106	1,952,048
Credit card expenses	20,851,669	6,117,410
AGM/EGM expenses	19,250,000	4,959,456
Right issue expenses	3,365,593	-
Outsource agency fees	5,236,159	-
Commission paid	1,553,875	-
Cash carrying charge	29,444,851	8,633,249
Miscellaneous	2,509,422	1,277,055
	<u>522,029,311</u>	<u>272,133,522</u>
Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.		
32. Provision for loans and advances		
For classified loans and advances	1,076,827,165	339,802,202
For unclassified loans and advances	61,721,255	328,847,462
	<u>1,138,548,420</u>	<u>668,649,664</u>
33. Provision for off balance sheet items		
Provision for off balance sheet items is made as per BRPD circular nos. 8 of 7 August 2007 and 10 of 18 September 2007 for covering the bank for possible losses on off balance sheet items in the future. Details movement of Provision for Off Balance Sheet items is as follows:		
Balance at the beginning of the year	12,500,000	-
Add: Provision made during the year	11,907,000	12,500,000
Balance at the end of the year	<u>24,407,000</u>	<u>12,500,000</u>
34. Basic earnings per share		
Profit after tax	973,450,830	618,335,637
Less: Preference dividend	46,800,000	18,431,507
Profit attributable for distribution to ordinary shareholders	926,650,830	599,904,130
Weighted average number of shares (Note 34.1)	14,873,650	14,183,400
Weighted average/adjusted earnings per share	<u>62.30</u>	<u>42.30</u>

	2008 Taka	2007 Taka
34.1 Weighted average number of shares		
Ordinary share at 1 January 2008	12,000,000	
Bonus issued on 19 May 2008 (1 share per 10 shares held)	1,200,000	
Shares outstanding prior to exercising right share	13,200,000	
Right shares exercised on 14 July 2008 (1 share per 5 shares held)	2,640,000	
Shares outstanding after exercising right share	15,840,000	
Theoretical ex-rights per share	796.67	
Adjustment factor	1.0745	
Fair value of each share (market price as on 14 July 2008)	856	
Exercise value of right shares	500	
Weighted average number of shares prior to exercising right share	14,183,400	
Weighted average number of shares after exercising right share	14,873,650	
35. Contingent liabilities		
Acceptances and endorsements	136,773,626	222,882,782
Import letters of credit - Sight	1,452,386,639	1,100,243,227
Import letters of credit - Usance	96,930,677	294,496,219
Import letters of credit - Back to Back	21,389,341	42,574,855
Letters of guarantee (Note 35.1)	425,080,706	269,968,985
Contingent asset - FX deals	-	137,125,000
Bills for collection (Note 35.2)	8,570,591	69,227,653
Tax liability (Note 35.4)	3,367,206	3,367,206
Stock of travellers cheques	3,645,673	3,626,956
Stock of Govt. Sanchaya Patra	12,851,000	13,033,150
	2,160,995,459	2,156,546,033
Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.		
35.1 Letters of guarantee		
Letters of guarantee (Local)	425,080,706	269,968,985
Letters of guarantee (Foreign)	-	-
Foreign counter guarantee	-	-
	425,080,706	269,968,985
Less: Margin	12,757,173	6,949,992
	412,323,533	263,018,993
Balance for which the Bank is contingently liable in respect of guarantee issued favouring:		
Directors	-	-
Government	-	-
Banks and other financial institutions	14,186,152	-
Others	410,894,554	269,968,985
	425,080,706	269,968,985
Less : Margin	12,757,173	6,949,992
	412,323,533	263,018,993
35.2 Bills for collection		
Outward local bills for collection	8,570,591	25,025,300
Outward foreign bills for collection	-	44,202,353
Inward local bills for collection	-	-
Inward foreign bills for collection	-	-
	8,570,591	69,227,653

	2008	2007
	Taka	Taka
35.3 Irrevocable letters of credit		
Letters of credit (Inland)	72,987,803	72,987,803
Letters of credit (General)	1,476,329,513	1,321,751,643
Back to back L/C	21,389,341	42,574,855
	1,570,706,657	1,437,314,301
Less: Margin	62,118,810	76,244,081
	<u>1,508,587,847</u>	<u>1,361,070,220</u>

35.4 Contingent liabilities (Taxation)

Pre-operating expenses were shown as allowable expenses in the return for the Income year 2001 (assessment year 2002-2003). After filing of the return, the Tax Authority disallowed these expenses. BRAC Bank Ltd. filed an appeal against the order of the Tax Authority to the Additional Commissioner of Taxes (Appeal) who allowed these expenses. In response, the Tax Authority filed a further appeal against the order of the Additional Commissioner of Taxes (Appeal) to the Taxes Appellate Tribunal who again disallowed these expenses. BRAC Bank Ltd. filled an appeal to the Supreme Court of Bangladesh, High Court Division for revision in this regard which is under process.

35.5 Subsequent position of contingent liabilities reported as at 31 January 2009

	Taka
Acceptances and endorsements	136,746,409
Import letters of credit - Sight	1,195,444,249
Import letters of credit - Usance	290,372,720
Import letters of credit - Back to back	20,616,075
Guarantees issued	433,689,759
Tax liability	3,367,206
Export documents for collection	8,138,566
Contingent assets - FX deals	275,602,600
Stock of travellers cheques	3,644,879
Stock of govt. sanchaya patra	12,851,000
	<u>2,380,473,463</u>

35.6 Significant concentration wise grouping

	2008	2007
	Taka	Taka
i) Documentary credits and short term trade related transactions	2,141,131,580	1,999,393,721
ii) Forward asset purchased and forward deposits placed	-	-
iii) Undrawn formal standby facilities, credit lines and other commitments		
Under one year	-	-
One year and over	-	-
iv) Other exchange contracts	16,496,673	153,785,106
v) Others	3,367,206	3,367,206
	<u>2,160,995,459</u>	<u>2,156,546,033</u>

35.7 Suit filed by the Bank

No law suit filed by the bank against contingent liabilities other than stated in note 35.4.

36. Receipts and payments from other operating activities

36.1 Receipts from other operating activities

Recovery of written off bad Loans	6,573,347	5,104,283
Profit on sale of assets	75,932	21
Miscellaneous income	11,983,591	10,626,311
Rebate income from other bank	1,220,545	382,936
	<u>19,853,415</u>	<u>16,113,551</u>

36.2 Payment for other operating activities

Rent, taxes, insurance, electricity etc.	189,517,796	109,981,947
Audit fees	600,000	485,877
Directors fees and expenses	729,715	399,144
Repairs and maintenance	71,153,641	45,850,259
Other expenses	418,567,440	260,598,121
Legal expenses	9,692,560	4,753,874
	<u>690,261,152</u>	<u>422,069,222</u>

37. General

37.1 Audit Committee

An audit committee was constituted by the Board of Directors of BRAC Bank Limited in its 23rd meeting held on 2 March 2003. Subsequently, the Board of directors in its 91 meeting held on 14 May 2008 reconstituted the Audit Committee as under:

Sl. no.	Name	Status with the bank	Status with the committee	Educational qualification
1)	Mr. Shib Narayan Kairy	Director	Chairman	M. Com. in Accounting
2)	Mr. Muhammad A (Rumee) Ali	Chairman	Member	M.A. in Economics
3)	Ms. Nihad Kabir	Director	Member	LLB, LLM (UK) (Barrister at Law)

In the year 2008, the Audit Committee of the Board conducted 6 (six) meetings in which among others, the following issues were discussed:

- Discuss the Inspection report of Bangladesh Bank on Head office & Branch.
- Discuss the Comprehensive audit report of different Head Office departments, Branches and SME Unit Offices conducted by the Bank's internal audit team from time to time.
- Discuss the report Departmental Control Function Checklist (DCFCL) and AML compliance report
- Discuss the Enterprise Risk Management report that prepared and conducted by ERM team
- Discuss the fraud/forgeries report
- Review the position of reconciliation with other bank and Nostro account
- Health check for certification of branch operation and compliance status
- Review the status of the SMA and Bad/Loss loan
- Review the retail credit policy
- Review the internal audit report on IT Department
- Review the PPG of credit card and other product related to credit card
- Review of case filing process of impaired assets
- Reviewing the corporate credit policy.

37.2 Related Party/(ies) Transactions

The bank carried out transactions with related parties in the normal course of business on an arm's length basis. As at 31 December 2008, the bank had following balance with the 'Related Party/(ies)' as defined in the BRPD circular no. 14 issued by the Bangladesh Bank on 25 June 2003:

Name of the Related Parties	Relationship	Nature of Transaction	Balance at year end (Taka)
BRAC and its associated organisations	Director	Deposits made with the bank	4,694,091,098
Delta Brac Housing Finance Corporation Ltd.	Director	Deposits made with the bank	220,087,700
Industrial & Infrastructure Development Finance Co. Ltd.	Director	Loans and advances	272,281,037
		Term lending	140,000,000

37.2.1 Name of Directors and the entities in which they have interest as director as at 31 December 2008:

Sl.	Name of directors	Status with the Bank	Name of the firms/companies interest in which they have	Educational qualification
1	Mr. Muhammad A(Rumee) Ali	Chairman	BRAC BDMail Network Ltd. Delta Brac Housing Finance Corp. Ltd.	MA (Economics)
2	Mr. Quasi M. Shariful Ala, FCA	Director	Delta Brac Housing Finance Corp. Ltd. Mobil Jamuna Lubricants Ltd.	Graduate in Economics (LSE), UK, FCA

37.2.1 Name of Directors and the entities in which they have interest as director as at 31 December 2008:

Sl.	Name of directors	Status with the Bank	Name of the firms/companies interest in which they have	Educational qualification
3	Ms. Nihad Kabir (Independent Director)	Director	Kadarpur Tea Company Ltd Sathgao Tea Estate	LLB, LLM (UK) (Barrister at Law)
4	Mr. Mark A. Cofey	Director	Nil	Masters of Business & Public Management, Brigham Young University, USA
5	Ms. Tamara Hasan Abed	Director	SOLV IT Limited	MBA (Finance), USA
6	Mr. Shib Narayan Kairy	Director	BRAC Services Ltd. BRAC Industries Ltd. Documenta TM Ltd. BRAC Karnafuli Tea Co. Ltd. BRAC Banskhali Tea Co. Ltd. BRAC Kaiyacherra Tea Co. Ltd. BRAC Kodala Tea Estate Ltd. Bangladesh Netting Factory Ltd.	M.Com. in Accounting
7	Mr. Hafiz G.A. Siddiqui	Director	North South University	Ph.D. (Manchester Business School), UK, MBA (Graduate School of Business Indiana University), USA
8	Mr. A.E.A. Muhaimen	Managing Director	Nil	MBA (IBA)

Taka

37.2.2 Significant contracts where bank is a party and wherein Directors have interest

Nil

37.2.3 Shares issued to Directors and executives without consideration or exercisable at discount

Nil

37.2.4 Lending Policies to related parties:

Lending to related parties is effected as per requirement of section 27(1) of the Bank Companies Act 1991.

Nil

37.2.5 Loan and advances to Directors and their related concerns:

Industrial & Infrastructure Development Finance Company Ltd.

272,281,037

Classification status

Unclassified

37.2.6 Business other than Banking business with any related concern of the directors as per section 18(2) of the Bank Companies Act 1991

Nil

37.2.7 Investment in the securities of directors and their related concern

Nil

37.3 Capital expenditure commitments

The bank has capital expenditure amounting to Tk 71,529,078 contracted but not incurred or provided for as at 31 December 2008.

37.4 Claim not acknowledged as debt

There was no claim against the bank acknowledged as debt as at 31 December 2008.

37.5 Number of employees

The number of employees including contractually engaged for the whole year or part thereof who received a total remuneration of Tk. 36,000 per year and/or Tk 3,000 per month or above were 6,061 (2007: 4,428).

37.6 Post balance sheet events

The Board of Directors in its 102nd meeting held on 15 March 2009 has recommended bonus share at the ratio of 3:10 (three bonus shares for every ten shares held) subject to the approval of the shareholders at the next Annual General Meeting.

37.7 Coverage of external audit

The external auditor of the Bank, M/s Rahman Rahman Huq, Chartered Accountants worked about 2,700 man hour. They have reviewed more than 80% of the Bank's risk weighted assets as at the Balance Sheet date.

37.8 Share trading

The bank traded its ordinary shares in CDBL through DSE and CSE on 31 January 2007. The closing market price on 31st December 2008 was Tk. 828 at DSE and Tk. 825.75 at CSE.

37.9 General

37.9.1 Highlights on the overall activities of the bank have been furnished in Annexure - A.

Annexure - A

BRAC Bank Limited
Highlights on the overall activities
as at and for the year ended 31 December 2008

	2008	2007
	Taka	Taka
1 Paid up capital	1,584,000,000	1,200,000,000
2 Total capital (core + supplementary)	6,116,579,851	3,792,474,930
3 Capital surplus/(deficit)	1,322,264,722	704,407,066
4 Total assets	72,441,893,391	46,382,595,418
5 Total deposits	58,006,887,010	37,368,407,774
6 Total loans and advances	52,676,716,740	32,461,102,180
7 Total contingent liabilities and commitments	2,160,995,459	2,156,546,033
8 Credit deposit ratio (%)	90.81%	86.87%
9 Percentage of classified loans against total loans and advances	4.69%	4.45%
10 Profit after tax and provisions	973,450,830	618,335,637
11 Amount of classified loans during the year	2,473,011,790	1,444,777,530
12 Provisions kept against classified loans	1,637,712,388	607,129,786
13 Provision surplus	682,365,273	45,074,526
14 Cost of fund	9.44%	8.91%
15 Interest earning assets	69,338,491,653	44,445,211,520
16 Non-interest earning assets	3,103,401,738	1,937,383,898
17 Return on investment (ROI) [PAT / (Shareholders equity + Borrowings)]	12.61%	11.64%
18 Return on assets (ROA) [PAT / Average assets]	1.64%	1.62%
19 Income from investment	909,126,833	693,142,387
20 Weighted average earning per share	62.30	42.30
21 Net income per share [PAT - Dividend on preference share) / No. of ordinary shares]	58.50	49.99
22 Price earning ratio (MPS / EPS)	13.29	29.33
23 Return on equity (ROE) [PAT/Average shareholders' equity]	22.88%	23.83%
24 Net asset value per share (NAV) [(shareholders equity - preference share)/no. of ordinary shares]	311.71	214.34

Annexure - B

BRAC Bank Limited
Statement of Liquidity
(Maturity Analysis of Assets and Liabilities)
as at 31 December 2008

	Upto one month Taka	One to three months Taka	Three to twelve months Taka	One to five years Taka	More than five years Taka	Total Taka
ASSETS:						
Cash in hand	4,315,888,000	-	-	-	-	4,315,888,000
Balance with other banks and financial institutions	1,944,971,113	50,000,000	1,200,000,000	-	-	3,194,971,113
Money at call and on short notice	-	-	-	-	-	-
Investments	1,730,330	14,500,000	19,751,262	443,380,521	7,766,011,160	8,245,373,273
Loans and advances	4,214,137,339	10,535,343,348	21,929,042,690	14,694,170,135	1,304,023,228	52,676,716,740
Fixed assets including leased assets	26,153,200	52,198,749	232,107,566	855,540,511	306,024,253	1,472,024,279
Other assets	533,960,330	594,664,809	1,228,872,464	179,422,383	-	2,536,919,986
Non-banking assets	-	-	-	-	-	-
Total assets	11,036,840,312	11,246,706,906	24,609,773,982	16,172,513,550	9,376,058,641	72,441,893,391
LIABILITIES:						
Borrowings from other banks, financial institutions and agents	1,030,000,000	950,000,000	300,000,000	-	-	2,280,000,000
Deposits	6,733,345,604	15,925,836,114	30,649,912,833	2,573,764,791	2,124,027,668	58,006,887,010
Provisions and other liabilities	782,210,513	1,396,819,642	1,748,566,342	657,713,798	2,132,170,436	6,717,480,730
Total liabilities	8,545,556,117	18,272,655,756	32,698,479,175	3,231,478,589	4,256,198,104	67,004,367,740
Net liquidity difference	2,491,284,195	(7,025,948,850)	(8,088,705,193)	12,941,034,961	5,119,860,537	5,437,525,651

Net liquidity difference represents the “Capital/shareholders’ equity” of the Bank.

Annexure - C

BRAC Bank Limited**Balance with other banks and financial institutions-Outside Bangladesh (Nostro Account)
as at and for the year ended 31 December 2008**

Name of Bank	A/C Type	2008			2007		
		FC amount	Exchange rate	Equivalent Taka	FC amount	Exchange rate	Equivalent Taka
Standard Chartered Bank - USA(USD)	CD	207,348.26	68.9350	14,293,552	149,220.57	68.5625	10,230,935
Mashreq Bank - USA(USD)	CD	101,961.48	68.9350	7,028,715	668.14	68.5625	45,810
The Bank of Nova Scotia - Canada (CAD)	CD	90,766.38	56.5157	5,129,726	16,368.68	69.8548	1,143,431
Citibank, NA- USA (USD)	CD	92,033.68	68.9350	6,344,342	23,933.32	68.5625	1,640,929
AB Bank - India (ACU Dollar)	CD	283,098.56	68.9350	19,515,399	1,704.90	68.5625	116,892
ICICI- India (ACU Dollar)	CD	2,574.45	68.9350	177,470	10,747.47	68.5625	736,873
Standard Chartered Bank-UK (GBP)	CD	1,400.00	99.3586	139,102	5,345.00	136.1548	727,747
Hypo Vereins Bank- Germany (EURO)	CD	269,900.79	97.0027	26,181,105	80,578.17	99.4088	8,010,179
HSBC - USA (USD)	CD	2,543,613.70	68.9350	175,344,010	1,933,213.08	68.5625	132,545,922
HSBC - UK (GBP)	CD	87,116.25	99.3586	8,655,749	79,266.35	136.1548	10,792,494
HSBC - Pakistan (ACU Dollar)	CD	227.56	68.9350	15,687	655.71	68.5625	44,957
HSBC - India (ACU Dollar)	CD	155.05	68.9350	10,688	1,564.25	68.5625	107,249
HSBC - Australia (AUD)	CD	5,430.89	47.6647	258,862	7,324.25	60.0539	439,850
Zuercher Kantonal Bank- Switzerland (CHF)	CD	10,082.50	65.1529	656,904	7,952.50	59.6010	473,977
ING NV/SA- Belgium (EURO)	CD	8,611.18	97.0027	835,308	4,000.66	99.4090	397,702
Unicredito Italiano SPA- Italy (EURO)	CD	16,621.16	97.0027	1,612,297	7,050.00	99.4090	700,833
Commerz Bank AG- Germany (EURO)	CD	1,616.40	97.0027	156,795	-	-	-
Standard Chartered Bank - UK (EURO)	CD	-	-	-	2,100.00	99.4090	208,759
Union DE Banques Arabes							
ET Francaises- Japan (JPY)	CD	1,021,356.00	0.7634	779,703	95,680.00	0.5999	57,398
Westpack Banking Corporation- Austrailia (AUD)	CD	49,337.79	47.6647	2,351,671	33,761.04	60.0539	2,027,482
Total				269,487,085			170,449,420

BRAC Bank Limited
Investment in Shares
as at and for the year ended 31 December 2008

Sl. no.	Name of the company	Type of shares	Face value	No. of shares including bonus shares	Cost of holding	Average cost	Quoted rate per share as at 31.12.2008	Total market value as at 31.12.2008
			Taka		Taka	Taka	Taka	Taka
Quoted								
1	Bank Asia Ltd.	A	100	6,683	230,000	34.42	383.30	2,561,594
2	Mercantile Bank Ltd.	A	100	7,591	270,000	35.57	348.30	2,643,945
Unquoted								
3	Industrial and Infrastructure Development Finance Co. Ltd.		100	227,700	10,000,000	43.92	-	-
4	Central Depository Bangladesh Ltd.		1,000,000	4	4,000,000	1,000,000.00	-	-
5	STS Holdings Ltd		10	5,000,000	50,000,000	10.00	-	-
				5,241,978	64,500,000	5,205,539		

Annexure - E

BRAC Bank Limited
Details of Large Loan
as at 31 December 2008

	2008	2007
Number of clients	3	2
Amount of outstanding advances (Taka)	1,510,865,877	1,181,991,745
Amount of classified advances (Taka)	NIL	NIL
Measures taken for recovery (Taka)	NIL	NIL

Client-wise break-up is as follows:

Sl. No.	Name of clients	2008			2007		
		Funded	Non Funded	Total	Funded	Non Funded	Total
1	Grameenphone Ltd.	109,472,161	719,597,160	829,069,321	408,555,991	352,638,700	761,194,691
2	TM International (Bangladesh) Limited	87,982	-	87,982	420,797,054	-	420,797,054
3	Summit Uttaranchal Power Company Limited	59,922,179	621,786,395	681,708,574	-	-	-
	Total	169,482,322	1,341,383,555	1,510,865,877	829,353,045	352,638,700	1,181,991,745

BRAC Bank Limited
Schedule of fixed assets including premises, furniture and fixtures
as at and for the year ended 31 December 2008

Particulars	Cost				Rate of Dep. (%)	Depreciation and impairment				Written down value as at 31 December 2008
	Balance as at 1 January 2008	Additions during the year	Disposal/ adjustment during the year	Balance as at 31 December 2008		Balance as at 1 January 2008	Charged during the year	Disposal/ adjustment during the year	Balance as at 31 December 2008	
Own assets										
Land	-	87,940,465	-	87,940,465		-	-	-	-	87,940,465
Furniture and fixture	270,229,512	206,077,469	(1,649,570)	474,657,411	10	26,709,263	31,733,891	(677,923)	57,765,231	416,892,180
Office equipments	161,405,055	219,067,945	-	380,473,000	20	39,495,655	47,793,536	(50,000)	87,239,191	293,233,809
IT equipments	691,167,957	228,451,405	(840,000)	918,779,362	20	130,649,339	145,672,420	(474,840)	275,846,919	642,932,443
Motor vehicles	17,597,061	23,856,500	(152,960)	41,300,601	20	5,101,411	5,253,656	(79,848)	10,275,219	31,025,382
	<u>1,140,399,585</u>	<u>765,393,784</u>	<u>(2,642,530)</u>	<u>1,903,150,839</u>		<u>201,955,668</u>	<u>230,453,503</u>	<u>(1,282,611)</u>	<u>431,126,560</u>	<u>1,472,024,279</u>
Leased assets										
Furniture and fixture	43,068,868	-	-	43,068,868		40,192,986	2,875,882	-	43,068,868	-
Office equipments	13,257,920	-	-	13,257,920		12,828,053	429,867	-	13,257,920	-
IT equipments	36,197,151	-	-	36,197,151		35,017,531	1,179,620	-	36,197,151	-
Motor vehicles	7,472,700	-	-	7,472,700		7,472,700	-	-	7,472,700	-
	<u>99,996,639</u>	<u>-</u>	<u>-</u>	<u>99,996,639</u>		<u>95,511,270</u>	<u>4,485,369</u>	<u>-</u>	<u>99,996,639</u>	<u>-</u>
As at 31 December 2008	<u>1,240,396,224</u>	<u>765,393,784</u>	<u>(2,642,530)</u>	<u>2,003,147,478</u>		<u>297,466,938</u>	<u>234,938,872</u>	<u>(1,282,611)</u>	<u>531,123,199</u>	<u>1,472,024,279</u>
As at 31 December 2007	557,629,191	685,128,143	(2,361,110)	1,240,396,224		168,254,059.00	129,673,434	(460,555)	297,466,938	942,929,286

Office equipment includes telephone sets which were depreciated @ 50% instead of 20% on other office equipments.

Leased assets have been depreciated on the basis of lease term.

Annexure - G

BRAC Bank Limited
Statement of outstanding unreconciled entries
as at and for the year ended 31 December 2008

Sl. No.	Period of unreconciliation	As per local book				As per correspondents' book			
		Debit entries		Credit entries		Debit entries		Credit entries	
		No.	Amount (Taka)	No.	Amount (Taka)	No.	Amount (Taka)	No.	Amount (Taka)
1	Upto 3 months	4	20,174.27	117	401,072.88	468	6,779,576.34	237	4,432,939.76
2	More than 3 months but less than 6 months	-	-	15	57,956.26	5	123.52	4	50,307.79
3	More than 6 months but less than 9 months	-	-	-	-	1	725.25	1	420.32
4	More than 9 months but less than 12 months	-	-	-	-	1	100.00	-	-
5	More than 12 months	-	-	-	-	-	-	-	-
	Total	4	20,174.27	132	459,029.14	475	6,780,525.11	242	4,483,667.87

Our Distribution Network

Branch List of BBL

1	Gulshan Branch	House # 50 (GF), Road # 03, Plot # 02, Block-SW (H)-7,Gulshan-1, Dhaka-1212.
2	Nawabpur Branch	172, Nawabpur Road (2nd Floor), Ward # 04, Mouza-Shahar Dhaka, P.S-Kotowali, Dist.-Dhaka.
3	Moghbazar Branch	Arong Plaza, 211 Outer Circular Road, Moghbazar, Dhaka
4	Eskaton Branch	“Shanaz Tower” 9, New Eskaton Road, P.S- Ramna, Mouza- Bara Moghbazar, Dhaka- 1000.
5	Motijheel Branch	107, Motijheel C/A, Dhaka
6	Graphics Building Branch, Motijheel, Dhaka.	9-G Motijheel C/A, Dhaka-1000
7	Asad Gate (Dhanmondi) Branch	Plot No-1,Mouza Dakhin-Adab, Asad Gate,Mohammadpur,Dhaka
8	Basundhara Branch	Holding No. 193, Block No. B, Safwan Road, Basundhara R/A, Dhaka- 1229.
9	Banani Branch	10, Kemal Ataturk Avenue, Banani, Dhaka
10	Satmasjid Road Branch	766, Satmasjid Road, Dhanmondi R/A, Dhaka
11	Mirpur Branch	H # 13, R # 3, Block A, Section 11, Mirpur, Dhaka.
12	Uttara Branch	Plot # 1, Road # 15, Sector # 3, Uttara, Dhaka
13	Rampura Branch	Bismillah Tower 455/1, West Rampura, Dhaka-1219
14	Manda Branch	Holding # 96, (Monkha Bazar) North Manda, Ward No# 2, Union # Manda, Thana # Sabujbagh, Dhaka.
15	Dakhin Khan Branch	“Majid Bhaban” Holding No# 10, Plot# 115, Shahid Latif Road, Dhaka.
16	Shamoly Branch	19-20, Adarsho Chayaneer Housing Society, Ring Road, Shaymoli, Dhaka
17	Dohar Branch	67, Ashraf Ali Chowhury Plaza, Joypara, Dohar, Dhaka-1330
18	Keranigonj Branch	Hazi Karim Market (1st Floor), East Aga-Nagar, Gudaraghat Road, Keranigonj, Dhaka-1310
19	Narayangonj Branch	42/1,Nawab Salimullah Road, Chashara,Narayangonj,P.S & Sub Registrar’s office & Municipality- Narayangonj
20	Donia Branch	SA Plot No. 342, Holding No. 5455, Dania, PS- Demra, Dist. Dhaka.
21	Savar Branch	Rana Plaza,Holding No# B 36, mazidpur, Mouza: Choto Balimeher, Ward: 7, Savar, Dhaka.OR (Rana Plaza, HOLDING # B36, Bazar Busstand, Savar, Dhaka.)
22	Ganak Bari Branch	Hasem Plaza (1st Floor), Mouza-548, Dag # 719, Khatian # 40, DEPZ Gate, Ganakbari, Savar, Dhaka
23	Tongi Branch	Nasiruddin Sarkar Tower, 2 No. Mymensingh Road, Tongi, Gazipur-1700
24	Jaidevpur Branch	“Rahmat Tower” Holding No# 1034, Mouza- Outpara, Sub Registry Office- Gazipur.

25	Monohordi Branch, Norshingdi	Sadar Hospital Road, Holding No-30, Ward No-7, Pourasabha: Monohordi. District: Norshindi
26	Madhabdi Branch	Proushava Holdings No 236. Girls School Road, Madhabdi, Narsingdi- 1604.,
27	Sonargaon Branch	“Sonargaon Shopping Complex” Mouza- Habibpur, Sub-Registry Office: Bayder Bazar, Sonargaon, Narayangonj.
28	Mymensingh Branch	4/B, Shyma Charan Roy Road, Mymensingh.
29	Bhairab Branch	“Jahanara Mansion” Dist. Kishoregonj, Sub-Registration Office- Bhairab, Mouza- Bhairabpur.
30	Sylhet Branch	Pallabi Trade Center, Subid Bazar, Sunamgonj Road, Sylhet
31	Beani Bazar Branch	Haji Abdus Sattar Market, 1st Floor, Beanibazar, Sylhet
32	Zinda Bazar Branch	New Golden City Complex, East Zindabazar, Sylhet
33	Biswanath Branch	Didar Shopping Complex (1st Floor), Rampasha Road, Bishawnath, Sylhet
34	Moulvibazar Branch	1st Floor, Julia Shopping City, 111, Shantibagh Central Road, Moulvibazar.
35	Nabigonj Branch	Khalique Monzil (1st Floor), Hospital Road, Nabigonj, P.S- Nabigonj, Habigonj,
36	Hajiganj Branch	Holding No# 7/1, Dag Nn# 591& 592, Dp Khatian# 1788, RS Khatian# 1274, Mouza- Makimabad, Dist.- Chandpur, Sub-Registration Office- Hajigonj.
37	Raipur Branch	“Haji Ali Akbar Shopping Complex” at Holding # 384, Ward # 6, Bus Stand (Main Road), Raipur, Laxmipur.
38	Comilla Branch	682/615, Jhaotala, PS-Kotwali, Comilla
39	Sonagazi Branch	Bazar Road, Islam & Son’s Building (1st Floor), P.S-Sonagazi, Feni.
40	Chowmohony Branch	“Rupali Bhaban” Proshava Holdings No. 807, Mouja- Hazipur, Sub Registry Office & Post Office - Chowmohani, Thana - Begumganj, Dist. Noakhali- 3821.
41	Agrabad Branch	C & F Tower, 1222 Sheikh Mujib Road (1st Floor), Agrabad, Chittagong
42	Momin Road Branch	2, Momin Road, Chittagong
43	Halishahar Branch	H # 1, R # 1, Block L, Halishahar Housing Estate, Chittagong.
44	CDA Avenue, Chittagong Branch	Hosna Kalam Complex, CDA Avenue, East Nasirabad, Chittagong City Corporation, Chittagong
45	Kazir Deori Branch	“BRAC TARK” 18 SS Khalid Road, Kazir Deori, BS Dag No- 19, BS Khatian No.- 71, JL No.- 07, Mouza- Dhakhin Pahartoli Khulshi, Thana- Kotoali, Chittagong City Corporation, Chittagong.
46	Potiya Branch	Patiya Model High School, Arakan Road, Pourshava Holding- 1358/Kha, P.S- Patiya, Post office-Patiya, District – Chittagong

47	Cox's Bazar Branch	An-Nahar Complex Plot no.1462, Pourshava Holding No. -3(A)/523, P.S- Cox's Bazar, Post office-Cox's Bazar, District-Cox's Bazar-4700
48	Rajshahi Branch	City corporation Holding No-177, House No-F-695, Kumarpara, P.O- Ghoramara, Thana- Boalia, Rajshahi-6100.
49	Belkuchi Branch	"Sarkar Mansion", WAPDA Road, Plot/Dag no# 551, 552,Vill.& Post- Chala, Upazilla- Belkuchi, Dist. Sirajgonj.
50	Bogra Branch	Sheikh Mansion, 368/405 Rangpur Road, Borogola, Bogra - 5800
51	Rangpur Branch	City Plaza, Plot No# 4325&4328, Municipal Holding No# 260,261,262,263, Mouza- Radha Ballav, Station Road, Rangpur.
52	Sayedpur Branch	"Sayedpur Plaza" 81, Sher-e-Bangla Road, Thana&P.O- Syedpur, Nilphamary - 5310.
53	Khulna Branch	"The Daily Probhaha Bhaban" KDA Plot No# 3, KDA Avenue, Mouza- Bania Khamar, Khulna.
54	Jessore Branch	35, Rawnak Chamber, MK Road, Jessore
55	Noapara Branch (Jessore)	"Rahim Tower" Station Bazar, Jessore-Khulna Road, Noapara, Jessore, Plot/Dag No# 165, CS Dag No# 1654, SA Khatian No# 484, Mouza- Noapara, JL No- 57, Jessore.
56	Barisal Branch	S. Rahman Market 204/ 177, Sadar Road, Barisal-8200

SME Sales and Service Center address

SL. No.	SME Sales and Service Center Name	Address	Contact #
1	Asadgonj, Chittagong	Gulshen Park (2nd floor) 3/A, Ramjoy Mohajon Lane Asadganj, Chittagong.	01714-084824
2	Bandartila, Chittagong	Sadek Ali Shareng's House Commisioner Goli Bandartila South Halishahar Bandar, Chittagong.	01714-047343
3	Imamgonj, Dhaka	Sultan Mansion (2nd floor) 8, Begum Bazar, Chawkbazar Lalbag, Dhaka -1100.	01714-097610
4	Shyambazar, Dhaka	Hazi Rowshan Ali Bhaban (2nd floor) 78/6, Layel Street, Patuatuly Sadarghat, Dhaka-1100.	01714-084756
5	Gazipur	S. S. Complex (1st floor) Outpara, Chandana Chowrasta Gazipur.	01714-084780
6	Muktagacha	Alim Super Market (1st floor) Main Road, Laxmikhola Muktagacha, Mymensingh	01714-084778
7	Sherpur	Bhuiyan Plaza (2nd floor) 175, Munshi Bazar Road Sherpur Town, Sherpur - 2100.	01714-093118
8	Faridpur	Lokman Mansion (1st floor) Mujib Sarak, Faridpur Sadar Faridpur.	01714-089164
9	Madaripur	Bhuiyan Market (2nd floor) Puran Bazar, Madaripur.	01714-084820
10	B. Baria	Zamila Mansion (2nd floor) T. A. Road (Kandipara) Brahmanbaria.	01714-084874
11	Kishorgonj	Haque Super Market (2nd floor) Rathkhola, Eshakha Road Kishoreganj.	01714-084822
12	Narshingdi	Kazi Super Market (2nd floor) 3, C & B Road, Narsingdi.	01714-093246
13	Laxmipur	Mukti Joddha Market (2nd Floor) Chalk Bazar, Sadar, Laxmipur.	01714-084743
14	Maijdee	Front of Gonopurto Bhaban (2nd floor) Main Road, Maijdee Court, Sadar, Noakhali.	01714-093185
15	Dinajpur	Upper Floor of Agrani Bank Munshipara, Dinajpur.	01714-084847
16	Gobindogonj	Adarsha Bhaban (1st floor) Bazar Road, Gobindaganj Gaibandha.	01714-084786
17	Joypurhat	Seba Diagnostic Center (1st floor) Amtali, Sadar Road, Joypurhat.	01714-084546
18	Kushtia	21-22, N. S. Road (2nd floor) Kushtia - 7000.	01714-084637

19

Pabna

Kazi Bhaban (1st floor)

Khalifa Potty, Rajbari.

01714-084594

20

Chandpur

Purobi Shopping Complex (2nd floor)

J. M. Sengupta Road

Chandpur - 3600.

01714-093160, 01913033058

21

Chokoria

Anwar Shopping Complex (2nd floor)

Chokoria, Coxsbazar.

01714-084837

22

Rajbari

Tusto Complex (2nd floor)

Rupkatha Road, Dilalpur, Pabna.

01714-084696

23

Shahjadpur

Aziz Mansion (1st Floor)

Monirunpur Bazar

Shahjadpur, Sirajganj.

01714-097651

24

Tangail

Hossain Traders (2nd floor)

Masjid Road, Tangail.

01714-093200

25

Bhanga

Bashar Mansion (1st floor)

Pouro Road, Court Para, Bhanga

01714-084751, 01712-997738

26

Gopalganj

Ibrahim Plaza (1st floor)

56/1, Batasha Potty, Gopalganj.

01714-093143

27

Chuadanga

Hotel Al-Meraj (1st floor)

Court Road, Chuadanga.

01714-084666

28

Feni

Kazi Center (2nd Floor)

105/106, S. S. K Road

Feni - 3900.

01714-084879

29

Jhenaidah

House No - 13 (1st floor)

Agnibina Sarak, Jhenaidah.

01714-084573

30

Elephant Road Dhaka

Ferdausi Plaza, (3rd floor),

Opposite of Eastern Mollika,

334/Elephant Road, Dhaka-1205

01714-047319

2008 Launching

- 20 Branches ● 30 SME Service Centers
- 62 ATMs ● 02 Branch Relocations



Badhundhara Branch Launching



Syedpur Branch Launching



Narayangonj Branch Relocation



Joydevpur Branch Launching



Rangpur Branch Launching



Madhabdi Branch Launching

Branch, ATM and SME Service Center



Dakkhin Khan Branch Launching



Manda Branch Launching



Savar Branch Launching



Hajigonj Branch Launching



Donia Branch Launching



Mymensing Branch Launching



Faridpur SME Service Center Launching



B.Baria SME Service Center Launching

Financial
Statements USD

BRAC Bank Limited

Balance Sheet as at 31 December

	<u>2008</u>	<u>2007</u>
	<u>USD</u>	<u>USD</u>
PROPERTY AND ASSETS		
Cash:		
In hand (including foreign currencies)	13,180,058	7,463,701
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	- 49,428,022	- 37,963,048
	62,608,080	45,426,749
Balance with other banks and financial institutions:		
In Bangladesh	42,438,297	42,211,313
Outside Bangladesh	3,909,293	2,486,044
	46,347,590	44,697,358
Money at call and on short notice	-	1,458,523
Investments:		
Government securities	114,313,415	71,376,998
Others	5,297,426	1,503,318
	119,610,840	72,880,317
Loans and advances:		
Loans, cash credits, overdrafts, etc.	763,983,993	473,234,252
Bills purchased and discounted	166,536	218,469
	764,150,529	473,452,721
Fixed assets including premises, furniture and fixtures	21,353,801	13,752,843
Other assets	36,801,625	24,832,426
Non-banking assets	-	-
Total assets	<u><u>1,050,872,465</u></u>	<u><u>676,500,936</u></u>
LIABILITIES AND CAPITAL		
Liabilities:		
Borrowings from other banks, financial institutions and agents	33,074,636	32,670,921
Deposits and other accounts:		
Current deposits and other accounts	111,003,159	80,854,706
Bills payable	6,157,333	5,965,587
Savings bank deposits	67,131,162	58,130,380
Fixed deposits	629,575,549	398,293,182
Bearer certificate of deposits	-	-
Other deposits	27,605,010	1,783,059
	841,472,213	545,026,914
Other liabilities	97,446,591	3,996,849
Total liabilities	<u><u>971,993,439</u></u>	<u><u>631,694,684</u></u>

	<u>2008</u>	<u>2007</u>
	<u>Taka</u>	<u>Taka</u>
Capital/shareholders' equity:		
Paid up capital	22,978,168	17,502,279
Redeemable preference share capital	7,253,210	7,292,616
Share premium	20,396,025	5,104,831
Statutory reserve	13,182,884	7,352,006
Revaluation reserve	1,724,032	-
Exchange equalisation reserve	653	656
Retained earnings	13,344,055	7,553,863
Total shareholders' equity	<u>78,879,026</u>	<u>44,806,252</u>
Total liabilities and shareholders' equity	<u><u>1,050,872,465</u></u>	<u><u>676,500,936</u></u>

OFF BALANCE SHEET ITEMS

Contingent liabilities:

Acceptances and endorsements	1,984,096	3,250,797
Letters of guarantee	6,166,399	3,937,560
Irrevocable letters of credit	22,785,329	20,963,563
Bills for collection	124,329	1,009,701
Tax liability	48,846	49,111
Other contingent liabilities	239,308	3,237,966
	31,348,306	32,448,700

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 off balance sheet items including contingent liabilities	<u><u>31,348,306</u></u>	<u><u>32,448,700</u></u>

Conversion Rate: 1 USD= BDT 68.9350 as at 31st December 2008 (1USD=BDT 68.5625 as at 31st December 2007)

The Balance sheet given on this page is solely for the convenience of the shareholders bankers, investors, customers and other users of financial statements and do not form part of the audited financial statements.

BRAC Bank Limited
Profit and Loss Account
for the year ended 31 December 2008

	<u>2008</u> <u>USD</u>	<u>2007</u> <u>USD</u>
Interest income	116,357,462	67,578,43
Interest paid on deposits, borrowings, etc.	(70,575,061)	(37,502,078)
Net interest income	45,782,402	30,076,359
Income from investment	13,188,175	10,109,643
Commission, exchange and brokerage	28,304,834	11,256,643
Other operating income	288,002	235,020
Total operating income	87,563,412	51,677,665
Salaries and allowances	20,634,904	11,519,044
Rent, taxes, insurance, electricity etc.	2,918,483	1,596,388
Legal expenses	96,608	69,336
Postage, stamps, telecommunication, etc.	2,233,597	1,444,328
Stationery, printing, advertisement etc.	3,081,828	1,968,728
Managing Director & CEO's salary and fees	313,427	121,536
Directors' fees and expenses	10,586	5,822
Auditors' fees	10,925	9,079
Depreciation on and repairs to bank's assets	4,648,265	2,598,811
Other expenses	7,572,776	3,969,131
Total operating expenses	41,521,398	23,302,205
Profit before provisions	46,042,014	28,375,460
Provisions for:		
Loans and advances	16,516,261	9,752,411
Diminution in value of investments	-	-
Off balance sheet items	172,728	182,315
Others	-	105
Total provisions	16,688,988	9,934,832
Profit before tax	29,353,026	18,440,629
Provision for tax:		
Current	17,697,831	11,172,288
Deferred	(2,466,091)	(1,750,228)
	15,231,740	9,422,060
Profit after tax	14,121,286	9,018,569
Appropriations:		
Statutory reserve	85,161	53,792
General reserve	-	-
Proposed dividend	-	-
	85,161	53,792
Retained earnings	14,036,124	,964,776
Basic earnings per share	0.90	0.62

Conversion Rate: 1 USD= BDT 68.9350 as at 31st December 2008 (1USD=BDT 68.5625 as at 31st December 2007)

The Profit and Loss Account given on this page is solely for the convenience of the shareholders bankers, investors, customers and other users of financial statements and do not form part of the audited financial statements.

Glossary

Acceptance

Promise to pay created when the drawee of a time draft stamps or writes the words “accepted” above his signature and a designated payment date.

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for the receipt or payment of cash or its equivalent.

Bills for Collection

A bill of exchange drawn by an exporter usually at a term, on an importer overseas and brought by the exporter to his bank with a request to collect the proceeds.

Bonus Issue

The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company’s reserves (in whole or part) into Stated Capital and hence does not involve all infusion of cash.

Capital Adequacy Ratio

A measure of a bank’s capital. It is expressed as a percentage of a bank’s risk weighted credit exposures. The relationship between capital and risk weighted assets as defined in the framework developed by the Bank for International Settlements (BIS) and as modified by the Bangladesh Bank of Sri Lanka to suit local requirements.

Commitments

Credit facilities approved but not yet utilized by the client as at the Balance sheet date.

Contingencies

A condition or situation existing at Balance Sheet date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Cost to Income Ratio

Operating expenses as a percentage of total income.

Corporate Governance

Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation is directed, administered or controlled.

Earnings per Share

Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

Economic Value Added

EVA is a profitability measure designed to recognise the requirement to generate a satisfactory return on the economic capital invested in the business. If the business produces profit in excess of its cost of capital then value is created for shareholders.

Fair Value

Fair value, also called fair price, is a concept used in finance and economics, defined as a rational and unbiased estimate of the potential market price of a good, service, or asset.

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use all asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Foreign Exchange Earnings

Profit earned on foreign currency transactions arising from the difference in foreign exchange rates between the transaction/ last Balance Sheet date and the settlement/Balance Sheet date. Also arises from trading in foreign currencies.

General Provision

General provision is made on outstanding loan and advance without considering the quality of loans and advances according to the prescribed rate of Bangladesh Bank.

Guarantee

Three party agreement involving a promise by one party (the guarantor) to fulfill the obligation of a personal owing a debt if that person fails to perform.

Held for Trading (HFT)

Investment classified in this category are acquired principally for the purpose of selling or repurchasing -in short trading or if designated as such by the management.

Held to Maturity (HTM)

Investments which have “fixed or determinable payments” and are intended to be ‘Held to Maturity’, other than those that meet the definition of ‘Held at

amortized cost others' are classified as held to maturity.

Impairment

This occurs when recoverable amount of an asset is less its carrying amount.

Intangible Assets

An intangible asset is as identifiable non-monetary asset without physical substance.

Interest Suspense

Classified loans and advances of the banks are categorised as sub-standard, doubtful and bad/loss as per guidelines of the Bangladesh Bank. Interest accrued on SMA, sub-standard, doubtful and bad/loss loans is recorded as 'interest suspense' and not taken to income. This interest is recognized as income as and when it is realized in cash by the bank.

Loan Losses & Provision

Amount set aside against possible losses on loans, advances and other credit facilities as a result of such facilities becoming partly or wholly uncollectible.

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of a share as at the year end.

Marked-To-Market

The valuation of certain financial instruments at fair value as of the balance sheet date.

Materiality

The relative significance of a transaction or all events the omission or misstatement of which could influence the economic decisions of users of Financial Statements

Net Interest Margin

Net interest income, on a taxable equivalent basis, expressed as a percentage of average total assets.

Net Asset Value per Share

Shareholders' funds excluding Preference Shares if any, divided by the number of ordinary shares in issue.

Net Interest Income

The difference between what a bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

Non-performing Loans

A loan placed on cash basis (Le. Interest income: is only recognised when cash is received) because, in the opinion of management, there is reasonable doubt regarding the collectability, of principal or interest. Loans are automatically placed on cash basis when a payment is 3 months past due. All loans are classified as non-performing when a payment is 3 months in arrears.

Off-Balance Sheet Transaction

Transactions that are not recognised as assets or liabilities in the Balance Sheet but which give rise to contingencies and commitments.

Price Earnings Ratio (P/E ratio)

Market price of a share divided by earnings per share.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly as per Bangladesh Accounting Standard (BAS)-24 on "Related Party Disclosures".

Return on Assets (ROA)

Profit after tax divided by the average assets.

Return on Equity (ROE)

Profit after tax divided by the average shareholders' equity.

Right Issue

Issue of share to the existing shareholders at an agreed price, which is generally lower than the market price.

Risk weighted Assets

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

Revaluation Reserve

Revaluation reserve is made on HFT & HTM securities using marking to market concept according to Bangladesh Bank guideline.

Statutory Reserve

A capital reserve created as per provisions of section 24 of the Bank Companies Act, 1991.

Tier-I Capital

Core capital representing permanent shareholders' equity and reserves created or' increased by appropriations of retained earnings or other surpluses.

Tier-II Capital

Supplementary capital representing general provisions, preference share, exchange equalization fund and other capital instruments which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Value Added

Value added statement shows the total wealth created, how it was distributed to meet certain obligations and reward those responsible for its creation, and the portion retained for the continued operation and expansion.

Eventful
Year

El Dorado initiative led by BRAC Bank Limited

BRAC Bank signs an agreement with Interblocks Limited on Remittance, Payment Deal. BRAC Bank Limited has signed an agreement with Interblocks Limited, Sri Lanka on implementation of El Dorado- Remittance & Payment System software. Mr. Tarique Amin Bhuiyan, Chief Information Officer, BRAC Bank Limited and Mr. Dinesh L. Rodrigo, Managing Director & CEO, Interblocks Limited signed the agreement on behalf of their respective organizations.



BRAC Bank Signs an Agreement with EXIM Bank on Remittance & Payment System

An Agreement on EL DORADO Remittance & Payment System was signed between BRAC Bank Limited and EXIM Bank Limited. Mr. A. E. A. Muhaimen, Managing Director & CEO of BRAC Bank Limited and Mr. Kazi Masihur Rahman, Managing Director of EXIM Bank Limited signed the agreement on behalf of their respective organizations. EL DORADO will enable customers to transfer money electronically within Bangladesh in the quickest possible way. EL DORADO is being developed under the Remittances & Payments Challenges Fund (RPCF) jointly sponsored by DFID, UK and Bangladesh Bank.



BRAC Bank and Dhaka Bank signs an agreement on El Dorado-Remittance & Payment System Software

An agreement signing ceremony on El Dorado-Remittance & Payment System software between BRAC Bank Limited and Dhaka Bank Limited was held at the Dhaka Bank Head Office. Mr. A.E.A Muhaimen, Managing Director & CEO of BRAC Bank Limited and Mr. Abu Musa, Managing Director (Current Charges) of Dhaka Bank Limited signed the agreement on behalf of their respective organizations.



BRAC Bank signs an agreement with Bank Asia on Remittance & Payment System

An agreement on El Dorado-Remittance & Payment System was signed between BRAC Bank Limited and Bank Asia Limited. Mr. A.E.A. Muhaimen, Managing Director & CEO of BRAC Bank and Mr. Syed Anisul Huq, President & Managing Director of Bank Asia signed the agreement on behalf of the respective banks.



OMNIBUS Initiative led by BRAC Bank Limited

“OMNIBUS gets ONE Bank in its shared ATM Network”



OMNIBUS has signed an agreement with ONE Bank Limited for becoming a member of OMNIBUS, an association of member institutions, which will provide shared ATM (Automated Teller Machine) and POS (Point of Sales) network facilities to banks through a neutral switch. Once connected to OMNIBUS Network, ONE Bank customers can use BRAC Bank’s ATM network and Qcash’s ATM network as well. On the other hand, BRAC Bank and QCash customers can access One Bank’s ATM network. OMNIBUS is a combined network of over 200 ATMs, 1200 POS terminals and overall ATM card base of 500,000. Mr. A. E. A. Muhaimen, Managing Director & CEO of BRAC Bank Limited and Mr. Farman R. Chowdhury, Managing Director of ONE Bank Limited signed the Agreement on behalf of their respective organizations.

Business Initiatives led by BRAC Bank Limited

BRAC Bank signs an agreement with EXIM Bank to provide Western Union Service

BRAC Bank Limited has signed a sub-representation agreement with EXIM Bank Limited. Under this agreement, EXIM Bank will offer Western Union money transfer service as a sub-representative of BRAC Bank. Mr. A. E. A. Muhaimen, Managing Director & CEO, BRAC Bank Limited and Mr. Kazi Mashiur Rahman, Managing Director, EXIM Bank Limited signed the agreement on behalf of their respective organizations.



BRAC Bank inaugurates “One Stop Service Center” in Chittagong Port

BRAC Bank Limited inaugurated two “One Stop Service Center” in Chittagong Port & Customs House.



Warid with BRAC Bank for SMS Banking

BRAC Bank Limited signed an agreement with Warid Telecom to introduce SMS banking service for its subscribers; providing basic banking information, like account balance, transaction details, credit card details, etc.



BRAC Bank signs an MoU with Katalyst

BRAC Bank Limited has signed an MoU with Katalyst recently to work together for development of the SME sector both in awareness creation and socio-economic



development based on the principles of equality and mutual benefit. Under this agreement, BRAC Bank Limited and Katalyst will share expertise with regard to development of Health Safety environment issues for SME sectors based on prior agreement among working committee members. Katalyst will extend technical assistance to BRAC Bank's CSR (Corporate Social Responsibility) activities related to working conditions improvement for SME borrowers. Mr. A. E. A. Muhaimen, Managing Director & CEO, BRAC Bank Limited and Mr. James Blewett, General Manager, Katalyst signed the MoU on behalf of their respective organizations.

A. E. A. Muhaimen, Managing Director & CEO, BRAC Bank Limited and Mr. James Blewett, General Manager, Katalyst signed the MoU on behalf of their respective organizations.



BRAC Bank ties up with Jamuna Money Exchange UK

BRAC Bank Limited has made an agreement with Jamuna Money Exchange (UK) to provide secured remittance facility from United Kingdom to Bangladesh. Under this agreement, BRAC

MOU with TAFE

BRAC Bank Limited signed an MOU with The Metal (Pte) Ltd. Under this agreement BRAC Bank will provide SME loan facility to interested customers, for purchasing tractors from The Metal (Pte) Ltd.



Bank will provide Management Services to the Jamuna Money Exchange (UK). This is an exclusive Probashi Banking services arrangement for the Non-Resident Bangladeshis (NRBs) residing there. From now on, NRBs can safely and conveniently remit their money into Bangladesh from UK through Jamuna Money Exchange (UK) in a short time. They can also invest their hard earned money in the various attractive savings schemes of BRAC Bank Limited. Currently, BRAC Bank offers secured remittance service through its 56 Branches, 30 SME Service Centers, 429 SME Unit Offices and more than 1800 Remittance Delivery Points across Bangladesh. Mr. Fazle Hasan Abed, Chairperson, BRAC and Founder Chairman of BRAC Bank Limited formally inaugurated the service providing activities of BRAC Bank Limited through Jamuna Money Exchange in United Kingdom.



BRAC Bank Launches Moment of Truth Campaign in Branches

BRAC Bank has launched a new service quality campaign titled "Moment of Truth" in selected branches e.g. Gulshan, Banani, Satmasjid Road, Dhanmondi and other branches. This initiative enables customers to rate the service and the service provider at the touch-point instantly. It is a part of the bank's continued efforts to provide superior customer service.



BRAC Bank Sponsors Bangladesh Travel and Tourism Mart

BRAC Bank Limited was the title sponsor for the Bangladesh Travel and Tourism Fair, which was held for 3 days in Bashundhara City Centre, Dhaka. BRAC Bank displayed its travel related services, such as money endorsement, tour plan, airline booking, travel loan, etc. at the fair.



BRAC Bank Sponsors National Career Fair

BRAC Bank sponsored the 5th Annual National Career Fair organized by North South University recently. This initiative for arranging the Career Fair is an effective means to open the window of opportunity for bright and eager young students and graduates for job searching and networking. BRAC Bank contributed to this endeavor for a better way to the development of our nation.



BRAC Bank Limited partnered with DCCI for “International Business Conference”

BRAC Bank Limited partnered with DCCI (The Dhaka Metropolitan Chamber of Commerce and Industry) for the publication of the book “Commercial History of Dhaka” and marking the Golden Jubilee Celebration of DCCI. BRAC Bank supported the event of successfully celebrating the historic compilation of 400 years of Dhaka that was acclaimed home and abroad.

Executive Appreciation Program

Infosys Technologies Ltd. India organized an "Executive Appreciation Program" for the senior executives of BRAC Bank during October 29-31, 2008 at Bangalore and Mysore, India.



Strategic Conclave

Senior Management of BRAC Bank Limited attended 2009 budget session held on Oct 11 to Oct 12, 2008 at BCDM, Rajendrapur.



The 9th Annual General Meeting & 6th Extraordinary General Meeting of BRAC Bank Limited

The 9th Annual General Meeting (AGM) and the 6th Extraordinary General Meeting (EGM) of BRAC Bank Limited were held in Dhaka on Thursday, 24th April 2008 where, the Bank declared 10 percent stock dividend (Bonus Shares) for its shareholders for the year ended 31st December 2007.

The shareholders approved the issuance of 1:5 right share; one right share for every five (5) ordinary share of Tk. 500/= (taka five hundred only) each (including premium of Tk. 400/=) shares and increase of authorized capital to BDT 480 crore (Taka Four hundred and eighty crore only) from the existing BDT 200 crore (taka two hundred crore only).

Mr. Fazle Hasan Abed, Founder Chairman of BRAC Bank Limited chaired the event. The meeting was also attended by the Directors of the Board, Mr. Muhammad A. (Rumee) Ali, Mr. Syed Humayun Kabir, Mr. Md. Aminul Alam, Mr. Quazi Md. Shariful Ala, Barrister Nihad Kabir and Company Secretary Mr. Rais Uddin Ahmad.



Proxy form and
Attendance Slip



Registered office: 1, Gulshan Avenue, Gulshan - 1
Share office: H - 115, R - 5, Block - B, Niketan, Gulshan - 1
Dhaka - 1212, Bangladesh

Proxy Form

I/We.....of.....
..... being a member of BRAC Bank Limited and entitled to vote, do
hereby appoint Mr/Ms..... of
as my proxy to attend and vote for me on my/our behalf at the 10th Annual General Meeting of the company to
be held on May 17, 2009 at 9:30 am at Bashundara Convention Center, Block-G, Umme Kulsum Road,
Bashundara R/A, Dhaka or at any adjournment thereof.

Signed thisday of(month) 200.....

Signature of proxy

Signature of shareholder.....

Folio/BO ID No.....

No. of shares.....



Note: This Proxy Form, duly completed, must be deposited at least 72 (seventy two) hours before the schedule time of the meeting at the company's Share Department. Proxy shall be invalid if not signed and stamped as explained above. Signature of the shareholders should agree with the specimen signature registered with the Company/Depository Participant(s)



Registered office: 1, Gulshan Avenue, Gulshan - 1
Share office: H - 115, R - 5, Block - B, Niketan, Gulshan - 1
Dhaka - 1212, Bangladesh

Attendance Slip

I hereby record my attendance at the 10th Annual General Meeting of the Company being held on May 17, 2009 at 9:30 am at Bashundara Convention Center, Block-G, Umme Kulsum Road, Bashundara R/A, Dhaka.

Name of the Member/Proxy.....

Folio/BO ID No:.....

No. of Shares.....

Signature & Date

Notes: Shareholders attending the meeting in person or by proxy are requested to complete the Attendance Slip and deposit the same at the entrance of the meeting hall. Any friend of children accompanying with the honorable shareholders/Proxy will not be allowed to the meeting.

