RIGHTS SHARE OFFER DOCUMENT

MANAGER TO THE ISSUE

AAA FINANCE & INVESTMENT LTD.

PARTNERSHIP OF TRUST

BRAC BANK

আস্থা অবিচল

BRAC BANK

Registered Office
1, Gulshan Avenue, Gulshan-1, Dhaka-1212, Bangladesh
Tel: 880 (2) 8813938, 8837550, **Fax:** 880 (2) 8861867, **Swift:** BRAKBDDH
E-mail: enquiry@bracbank.com, **Web:** www.bracbank.com

RIGHTS SHARE OFFER DOCUMENT

Date: January 15, 2014

Rights Offer of **221,652,288** Ordinary Shares of **Tk.10.00** each issuing at **Tk.20.00** each, including a premium of **Tk.10.00** per share, totaling **4,433,045,760.00** offered on the basis of **01** (one) rights share for **02** (two) existing shares held on the record date.

RECORD DATE FOR ENTITLEMENT OF RIGHTS OFFER

Record Date	**February 10, 2014**
Subscription	**Opens on: April 20, 2014**
	Closes on: May 15, 2014
Within Banking Hours	

CREDIT RATING STATUS

	Rating Year	Long Term	Short Term
Entity Rating	2012	AA3	ST-2
	2011	AA3	ST-2
Date of Rating	June 30, 2013		
Rating Assigned By: Credit Rating Agency of Bangladesh Limited (CRAB)			

MANAGER TO THE ISSUE

AAA FINANCE & INVESTMENT LTD.
PARTNERSHIP OF TRUST

Amin Court (4th Floor), Suite 403-405
31, Bir Uttam Shahid Ashfaqus Samad Road
(Former 62-63, Motijheel C.A) Dhaka-1000
Phone: +88 02 9559602, 9567726, 9564304, 9567679, Fax: +88 02 9558330
Web-site: www.aaafinancebd.com, www.aaawebbd.com, **E-mail:** info@aaafinancebd.com, info@aaawebbd.com

FULLY UNDERWRITTEN BY

First Security Islami Capital & Investment Limited Alamin Centre (12th Floor), 25/A Dilkusha C/A, Dhaka	**Citizen Securities & Investment Limited** Al-Razi Complex (8th Floor), G-802, 166-167, SS Nazrul Islam Sarani, Purana Paltan, Dhaka
Swadesh Investment Management Limited Suite 01, Level 11, Unique Trade Center, 8 Panthapath, Karwan Bazar, Dhaka	**Green Delta Capital Limited** Hadi Mansion (6th Floor), 2, Dilkusha C/A, Dhaka
Bay Leasing & Investment Limited Printers Building (7th Floor), 5 Rajuk Avenue, Motijheel C/A Dhaka	**Janata Capital and Investment Limited** 48, Motijheel C/A (3rd Floor), Dhaka
FAS Capital Management Ltd. Suvastu Imam Squre, 65 Gulshan Avenue, Gulshan South, Dhaka	**Southeast Bank capital Service Ltd.** Eunoos Trade Center (1st Floor), 52-53, Dilkusha C/A, Dhaka
Union Capital Limited Noor Tower (5th Floor) , 1/F, Free School Street, 73, Sonargaon Road, Dhaka	**Grameen Capital Management Ltd.** Grammen Bank Bhaban (10th floor), Mirpur-2, Dhaka
GSP Finance Company (BD) Ltd. 1 Paribagh, Mymensing Road, Ramna, Dhaka	**BMSL Investment Limited** Shadharan Bima Tower (7th Floor), 37/A, Dilkusha C/A, Dhaka
CAPM Advisory Limited Tower Hamlet (9th Floor), 16 Kemal Ataturk Avenue, Banani C/A, Dhaka	**First Securities Services Limited** 166-167 Al Raji Complex, Suite # 702-703, Bijoy Nagar, Purana Palton, Dhaka
IIDFC Capital Limited Eunoos Trade Centre (Level-7), 52-53 Dilkusha C/A, Dhaka	**Sonali Investment Limited** **Sara Tower (11th Floor), 11/A, Toyeenbee Circular Road, Motijheel C/A, Dhaka-1000**
Royal Green Capital Market Limited 12/1, R.K. Mission Road, Dhaka-1000	**PLFS Investments Limited** Paramount Heights (13th Floor), 65/2/1, Box Culvert Road, Paltan, Dhaka-1000
Jamuna Bank Capital Management Limited Hadi Mansion (3rd Floor), 2 Dilkusha C/A, Dhaka-1000	**EC Securities Limited** Nafi Tower (6th Floor), 53, Gulshan South C/A, Gulshan-1, Dhaka-1212.
Uttara Finance and Investments Limited JBC Tower (6th Floor), 10 Dilkusha C/A, Dhaka-1000	**AB Investment Limited** WW Tower, Level-7, 68, Motijheel C/A, Dhaka-1000
AAA Finance & Investment Limited Amin Court (4th Floor), Suite 403-405, 62-63, Motijheel C.A, Dhaka-1000	

BANKER TO THE ISSUE

BRAC Bank Limited

As per provision of the Depository Act, 1999 and regulation made there under, rights shares shall only be issued in dematerialized condition. An applicant must apply for allotment of rights shares mentioning his/her Beneficiary Owner (BO) Account number in the application form.

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DEFINITION AND ELABORATION OF THE ABBREVIATED WORDS AND TECHNICAL TERMS USED IN THE RIGHTS SHARE OFFER DOCUMENT

ACRONYM		ELABORATION
AAA	:	AAA Finance & Investment Limited
Allotment	:	Allotment of Share
BB	:	Bangladesh Bank
BSEC	:	Bangladesh Securities and Exchange Commission
BRAC Bank	:	BRAC Bank Limited
Commission	:	Bangladesh Securities and Exchange Commission
Companies Act	:	Companies Act, 1994 (Act. No. XVIII of 1994) & Bank Companies Act, 1991
CSE	:	Chittagong Stock Exchange Limited
DSE	:	Dhaka Stock Exchange Limited
EPS	:	Earnings Per Share
Issue	:	Rights Issue
Issue Manager	:	AAA Finance & Investment Limited
Issuer Company	:	BRAC Bank Limited
NAV	:	Net Asset Value
Offering Price	:	Price of the Securities of BRAC Bank Limited
Registered Office	:	Head Office of the Company
RI	:	Rights Issue
Rights Issue Rule	:	Securities and Exchange Commission (Rights Issue) Rules, 2006
RJSC	:	Registrar of Joint Stock Companies & Firms
Securities	:	Shares of BRAC Bank Limited
Securities Market	:	The Share Market of Bangladesh
Sponsor	:	The Sponsor Shareholder of BRAC Bank Limited
Stockholder	:	Shareholder
Subscription	:	Application Money

BRAC BANK

আস্থা অবিচল

RIGHTS ISSUE OF SHARES

January 19, 2014

Dear Shareholder(s)

We are pleased to inform you that the shareholders of BRAC Bank Limited in its **9th Extra Ordinary General Meeting (EGM)** held on **June 28, 2012** decided to issue **192,741,120** Ordinary Shares as rights shares of **Tk.10.00** each issuing at **Tk.25.00** each, including a premium of **Tk.15.00** per share totaling **Tk.4,818,528,000.00** to be offered on the basis of **01** (one) new share for **02** (two) existing shares held on the record date. Later the Board of Directors in its 156th Board Meeting held on April 15, 2013 recommended to revise the Rights Offer of the Bank to issue **221,652,288** Ordinary shares at Tk.20.00 each including a premium of Tk.10.00 per share at the rate of **01 (one) [R]:02 (two)**, i.e. one rights share for every 02 (two) existing shares held on the record date which has been approved in the **14th AGM** held on **May 09, 2013**. The purpose of issuance of Rights Shares is to strengthen the capital base of the Bank in order to comply with the Basel II capital accord, directed by Bangladesh Bank.

Due to satisfactory activities and services, the Bank has earned an operating income of **Tk.11,756,855,863.00** during the year ended on December 31, 2012. This success has been achieved due to efficient conduct of investible funds by the management under the direction of the Board of Directors as well as patronization and active participation of all our valued shareholders and customers.

To maintain further growth and to increase the capital base of your Bank, we hope you will come forward with your full support and assistance to make the offer a success.

A self-explanatory Rights Share Offer Document prepared in the light of the Securities and Exchange Commission (Rights Issue) Rules, 2006 is enclosed herewith for your kind information and evaluation.

On behalf of the Board of Directors

Sd/-
Syed Mahbubur Rahman
Managing Director & CEO

THE RIGHTS OFFER

The Bank

BRAC Bank Limited is a public listed Scheduled Bank categorized in private sector and established under the ambit of Bank Companies Act, 1991 and incorporated as a Public Limited Company under the Companies Act, 1994 on 20 May, 1999. The Bank started commercial banking operations effective from July 4, 2001. During this span of time the Bank has been widely acclaimed by the business community, from small entrepreneurs to large traders and industrial conglomerates, including the top rated corporate borrowers for forward-looking business outlook and innovative financing solutions. BRAC Bank Limited provides Banking services to the customer in compliance with the provisions of the Bank Companies Act, 1991 and Bangladesh Bank's time to time directives. Thus within this period of time it has been able to create an image of "Fastest Growing Bank" for itself and has earned significant reputation in the country's Banking Sector.

The Rights Issue

BRAC Bank Limited in its **9th Extra Ordinary General Meeting (EGM)** held on **June 28, 2012** decided to issue **192,741,120** Ordinary Shares as rights shares of **Tk.10.00** each issuing at Tk**.25.00** each, including a premium of **Tk.15.00** per share totaling **Tk.4,818,528,000.00** to be offered on the basis of **01** (one) new share for **02** (two) existing shares held on the record date. Later the Board of Directors in its 156th Board Meeting held on April 15, 2013 recommended to revise the Rights Offer of the Bank to issue **221,652,288** Ordinary shares at Tk.20.00 each including a premium of Tk.10.00 per share at the rate of **01 (one) [R]:02 (two)**, i.e. one rights share for every 02 (two) existing shares held on the record date as on **February 10, 2014** which has been approved in the **14th AGM** held on **May 09, 2013**.

Issue Price

The Issue Price per share has been fixed up in the 14th Annual General Meeting (AGM) of the Company held on May 09, 2013 at Tk.20.00 each including a premium of Tk.10.00 per share totaling **Tk.4,433,045,760.00** on the basis of 01[R]:02 ratio i.e. 01(one) Rights Share for 02(two) existing shares held on the record date as on **February 10, 2014**.

RISK FACTORS AND MANAGEMENT'S STRATEGY FOR MITIGATION

All investments carry the inherent risk, so investments in the Bank also bear some associated risk, regarding which the investors should be well aware of. These risks could result in loss of income or the erosion of the capital invested. Investors will take well informed decision for investment in the offer.

INTEREST RATE RISK

Interest rate risk concerned with borrowed funds of short term and long-term maturity. Interest rate is the risk that the bank faces due to unfavorable movements in the interest rates. Volatility in money market and increased demand for loans/investment funds raise the rate of interest. The bank's financing in different sectors is generally structured at fixed and variable rates for specified terms. A change in the Government's monetary policy also tends to increase the interest rates. Increase in interest rates of borrowing could narrow or eliminate the spread or result in a negative spread, and hence, may have a material adverse effect on the bank's business, financial condition and/or results of operations.

Management Perception

Although the consequences unusual and abrupt increase in the borrowing rate cannot be avoided, BRAC Bank takes all the appropriate measures to minimize the negative consequences. For increase, the bank currently pursues a policy under which interest rates can be revised for any unusual and abrupt change at its own discretion as and when required.

EXCHANGE RATE RISK

Exchange rate fluctuation may reduce the profitability of BRAC Bank. Exchange rate risk arises from exchange rate movements, which may affect the earning of the Bank from its foreign exchange open position taken from time to time. If exchange rate is increased against local currency opportunity will be created for generating more profit and the opposite may happen as well.

Management Perception

Exchange rate risk arises from exchange rate movements, which may affect the earning of the bank from its foreign exchange open position taken from time to time. This risk is mainly managed by setting (i) determining limits on open foreign exchange position (ii) monitoring of open position against these limits & (iii) setting and monitoring of stop loss mechanism.

Foreign exchange risk is defined as the risk of adverse change in earnings due to predictable and unpredictable movement of exchange rate of foreign currency. The foreign exchange risks of the bank is kept at the minimum level as transactions are confined to meet the obligations under L/C's and remittance requirement. In line with prudential guidelines our treasury department is manned by the professional with relevant track records and for mitigating the risk the front and the back office are segregated. They are responsible for foreign exchange transactions, deal verifications and monitoring/ settlement of transactions in a delineated way. All nostro accounts are reviewed regularly and are reconciled and outstanding entries are monitored on a regular basis for on time reconciliation.

INDUSTRY RISK

The Bank operating in a highly competitive market as modern banking industry has brought greater business diversification. Some banks in the industrialized world are entering into investments, underwriting of securities and portfolio management. Taken together, these changes have made banks an even more important entity in the global business community. The entry of new competitor may increase the market competition and profitability of the bank.

Management Perception

Financial Institution (FI) is a fast growing industry. There is a good potential for a well-established and growing financial institutions like BRAC Bank to expand the increase its market share. BRAC Bank has recently acquired majority stakes in an investment bank and its affiliate brokerage house recently. With the purchase of 51 percent shares in Equity Partners Limited (EPL) and another 51 in Equity Partners Securities Limited (EPSL) the bank will change the profitability of the Bank.

Market & Technology Related Risks

(i) MARKET RISKS

Financial market of Bangladesh is currently very competitive and it is currently one of the fastest growing industries in Bangladesh. The entrance of new entities into the market is increasing the competitiveness of the market. Strong marketing and brand management would help the Bank to increase their customer base.

Management Perception

BRAC Bank focuses on pursuing unexplored market niches in the Small and Medium Enterprise Business which hitherto remained largely untapped within the country. The Bank has incorporated double bottom like approach in its operation, first one of which is making profit by mobilizing fund from urban to rural areas and second is performing social responsibility by creating an entrepreneurial class. The bottom line approach taken by the Bank makes them the market leader in the banking industry.

(ii) TECHNOLOGY RELATED RISKS

Technology plays vital role for ensuring better services to the customers and minimizing the cost in various aspects. The financial institutions and banks must embrace new technology to be efficient enough to cope up with the future changing demand.

Management Perception

Technology is the nerve center of BRAC Bank's rapid growth. BRAC Bank has implemented some of the best in class Information Technology platform in the Bank to ensure faster yet smoother delivery of services to the customers on 24/7 basis. The bank has built up its alternative delivery channel infrastructure to offer the full suite of ATMs, POS, Internet Banking, Call Center and SMS banking for its customers. In order to support its aggressive growth strategies in future, the Bank has made a strategic decision to change its core banking software to a more robust and internationally tested system. As its unique contribution to a truly Broad-Based and participatory Electronic Banking System in Bangladesh, BRAC Bank currently has a wide coverage of 86 Branches, 70 SME Service Centre, 315 SME Unit Offices. 310 Bank's own ATM's as on March 31, 2012 plus 80 ATMs with partner networks serving 13 member, 1200 POS terminals, Internet Banking and SMS Banking services.

Potential Or Existing Government Regulations

The Bank operates under the specific guidelines laid down by Bangladesh Bank. Bangladesh Securities and Exchange Commission (BSEC) and other regulatory authorities. The Bank also operates under Companies Act, 1994 and other related regulations, Bank Companies Act, 1991, Income Tax Ordinance 1984, Income Tax Rules 1984, Value Added Tax (VAT) Act, 1991 and Value Added Tax (VAT) Rules, 1991. Any abrupt change of the policies made by the regulatory authorities may adversely affect after business of the Bank.

Management Perception

Unless any policy change that may negatively and materially affect the industry as a whole, the business of the Bank is expected not to be affected significantly. Bangladesh Bank has increased the Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) of Banking Institutions. Like all Scheduled Banks in Bangladesh, BRAC Bank is funding their assets from their deposits after marinating required SLR including CRR. Any change in SLR policies will impact BRAC Bank's asset growth and cost of CRR like all other Scheduled Banks in Bangladesh.

Potential Changes In Global Or National Policies

A financial institution's ability to operate a profitable business is directly related to the monetary and fiscal policy of the country at any given time. Imposition of restrictive monetary and/or fiscal policy by the government at any time may affect a company's profitability. Again, change in the existing global or national policies can have either positive or negative impacts for the Bank.

Management Perception

The management of BRAC Bank is always concerned about the prevailing and upcoming future changes in the global or national policy and shall response appropriately and timely to safeguard its interest.

History Of Non-Operation, If Any

Is there any history for the Bank to become non-operative from its commercial operation?

Management Perception

The Bank is in commercial operation since July 04, 2001 and it has no history of non-operation till now. The Company has an independent body that is operated by its Memorandum & Articles of Association and other applicable laws Implemented by the Government. Besides, the Bank's financial strength is satisfactory. It has very experienced Directors and Management team to make the Bank more efficient and stronger for commercial operations. So, the chance of becoming non-operative for the Bank is minimum.

Operational Risk

"The risk of loss resulting from inadequate or failed internal processes, peoples and systems or from existing events."

Management perception

BRAC Bank's operational risk management aims to minimize unexpected and catastrophic losses and to manage expected losses. This enables new business opportunities to be pursued in a risk-conscious and controlled manner. BRAC Bank's manages operational risks through a framework that ensures that operational risks are properly identified, managed, monitored and reported in a structured and consistent manner. The framework is underpinned by an internal control system that reinforces the control culture by establishing clear roles and responsibilities for staff and preserving their rights in executing their control functions without fear of intimidation. The Bank recognizes the importance of establishing a risk-awareness culture in managing operational risk through embedding risk management in the core processes.

Portfolio Management Risk

Poor quality of project appraisal, slack monitoring of outstanding debts, inadequate/inappropriate documentation and other forms of management efficiencies may affect the quality of BRAC Bank portfolio.

Management Perception

Under the close supervision of BRAC Bank's prudent shareholder, the management of BRAC Bank has developed skills and ability to appraise a project efficiently, ascertain the risk factors, address them and monitor performance closely.

Credit Risk

Some of the customers or obligators may fail to meet the terms of any contract or otherwise fail to perform as agreed which will in turn reduce the profit of the Bank, decreasing shareholders' earning.

Management Perception

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 and retail 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 operation during the entire credit period–i) Credit Approval Committee, ii) Loan Administration Department, iii) Recovery Unit and iv) Impaired Asset management have been set up.

In addition to the above, Retail Sales Teams book the customers; the Credit Division carries out thorough assessment before approving the credit facility. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, and historical performance of the customer. Loan Administration Department ensures compliance with all legal formalities, completion of all documentation and security of the proposed credit facility and finally disburses the amount. The Sales team reports to their line management; the Credit Division reports directly to Managing Director, while the Loan Administration reports to the Chief Operating Officer. The above management has not only ensured segregation of duties and accountability but also helps to minimize the risk of compromise with the credit portfolio.

Liquidity Risk

The Bank harvest the fund through leveraging by the way of taking deposits from the general public and borrowing and its solvency is largely dependent upon efficiency in the process of intermediation of fund. The end objective of liquidity management is to ensure striking of balance between liquidity and profitability.

Management Perception

The management of BRAC Bank Limited is aware of the magnitude of this risk and it has always intended to diversifying sources of funds and to develop good mix of deposit structure. In this direction the Bank has already launched several deposit schemes to attract deposits from various customer groups, including Retail and Corporate Cash Management clients. The Bank is opening branches all across the country to diversify its business portfolio.

Asset Quality Risk

Changes in market liquidity and/or interest rate expenses Bank's business to the risk of loss, which may, in extreme cases, threaten the survival of the institution.

Management Perception

Emphasis has been given so that the level of balance sheet risks are effectively managed appropriate policies and proceeds are established to control and limit these risks and proper resources are available for evaluating and controlling these risks. The Assets Liability Committee (ALCO) of the Bank monitors Balance Sheet Risks and Liquidity Risks of the Bank. The committee reviews country's overall economic position, Bank's liquidity position, ALM rations, interest rate risk, capital adequacy, deposit advance growth, cost of deposit & yield on advance, R.E. gap, market interest rate, loss provision adequacy and deposit lending pricing strategy.

Risks Of Being Used By Money Launderer

Financial institutions are particularly vulnerable to be used by money launderers. This will damage the Bank's reputation and reliability and expose the Bank to legal complications.

Management Perception

Money laundering is the process adopted by the unscrupulous persons to integrate the proceeds earned through illegal means with the legitimate stream of financial proceeds by way of layering which exposes the Bank to the reputation and legal risk. For mitigating the risk in line with the prudential guidelines, we have central compliance unit at head office headed by the chief anti money laundering compliance officer and at the branch level there exist anti money laundering compliance officer. We arrange training on money laundering from time to time for imparting skills among the executives and officer for efficient prevention of money laundering through identifications of suspicious/ unusual transactions.

DATE OF OPENING AND CLOSING OF SUBSCRIPTION

Subscription opens for the rights shares offer on **April 20, 2014** and subscription closes for the rights shares offer on **May 15, 2014**.

UTILIZATION OF PREVIOUS RIGHTS ISSUE FUND

BRAC Bank limited raised BDT 1,320 million through issuance of Rights Offer of 2,640,000 ordinary shares in 2008 and utilization of the proceeds of the Rights Offer is as below:

Particulars	Amount (TK. In Million)
Business Growth (Loans & Advances)	1,124.62
Business Expansion	139.49
IT Expenses	55.89
Total	**1,320.00**

Sd/-
Mohammad Mamdudur Rashid
Deputy Managing Director & CFO

Sd/-
Syed Mahbubur Rahman
Managing Director & CEO

PURPOSE OF THE RIGHTS ISSUE

BRAC Bank Limited was established in 1999. During the years of operation, the Bank has grown extensively. The size of investment of the bank increased significantly. With the increase of loans and advances, the risk-weighted asset of the Bank is also increasing every year. Therefore, to meet the capital adequacy for regulatory requirement, the Board of Directors and the Shareholders of BRAC Bank Limited have decided to raise its paid-up capital by BDT 4,433 million by issuance of Right Shares of 221,652,288 ordinary shares of Tk. 20 each including a premium of Tk. 10/- per share at the ratio of 1:2 i.e. 1 (one) Right Share for 2 (two) existing shares held.

Sd/-
Mohammad Mamdudur Rashid
Deputy Managing Director & CFO

Sd/-
Syed Mahbubur Rahman
Managing Director & CEO

5 (FIVE) YEARS INFORMATION REGARDING AGM HELD AND DIVIDEND DECLARED BY THE BANK

Accounting year	Date of AGM held & Dividend declared	Declared Dividend Rate (%)
2008	May 17, 2009	Cash- Nil Stock- 30%
2009	March 25, 2010	Cash- Nil Stock- 30%
2010	March 24, 2011	Cash- 10% Stock-20%
2011	March 22 , 2012	Cash- Nil Stock- 20%
2012	March 25, 2013	Cash- Nil Stock- 15%

HIGHLIGHTS OF THE BANK

01. The Bank was incorporated on May 20, 1999 as a Public Limited Banking Company.
02. The Bank commenced its business on July 04, 2001 and has already completed 11 (eleven) successful years of operations.
03. The Bank was listed with Dhaka Stock Exchange Limited on January 28, 2007 and Chittagong Stock Exchange Limited on January 24, 2007.
04. The Authorized capital of the Bank is Tk.1,200.00 crore and paid up capital is Tk.385.48 crore as on December 31, 2012.
05. The Bank has been paying reasonable dividend to the shareholders.
06. BRAC Bank has 70 SME Service Center, 315 SME unit offices, 310 ATMS, 700 POS Terminal, 14 Cash Deposit Machines, 1,900 Remittance Delivery Points as on December 31, 2012.
07. The Bank has a network of 86 branches.
08. Total equity structure of the Bank as on December 31, 2012 is shown below:-

(Amount in BDT)

Capital/Shareholders' Equity	December 31, 2012	December 31, 2011
Paid up Capital	3,854,822,000	3,212,352,000
Preference Share Capital	-	350,000,000
Share Premium	1,740,102,253	1,553,052,103
Statutory Reserve	2,934,017,286	2,536,431,462
Revaluation Reserve	558,121,126	163,089,754
Share Money Deposit	23,741,603	62,333,542
Surplus in Profit and Loss Account/Retained Earnings	1,914,456,974	2,282,951,075
Total BRAC Bank Limited Shareholders' Equity	**11,025,261,642**	**10,160,209,935**
Minority Interest	449,607,676	321,435,935
Total Equity (Considering Revaluation Reserve)	**11,474,869,319**	**10,481,645,870**
Less: Revaluation Reserve	558,121,126	163,089,754
Total Equity (without Considering Revaluation Reserve)	**10,916,748,193**	**10,318,556,116**
Number of Shares of Tk. 10.00 each outstanding	**443,304,576***	**321,235,200**
Equity based value per Share/NAV per Share considering Tk. 10.00 (Considering Revaluation Reserve)	**25.88**	**32.63**
Equity based value per Share/NAV per Share considering Tk. 10.00 (without Considering Revaluation Reserve)	**24.62**	**32.12**

*** Considering 15% Stock Dividend**

FINANCIAL HIGHLIGHTS OF THE PREVIOUS YEARS

(Amount in BDT)

Particulars	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Paid-up Capital	3,854,822,400	3,212,352,000	2,676,960,000	2,059,200,000	1,584,000,000
Total Equity	11,474,869,319	10,481,645,870	10,551,319,825	8,831,241,145	5,437,525,651
Profit after Tax	699,784,295	1,812,444,190	2,073,059,083	1,373,364,871	973,450,830
Number of Shares (Tk. 10.00)	443,304,576*	321,235,200	267,696,000	205,920,000	158,400,000
Face Value	10.00	10.00	10.00	10.00	10.00
NAV Per Share	25.88	32.63	39.42	42.89	34.33
EPS	1.57	5.54	6.81	6.43	6.23
Dividend	Cash: N/A	Cash: Nil	Cash: 10%	Cash: Nil	Cash: Nil
	Stock: 15%	Stock: 20%	Stock: 20%	Stock: 30%	Stock: 30%
Cash flow from Operating activities	15,387,639,193	5,860,857,638	(3,898,697,363)	6,758,083,572	3,719,890,510

*** Considering 15% Stock Dividend for the year ended December 31, 2012**

MARKET PRICE PER SHARE OF THE BANK FOR LAST 6 (SIX) MONTHS

(Amount in BDT)

Date	Market Performance	
	Face Value	Price
Market price per share as on March 31, 2013	10.00	31.90
Market price per share as on February 28, 2013	10.00	34.30
Market price per share as on January 31, 2013	10.00	35.60
Market price per share as on December 31, 2012	10.00	34.80
Market price per share as on November 29, 2012	10.00	33.80
Market price per share as on October 10, 2012	10.00	33.80
Average Market Price per Share	**10.00**	**34.03**

(Source: DSE Monthly Review, Considering Tk. 10.00)

EXISTING SERVICES RENDERED BY THE BANK

The Bank serves all types of modern, progressive and dynamic business as well as banking services to the customers of all strata of society. During the short span of time, the Bank has been highly recognized and praised by the business community, from small entrepreneurs to large traders and industrial conglomerates, and emerged as the fastest growing among the third generation banks in respect of business and profitability. BRAC Bank operates its product and services under the SME banking, retail banking, corporate banking and Probashi Banking.

SME BANKING

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 and understanding, committed resources, countrywide coverage and well aligned strategies have made the bank expert in SME financing and the bank has successfully developed an examined and successful model in SME financing in Bangladesh. As a socially responsible bank. BRAC Bank wants to see the emancipation of gross-roots level to their economic height and also to make profit by serving the interest of missing middle groups. 50% of the Bank's total portfolio usually collected from urban areas is channeled to support these entrepreneurs who in future will become the potential strength of the economy. BRAC Bank is enjoying the market leadership in financing loans to Small and Medium Entrepreneurs. For SME banking the bank is offering the Anonno Rin, Apurbo Rin, Pathshala Rin, Aroggo Rin, Digoon Rin, Prothoma Rin, Prapti Current Account, Cash Secured Loan, Bizness Loan, Proshar, Trade Plus and Supper Supply Loan.

RETAIL BANKING

BRAC Bank Retail Banking Division has grown rapidly in size over the past few years. In banking terms, it is still considered a mid-sized bank; however the bank is perhaps the largest retail bank in the country in terms of customer base, where competition is very high. 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 service level will not change due to financial weakness in the industry. BRAC Bank is currently offering different cards, loan products and deposit products.

- **Loan Products-** Salary Loan, NoW Loan, Car Loan, Teachers' Loan, Study Loan, Travel Loan, Credit Card Loan, Top Up Loan, HighFlyer Loan, Secured Loan and Doctor's Loan.
- **Deposit Products** -Fixed Deposit, Interest First, Abiram Account, EZee Account, DPS, Saving Account, Short Term Deposit, Current Account, Salary Account and Step Up Fixed Deposit.
- **Cards**- Visa Debit Card, Aarong ATM Card, BRAC Bank ALICO ATM Card and BRAC Bank DIA Gold ATM Card.

Corporate Banking

Corporate Banking Division has been playing a significant role in attaining the overall objectives of the Bank by contributing to the economic wellbeing 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. Corporate Banking helps its clients to fulfill their objective by carefully listening and analyzing their ideas, providing necessary expertise through tailored composite products under Structured Finance, Corporate Institutions, Emerging Business, Cash & Trade.

Corporate Loan Products

Overdraft

This is an on-demand credit facility designed to meet day-to-day operational activities of the business including purchase of raw materials and expenses.

Short Term Loan/Revolving Loan

This scheme meets different short-term fund requirements of the client. Payment of duty, Tax, VAT and other expense related to the release of goods from customs through pay orders in the name of customers authority or Bangladesh Bank cheque is payable through this scheme.

Lease Finance

One of the more convenient long-term sources of acquiring capital machinery and equipment. The client is given an opportunity to have exclusive rights to use an asset, for an agreed period of time, against payment of rent.

Loan against Trust Receipt (LATR)

This is an advancement against a Trust Receipt provided to the client when the documents covering an import shipment are given without payment. Under this system, the client will hold the goods of their sale proceeds in trust for the bank, until the loan allowed against the Trust Receipt is fully paid.

Work Order Finance

BRAC Bank provides Work Order finance facility for its valued clients. Through this arrangement, clients can avail loan facilities against valid Work Orders up to a certain proportion.

Medium Enterprise Unit

The products offered under this sort of financing are versatile in nature and cash product is tailored according to the needs of the borrower, under certain parameters. The range of organizations this sort of financing caters to include proprietorship concerns, private limited companies, educational institutions as well as NGOs. The purpose of this unit is to serve medium enterprises having facility requirements like a large corporate in nature, but smaller in volumes. The facilities may range from a single-funded or non-funded limit to a composite credit facility that includes various corporate products. We believe that the emerging medium enterprises of today are tomorrows large corporate that will facilitate the true growth of our nation.

Corporate Cash Management

Cash Management Services

BRAC Bank's National Collection Services (NCS) is designed to assist corporate with nationwide collection requirements by providing faster funds availability in a cost-effective manner in Cash Collection Services. Drop Box Facility is also provided.

Trade Finance

Letter of Credit (LC)

This facility is related to import or local purchase of different items. It is also provided for the import and export of goods (such as raw materials, machinery, equipment, any trading item).

Letter of Guarantee (LG)

To meet different contractual requirement such as participating in Bid, Performance Guarantee and Advance Payment guarantee for different contractual requirements.

PROBASHI BANKING

Remittance service is one of the core business areas of BRAC Bank. The Bank has introduced a highly secure, innovative and quality Remittance service based on advanced technology. Through this service any one can send money to his/her relatives from abroad even to the remotest area of the country within maximum of 72 hours. At present BRAC Bank is considered as one of the top most leading Banks in serving the Probashi Bangladeshis.

No other banks in Bangladesh have offered such a wide range of products and quality service to the NRB segment so far. These wide ranges of product and service are backed by a very dynamic. IT security and business support team of BRAC Bank. BRAC Bank's Probashi Banking Service is also pioneering investment opportunities for NRBs into Bangladesh.

At the beginning remittances business of BRAC Bank was only involved in the process of channelizing the remittance of the remitter to the beneficiaries with offering them a few deposit products. However, BRAC Bank has recently introduced a full-fledged Probashi Banking Service to facilitate the NRBs. On January 2008, the Secure Remittance Service of BRAC Bank has been renamed as "Probashi Banking Service" by enhancing its function and expanding its footprint in the international business more. Now, Probashi Banking Service will ensure the proper disbursement of the remittances as well as offer the NRBs and their respective beneficiaries One Stop Banking Solution. Simultaneously, it will provide an opportunity for BRAC Bank to serve the untapped and very potential NRB market all over the world. In addition to that, by providing the NRBs secure channel, it will encourage them to invest more in the country to play an important role in the economy.

BOARD OF DIRECTORS

Sl. No.	Name	Designation	Occupation	Address	
				Present (Business)	Permanent
1	Sir Fazle Hasan Abed (Nominated by BRAC)	Chairman	Service	**BRAC Centre,** 75 Mohakhali, Dhaka – 1212	Regal Ridge, Apt. 502, House No. 16 A, Road No. 84, Gulshan- 2, Dhaka-1212
2	Mr. Muhammad A. (Rumee) Ali (Nominated by BRAC)	Director	Service	**BRAC Centre,** 75 Mohakhali, Dhaka – 1212	'Renuka' House No: 37, Rd No: 11, Dhanmondi R/A, Dhaka-1205
3	Ms. Nihad Kabir	Independent Director	Service	**Concord Ovilash,** (1st Flr) House No. 62, Road No. 11A, Dhanmondi, Dhaka- 1205	40/A Indira Road, Tejgaon, Dhaka
4	Dr. Hafiz G. A. Siddiqi	Independent Director	Retired	-	Sheltech Joy, Apt. 3-A, Plot- K-1, Road-27, Banani, Dhaka- 1213
5	Ms. Zahida Ispahani	Independent Director	Service	**Ispahani Islamia Eye Institute & Hospital** Farmgate, Dhaka- 1215	Barakuti, 41/1 Ispahani Colony, Moghbazar, Ramna, Dhaka- 1217

MANAGEMENT & EXECUTIVES

Sl. No.	Name Of Executives	Address	Educational Qualification	Designation	Occupation	Place of Posting
1	Mr. Syed Mahbubur Rahman	1 Gulshan Avenue Gulshan- 1, Dhaka-1212	MBA (IBA) University of Dhaka	Managing Director & CEO	Service	Dhaka
2	Mr. Mohammad Mamdudur Rashid	1 Gulshan Avenue Gulshan- 1, Dhaka-1212	MBA (IBA) University of Dhaka	Deputy Managing Director & CFO	Service	Dhaka
3	Mr. Ishtiaq Mohiuddin	1 Gulshan Avenue, Gulshan- 1, Dhaka-1212	MBA, South-Eastern Louisiana University, Louisiana, USA	Deputy Managing Director & Head of SME Banking	Service	Dhaka
4	Mr. Rais Uddin Ahmad	1 Gulshan Avenue Gulshan- 1, Dhaka-1212	MSS (Public Administration) University of Dhaka	Company Secretary Head of Legal & Regulatory Affairs and CAMLCO	Service	Dhaka
5	Mr. Nabil Mustafizur Rahman	220/B Tejgaon I/A Dhaka-1208	MBA (IBA) University of Dhaka	Chief Credit Officer	Service	Dhaka
6	Mr. Mahmoodun Nabi Chowdhury	House # 6, GF. Block: SWH Gulshan Avenue Dhaka- 1212	MBA (IBA) University of Dhaka	Head of Corporate Banking, Cash Management & Custodial Services	Service	Dhaka
7	Mr. Shah Alam Bhuiyan	220/B Tejgaon I/A Dhaka-1208	MBA	Head of Operations	Service	Dhaka
8	Mr. Firoz Ahmed Khan	House # 6, GF. Block: SWH Gulshan Avenue Dhaka- 1212	MBA (IBA) University of Dhaka	Head of Retail Banking	Service	Dhaka
9	Mr. Zeeshan Kingshuk Huq	1 Gulshan Avenue Gulshan- 1, Dhaka-1212	MBA (IBA) University of Dhaka	Head of Corporate Affairs & Service Quality	Service	Dhaka
10	Mr. Syed Faridul Islam	220/B Tejgaon I/A Dhaka-1208	B.Com	Head of Risk Management Division	Service	Dhaka

CORPORATE INFORMATION: DECEMBER 31, 2012

BRAC BANK

Registered Office
1, Gulshan Avenue, Gulshan-1, Dhaka-1212, Bangladesh
Tel: 880 (2) 8813938, 8837550, **Fax:** 880 (2) 8861867, **Swift:** BRAKBDDH
E-mail: enquiry@bracbank.com, **Web:** www.bracbank.com

Date of Incorporation	:	May 20, 1999
Date of Commencement	:	July 04, 2001
Listing with Dhaka Stock Exchange	:	January 28, 2007
Listing with Chittagong Stock Exchange	:	January 24, 2007
Authorized Capital	:	Tk. 1,200.00 Crore
Paid-up-Capital	:	Tk. 385.48 Crore
Shareholders' Equity (Consolidated)	:	Tk. 1,147.486 Crore
Total Operating Income (Consolidated)	:	Tk. 1,538.763 Crore
Total Assets (Consolidated)	:	Tk. 18,039.613 Crore
Number of Branches	:	86
Number of SME Service Centre	:	69
Number of ATM	:	309
Number of Unit Office	:	319

MANAGING DIRECTOR & CEO

Syed Mahbubur Rahman

COMPANY SECRETARY

Rais Uddin Ahmad

AUDITOR

Hoda Vasi Chowdhury & Co
Chartered Accountants
National Office, BTMC Bhaban (8th Level)
7-9 Kawran Bazar, Dhaka-1213

TAX ADVISOR

Hoda Vasi Chowdhury & Co
Chartered Accountants
National Office, BTMC Bhaban (8th Level)
7-9 Kawran Bazar, Dhaka-1213

BANKER TO THE ISSUE OF RIGHTS ISSUE OF BRAC BANK LIMITED

BRAC BANK LIMITED			
1	Agrabad Branch, Chittagong	24	Mirpur Branch, Dhaka
2	Barishal Branch, Barishal	25	Moghbazar Branch, Dhaka
3	Begum Rokeya Sarani Mirpur Branch, Dhaka	26	Momin Road Branch, Chittagong
4	Bhairab Branch, Bhairab	27	Motijheel Branch, Dhaka
5	Board Bazar Branch, Gazipur	28	Munshigonj Branch, Munshigonj
6	Bogra Branch, Bogra	29	Muradpur Chittagong Branch, Chittagong
7	Bonosree Branch, Dhaka	30	Mymensingh Branch, Mymensingh
8	Chowmohony Branch, Noakhali	31	Narayangonj Branch, Narayangonj
9	Comilla Branch, Comilla	32	Patuakhali Branch, Patuakhali
10	Cox's Bazar Branch, Cox's Bazar	33	Potiya Branch, Chittagong
11	Dhanmondi (Asad gate) Branch, Dhaka	34	Rajshahi Branch, Rajshahi
12	Donia Branch, Dhaka	35	Rampura Branch, Dhaka
13	Elephant Road Branch, Dhaka	36	Rangpur Branch, Rangpur
14	Ganak Bari Branch, Dhaka	37	Satmasjid Road Branch, Dhaka
15	Graphics Building Branch, Dhaka	38	Savar Branch, Savar
16	Halishahar Branch, Chittagong	39	Sayedpur Branch, Sayedpur (Nilphamary)
17	Jaidevpur Branch, Gazipur	40	Shamoly Branch, Dhaka
18	Jessore Branch, Jessore	41	Sonagazi Branch, Feni
19	Jubilee Road CTG Branch, Chittagong	42	Sonargaon Branch, Narayangonj
20	Kazir Deori Branch, Chattagong	43	Sylhet Uposhahar Branch, Sylhet
21	Khulna Borobazar Branch, Khulna	44	Tangail Branch, Tangail
22	Khulna Branch, Khulna	45	Tongi Branch, Tongi
23	Manikgonj Branch, Manikgonj	46	Uttara Branch, Dhaka

JUSTIFICATION OF THE ISSUE PRICE OF RIGHTS SHARES

The rights issue price at Tk.20.00 each including a premium of Tk.10.00 per share is justified as per the guidelines of the Bangladesh Securities and Exchange Commission (BSEC) as given in the table below:

SUMMARY OF PRICING METHODOLOGY		
Valuation Methods		**Amount in Taka**
Method 1	**Net Asset Value (NAV) per share considering Revaluation reserve**	**25.88**
	Net Asset Value (NAV) per share without considering Revaluation reserve (E/F)	**24.62**
Method 2	**Historical Earning Based Value per Share**	**33.52**
Method 3	**Average Market Price per Share**	**34.03**

Method 1: Net Assets Value (NAV) Per Share

	PARTICULARS	December 31, 2012 Taka
A	**PROPERTY & ASSETS**	
	Cash	**13,581,915,641**
	In hand (Including foreign currencies)	4,750,845,270
	Balance with Bangladesh Bank and its agent Bank(s) (Including foreign currencies)	8,831,070,371
	Balance with other Banks and other Financial Institution	**10,978,155,044**
	Inside Bangladesh	10,338,261,494
	Outside Bangladesh	639,893,550
	Money at call and short notice	**-**
	Investments	**25,463,079,931**
	Government	21,858,309,744
	Others	3,604,770,187
	Loans and Advances	**114,086,283,173**
	Loans, cash credits, overdraft etc.	113,485,146,984
	Bills purchased & discounted	601,136,190
	Fixed assets including premises, furniture and fixtures	**2,861,824,309**
	Other Assets	**11,997,406,400**
	Non-banking Assets	**-**
	Goodwill	**1,427,468,912**
B	**TOTAL PROPERTY AND ASSETS**	**180,396,133,411**
C	**LIABILITIES AND CAPITAL**	
	Liabilities:	
	Borrowing from other banks, financial institutions & agents	**4,918,169,184**
	Borrowing from Central Bank	**4,526,502,247**
	Convertible Subordinate Bonds	**3,000,000,000**
	Money at Call and Short notice	**1,990,000,000**
	Deposits and other accounts	**134,244,989,307**
	Current accounts & other accounts	42,141,724,262
	Bills payable	1,693,298,032
	Savings deposits	18,130,936,581
	Fixed deposits	71,999,644,228
	Other deposits	279,386,204
	Other Liabilities	**20,241,603,354**
D	**TOTAL LIABILITIES**	**168,921,264,092**
E	**Revaluation Reserve**	**558,121,126**
F=(B-D)	**Net Assets Value considering Revaluation reserve**	**11,474,869,319**
G	**Net Assets Value Without considering Revaluation reserve**	**10,916,748,193**
H	**Number of Shares of Tk. 10.00 each outstanding***	**443,304,576**
I=F/H	**Net Asset Value (NAV) per share considering Revaluation reserve**	**25.88**
J=G/H	**Net Asset Value (NAV) per share without considering Revaluation reserve**	**24.62**

*** Considering 15% Stock Dividend**

NAV is also equivalent to the Equity Based Value per Share which is depicted below:

	Particulars	December 31, 2012 Taka
A	Paid up Capital	3,854,822,400
	Preference Share Capital	-
	Share Premium	1,740,102,253
	Statutory Reserve	2,934,017,286
	Revaluation Reserve	558,121,126
	Share Money Deposit	23,741,603
	Surplus in Profit and Loss Account/Retained Earnings	1,914,456,974
	Total Shareholders' Equity	**11,025,261,642**
	Minority Interest	449,607,676
	Total Equity (Considering Revaluation Reserve)	**11,474,869,319**
B	Less: Revaluation Reserve	558,121,126
C	**Total Equity (without Considering Revaluation Reserve)**	**10,916,748,193**
D	**Number of Shares of Tk. 10.00 each outstanding***	**443,304,576**
E=[A/D]	**Equity based value per Share/NAV per Share (Considering Revaluation Reserve)**	**25.88**
F=[C/D]	**Equity based value per Share/NAV per Share (without Considering Revaluation Reserve)**	**24.62**

*** Considering 15% Stock Dividend**

Method 2: Historical Earnings Based Value per Share

Year	No. of Share	Net Profit after tax	Weight of No. of Shares	Weighted Average of Net Profit after tax
December 31, 2012	385,482,240	699,784,295	0.287945478	201,499,723.17
December 31, 2011	321,235,200	1,812,444,190	0.239954565	434,904,256.86
December 31, 2010	267,696,000	2,073,059,083	0.199962137	414,533,325.08
December 31, 2009	205,920,000	1,373,364,871	0.153817029	211,246,903.82
December 31, 2008	158,400,000	973,450,830	0.118320791	115,179,472.53
	1,338,733,440	**6,932,103,269**	**1.0000**	**1,377,363,681.46**
Total Number of Share (after considering 15% stock dividend of the year ended 2012)				**443,304,576**
Weighted Average Earnings per Share (1,377,363,681.46/443,304,576)				**3.1070**
Present Market PE (As per DSE Review March 31, 2013)				**10.79**
Historical Earnings Based Value per Share (3.1070 x 10.79)				**33.52**

(Considering Taka 10.00 per share)

Method 3: Average Market Price per Share

(Source: DSE Monthly Review) (Amount in BDT)

Date	Market Performance	
	Face Value	**Price**
Market price per share as on March 31, 2013	10.00	31.90
Market price per share as on February 28, 2013	10.00	34.30
Market price per share as on January 31, 2013	10.00	35.60
Market price per share as on December 31, 2012	10.00	34.80
Market price per share as on November 29, 2012	10.00	33.80
Market price per share as on October 10, 2012	10.00	33.80
Average Market Price per Share	**10.00**	**34.03**

(Considering Taka 10.00 per share)

LENGTH OF TIME DURING WHICH THE ISSUER HAS CARRIED ON BUSINESS

BRAC Bank Limited is a public listed scheduled bank categorized in private sector and established under the ambit of Bank Company Act, 1991 and incorporated as a Public Limited Company under the Companies Act, 1994 on 20th May, 1999. The Bank started commercial banking operations effective from 4th July, 2001.

IMPLEMENTATION SCHEDULE

Particulars	Amount in BDT	Implementation Period
The purpose of the issuance of right shares is to augment the bank's capital base as per regulatory requirement, for example, the recent master circulars from Bangladesh Bank on Loan Classification and Provisioning and Loan Rescheduling has rendered it necessary for the Bank to raise its capital within the coming year. In addition, the proceeds will be utilized to support business growth in terms of lending and to maintain the bank's capital adequacy ratio. The capital will also be required in the implementation of BASEL III requirements.	4,433,045,760.00	Within 6 Months after receiving total fund of Rights Offer
Total	**4,433,045,760.00**	

Sd/-
Rais Uddin Ahmad
Company Secretary
Head of Legal, Regulatory Affairs And CAMCLO

Sd/-
Syed Mahbubur Rahman
Managing Director & CEO

QUANTIY OF SHARES HELD BY EACH DIRECTOR ON THE DATE OF THE RIGHTS SHARE OFFER DOCUMENT

Sl. No.	Name of Directors	Position	Number of Shares*	Percentage (%)
1	BRAC Represented by Sir Fazle Hasan Abed & Mr. Muhammad A. (Rumee) Ali	Director	197,874,032	44.64
2	Ms. Nihad Kabir	Independent Director	3,670	0.001
3	Dr. Hafiz G.A. Siddiqi	Independent Director	Nil	Nil
4	Ms. Zahida Ispahani	Independent Director	Nil	Nil
Total			**197,881,041**	**44.642**

(As on October 27, 2013)

COMPOSITION OF SHAREHOLDING POSITION OF THE COMPANY (As on August 21, 2013)

Particulars	No. of Shares Held	No. of Shareholders	Total Amount of Shares	% of Total Shares
Sponsors & Directors	221,659,154	11	2,216,591,540.00	50.00
General Public	98,537,533	30,743	985,375,330.00	22.23
Institutions	123,107,889	435	1,231,078,890.00	27.77
Government	Nil	Nil	Nil	Nil
Total	**443,304,576**	**31,189**	**4,433,045,760.00**	**100.00**

BENEFICIAL OWNERS HOLDING SHARES 5% OR ABOVE

As per [Rule-(I)] of the Securities and Exchange Commission (Rights Issue) Rules, 2006; the following beneficial owners are holding shares 5% or above as on May 31, 2013:

Name	Address	Position	% of Total Shares
BRAC	BRAC Center 75 Mohakhali, Dhaka-1212	Sponsor	44.64
International Finance Corporation (IFC)	2121, Pennsylvania Avenue, Washington D,C. 20433, United State of America	Sponsor	5.36

PUBLIC LISTED COMPANY UNDER COMMON MANAGEMENT

As per the Securities and Exchange Commission (Rights Issue) Rules, 2006; there is no Public Listed Company under the common Management of BRAC Bank Limited.

CLASSIFIED INFORMATION & UNDERWRITERS

Issue Manager	AAA FINANCE & INVESTMENT LTD. PARTNERSHIP OF TRUST Amin Court (4th Floor), Suite 403-405, 62-63, Motijheel C.A, Dhaka-1000
Auditors	**Hoda Vasi Chowdhury & Co** Chartered Accountants National Office, BTMC Bhaban (8th Level), 7-9 Kawran Bazar, Dhaka-1213
Bankers to the Issue	**BRAC Bank Limited**
TAX Advisor	**Hoda Vasi Chowdhury & Co**
Compliance Officer of Issuer	**Mohammad Mahbubur Rahman** Senior Manager, Company Secretariat
	Sharmin Akhter Salma Associate Manager, Company Secretariat
Compliance Officer of Issue Manager	**Tanvir Ul Alam** Assistant Manager

BRAC Bank Limited is going to offer rights share of **221,652,288** Ordinary Shares of Tk.10.00 each issuing per share at Tk.20.00 including a premium of Tk.10.00 each share totaling **Tk.4,433,045,760**. As per Bangladesh Securities and Exchange Commission's guideline, the issuer of a listed security making rights issue shall appoint one or more underwriters licensed under সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬ to fully underwrite the rights issue on a firm commitment basis. Underwriting commission will be @ **0.20%** on the underwritten amount and there will be no additional commission for take up unsubscribed portion of shares if any.

Name of Underwriters	Number of Shares to be Underwritten	Offer price (BDT)	Total Amount Underwritten (BDT)
First Security Islami Capital & Investment Limited Alamin Centre (12th Floor), 25/A Dilkusha C/A, Dhaka-1000	12,500,000	20.00	250,000,000
Swadesh Investment Management Limited Suit 01, Level 11, Unique Trade Center, 8 Panthapath, Karwan Bazar, Dhaka-1215	15,000,000	20.00	300,000,000
Bay Leasing & Investment Limited Printers Building (7th Floor), 5 Rajuk Avenue, Motijheel C/A Dhaka-1000	5,000,000	20.00	100,000,000
FAS Capital Management Ltd. Suvastu Imam Squre, 65 Gulshan Avenue, Gulshan South, Dhaka-1212	9,000,000	20.00	180,000,000
Union Capital Limited Noor Tower (5th Floor) , 1/F, Free School Street, 73, Sonargaon Road, Dhaka-1205	15,000,000	20.00	300,000,000
GSP Finance Company (BD) Ltd. 1 Paribagh, Mymensing Road, Ramna, Dhaka-1000	10,000,000	20.00	200,000,000
Citizen Securities & Investment Limited Al-Razi Complex (8th Floor), G-802, 166-167, SS Nazrul Islam Sarani, Purana Paltan, Dhaka	5,000,000	20.00	100,000,000
Green Delta Capital Limited Hadi Mansion (6th Floor), 2, Dilkusha C/A, Dhaka-1000	25,000,000	20.00	500,000,000
Janata Capital and Investment Limited 48, Motijheel C/A (3rd Floor), Dhaka-1000	10,000,000	20.00	200,000,000
Southeast Bank capital Service Ltd. Eunoos Trade Center (1st Floor), 52-53, Dilkusha C/A, Dhaka-1000	25,000,000	20.00	500,000,000
Grameen Capital Management Ltd. Grammen Bank Bhaban (10th floor), Mirpur-2, Dhaka-1216	10,000,000	20.00	200,000,000
BMSL Investment Limited Shadharan Bima Tower (7th Floor), 37/A, Dilkusha C/A, Dhaka-1000	15,000,000	20.00	300,000,000
CAPM Advisory Limited Tower Hamlet (9th Floor), 16 Kemal Ataturk Avenue, Banani C/A, Dhaka-1213	3,750,000	20.00	75,000,000
First Securities Services Limited 166-167 Al Raji Complex, Suite # 702-703, Bijoy Nagar, Purana Palton, Dhaka-1000	10,000,000	20.00	200,000,000
IIDFC Capital Limited Eunoos Trade Centre (Level-7), 52-53 Dilkusha C/A, Dhaka-1000	5,000,000	20.00	100,000,000
Sonali Investment Limited Sara Tower (11th Floor), 11/A, Toyeenbee Circular Road, Motijheel C/A, Dhaka-1000	5,000,000	20.00	100,000,000
Royal Green Capital Market Limited 12/1, R.K. Mission Road, Dhaka-1000	1,000,000	20.00	20,000,000
PLFS Investments Limited Paramount Heights (13th Floor), 65/2/1, Box Culvert Road, Paltan, Dhaka-1000	7,902,288	20.00	158,045,760
Jamuna Bank Capital Management Limited Hadi Mansion (3rd Floor), 2 Dilkusha C/A, Dhaka-1000	2,500,000	20.00	50,000,000
EC Securities Limited Nafi Tower (6th Floor), 53, Gulshan South C/A, Gulshan-1, Dhaka-1212	2,500,000	20.00	50,000,000
Uttara Finance and Investments Limited JBC Tower (6th Floor), 10 Dilkusha C/A, Dhaka-1000	2,500,000	20.00	50,000,000
AB Investment Limited WW Tower, Level-7, 68, Motijheel C/A, Dhaka-1000	24,500,000	20.00	490,000,000
AAA Finance & Investment Limited Amin Court (4th Floor), Suite 403-405, 62-63 Motijheel C.A, Dhaka-1000	500,000	20.00	10,000,000
Total	**221,652,288**	**20.00**	**4,433,045,760**

UNDERWRITERS' OBLIGATION

If and to the extent that the shares offered to the existing shareholders by the Rights Share Offer Document authorized hereunder shall not have been subscribed and paid for in cash in full by the closing date, the Company shall within **10** (ten) days of the closure of subscription call upon the underwriters (for full unsubscribed amount) in writing with a copy of said writing to the Securities and Exchange Commission, to subscribe for shares not subscribed by the closing date and to pay for in cash in full, inclusive of any premium if applicable, for such unsubscribed shares within **15** (fifteen) days after being called upon to do so. If payment is made by Cheque/Bank Draft by the underwriter it will be deemed that the underwriter has not fulfilled his obligation towards his commitment under this Agreement, until such time as the Cheque/Bank Draft has been encashed and the Company's account has been credited. In any case, within **07** (seven) days after the expiry of the aforesaid **15** (fifteen) days, the Company shall send proof of subscription and payment by the underwriters, to the Commission.

DIRECTORS' TAKE-UP IN THE RIGHTS OFFER

Director's Take-up in the Rights Offer [Rule-8(Q)] is as under:

Sl. No.	Name of Directors	Position	Number of Shares held	Number of Rights Share Offered	Number of Rights Shares to be Renounced
1	**BRAC** Represented by Sir Fazle Hasan Abed & Mr. Muhammad A. (Rumee) Ali	Director	197,874,032	98,937,016	Nil
2	Ms. Nihad Kabir	Independent Director	3,670	1,835	Nil
3	Dr. Hafiz G.A. Siddiqi	Independent Director	Nil	Nil	Nil
4	Ms. Zahida Ispahani	Independent Director	Nil	Nil	Nil

***As on October 27, 2013**

TERMS AND CONDITIONS OF THE RIGHTS ISSUE

Basis Of The Offer

The Company records its share register of members on **February 10, 2014** for determining the shareholders who are eligible to receive this offer of shares on rights basis. The ordinary shares are now being offered on a rights basis to the shareholders holding shares on the record date at **Tk.20.00** each share including a premium of **Tk.10.00** per share in the ratio of **01(R):02** i.e. 01 (one) rights share for 02 (two) existing shares held on the record date.

Entitlement

As a shareholder of the Company on the record date on **February 10, 2014** the shareholders are entitled to this Rights Offer. Only the holder(s) of a minimum of one fully paid ordinary share is entitled to receive the Rights Offer.

Acceptance Of The Offer

A shareholder may accept and apply for the shares hereby offered, wholly or in part by filling in Application - Form A and submitting the same along with the application money to the Bankers to the Issue on or before the Closing Date of subscription of **May 15, 2014**.

Renunciation

A shareholder may renounce all or part of the shares he/she is entitled to, in favour of any other person(s) other than an infant or person of unsound mind. He/she can renounce his/her rights/entitlement of shares by signing Renunciation Form-B. Renouncee(s) shall fill in Form-C appropriately.

General

All applications should be made on the printed form provided by the Company in this Rights Share Offer Document only and should be completed in all respects. Applications which are not completed in all respects or are made otherwise than as herein provided or are not accompanied by the proper application amount of deposit are liable to be rejected and the application money received in respect thereof shall be refunded.

All communications in connection with the application for the Rights Share should be addressed to the Company quoting the registered folio number/BO ID number in the form.

Condition Of Subscription

Rights Offer of **221,652,288** Ordinary Shares of **Tk.20.00** each including a premium of **Tk.10.00** per share, totaling **Tk.4,433,045,760** offered on the basis of **01(R):02** i.e, 01 (one) rights share for 02 (two) existing shares held by the Shareholder(s) whose name(s) appeared in the Company's Share Register at the record date as on **February 10, 2014**.

Payment Of Share Price

Payments for the full value of Shares applied for shall be made with designated Branches of Bankers to the Issue by Cash/Pay Order/Demand Draft payable to "**BRAC Bank Limited**" and crossed. The Pay Order/Demand Draft for payment of share price must be drawn on a Bank in the same town to which the application form has been submitted.

Subscription	Opens on: April 20, 2014
	Closes on: May 15, 2014
Within Banking Hours	

Any changes or extension regarding subscription period will be notified through national dailies.

Lock-In On Rights Share

The Rights Shares of Directors and other shareholders holding 5% or more shares shall be subject to lock-in for a period of three years from the date of closure of the rights share subscription. In the event of renunciation of rights shares by aforesaid persons, the renounced shares shall also be subject to lock-in for the same period shall be operative.

Name of Directors	Position	Percentage (%)	Number of Shares held*	Number of Rights Share Offered	Date of Subscription Close	Expiry Date of Lock-in
BRAC Represented by Sir Fazle Hasan Abed & Mr. Muhammad A. (Rumee) Ali	Director	44.64	197,874,032	98,937,016	May 15, 2014	May 14, 2017
Ms. Nihad Kabir	Independent Director	0.001	3,670	1,835	May 15, 2014	May 14, 2017
Dr. Hafiz G.A. Siddiqi	Independent Director	Nil	Nil	Nil	N/A	N/A
Ms. Zahida Ispahani	Independent Director	Nil	Nil	Nil	N/A	N/A

***As on October 27, 2013**

Others

The application not properly filled in, shall be treated as cancelled and deposited money will be refunded. For any reason, no profit/compensation will be paid on the refunded amount.

The offer will be deemed to have been declined if completed Application Form-A with necessary payments have not been received by **May 15, 2014** or by such later date as may be notified through national dailies to that effect.

MATERIAL CONTRACTS

Bankers To The Issue

BRAC Bank Limited is the bankers to the issue who will collect the subscription money of the rights offer. No commission will be paid to BRAC Bank Limited. The rights issue subscription money collected from the shareholders by the bankers to the issue will be remitted to the company's **STD Account no. 0000050450700100** with **BRAC Bank Limited**.

Underwriters

Full amount of rights offer of BRAC Bank Limited have been underwritten by **twenty three (23)** underwriters as shown in the classified information part of ROD. Each underwriter will be paid underwriting commission **@ 0.20%** of the nominal value of shares underwritten by them out of the rights issue. Simultaneously, with the calling upon an underwriter to subscribe and pay for any number of shares, the company will pay no additional commission to that underwriter on the nominal value of shares required to be subscribed by them.

Manager To The Issue

AAA Finance & Investment Limited is appointed as Manager to the Issue of the rights issue of the Company. Accordingly, an agreement was made between the issue manager and the Company. The Company will pay issue management fee BDT.20.00 lac to the Manager to the Issue.

Vendor's Agreement

BRAC Bank Limited has not entered into any Vendors' Agreement.

Acquisition Of Property

The Bank did not acquire any property or enter into agreement for acquisition of any property after the balance sheet date January to December 31, 2012.

FORM - A
[rule 5 and rule 8(t)]

DECLARATION (DUE DILIGENCE CERTIFICATE) ABOUT RESPONSIBILITY OF THE ISSUE MANAGER IN RESPECT OF THE RIGHTS SHARE OFFER DOCUMENT OF BRAC BANK LIMITED

This rights share offer document has been reviewed by us and we confirm after due examination that the rights share offer document constitutes full and fair disclosures about the rights issue and the issuer and complies with the requirements of the Securities and Exchange Commission (Rights Issue) Rules, 2006; and that the issue price is justified under the provisions of the Securities and Exchange Commission (Rights Issue) Rules, 2006.

For AAA Finance & Investment Limited

Place: Dhaka
Dated: July 22, 2013

Sd/-
(Khwaja Arif Ahmed)
Managing Director & CEO

FORM - B
[rule 6 and rule 8(t)]

DECLARATION (DUE DILIGENCE CERTIFICATE) ABOUT RESPONSIBILITY OF THE UNDERWRITER(S) IN RESPECT OF THE RIGHTS SHARE OFFER DOCUMENT OF BRAC BANK LIMITED

This rights share offer document has been reviewed by us and we confirm after due examination that the issue price is justified under the provisions of the Securities and Exchange Commission (Rights Issue) Rules, 2006, and also that we shall subscribe for the under-subscribed rights shares within fifteen days of calling thereof by the issuer. The issuer shall call upon us for such subscription within ten days of closure of the subscription lists for the rights issue.

Place: Dhaka
Dated: July 22, 2013

For
(Name of Underwriters)

Sd/-
Managing Director(s)

IIDFC Capital Limited	EC Securities Limited
Union Capital Limited	AB Investment Limited
CAPM Advisory Limited	BMSL Investment Limited
PLFS Investments Limited	Green Delta Capital Limited
Royel Green Capital Market Ltd.	Sonali Investment Limited
Uttara Finance and Investments Ltd.	First securities Services Limited
Citizen Securities & Investment Ltd.	FAS Capital Management Limited
Jamuna Bank Capital Management Ltd.	Grameen Capital Management Ltd.
Janata Capital and Investment Limited	Bany Leasing & Investment Limited
Southeast Bank Capital Services Limited	GSP Finance Company (Bangladesh) Limited
Swadesh Investment Management Limited	First Security Islami Capital & Investment Ltd.
AAA Finance & Investment Limited	

Hoda Vasi Chowdhury & Co

Chartered Accountants

Independent Correspondent Firm to **Deloitte Touche Tohmatsu**

FORM- C

[As per Rule 8(h), 8(i) and 8 (t) of SEC (Rights Issue) Rules 2006]

Auditors' report to the shareholders

We have audited the accompanying financial statements for year ended 31 December 2012 of **BRAC Bank Limited** (the "Bank") in accordance with the Bangladesh Standards on Auditing and we state that we have obtained all the information and explanations which we have required and after due verification thereof, we report that, in our opinion:

(a) These financial statements have been drawn up in accordance with the requirements of the Securities and Exchange Rules, 1987 as amended, the Companies Act, 1994 and other relevant laws where applicable and the Bangladesh Accounting Standards.

(b) These financial statements which are in agreement with the books of account of the Bank give a true and fair view of the state of its affairs as at 31 December 2012 and of the result of its operation and cash flows for the year then ended.

(c) Proper books of account have been kept by the Bank as required by the relevant laws.

(d) The expenditure incurred was for the purposes of the Bank's business.

We also certify that the above Bank has declared the dividend for each of the following five years immediately preceding the issue of rights share offer document under the Securities and Exchange Commission (Rights Issue) Rules, 2006, and that the Bank has duly paid off the following amounts of the declared dividend mentioned against respective year:

Financial Year	Date of Dividend Declaration	Rate (%)		Total Amount (Tk.)	Total Paid (Tk.)
		Cash	Stock		
2008	17 May 2009	Nil	30%	47,52,00,000	47,52,00,000
2009	25 March 2010	Nil	30%	61,7760,000	61,7760,000
2010	24 March 2011	10%	20%	803,088,000	772,294,690
2011	22 March 2012	Nil	20%	642,470,400	642,470,400
2012*	25 March 2013	Nil	15%	578,223,360	-

* 15% stock dividend has been proposed by Board on 25 March 2013 for approval by the shareholders in the forthcoming AGM to be held on 09 May 2013.

Sd/-

Dhaka, 29 April 2013

Hoda Vasi Chowdhury & Co

Chartered Accountants

FORM-D
[rule 8(t)]

DUE DILIGENCE CERTIFICATE BY THE DIRECTORS ABOUT THEIR PERSONAL RESPONSIBILITY IN RESPECT OF THE RIGHTS SHARE OFFER DOCUMENT

This rights share offer document has been prepared, seen, reviewed and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given in the rights share offer document, relevant documents and financial statements submitted to the Commission and others concerned under the Securities and Exchange Commission (Rights Issue) Rules, 2006.

We confirm, after making all reasonable enquiries, that all conditions concerning this rights issue and rights share offer document have been met. We further confirm that we have not concealed any information or statement which might have any bearing on the information already made. In case of any default or failure on our part, civil, criminal or administrative action may be taken against us.

Sd/- **Sir Fazle Hasan Abed** Chairman	Sd/- **Muhammad A. (Rumee) Ali** Director
Sd/- **Nahid Kabir** Independent Director	Sd/- **Dr. Hafiz G. A. Siddiqi** Independent Director
Sd/- **Ms. Zahida Ispahani** Independent Director	

Hoda Vasi Chowdhury & Co

Chartered Accountants

Independent Correspondent Firm to **Deloitte Touche Tohmatsu**

AUDITORS' REPORT
TO THE SHAREHOLDERS OF BRAC BANK LIMITED

We have audited the accompanying consolidated financial statements of BRAC Bank Limited and its controlled entities (together referred to as the "Group") as well as the financial statements of BRAC Bank Limited (the "Bank") which comprise the consolidated and separate balance sheet as at 31 December 2012, and the profit and loss accounts, statement of changes in equity, cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements of the Group and the separate financial statements of the Bank in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in note 2, 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The financial statements of the Bank's four subsidiaries, namely BRAC Saajan Exchange Ltd. (UK), BRAC EPL Investments Ltd., BRAC EPL Stock Brokerage Ltd. And bkash Ltd. Reflects total assets of Tk.6,934,547,881 as at 31 December 2012 and total revenue of Tk.1,914,631,345 for the year ended 31 December 2012. These financial statements have been also audited by us except for BRAC Saajan Exchange Ltd. Which have been audited by other component auditor who have expressed unqualified audit opinion on those financial statements and accepted by us for the audit of the Group's consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in note 2, give a true and fair view of the financial position of the Group and the Bank as at 31 December 2012 and of the results of their financial performance and their cash flows for the year then ended and comply with the applicable sections of 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:

a) 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;

b) 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 purpose of our audit have been received from branches not visited by us;

c) the Bank's Balance Sheet and Profit and Loss Account together with the annexed notes 1 to 45 dealt with by the report are in agreement with the books of account and returns;

d) the expenditure incurred was for the purpose of the Bank's Business.

e) the financial position of the Bank as at 31 December 2012 and the profit for the year then ended have been properly reflected in the financial statements, the financial statements have been prepared in accordance with the generally accepted accounting principles;

f) the financial statements of the Bank 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;

g) adequate provisions have been made for advances and other assets, which are in our opinion, doubtful of recovery;

h) 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;

i) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

j) the information and explanations required by us have been received and found satisfactory;

k) Capital adequacy ratio (CAR) as required by law has been maintained adequately during the period; and

l) Over 80% of the risk weighted assets have been reviewed by us spending around 3,750 person hours.

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka, 25 March 2013

BRAC BANK LIMITED
Consolidated Balance Sheet
As on December 31, 2012

	Note	2012 Taka	2011 Taka
PROPERTY AND ASSETS			
Cash	3.a	13,581,915,641	11,979,216,569
Cash in hand (Including foreign currency)		4,750,845,270	3,648,779,467
Balance with Bangladesh Bank and its agent Bank(s) (Including foreign currency)		8,831,070,371	8,330,437,102
Balance with other Banks and Financial Institutions	4.a	10,978,155,044	3,746,866,187
Inside Bangladesh		10,338,261,494	3,138,856,331
Outside Bangladesh		639,893,550	608,009,856
Money at call and short notice	5.a	-	480,000,000
Investments	6.a	25,463,079,931	14,674,983,791
Government		21,858,309,744	10,291,953,253
Others		3,604,770,187	4,383,030,537
Loans and advances	7.a	114,086,283,173	97,478,364,517
Loans, cash credit, overdrafts etc.		113,485,146,984	97,083,550,903
Bills purchased & discounted		601,136,190	394,813,615
Fixed assets including premises, furniture and fixtures	8.a	2,861,824,309	2,599,931,447
Other assets	9.a	11,997,406,400	8,553,122,866
Non-banking assets	10	-	-
Goodwill	11.a	1,427,468,912	1,409,637,597
Total Property and Assets		180,396,133,411	140,922,122,974
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions & agents	12.a	4,918,169,184	5,720,180,188
Borrowings from Central Bank	13.a	4,526,502,247	1,533,371,184
Convertible Subordinate Bonds	14.a	3,000,000,000	3,000,000,000
Money at Call and Short notice	15.a	1,990,000,000	-
Deposits and other accounts	16.a	134,244,989,307	103,648,725,771
Current accounts & other accounts		42,141,724,262	32,369,590,116
Bills payable		1,693,298,032	768,394,517
Savings deposits		18,130,936,581	18,421,267,314
Fixed deposits		71,999,644,228	51,763,212,319
Other deposits		279,386,204	326,261,506
Other liabilities	17.a	20,241,603,354	16,538,199,960
Total Liabilities		168,921,264,092	130,440,477,104
Capital and Shareholders' Equity			
Paid up share capital	18.2	3,854,822,400	3,212,352,000
Preference share capital	18.9	-	350,000,000
Share premium	18.8.a	1,740,102,253	1,553,052,103
Statutory reserve	19.a	2,934,017,286	2,536,431,462
Revaluation reserve	20.a	558,121,126	163,089,754
Share money deposit	20.b	23,741,603	62,333,542
Surplus in profit and loss account/Retained Earnings	21.a	1,914,456,974	2,282,951,075
Total shareholders' equity		11,025,261,642	10,160,209,935
Minority Interest	22	449,607,676	321,435,935
Total equity		11,474,869,319	10,481,645,870
Total Liabilities and Shareholders' Equity		180,396,133,411	140,922,122,974

BRAC BANK LIMITED

Consolidated Off Balance Sheet Items

As on December 31, 2012

	Note	2012 Taka	2011 Taka
Contingent Liabilities			
Acceptances and endorsements		149,723,080	160,105,738
Letter of guarantees		4,740,297,069	4,537,278,981
Irrevocable letter of credits		10,958,226,141	16,201,080,847
Bills for collection		405,799,599	626,623,955
Tax liability	23.6	143,894,928	115,398,757
Other contingent liabilities		1,748,952,115	753,151,898
Total Contingent Liabilities	**23**	**18,146,892,932**	**22,393,640,175**
Other Commitments			
Documentary credits and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities	23.a	159,000,000	405,759,290
Undrawn formal standby facilities, credit lines and other		-	-
Commitments- lease hold assets		-	-
Total Other Commitments		**159,000,000**	**405,759,290**
Total Off-Balance Sheet items including contingent liabilities		**18,305,892,932**	**22,799,399,465**

These financial statements should be read in conjunction with the annexed notes 1 to 45

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director & CEO	**Director**	**Director**	**Chairman**

Auditors' report to the shareholders
See annexed report of date

Sd/-

Dated: 25 March 2013, Dhaka

Hoda Vasi Chowdhury & Co.
Chartered Accountants

BRAC BANK LIMITED
Balance Sheet
As on December 31, 2012

	Note	2012 Taka	2011 Taka
PROPERTY AND ASSETS			
Cash	3	13,580,670,498	11,978,646,295
Cash in hand (Including foreign currency)		4,749,600,127	3,648,209,193
Balance with Bangladesh Bank and its agent Bank(s) (Including foreign currency)		8,831,070,371	8,330,437,102
Balance with other Banks and Financial Institutions	4	15,320,967,135	3,211,368,001
Inside Bangladesh		9,904,922,299	2,657,897,194
Outside Bangladesh		5,416,044,836	553,470,807
Money at call and short notice	5	-	480,000,000
Investments	6	25,372,525,282	14,198,827,511
Government		21,858,309,744	10,291,953,253
Others		3,514,215,538	3,906,874,257
Loans and advances	7	103,624,437,957	90,822,174,665
Loans, cash credit, overdrafts etc.		103,023,301,767	90,427,361,050
Bills purchased & discounted		601,136,190	394,813,615
Fixed assets including premises, furniture and fixtures	8	2,591,451,880	2,349,164,755
Other assets	9	13,186,739,278	10,160,867,211
Non-banking assets	10	-	-
Total Property and Assets		173,676,792,029	133,201,048,438
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions & agents	12	39,559,407	650,000,000
Borrowings from Central Bank	13	4,526,502,247	461,882,617
Convertible Subordinate Bonds	14	3,000,000,000	3,000,000,000
Money at Call and Short notice	15	1,990,000,000	-
Deposits and other accounts	16	134,646,448,482	103,725,529,225
Current accounts & other accounts		42,404,819,298	32,339,880,108
Bills payable		1,693,298,032	768,394,517
Savings deposits		18,173,398,623	18,527,780,776
Fixed deposits		72,095,546,325	51,763,212,319
Other deposits		279,386,204	326,261,506
Other liabilities	17	19,319,733,341	15,761,031,757
Total Liabilities		163,522,243,477	123,598,443,600
Capital and Shareholders' Equity			
Paid up share capital	18.2	3,854,822,400	3,212,352,000
Preference share capital	18.9	-	350,000,000
Share premium	18.7	1,406,000,000	1,406,000,000
Statutory reserve	19	2,934,017,286	2,536,431,462
Revaluation reserve	20	558,121,126	163,089,754
Surplus in profit and loss account/Retained Earnings	21	1,401,587,740	1,934,731,623
Total shareholders' equity		10,154,548,552	9,602,604,839
Total Liabilities and Shareholders' Equity		173,676,792,029	133,201,048,438

BRAC BANK LIMITED
Off Balance Sheet Items
As on December 31, 2012

	Note	2012 Taka	2011 Taka
Contingent Liabilities			
Acceptances and endorsements		149,723,080	160,105,738
Letter of guarantees		4,740,297,069	4,537,278,981
Irrevocable letter of credits		10,958,226,141	16,201,080,847
Bills for collection		405,799,599	626,623,955
Tax liability	**23.6**	143,894,928	115,398,757
Other contingent liabilities		1,748,952,115	753,151,898
Total Contingent Liabilities	**23**	**18,146,892,932**	**22,393,640,175**
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- lease hold assets		-	-
Total Other Commitments		**-**	**-**
Total Off-Balance Sheet items including contingent liabilities		**18,146,892,932**	**22,393,640,175**

These financial statements should be read in conjunction with the annexed notes 1 to 45

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director & CEO	**Director**	**Director**	**Chairman**

Auditors' report to the shareholders
See annexed report of date

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Dated: 25 March 2013, Dhaka

BRAC BANK LIMITED
Consolidated Profit and Loss Account
For the year ended 31 December 2012

Particulars	Note	2012 Taka	2011 Taka
Interest income	25.a	17,528,045,159	14,283,148,334
Interest paid on deposits and borrowing etc.	26.a	10,703,575,883	8,645,101,681
Net interest income		**6,824,469,276**	**5,638,046,653**
Investment income	27.a	1,535,945,862	1,640,318,565
Commission, exchange and brokerage	28.a	2,964,000,773	3,151,441,516
Other operating income	29.a	432,439,952	365,980,102
Total operating income		**11,756,855,863**	**10,795,786,834**
Salaries and allowances	30	2,811,069,919	2,519,148,747
Rent, taxes, insurance, electricity etc.	31.a	724,180,923	631,506,064
Legal expenses	32	38,191,360	24,806,497
Postage, stamps, telecommunication etc.	33.a	224,191,903	208,114,022
Stationery, printing, advertisement etc.	34.a	239,889,154	349,200,709
Chief Executive's salary & fees		11,921,417	11,146,417
Directors' fees & expenses	35.a	3,526,900	3,796,156
Auditors' fee	36.a	2,842,161	2,046,680
Depreciation on and repairs to bank's assets	37.a	1,143,521,168	838,480,869
Other expenses	38.a	1,151,410,073	1,008,758,460
Total operating expenses		**6,350,744,979**	**5,597,004,620**
Profit/(loss) before provisions		**5,406,110,884**	**5,198,782,215**
Provision for:			
Loans and advances	39.a	2,953,867,367	1,536,497,958
Diminution in value of investments		276,133,403	444,213,413
Off balance sheet items		-	4,000,000
Others		-	-
Total provision		**3,230,000,770**	**1,984,711,371**
Profit/(loss) before taxes		**2,176,110,114**	**3,214,070,844**
Provision for Tax:			
Current tax expense		1,595,434,751	1,575,650,322
Deferred tax expense/ (income)		(119,108,931)	(174,023,667)
Total provision for Tax	40.a	**1,476,325,820**	**1,401,626,655**
Total profit/(loss) after taxes		**699,784,295**	**1,812,444,189**
Appropriations:			
Statutory reserve		397,585,824	615,832,590
General reserve		-	-
Dividend etc.		-	-
		397,585,824	615,832,590
Retained earnings		**302,198,471**	**1,196,611,599**
Attributable to:			
Equity holders of BRAC Bank Ltd.		307,978,207	1,210,473,400
Minority interest		(5,779,736)	(13,861,801)
		302,198,471	**1,196,611,599**
Basic earnings per share	41.a	**1.74**	**4.61**

These financial statements should be read in conjunction with the annexed notes 1 to 45

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director & CEO	**Director**	**Director**	**Chairman**

Auditors' report to the shareholders
See annexed report of date

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Dated: 25 March 2013, Dhaka

BRAC BANK LIMITED
Profit and Loss Account
For the year ended 31 December 2012

Particulars	Note	2012 Taka	2011 Taka
Interest income	25	16,713,568,904	13,610,278,427
Interest paid on deposits and borrowing etc.	26	10,195,401,072	8,164,158,813
Net interest income		**6,518,167,832**	**5,446,119,614**
Investment income	27	1,530,962,408	1,704,955,227
Commission, exchange and brokerage	28	2,525,466,576	2,722,451,074
Other operating income	29	320,204,951	261,207,507
Total operating income		**10,894,801,767**	**10,134,733,422**
Salaries and allowances		2,519,815,735	2,348,572,171
Rent, taxes, insurance, electricity etc.	31	659,435,061	566,123,413
Legal expenses		31,384,698	21,523,613
Postage, stamps, telecommunication etc.	33	169,498,124	184,315,961
Stationery, printing, advertisement etc.	34	221,169,733	328,303,823
Chief Executive's salary & fees		11,921,417	11,146,417
Directors' fees & expenses	35	511,750	925,583
Auditors' fee	36	867,800	867,800
Depreciation on and repairs to bank's assets	37	1,054,578,655	792,315,643
Other expenses	38	1,080,422,787	910,727,846
Total operating expenses		**5,749,605,760**	**5,164,822,269**
Profit/(loss) before provisions		**5,145,196,008**	**4,969,911,152**
Provision for:			
Loans and advances	39	2,881,133,485	1,514,315,870
Diminution in value of investments		276,133,403	444,213,413
Off balance sheet items		-	4,000,000
Others		-	-
Total provision		**3,157,266,888**	**1,962,529,283**
Profit/(loss) before taxes		**1,987,929,120**	**3,007,381,869**
Provision for Tax:			
Current tax expense		1,530,000,000	1,460,000,000
Deferred tax expense/ (income)		(82,451,971)	(155,000,000)
Total provision for Tax	**40.1**	**1,447,548,029**	**1,305,000,000**
Total profit/(loss) after taxes		**540,381,091**	**1,702,381,869**
Appropriations:			
Statutory reserve		397,585,824	615,832,590
General reserve		-	-
Dividend etc.		-	-
		397,585,824	615,832,590
Retained earnings		**142,795,267**	**1,086,549,279**
Basic earnings per share	**41**	**1.32**	**4.29**

These financial statements should be read in conjunction with the annexed notes 1 to 45

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director & CEO	**Director**	**Director**	**Chairman**

Auditors' report to the shareholders
See annexed report of date

Dated: 25 March 2013, Dhaka

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

BRAC BANK LIMITED
Consolidated Cash Flow Statement
For the year ended 31 December 2012

		Note	2012 Taka	2011 Taka
A.	**Cash flows from operating activities**			
	Interest receipts		18,550,350,922	15,641,915,477
	Interest payment		(10,951,162,753)	(8,199,547,626)
	Dividends receipts		58,256,966	52,297,592
	Fees & commissions receipts		3,649,224,285	3,091,237,271
	Cash payments to employees		(2,959,633,267)	(2,435,244,405)
	Cash payments to suppliers		(841,403,139)	(655,371,909)
	Income tax paid		(1,435,010,399)	(1,564,614,901)
	Receipts from other operating activities	43.a	272,847,411	538,478,271
	Payment for other operating activities	44.a	(2,118,273,025)	(1,504,237,212)
	Operating profit/(loss) before changes in operating assets and liabilities (i)		**4,225,197,001**	**4,964,912,559**
	Increase/decrease in operating assets & liabilities			
	Loans and advances		(16,512,011,301)	(11,793,368,545)
	Other assets		(1,275,921,151)	(1,704,693,078)
	Deposits from customers		30,444,275,904	15,429,399,774
	Other liabilities		(1,493,901,261)	(1,035,393,072)
	Cash utilised in operating assets & liabilities (ii)		11,162,442,191	895,945,079
	Net cash (used)/flows from operating activities (i+ii)		**15,387,639,193**	**5,860,857,638**
B.	**Cash flows from investing activities**			
	Treasury bills		(1,275,747,828)	-
	Bangladesh Bank Bills		(6,967,625,583)	-
	Treasury bonds		926,085,811	(1,682,188,797)
	Encumbured Securities		(4,369,480,954)	-
	Sale/ (Investment) in shares		892,508,788	(983,104,224)
	Investment in bonds		-	70,000,000
	Investment in zero coupon bonds		-	-
	Investment in prize bond		(930,100)	331,800
	Acquisition of fixed assets		(509,186,554)	(1,363,694,392)
	Disposal of fixed Assets		9,332,708	12,220,291
	Net cash used in investing activities		**(11,295,043,712)**	**(3,946,435,322)**
C.	**Cash flows from financing activities**			
	Proceeds from issue of ordinary shares		24,950,000	36,738,938
	Proceeds from issue of preference shares		(350,000,000)	(150,000,000)
	Share premium		366,765,000	-
	Payment of dividend on preference share		(33,468,750)	(47,812,500)
	Payment for lease finance		(378,240)	(378,240)
	Borrowings from other banks		(897,662,105)	(261,184,958)
	Money at call and short notice		1,990,000,000	(550,000,000)
	Borrowings from Bangladesh Bank		2,993,131,063	1,533,371,184
	Share money deposit		(102,250,745)	73,499,295
	Donor grant received		119,162,011	88,489,123
	Cash Dividend		(843,415)	(236,222,994)
	Net cash flows from financing activities		**4,109,404,819**	**486,499,849**
	Net increase/decrease in cash		**8,202,000,300**	**2,400,922,165**
	Cash and cash equivalents at beginning of year		16,358,070,385	13,805,160,592
	Cash and cash equivalents at end of period	42.a	**24,560,070,685**	**16,206,082,756**
	Cash and cash equivalents at end of the period:			
	Cash in hand (including foreign currency)		4,750,845,270	3,648,779,467
	Balance with Bangladesh Bank and its agents bank(s) (including foreign currency)		8,831,070,371	8,330,437,102
	Balance with other banks and financial institutions		10,978,155,044	3,746,866,187
	Money at call and short notice		-	480,000,000
			24,560,070,685	**16,206,082,756**

These financial statements should be read in conjunction with the annexed notes 1 to 45

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director & CEO	**Director**	**Director**	**Chairman**

BRAC BANK LIMITED
Cash Flow Statement
For the year ended 31 December 2012

		Note	2012 Taka	2011 Taka
A.	**Cash flows from operating activities**			
	Interest receipts		17,950,764,671	14,954,276,178
	Interest payment		(10,246,234,577)	(7,649,000,655)
	Dividends receipts		58,256,966	52,297,592
	Fees & commissions receipts		2,525,466,576	2,722,451,074
	Cash payments to employees		(2,485,918,472)	(2,381,443,791)
	Cash payments to suppliers		(388,440,112)	(531,170,661)
	Income tax paid		(1,380,511,177)	(1,441,491,782)
	Receipts from other operating activities	43	328,332,822	519,870,729
	Payment for other operating activities :	44	(1,902,694,746)	(1,300,956,644)
	Operating profit/(loss) before changes in operating assets and liabilities (i)		**4,459,021,952**	**4,944,832,041**
	Increase/decrease in operating assets & liabilities			
	Loans and advances		(12,802,263,292)	(8,360,687,677)
	Other assets		(1,302,802,342)	(1,837,339,966)
	Deposits from customers		30,920,919,257	15,567,620,894
	Other liabilities		(1,419,631,875)	(976,121,918)
	Cash utilised in operating assets & liabilities (ii)		15,396,221,748	4,393,471,333
	Net cash (used)/flows from operating activities (i+ii)		**19,855,243,700**	**9,338,303,374**
B.	**Cash flows from investing activities**			
	Treasury bills		(1,275,747,828)	-
	Bangladesh Bank Bills		(6,967,625,583)	-
	Treasury bonds		926,085,811	(1,682,188,797)
	Encumbured Securities		(4,369,480,954)	-
	Sale/ (Investment) in shares		392,658,720	(788,827,631)
	Investment in bonds		-	70,000,000
	Investment in zero coupon bonds		-	-
	Investment in prize bond		(930,100)	331,800
	Acquisition of fixed assets		(397,780,010)	(1,181,195,585)
	Disposal of Fixed Assets		9,332,708	11,874,065
	Net cash used in investing activities		**(11,683,487,236)**	**(3,570,006,148)**
C.	**Cash flows from financing activities**			
	Proceeds from issue of preference shares		(350,000,000)	(150,000,000)
	Payment of dividend on preference share		(33,468,750)	(47,812,500)
	Borrowings from other banks		(610,440,593)	(3,050,000,000)
	Money at call and short notice		1,990,000,000	(550,000,000)
	Borrowings from Bangladesh Bank		4,064,619,630	461,882,617
	Dividend paid		(843,415)	(236,222,994)
	Net cash flows from financing activities		**5,059,866,873**	**(3,572,152,877)**
	Net increase/decrease in cash		**13,231,623,336**	**2,196,144,350**
	Cash and cash equivalents at beginning of year		15,670,014,296	13,473,869,947
	Cash and cash equivalents at end of period	42	**28,901,637,632**	**15,670,014,296**
	Cash and cash equivalents at end of the period:			
	Cash in hand (including foreign currency)		4,749,600,127	3,648,209,193
	Balance with Bangladesh Bank and its agents bank(s) (including foreign currency)		8,831,070,371	8,330,437,102
	Balance with other banks and financial institutions		15,320,967,135	3,211,368,001
	Money at call and short notice		-	480,000,000
			28,901,637,632	**15,670,014,296**

These financial statements should be read in conjunction with the annexed notes 1 to 45

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director & CEO	**Director**	**Director**	**Chairman**

BRAC BANK LIMITED
Consolidated Statement of Changes in Equity
For the year ended 31 December 2012

Amount in Taka

Particulars	Paid up share capital	Preference share capital	Share Premium	Statutory Reserve	Revaluation Reserve	Share money deposit	Retained Earnings	Minority Interest	Total
Balance at 01 January 2012	3,212,352,000	350,000,000	,553,052,103	2,536,431,462	163,089,754	62,333,542	2,282,951,075	323,093,637	**10,483,303,572**
Net profit for the period	-	-	-	-	-	-	307,445,050	(5,779,736)	**301,665,314**
Share Premium of B-Kash Ltd.	-	-	187,050,150	-	-	-	-	179,714,850	**366,765,000**
Share money deposit	-	-	-	-	-	(38,591,940)	-	-	**(38,591,940)**
Share money deposit of B-Kash Ltd.	-	-	-	-	-	-	-	(59,646,574)	**(59,646,574)**
Share Capital of B-Kash Ltd.	-	-	-	-	-	-	-	12,225,500	**12,225,500**
Statutory reserve	-	-	-	397,585,824	-	-	-	-	**397,585,824**
Revaluation reserve	-	-	-	-	395,031,373	-	-	-	**395,031,373**
Dividends (Bonus share)	642,470,400	-	-	-	-	-	(642,470,400)	-	**-**
Redemption of preference share	-	(350,000,000)	-	-	-	-	-	-	**(350,000,000)**
Dividend on preference share	-	-	-	-	-	-	(33,468,750)	-	**(33,468,750)**
Balance as at 31 December 2012	**3,854,822,400**	**-**	**1,740,102,253**	**2,934,017,286**	**558,121,126**	**23,741,603**	**1,914,456,975**	**449,607,678**	**11,474,869,320**
Balance as at 31 December 2011	**3,212,352,000**	**350,000,000**	**1,553,052,103**	**2,536,431,462**	**163,089,754**	**62,333,542**	**2,282,951,075**	**321,435,935**	**10,481,645,870**

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director & CEO	**Director**	**Director**	**Chairman**

BRAC BANK LIMITED
Statement of Changes in Equity
For the year ended 31 December 2012

Amount in Taka

Particulars	Paid up share capital	Preference share capital	Share Premium	Statutory Reserve	Revaluation Reserve	Retained Earnings	Total
Balance at January 01, 2012	3,212,352,000	350,000,000	1,406,000,000	2,536,431,462	163,089,754	1,934,731,623	**9,602,604,839**
Net profit for the period	-	-	-	-	-	142,795,267	**142,795,267**
Statutory reserve	-	-	-	397,585,824	-	-	**397,585,824**
Revaluation reserve	-	-	-	-	395,031,373	-	**395,031,373**
Dividends (Bonus share)	642,470,400	-	-	-	-	(642,470,400)	**-**
Redemption of preference share	-	(350,000,000)	-	-	-	-	**(350,000,000)**
Dividend on preference share	-	-	-	-	-	(33,468,750)	**(33,468,750)**
Issue of right share capital	-	-	-	-	-	-	**-**
Balance as at 31 December 2012	**3,854,822,400**	**-**	**1,406,000,000**	**2,934,017,286**	**558,121,126**	**1,401,587,740**	**10,154,548,552**
Balance as at 31 December 2011	**3,212,352,000**	**350,000,000**	**1,406,000,000**	**2,536,431,462**	**163,089,754**	**1,934,731,623**	**9,602,604,839**

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director & CEO	**Director**	**Director**	**Chairman**

BRAC BANK LIMITED
Consolidated Liquidity Statement
(Assets & Liabilities Maturity Analysis)
As on December 31, 2012

Amount in Taka

	0 - 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	Above 5 Years	Total
Assets						
Cash in hand	855,216,783	-	-	-	12,726,698,857	13,581,915,641
Balance with other bank, Other Banks and financial Institutions (Including foreign currencies)	3,678,155,044	3,530,700,836	3,769,299,164	-	-	10,978,155,044
Money at call and on short notice	-	-	-	-	-	-
Investments	14,067,086,400	45,277,324	1,527,441,955	4,407,405,620	5,415,868,632	25,463,079,931
Loans and advances	23,320,212,647	14,011,712,186	26,737,382,619	39,394,950,343	10,622,025,378	114,086,283,173
Fixed assets including premises, furniture & fixtures	66,616,567	172,509,639	476,088,028	1,408,048,663	738,561,412	2,861,824,309
Other assets	80,114,928	883,927,073	1,511,110,084	530,444,209	8,991,810,106	11,997,406,400
Non - banking assets		-	-	-	-	-
Goodwill	-	-	-	-	1,427,468,912	1,427,468,912
						-
Total Assets	**42,067,402,369**	**18,644,127,058**	**34,021,321,850**	**45,740,848,836**	**39,922,433,298**	**180,396,133,411**
LIABILITIES						
Borrowings from Bangladesh bank, other Banks, financial institutions and agents	8,767,715,724	41,961,434	634,994,273	-	-	9,444,671,431
Convertible subordinated debts	-	-	-	3,000,000,000	-	3,000,000,000
Money at call and on short notice	1,990,000,000	-	-	-	-	1,990,000,000
Deposits & other accounts	22,409,176,100	29,036,321,104	45,794,097,857	25,198,339,661	11,807,054,586	134,244,989,307
Minority Interest	-	-	-	-	449,607,676	449,607,676
Other liabilities	2,003,768,321	1,272,246,394	1,694,579,198	909,940,290	14,361,069,150	20,241,603,353
Total Liabilities	**35,170,660,145**	**30,350,528,932**	**48,123,671,328**	**29,108,279,951**	**26,617,731,412**	**169,370,871,768**
Amount of net liquidity difference	**6,896,742,224**	**(11,706,401,874)**	**(14,102,349,478)**	**16,632,568,885**	**13,304,701,886**	**11,025,261,642**

Net result of the Liquidity Statement represents the 'Shareholders' Equity' of the Bank.

BRAC BANK LIMITED
Liquidity Statement
(Assets & Liabilities Maturity Analysis)
As on December 31, 2012

Amount in Taka

	0 - 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	Above 5 Years	Total
Assets						
Cash in hand	853,971,641	-	-	-	12,726,698,857	13,580,670,498
Balance with other bank, Other Banks and financial Institutions (Including foreign currencies)	3,151,965,463	5,965,201,672	6,203,800,000	-	-	15,320,967,135
Money at call and on short notice	-	-	-	-	-	-
Investments	14,053,503,202	-	1,495,747,828	4,407,405,620	5,415,868,632	25,372,525,282
Loans and advances	19,658,566,821	11,396,250,882	24,645,013,575	37,825,673,561	10,098,933,117	103,624,437,957
Fixed assets including premises, furniture & fixtures	53,097,946	131,953,774	349,012,986	1,318,825,761	738,561,412	2,591,451,880
Other assets	496,478,625	1,002,790,939	2,046,407,069	649,280,308	8,991,782,337	13,186,739,278
Non - banking assets	-	-	-	-	-	-
Total Assets	**38,267,583,697**	**18,496,197,267**	**34,739,981,459**	**44,201,185,250**	**37,971,844,356**	**173,676,792,029**
LIABILITIES						
Borrowings from Bangladesh bank, other Banks, financial institutions and agents	3,893,910,000	39,559,407	632,592,247	-	-	4,566,061,655
Convertible subordinated debts	-	-	-	3,000,000,000	-	3,000,000,000
Money at call and on short notice	1,990,000,000	-	-	-	-	1,990,000,000
Deposits & other accounts	22,477,284,676	27,906,249,654	44,383,437,102	27,072,962,703	12,806,514,347	134,646,448,482
Other liabilities	1,675,152,363	1,163,628,023	1,260,825,582	840,736,828	14,379,390,545	19,319,733,341
Total Liabilities	**30,036,347,038**	**29,109,437,085**	**46,276,854,932**	**30,913,699,531**	**27,185,904,892**	**163,522,243,477**
Amount of net liquidity difference	**8,231,236,659**	**(10,613,239,817)**	**(11,536,873,473)**	**13,287,485,718**	**10,785,939,465**	**10,154,548,552**

Net result of the Liquidity Statement represents the 'Shareholders' Equity' of the Bank.

BRAC BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

SECTION -ONE: CORPORATE PROFILE & SIGNIFICANT ACCOUNTING POLICIES

1. Corporate Information

BRAC Bank Limited (the "Bank" or "Brac Bank") 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 started its operations from 04 July, 2001. At present the Bank has 86 (eighty six) branches, 69 SME service centers, 150 zonal offices and 309 unit offices of SME.

BRAC Bank acquired 51% shares of Equity Partners Limited and Equity Partners Securities Limited on 31 July 2009. Equity Partners Limited was incorporated in Bangladesh on 19 April 2000 as a private Limited company under the Companies Act 1994 and Equity Partners Securities Limited was incorporated in Bangladesh on 16 May 2000 as a private Limited company under the Companies Act 1994. Subsequently the management decided to rename Equity Partners Limited as BRAC EPL Investments Limited and Equity Partners Securities Limited as BRAC EPL Stock Brokerage Limited. In the year 2011, the Bank acquired further, 25% shares of EPL Investments Limited & 39% shares of EPL Stock Brokerage Limited. As a result, the Bank's control has increased to 76% of EPL Investment Limited & 90% shares of EPL Stock Brokerage Limited.

BRAC Bank acquired 51% shares of bKash Limited, a private Limited company by shares under the Companies Act 1994 Incorporated dated 1 March 2010. Money in motion ULC (a company listed in USA) holds 49% shares of bKash Limited. The bank has invested in 25% shares of BRAC Asset Management Company Limited that was incorporated in Bangladesh on 01 April 2010.And also invested in 24% shares of BRAC Impact Ventures Limited that was incorporated on 18th June 2012.

BRAC Bank Limited aquired 87.5%+1 share (291,667 shares out of the total share 333,333) of "Saajan Worldwide Money Transfer Limited" (SWMTL) in the UK. Bangladesh Bank has provided necessary approval of GBP 500,000 to acquire SWMTL and setting up two other new branches in Luton and Bradford, UK. As per the permission of Bangladesh Bank, SWMTL has already been renamed as "BRAC Saajan Exchange Ltd' (BSE). BRAC Bank would control and monitor all its operations as the Holding Company.

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

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

A fully operational Commercial Bank, BRAC Bank focuses on pursuing unexplored market niches in the Small and Medium Enterprises Business, which hitherto has remained largely untapped within the country. Significant percentage of BRAC Banks clients had no prior experience with formal banking. The Bank has 69 SME service centers and 309 regional marketing unit offices offering services in the heart of rural and urban communities and employs about 1,153 business loan officers.

The Bank operates under a "triple bottom line" agenda where profit and social responsibility shake hands as it strives towards a poverty-free, enlightened Bangladesh.

1.1 Principal Activities and Nature of operations BRAC Bank Limited:

The principal activities of the Bank are banking and related activities such as accepting deposits, personal banking, trade financing, SME, Retail & Corporate credit, lease financing, project financing, issuing debit & credit cards, SMS banking, internet banking, phone banking, call center, remittance facilities, dealing in government securities etc. There have been no significant changes in the nature of the principal activities of the Bank during the financial year under review.

BRAC EPL Investments Limited:

BRAC EPL Investments Limited was established to cater to the needs of the fast growing capital markets in Bangladesh. It works as a merchant bank with a full-fledged merchant banking license from the Securities & Exchange Commission, the appropriate Government Regulatory agency. The company's services comprise of lead managing Initial Public Offerings, Domestic and International Placement, Portfolio Management and Project Development and Consultancy.

BRAC EPL Stock Brokerage Limited:

BRAC EPL Stock Brokerage Limited was established to cater to the needs of the stock brokerage business in Bangladesh. It has corporate membership of Dhaka Stock Exchange and Chittagong Stock Exchange.

b-Kash Limited:

b-Kash Limited was established to cater to introduce mobile money transfer service in Bangladesh. The Bank has obtained a licence from Bangladesh Bank for rending such service.

BRAC SAAJAN Exchange Limited:

BRAC Saajan exchange Limited was established to carry our remittance and exchange business from UK.

BRAC Asset Management Company Limited:

BRAC Asset Management Company Limited was established to include the business of investment and asset management, portfolio management, capital market operation, financial intermediary services, management and launching of mutual funds, fund management and sponsorship, merchant banking activities, etc.

2.1 A summary of the principle accounting policies which have been applied consistently (Unless otherwise stated), is set out below:

a) Statement of Compliance & basis of preparation

The consolidated financial statements of the Group and the financial statements of the Bank as at and for the year ended 31 December 2012 have been prepared under the historical cost convention except for government securities and quoted shares which have been measured at fair value and land which are measured at revalued amount in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the "First Schedule (sec-38)" of the Bank Companies Act 1991, BRPD Circular # 14 dated 25 June, 2003, other Bangladesh Bank Circulars, the Companies Act 1994, the Securities and Exchange Ordinance 1969, the Securities and Exchange Rules 1987, Dhaka and Chittagong Exchange's listing regulations and other prevailing laws and rules applicable in Bangladesh. In case the requirement of provisions and Circulars issued by Bangladesh Bank differ with those of other regulatory authorities and accounting standards, the regulations and circulars issued by Bangladesh Bank shall prevail. The consolidated financial statements were authorized for issue by the Board of Directors on 25 March 2013.

As such the Group and the Bank has department from those contradictory requirements of BFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below:

i) Investments in shares and securities

BFRSs: As per requrements of BAS 39 investments in shares and securities generally fall either under "at fair value through Profit and Loss Account" or under "available for sale" where any change in fair value at the year end is taken to Profit and Loss Account or Revaluation Reserve Account respectively.

Bangladesh Bank: As per BRPD Circular no. 14 dated 25 June 2003 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investments (portfolio basis); otherwise investments are recognized at costs.

ii) Revaluation gain/loss on Government securities

BFRSs: As per requirement of BAS 39, T-bills and T-bonds fall under the category of "held for trading (HFT)" and "held to maturity (HTM)" where any change in the fair value of held for trading is recognized in Profit and Loss Account and amortized cost method is applicable for held to maturity using an effective interest rate.

Bangladesh Bank: According to DOS Circular no. 05 dated 26 May 2008 and subsequent clarification in DOS Circular no. 05 dated 28 January 2009, loss on revaluation of Government securities (T-bills/T-bonds) which are categorized as held for trading should be charged through profit and loss account, but any gain on such revaluation should be recorded under Revaluation Reserve Account. However, at the revaluation loss for that particular held for trading T-bills/T-bonds. T-bills designated as held to maturity are measured at amortized cost method but interest income/gain should be recognized through reserve.

iii) Provision on loans and advances

BFRSs: As per BAS 39 an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets which are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

Bangladesh Bank: As per BRPD Circular no. 14 dated 23 September 2012 and BRDP Circular no 19 dated 27 December 2012, a general provision at 0.25% udder different categories of unclassified (standard/SMA loans) should be maintained regardless of objective evidence of impairment. And, specific provision for sub-standard loan, doubtful loans and losses should be provided at 20%, 50% and 100% respective for loans and advances depending on the duration of overdue. Also, a general provision at 1% should be provided for all off balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39.

iv) Other comprehensive income

BFRSs: As per BAS 1 Other Comprehensive income is a component of financial statements or the elements of Other Comprehensive Income are to be included in a Single Comprehensive Income (OCI) statements.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which should be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed to be included in a Single Comprehensive Income (OCI) Statement. As such the company does not prepare the other comprehensive income statement. However elements of OCI, if any, are shown in the statements of changes in equity.

v) Financial instruments - presentation and disclosure

In several cases Bangladesh Bank guidelines categories, recognize, measure and present financial instruments differently from those prescribed in BAS 39. As such some disclosure and presentation requirements of BFRS 7 and BAS 32 cannot be made in the accounts.

vi) REPO transactions

BFRSs: When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (REPO or stock lending), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the entity's financial statements. This transaction will be treated as loan and the difference between selling price and repurchase price will be treated as interest expense.

Bangladesh Bank: As per BB circulars/guidelines, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (REPO or stock lending), the arrangement is accounted for as a normal sales transactions and the financial assets should be derecognized in the seller's book and recognized in the buyer's book.

vii) Financial guarantees

BFRSs: As per BAS 39 financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are prescribed to be included within other liabilities.

Bangladesh Bank: As per BRPD circular 14, 2003, financial guarantees such as L/C, L/G should be treated as off balance sheet items. No liability is recognized for the guarantee except the cash margin.

viii) Cash and cash equivalents

BFRSs: Cash and cash equivalent items should be reported as cash item as per BAS 7.

Bangladesh Bank: Some highly liquid assets such as money at call and short notice, T-bills, prize bonds are not prescribed to be shown as cash and cash equivalents rather shown as face item in the Balance Sheet. However, in the Cash flow Statement, Money at call and short notice and Prize bonds are shown as cash and cash equivalents beside cash in hand, balance with BB and other banks.

ix) Non-banking assets

BFRSs: No indication of non-banking assets is found in any BFRSs.

Bangladesh Bank: As per BRPD Circular No. 14 dated 25 June 2003, there should exist a face item named non-banking assets.

x) Cash flow statement

BFRSs: Cash flow statement can be prepared either in direct method or in indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank: As per BRPD 14 dated 25 June 2003, cash flow should be a mixture of direct and indirect method.

xi) Balance with Bangladesh Bank: (CRR)

BFRSs: Balance with Bangladesh Bank should be treated as other assets as it is not available for use in day to day operations as per BAS 7.

Bangladesh Bank: Balance with Bangladesh Bank should be treated as cash and cash equivalents.

xii) Off balance sheet items

BFRSs: No requirement of disclosure for off balance sheet items as there is no concept of off balance sheet items in any BFRS; hence there is no requirement of disclosure of off balance sheet items.

Bangladesh Bank: As per BRPD Circular No. 14 dated 25 June 2003, off balance sheet items e. g. L/C, L/G, Acceptance should be disclosed separately on the face of balance sheet.

xiii) Disclosure of appropriation of profit

BFRSs: There is no requirement to show appropriation of profit on the face of statement of comprehensive income.

Bangladesh Bank: As per BRPD Circular No. 14 dated 25 June 2003, an appropriation of profit should be disclosed on the face of Profit and Loss Account.

xiv) Loans and advance net of provision

BFRSs: Loans and advances should be presented net of provisions.

Bangladesh Bank: As per BRPD Circular No. 14 dated 25 June 2003, provision on loans and advances should be presented separately as liability and cannot be netted off against loans and advances.

[Also refer to Note 2A (II) Compliance of Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs)]

b) Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying financial statements do not include any adjustments should the Bank be unable to continue as a going concern.

c) Functional and presentation currency

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

d) Use of estimates and judgments

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 recognized in the period in which the estimate is revised and in any future periods affected. The key item 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 a monthly basis to assess whether a further allowance for impairment should be provided in the income statement. The judgments 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.

e) Materiality and aggregation

Each material item considered by management as significant has been displayed separately in the financial statements. No amounts has been set off unless the Bank has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

f) Comparative information

The accounting policies have been consistently applied by the bank and are consistent with those used in the previous year. Comparative information is rearranged wherever necessary to conform with the current presentation.

Basis of Consolidation

The consolidated financial statements include the financial statements of BRAC Bank Limited and its subsidiaries BRAC EPL Investments Limited, BRAC EPL Stock Brokerage Limited, B-Kash Limited, BRAC Saajan Exchange Limited and its associate BRAC Asset Management Company Limited made up to the end of the reporting period.

The consolidated financial statements have been prepared in accordance with Bangladesh Accounting Standard 27: Consolidated financial statements and accounting for investments in subsidiaries. The consolidated financial statements are prepared to a common reporting year ending 31 December 2012.

Subsidiaries

Subsidiaries are all entities over which the bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. A parent of a subsidiary should present consolidated financial statements according to BAS-27: "Consolidated financial statements and accounting for investments in subsidiaries". The financial statements of subsidiary are included in the consolidated financial statements from the date that control effectively commences until the date that the control effectively ceases.

Inter-company transactions, balances and intra-group gains on transaction between group companies are eliminated.

Associates

An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor (BAS-28: Accounting for Investments in Associates"). Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. Investment in associate is accounted for in consolidated financial statements under the "equity method". Under the equity method, the investment is initially recorded at cost and the carrying amount is increased or decreased to recognize the investor's share of the profits or losses of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

Foreign Currency Translations

(a) Foreign currency transaction are translated into equivalents Taka (Functional currency) currency at spot exchange rate at the date of transaction.

(b) Assets and liabilities in foreign currencies are translated into Taka at mid rates prevailing on the balance sheet date, except bills for collection, stock of travelers cheque and import bills for which the buying rates are used on the date of transactions.

(c) Gains or losses arising from fluctuation of exchange rates are recognized in profit and loss account.

Accounting for Provisions, Contingent Liabilities and Contingent Assets:

The Bank recognizes 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 cab be made.
No provision is recognized for-

a) 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

b) Any present obligation that arises from past events but is not recognized because-

* It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
* A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statement since this may result in the recognition of income that may never be realized.

2.5 Taxation

Income tax on earnings for the year comprises current and deferred tax and is based on the applicable tax law in Bangladesh. It is recognized in the income statement as tax expense.

2.5.1 Current Tax:

Current tax is the expected tax payable on taxable income for the year, based on tax rates (and tax laws) which are enacted at the reporting date, including any adjustment for tax payable in previous periods. Current tax for current and prior periods is recognized as a liability (or asset) to the extent that it is unpaid (or refundable).

Provision for current income tax has been made @ 42.5% as prescribed in the Finance Act-2011 on the taxable profit.

2.5.2 Deferred Tax:

The Bank accounted for deferred tax as per BAS - 12 "Income Taxes". Deferred tax is accounted for using the comprehensive tax balance sheet method. It is generated by temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax assets, including those related to the tax effects of income tax losses and credits available to be carried forward, are recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and credits can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences. They are also recognized 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 recognized 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 utilize the benefits of the temporary difference.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realized or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement reflects the tax consequences that would follow from the manner in which the bank, at the reporting date, recovers or settles the carrying amount of its assets and liabilities.

2.6 Reporting period

These financial statements cover one calendar year from 01 January to 31 December 2012.

2.7 Assets and the basis of their valuation

2.7.1 Cash and cash equivalents

For the purpose of presentation in the Cash flow statements, cash and cash equivalents includes Cash in Hand and Cash at Bank, highly liquid interest bearing investment/Securities with original maturities of less than three month.

Cash flow statement is prepared in accordance with BAS-7 “Cash Flow Statements". Cash flows from operating activities have been presented at "Direct Method’.

2.7.2 Investment

All investments securities are initially recognized at cost, including acquisition charges associated with the investment. Premiums are amortized and discount accredited, using the effective yield method and are taken to discount income. The valuation method of Marking to Market for investments used are:

Held to Maturity

Investments which have "fixed or determinable payments' and fixed maturity that the group has the positive intent and ability to held to maturity, other than those that meet the definition of 'Held at amortized cost others' are classified as held to maturity. These investment are subsequently measured at amortized cost, less any provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium in acquisition. Any gain or loss on such investments is recognized in the statement of income when the investment is derecognized or impaired as per IAS -39 " Financial Instruments : Recognition and Measurement"

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. After initial recognition, investment are measured at present value and any change in the fair value is recognized in the statement of income for the period in which it arises. Transaction costs, if any, are not added to the value of investments at initial recognition.

Revaluation

According to DOS Circular no.-05, dated 26th May 2008, the HFT securities are revalued once each week using Marking to Market concept and the HTM securities are amortized once a year according to Bangladesh Bank guidelines. The HTM securities are also revaluated if they are reclassified to HFT category with the Board’s approval.

Value of Investments has been shown as under:

Investment Class	Initial Recognition	Measurement after Recognition	Recording of changes
Government Treasury Bills (HFT)	Cost	Marking to Market/ fair value	Loss to profit and loss a/c, gain to revaluation reserve through profit and loss account
Government Treasury Bills (HTM)	Cost	Amortized cost	Increased or decreased in value to equity.
Government Treasury Bonds (HFT)	Cost	Marking to Market/ fair value	Loss to profit and loss a/c, gain to revaluation reserve through profit and loss account
Government Treasury Bonds (HTM)	Cost	Amortized cost	Amortized Gain/ Loss to Revaluation reserve
Zero Coupon Bond		None	None
Prize Bond & Other Bond	Cost	None	None
Debentures	Cost	At Cost Price	None
Un quoted Shares (ordinary)	Cost	Cost	-
Quoted shares (ordinary)	Cost	Lower of cost or market price at balance sheet date	Loss to profit and loss A/c.

Available for sales

Available for sales investments are non-derivative investments that are designated as available for sale or are not classified as another category of financial assets. Unquoted securities whose fair value cannot reliably be measured are carried at cost. All other available for sale investments are carried at fair value.

2.7.3 Loans and Advances

a) Interest on loans and advances is calculated daily on product basis but charged and accounted monthly and quarterly on accrual basis.

b) Provision for loans and advances is created based on the period of arrears by following Bangladesh Bank BRPD Circulars No. 16 of 6 December 1998, 09 of 14 May 2001, 09 and 10 of 20 August 2005, 05 of 5 June 2006, 8 of August 07, 2007, 10 of 18 September 2007, 05 of 29th April 2008, 32 of 12 October 2010, 14 of 23 September 2012 and 19 of 27 December 2012 respectively. This is also reviewed by the management.

c) Interest on classified loans and advances is calculated as per BRPD circular No. 16 of 1998, 09 of 2001 and 10 of 2005 and recognized as income on realization.

The classification rates are given below:

	Business Unit	Rate of Provision				
		Un-classified (UC)		Classified		
		Standard	Special Mention Account (SMA)	Substandard (SS)	Doubtful (DF)	Bad loan (BL)
Consumer	House building & loans for professionals	2%	5%	20%	50%	100%
Consumer	Other than house building & professionals	5%	5%	20%	50%	100%
Loans to BHs/ MBs against share etc.		2%	5%	20%	50%	100%
Small and medium enterprise		0.25%	5%	20%	50%	100%
Short term Agri/Micro credit		5%	5%	5%	5%	100%
All others		1%	5%	20%	50%	100%
Off Balance Sheet		1%	-	-	-	-

d) Loans and advances are written off to the extent that (i) there is no realistic prospect of recovery, (ii) and against which legal cases are filed and classified as bad loss as per BRPD Circular 02 dated 13.01.2002. These write off however, will not undermine/affect the claim amount against the borrower. Detailed memorandum records for all such write off accounts are meticulously maintained and followed up.

2.7.4 Leases

Lease of assets where the group has substantially all the risks and rewards of ownership are classified as finance leases. Leases in which a significant portion of the risk and rewards of ownership are retained by another party, the lessor are classified as operation lease.

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. 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 Standards (BAS) - 17 "Lease", cost of assets acquired under finance lease along with obligation there against have been accounted for as assets & liabilities respectively of the company, and the interest elements has been charged as expenses.

Assets held under finance leases are recognized as non-current assets of the Bank at their fair value at the date of commencement of the lease or lower at the present value of minimum lease payments. The corresponding liabilities to the lessor is included in the Balance Sheet as finance lease obligation. Lease payments are apportioned between finance charges and reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

2.7.5.1 Property, plant & equipment’s

a) Recognition

The cost of an item of property, plant and equipment’s (Fixed assets) shall be recognized as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Property, plant and equipment’s have been accounted for at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs of enhancement of existing assets are recognized 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 & Loss account during the financial period in which they are incurred.

b) Depreciation

Land is not depreciated. Depreciation is charged on straight-line basis. In case of acquisition of fixed assets, Depreciation has been charged from the following month of acquisition, whereas no depreciation on assets disposed off has been charged from the month of disposal. Asset category wise depreciation rates are as follows:

Category of assets:	BRAC Bank Limited	BRAC EPL Investments Limited	BRAC EPL Stock Brokerage Limited	B-Kash Limited	BRAC Saajan Exchange Limited
Furniture & fixture	10%	10% -20%	12.5%	10%	10%
Office equipment’s	20%	10% -20%	20%	20%	
IT equipment’s - Hardware	20%	25%	25%	20%	10%
IT equipment’s - Software	33%	33%	33%	20%	
Motor vehicles	20%	20%	20%	20%	
Office Decoration		15%	15%		
Air Cooler & Ceiling Fan		20%	20%		
Building & other construction		5%	2%		

c) Sale of Fixed Assets

Sale price of fixed assets are determined on the basis of fair value of the assets. Gain or loss on sale of assets are recognized in profit & loss account as per provision of BAS 16 Property plant & equipment's.

d) Revaluation

The fair value of land & building is usually its market value. This value is determined by appraisal, normally undertaken by professionally qualified valuers.

The fair value of items of plant & equipment is usually their market value, this is determined by appraisal.

The frequency of revaluation depends upon the movements in the fair value of the items of property, plant & equipment being revalued.

Increases in the carrying amount as a result of revaluation is credited to shareholders equity under the heading of revaluation surplus. Decreases in the carrying amount as a result of revaluation is recognized as an expense. However, a revaluation decrease is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same assets.

e) Impairment

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss is recognized as an expenses in the income statement.

f) Others

Useful life and method of depreciation of property plant & equipment are reviewed periodically. As useful lives of assets do not differ significantly from that previously estimated, Bank Management does not consider to revalue its assets by the meantime.

As per Bangladesh Accounting Standards (BAS) - 17 "Lease", all fixed assets taken on lease has been accounted for as finance lease whereas those were being recognized as operating lease in the earlier years.

2.7.5.2 Intangible assets

a) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Acquisitions of Minority interest (Non-controlling interests) are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognized as a result of such transactions. Subsequently Goodwill is measured at cost less accumulated impairment losses.

b) Software's

Software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on software assets is capitalized only when it increases future economic benefits embodied in specific asset to which it relates. All expenditure is expensed as incurred. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three to five years. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

c) License

Value of the license is recognized at cost and since it has an indefinite useful life it is not amortized. The value of the license is not measured at fair value.

2.7.6 Other assets

Other assets include all other financial assets and include interest, fees and other unrealized income receivable, Prepaid interest expenses on Interest First Fixed Deposits, advance for operating and capital expenditure, security deposits and stocks of stationery & stamps etc.

2.7.7 Stock

Stocks are valued at lower of cost or net realizable value. Cost is determined by using weighted average method.

2.8 Liabilities & provisions

2.8.1 Borrowings from other banks, financial institutions & agents

Borrowings from other banks, financial institutions and agents include interest-bearing borrowings redeemable at call, on-demand and short-term deposits lodged for periods of less than 6 months. These items are brought to account at the gross value of the outstanding balance.

2.8.2 Deposits

Deposits include non-interest-bearing current deposit redeemable at call, interest bearing on-demand and short-term deposits, savings deposit and term deposit lodged for periods from 3 months to 12 years. These items are brought to account at the gross value of the outstanding balance.

2.8.3 Other Liabilities

Other liabilities comprise items such as provision for loans and advances, provision for taxes, interest payable, interest suspense, accrued expenses. Other liability is recognized in the balance sheet according to the guideline of Bangladesh bank and Income Tax Ordinance-1984 and internal policies of the bank. Provisions and accrued expenses are recognized in the financial statement when the bank has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.9 Capital and 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 from time to time. Senior management develop 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.

2.9.1 Paid up share capital

Paid up share 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.

2.9.2 Preference Share Capital

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

2.9.3 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 utilized in accordance with provisions of section 57 of the Companies Act, 1994 and as directed by the Securities and Exchange Commission in this respect.

2.9.4 Statutory reserve

Transfer to the Statutory reserve has been maintained @ 20% of Profit Before Tax in accordance with provisions of section 24 of the Bank Companies Act, 1991. This is mandatory until such reserve is equal to the paid up capital together with amount in the share premium account, after this its optional.

2.9.5 Revaluation reserve

Revaluation reserve represents revaluation on Treasury bond (HFT & HTM) in accordance with the DOS Circular no.-05, dated 26th May 2008 and Land.

2.10.1 Employee Benefits

Provident Fund (Defined Contribution Plan)

A "Defined Contribution Plan" is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal constructive obligation to pay further amounts. 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 recognized fund within the meaning of section 2(52) read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984. The recognition took effect from 1st 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 05 (five) years of continuous service from the date of their membership.

Gratuity Fund (Defined Benefit Plan)

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 recognized Gratuity fund on 6th 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 05 (five) years of service in the Company. The Gratuity is calculated on the basis of last basic pay and is payable at the rate of one month's basic pay for every completed year of service. Gratuity fund is a "Defined Benefit Plan" and contribution to Gratuity Fund is measured through the result of acturial valuation of the fund. "BRAC Bank Employee Gratuity Fund" is a funded Gratuity Fund.

2.10.2 Other Employee Benefits

Security Fund

The objective of the fund to provide death or permanent disability benefits to its confirmed employees and on 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 Tk.5 for each Taka one thousands of last basic salary per staff per year. There shall be at least 7 seven members of 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 category staff.

Welfare Fund

The objective of the Employees' Welfare Fund is to provide regular category employees from Junior Officer to Senior Principal Officer of the BRAC 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 the designation. The sum subscribed monthly from salaries of employees shall be credited separately in an "Employee 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 category staff.

Hospitalization Insurance

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

Incentive bonus

BRAC bank started a incentive bonus scheme for its employees. 4% of net profit before tax is given to the employees 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 costs are accounted for in the period to which it relates.

Annual leave

Subsidized Scheme - Staff Loan

Personal, House building and car loan is provided to the permanent staff at a subsidized 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 approval from department head and head of HR.

House building Loan: A permanent staff completing 5 year of service can avail house building loan taking approval from department head and head of HR.

Car Loan: All staff at job grade from PO can avail staff car loan taking approval from department head and head of Credit.

2.11 Revenue Recognition

Interest Income

In Interest on unclassified loans and advances have been accounted for as income on accrual basis using the effective interest method. Interest on loans and advances ceases to be taken into income when such advances are classified, kept in interest suspense account. Interest on classified loans and advances is accounted for on a receipt basis.

Investment Income

Income on investments is recognized on an accruals basis. Investment income includes interest on Treasury bills, treasury bonds, zero coupon, shares, debentures and fixed deposit with other banks.

Income on Bills purchased & Discounted

Income on Bills purchased & Discounted is recognized upon realization since there is no uncertainty as to its realization and accrued on a monthly basis.

Interest & fees receivable on credit cards

Interest & fees receivable on credit cards are recognized on an accruals basis. Interest and fees cease to be taken into income when the recovery of interest & fees is in arrear for over three months. Thereafter, interest & fees are accounted for on a cash basis.

Fees & Commission Income

The Bank earn fees & commission from a diverse range of services provided to its customers. This include fees & 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 & commission income arises on services rendered by the Bank are recognized on a realization basis.

Dividend income on Shares

Dividend income from shares is recognized when our right to receive the payment is established.

Gain or loss on sale of property, plant and equipment

The gain or loss on the disposal of premises and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, and is recognized as an item of other income in the year in which the significant risks and rewards of ownership are transferred to the buyer.

Interest Paid and other expenses

In terms of provision of the Bangladesh Accounting Standard (BAS) -1 "Presentation of Financial Statements", interest paid and other expenses are recognized on an accruals basis.

2.12 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 on 31st December, 2012 as per Bangladesh Accounting Standard (BAS) - 33 "Earning Per Share" .

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.

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 recourses generating new earnings. Therefore, the total number of shares issued in 2012 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 earnings per share is required to be calculated for the year as there was no scope for dilution during the year under review.

2.13 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) Balances with other bank & financial institutions, money at call & short notice etc. are on the basis of their maturity term.

b) Investments are on the basis of their residual maturity term.

c) Loans & advances are on the basis of their repayment/ maturity schedule.

d) Fixed assets are on the basis of their useful life.

e) Other assets are on the basis of their adjustment.

f) Borrowing from other banks, financial institutions and agents as per their maturity/ repayment term

g) Deposits & other accounts are on the basis of their maturity term and behavioral past trend.

h) Other long term liability on the basis of their maturity term.

I) Provisions & other liabilities are on the basis of their settlement.

2.14 Dividend

Dividend on ordinary shares are recognized 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- 45.6 (b) to the Financial statements.

2.15 Reconciliation of inter-bank/inter-branch account

Books of accounts with regard to interbank (in Bangladesh and outside Bangladesh) are reconciled on a monthly basis and there are no material differences which may affect the financial statements significantly.

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

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

Bangladesh Accounting Standard (BAS)	Ref.	Status
Presentation of Financial Statements	BAS-1	Applied
Inventories	BAS-2	Applied
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
Borrowing Cost	BAS-23	Applied
Related party Disclosures	BAS-24	Applied
Accounting and Reporting by Retirement Benefit Plans	BAS-26	Applied
Consolidated Financial Statements and Accounting for Investments in subsidiaries	BAS-27	Applied
Accounting for Investment in Associates	BAS-28	Applied
Financial Reporting of Interest in Joint Ventures	BAS-31	Not Applicable
Financial Instruments: Presentation	BAS-32	Applied
Earning Per Share	BAS-33	Applied
Interim Financial Reporting	BAS-34	Applied
Impairments of Assets	BAS-36	Applied
Provision, Contingent Liabilities and Contingent Assets	BAS-37	Applied
Intangible Assets	BAS-38	Applied
Financial Instruments: Recognition & Measurement	BAS-39	Applied
Investment property	BAS-40	Applied
Agriculture	BAS-41	Not Applicable

Bangladesh Financial Reporting Standard (BFRS)	Ref.	Status
First-time adoption of International financial Reporting Standards	BFRS-1	Not applicable
Shares Based Payment	BFRS-2	Not applicable
Business combination	BFRS-3	Not applicable
Insurance Contracts	BFRS-4	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	Applied

* Subject to departure described in note 2.1
N/A = Not Applicable

Reason for Departure of BAS / BFRS:

The Central Bank of Bangladesh ("Bangladesh Bank") as regulator to the Banking Industry has issued a number of circulars/directives which are not consistent with the requirements specified in the BAS/BFRS as reffered above. In such cases the Bank has followed the regulatory requirements specified by the Bangladesh Bank.

New and amended standards and interpretations not yet adopted by the Group and the Company

There are no new standards, amendments to standards and interpretations that are effective for the first time for the financial year ended 31 December 2012 that have a significant impact on the Group and the Bank.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning from 1 January 2013 or later, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Bank. Although International Accounting Standards Board (IASB) has issued a new standard (IFRS 9) along with related amendments to existing standards (IAS/BAS 32, 39) but none of these have been adopted and/or endorsed locally as BAS/BFRS and as such any possible impact could not be determined.

2.17 Regulatory & Legal Compliance

The Bank complied with the requirements of following regulatory & legal authorities:

a) The Bank Companied Act, 1991

b) The Companies Act, 1994

c) Rules & Regulations Issued by Bangladesh Bank.

d) Securities and Exchange Rules 1987,Securities & Exchange Ordinance 1969, Securities & Exchange Act 1993, Securities and Exchange Commission IPO Rules 2006.

e) The Income Tax Ordinance, 1984

f) The Value Added Tax Act, 1991

2.18 Risk Management

The possibility of losses, financial or otherwise is defined as risk. The assets and liabilities of BRAC Bank Limited 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 5 (five) Core risk areas of banking i.e. a. Credit Risk Management, b. Foreign Exchange Risk Management, c. Asset liability Management, and d. Prevention of Money Laundering and e. Internal Control & Compliance as per BRPD circular No. 17 of 07 October, 2003.

2.18.1 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 maximize 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 have 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 during the entire credit year 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 book the customers; 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; the Credit Division reports to the Managing Director & CEO, while the Asset Operations Department reports to the Deputy Managing Director & COO. The above 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.

2.18.2 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, the Treasury department is vested with the responsibility to measure and minimize 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 Office' has separate and independent reporting lines to ensure segregation of duties and accountability but also helps minimize the risk of compromise.

Dealing room is equipped with Reuter's information, a voice screens recorder for recording deals taking place over the telephone. 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 a counter party, a dealer ensures they have knowledge about the counter party's dealing style, product mix and assess whether the customer is dealing in an appropriate manner.

2.18.3 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 institution. Thus it is essential 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 the country's overall economic position, Bank's Liquidity position, ALM Ratios, Interest Rate Risk, Capital Adequacy, Deposit Advanced Growth, Cost of Deposit & yield on Advance, F.E. Gap, Market Interest Rate, Loan loss provision adequacy and deposit and lending pricing strategy.

2.18.4 Prevention of Money Laundering

In recognition of the fact that financial institutions are particularly vulnerable to be used by money launderers. BRAC Bank has established a 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 reputational risks. KYC procedures have been set up with address verification. As apart 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.

2.18.5 Internal Control & Compliance

Internal Control is the mechanism in place on a permanent basis to control the activities in an organization, 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 Branch, SME Unit and the Departments had Head Office. The Board Audit Committee reviews the reports of the Risk Management Department periodically.

2.18.6 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" and BRPD Circular No. 21 dated 20 May 2010 "Guideline on ICT Security:

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, 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 control
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 center 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.

2.18.7 Enterprise Risk Management (ERM)

BRAC Bank Limited, the fastest growing bank in Bangladesh, is concerned regarding risky areas, which are being identified by the Risk Management department.

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:

Maximize 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 ERM policy

The MANCOM approved the ERM policy, which contains the guidelines for reporting to the 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 Affaires and Head of Impaired Assets Management. Head of Risk Management chairs the committee.

The policy provides guidelines & templates to the respective departments and units for producing the information on risky and vulnerable areas for the organization. ERMC scrutinize and analyze the information and parameterize it according to the sensitivity and vulnerability.

The ERMC meet on 15th of every month. The committee discuss the various issues raised relating to the 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 minimize the risk.

Follow up and monitoring are being done on the overall position of the bank regarding mitigation and minimization of risky areas.

Upgrading the “Leading Key Risk Indicator” and DCFCLs are developing gradually through inclusion and exclusion item.

2.19 Implementation of BASEL-II

To comply with international best practices and to make the Bank's capital more risk-sensitive as well as to make the Banking industry more shock absorbent and stable, Bangladesh Bank provided revised regulatory capital framework "Risk Based Capital Adequacy for Banks" which is effective from January 2009. According to the BRPD circular no-09 dated 31st December 2008 and sebsequent updates on BRPD circular no-10, 12, 24, 35 dated 10th March 2010, 29th March 2010, 3rd August 2010 and 29th December 2010 following specific approaches are suggested for implementing BASEL-II:

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

Under the Standardized 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 recognized by BB.

BASEL - II is to be calculated both on separate financial statements (SOLO) basis and Consolidated basis and both are submitted to Bangladesh Bank accordingly. Details are disclosed in **note 18.10.**

As per BRPD Circular no - 13 dated 21 April 2010 "Guideline of Supervisory Review Evaluation Process (SREP)" the bank has initiated to establish their own supervisory review process to ensure maintenance of sufficient capital to fully cover their risk exposure.

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 New Capital Accord-BASEL-II.

2.20 Off Balance Sheet Items

Under general banking transactions, liabilities against acceptance, endorsements, and other obligations and bills against which acceptance has been given and claims exists there against, have been shown as Off Balance Sheet items. Provision for off balance sheet items is made as per BRPD circular No. 8 of 7th August 2007 and 10 of September 18, 2007.

2.21 Accounting for Changes in Accounting Estimates

BAS - 8 states that the effect of a change in an accounting estimate is to be applied prospectively by inclusion in the current accounting preiod and, if relevant, in future accounting period. The carrying amount of assets, liabilities, or equity may be changed following a change in accounting estimates in the period of the change.

As per BAS - 16 "Property plant & equipment" (para 61) any changes in the depreciation method shall be accounted for as a changes in an accounting estimate in accordance with BAS - 8.

During the year, BRAC Bank Limited changed its depreciation method for depreciating Property, plant & equipment (Annex - D). Management takes the view that this policy provides reliable and more relevant information because it deals more accurately with the components of Property, plant and equipment and is based on up-to-date values.

2.22 General:

a) Figures appearing in the financial statements have been rounded off to the nearest Taka.

b) Figures of previous year have been rearranged wherever considered necessary to conform to the current year's presentation. Separate Financial Statements regarding "Off shore banking unit" is disclosed under "Annex - H" and prior year numbers were restated accordingly.

c) The expenses, irrespective of capital or revenue nature, accrued / due but not paid have been provided for in the books of the accounts.

Section -Two : Notes to the Balance Sheet

Particulars	2012 Taka	2011 Taka
3 Cash		
A. Cash in hand:		
Local currency	4,700,623,892	3,596,335,512
Foreign currency	48,976,235	51,873,681
	4,749,600,127	**3,648,209,193**
B. Balance with Bangladesh Bank and its agent Bank(s):		
Local currency	7,208,319,513	6,119,957,584
Foreign currency	853,971,641	1,268,745,831
	8,062,291,153	**7,388,703,415**
Sonali Bank as agent of Bangladesh Bank (local currency)	768,779,217	941,733,687
	8,831,070,371	**8,330,437,102**
	13,580,670,498	**11,978,646,295**

3.1 Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) have been calculated and maintained in accordance with section 33 of Bank Companies Act, 1991 and BRPD circular no. 11 and 12, dated August 25, 2005, MPD circular no. 1 and 2, dated May 4, 2010 and MDP circular no. 4 and 5, dated December 1, 2010.

The statutory Cash Reserve Requirement on the Bank's time and demand liabilities at the rate 6% has been calculated and maintained with Bangladesh Bank in current account and 19% Statutory Liquidity Ratio, including CRR, on the same liabilities has also been maintained in the form of treasury bills, bonds and debentures including FC balance with Bangladesh Bank. Both the reserves are maintained by the Bank, as shown below:

Particulars		2012 Taka	2011 Taka
3.1.1 Cash Reserve Requirement (CRR) :			
6% of Average Demand and Time Liabilities :			
Required reserve		6,904,931,869	5,857,421,669
Actual reserve held (as per Bangladesh Bank statement)		7,335,083,103	6,179,983,553
Surplus/ (deficit)		**430,151,234**	**322,561,884**
3.1.2 Statutory Liquidity Ratio (SLR) :			
13% of Average Demand and Time Liabilities :			
Required reserve		16,948,469,133	14,377,307,733
Actual reserve held		22,977,204,413	14,882,029,763
Surplus/ (Deficit)		**6,028,735,280**	**504,722,031**
Total Surplus/(deficit)	**(3.1.1+3.1.2)**	**6,458,886,514**	**827,283,914**
3.1.3 Held for Statutory Liquidity Ratio			
Cash in hand	(Note: 3)	4,749,600,127	3,648,209,193
Balance with Bangladesh Bank as per statement		7,280,583,103	6,112,983,553
Balance with Sonali Bank as per statement		738,775,495	941,867,317
TT in Transit		54,500,000	67,000,000
Government securities	(Note: 6.1)	17,488,828,791	10,291,953,253
		30,312,287,516	**21,062,013,316**

Particulars	2012 Taka	2011 Taka
3.a Consolidated Cash		
A. Cash in hand:		
BRAC Bank Limited	4,749,600,127	3,648,209,193
Off Shore Banking Unit	-	-
BRAC EPL Investments Ltd.	109,301	58,299
BRAC EPL Stock Brokerage Ltd.	161,232	46,677
B-Kash Ltd.	974,610	428,593
BRAC Saajan Exchange Ltd.	-	36,705
	4,750,845,270	**3,648,779,467**
B. Balance with Bangladesh Bank and its agent Bank(s):		
BRAC Bank Limited	8,831,070,371	8,330,437,102
Off Shore Banking Unit	-	-
BRAC EPL Investments Ltd.	-	-
BRAC EPL Stock Brokerage Ltd.	-	-
B-Kash Ltd.	-	-
BRAC Saajan Exchange Ltd.	-	-
	8,831,070,371	**8,330,437,102**
	13,581,915,641	**11,979,216,569**

Particulars		2012 Taka	2011 Taka
4 Balance with Other Banks and Financial Institutions			
A. Inside Bangladesh	(Note: 4.1)	9,904,922,299	2,657,897,194
B. Outside Bangladesh	(Note: 4.2)	5,416,044,836	553,470,807
		15,320,967,135	**3,211,368,001**
4.1 Balance with Other Banks and Financial Institutions (Inside Bangladesh)			
On Demand Deposit Accounts			
Standard Chartered Bank - Current Account		6,480,460	37,947,678
Southeast Bank Ltd- Current Account		-	-
		6,480,460	**37,947,678**
On Short Term Deposit (STD) Accounts			
Southeast Bank Limited		289,688	281,781
Jamuna Bank Limited		500,000	-
Pubali Bank Limited		203,822,817	194,614,111
Janata Bank Limited		387,003,692	324,447,035
Bangladesh Krishi Bank Limited		160,558,183	132,818,934
The City Bank Limited		6,742,608	13,292,199
Agrani Bank Limited		218,898,104	277,609,235
Islami Bank Bangladesh Limited		94,576,732	160,100,226
United Commercial Bank Limited		17,505,411	14,700,308
National Bank Limited		19,356,572	9,306,246
Sonali Bank Limited		86,395,660	153,191,455
ICB Islamic Bank Limited		24,536	20,751
AB Bank Limited		117,915,302	-
Rupali Bank Limited		166,648,009	115,850,996
First Security Islami Bank Limited		4,931,554	3,037,229
EXIM Bank Limited		9,628,849	9,591,254
BASIC Bank Limited		1,144,121	1,087,755
Mercantile Bank Limited		2,500,000	-
		1,498,441,838	**1,409,949,517**
On Fixed Deposit with Banks			
Local currency:			
BASIC Bank Limited		2,000,000,000	-
First Security Islami Bank Limited		300,000,000	-
Southeast Bank Limited		1,400,000,000	-
		3,700,000,000	**-**
Foreign currency:			
Dhaka Bank Limited		-	-
The City Bank Limited		-	-
		-	-
		3,700,000,000	**-**
On Fixed Deposit with Financial Institutions			
International Leasing & Financial Services Limited		500,000,000	300,000,000
Uttara Finance & Investment Limited		300,000,000	100,000,000
Far East Finance & Investment Limited		300,000,000	100,000,000
Union Capital Limited		300,000,000	-
National Housing Finance Company Limited		120,000,000	100,000,000
Prime Finance & Investment Co. Limited		300,000,000	200,000,000
Premier Leasing & Financial Services Limited		150,000,000	-
Phoenix Finance & Investments Limited		400,000,000	-
Bangladesh Industrial Finance Company Limited		230,000,000	280,000,000
Investment Corporation Of Bangladesh		1,500,000,000	-
Industrial & Infrastructure Development Finance Co. Ltd.		100,000,000	-
Reliance Finance Limited		200,000,000	130,000,000
Peoples Leasing Company Ltd.		200,000,000	-
Lanka Bangla Finance Co. Limited		100,000,000	-
		4,700,000,000	**1,210,000,000**
		9,904,922,299	**2,657,897,194**

Particulars	2012 Taka	2011 Taka
4.2 Balance with other banks and financial institutions (Outside Bangladesh)		
On Demand Deposit Accounts (Non interest bearing) with:		
Standard Chartered Bank-NY (USD)	201,357,785	16,393,927
Mashreq Bank PSCNY (USD)	1,890,430	571,589
The Bank of Nova Scotia- Canada (CAD)	2,559,467	2,584,463
ICICI Mumbai (ACU Dollar)	1,844,745	2,236,129
Standard Chartered Bank-UK (GBP)	13,142,506	2,711,009
Hypo Vereins Bank Germany (EURO)	802,666	720,247
HSBC - NewYork (USD)	88,129,574	106,933,192
HSBC - United Kindom (GBP)	48,876,719	21,678,415
HSBC - Australia (AUD)	18,451	605,191
HSBC Pakistan (ACU Dollar)	849,298	940,232
Zuercher Kantonal Bank, Zurich (CHF)	594,595	2,337,514
ING Belgium NV/SA (EURO)	45,615	214,113
Unicredito Italiano SPA (EURO)	1,064,453	1,541,979
Commerz Bank AG Germany (EURO)	5,542,843	10,647,589
Commerz Bank AG Germany (USD)	827,553	-
Standard Chartered Bank - Frakfut (EURO)	1,078,688	385,881
Union DE Banques Arabes ET Francaises (JPY)	1,572,525	1,913,858
United Bank of India, Calcutta (ACU)	75,960	77,781
Westpack Banking Corporation, (AUD)	4,271,449	4,815,750
JP Morgan Chase Bank (USD)	79,580,221	6,286,887
Sonali Bank Limited (UK)	-	30,370
HDFC Bank Limited	11,977,414	2,178,654
Deutsche Bank Trust Company	9,462,828	1,414,115
Bank of America N.A New York	1,835,981	-
	477,401,766	**187,218,886**
On Demand Deposit Accounts (Interest bearing) with:		
CITI Bank NA (USD)	69,596,675	30,653,306
AB Bank Mumbai (ACU Dollar)	44,723	85,048
	69,641,398	**30,738,354**
	547,043,164	**217,957,240**
Details are shown in Annex-B		
On Fixed Deposit with On Shore to Off Shore placement		
On Shore to Off Shore placement	4,869,001,672	335,513,567
	5,416,044,836	**553,470,807**
4.3 Maturity grouping of balance with other banks and financial institutions		
Up to 1 months	3,151,965,463	2,001,368,001
More than 1 months to 3 months	5,965,201,672	400,000,000
More than 3 months to 1 Year	6,203,800,000	810,000,000
More than 1 year to 5 years	-	-
More than 5 years	-	-
	15,320,967,135	**3,211,368,001**
4.a Consolidated Balance with Other Banks and Financial Institutions		
A. In Bangladesh		
BRAC Bank Limited	9,904,922,299	2,657,897,194
Off Shore Banking Unit	31,410,951	-
BRAC EPL Investments Ltd.	55,089,994	37,566,148
BRAC EPL Stock Brokerage Ltd.	478,099,661	513,961,451
B-Kash Ltd.	1,269,585,964	81,419,169
BRAC Saajan Exchange Ltd.	-	-
	11,739,108,869	**3,290,843,962**
Less: Inter Company Transaction with:		
BRAC EPL Investments Ltd.	28,551,078	20,658,044
BRAC EPL Stock Brokerage Ltd.	103,196,238	85,855,418
B-Kash Ltd.	1,269,100,058	45,474,169
BRAC Saajan Exchange Ltd.	-	-
	10,338,261,494	**3,138,856,331**

Particulars		2012 Taka	2011 Taka
B. Outside Bangladesh			
BRAC Bank Limited		547,043,164	553,470,807
Off Shore Banking Unit		4,908,820,466	8,289,885
BRAC EPL Investments Ltd.		-	-
BRAC EPL Stock Brokerage Ltd.		-	-
B-Kash Ltd.		-	-
BRAC Saajan Exchange Ltd.		99,190,656	46,249,164
		5,555,054,285	**608,009,856**
Less: Inter Company Transaction with:			
Off shore Banking unit		4,869,001,672	
BRAC EPL Investments Ltd.		-	-
BRAC EPL Stock Brokerage Ltd.		-	-
B-Kash Ltd.		-	-
BRAC Saajan Exchange Ltd.		46,159,064	-
		4,915,160,736	**-**
		639,893,550	**608,009,856**
		10,978,155,044	**3,746,866,187**
5 Money at Call and Short Notice			
Banking Company:			
Uttara Bank Limited		-	180,000,000
Jamuna Bank Limited		-	250,000,000
National Credit & Commerce Bank Limited		-	50,000,000
		-	480,000,000
		-	**480,000,000**
5.1 Maturity grouping of Money at Call and Short Notice			
Up to 1 month		-	480,000,000
More than 1 month to 3 month		-	-
More than 3 month to 1 Year		-	-
More than 1 year to 5 years		-	-
More than 5 years		-	-
		-	**480,000,000**
5.a Consolidated Money at Call and Short Notice			
BRAC Bank Limited		-	480,000,000
Off Shore Banking Unit		-	-
BRAC EPL Investments Ltd.		-	-
BRAC EPL Stock Brokerage Ltd.		-	-
B-Kash Ltd.		-	-
BRAC Saajan Exchange Ltd.		-	-
		-	**480,000,000**
6 Investments			
Government Securities	(Note: 6.1)	21,858,309,744	10,291,953,253
Other Investments	(Note: 6.2)	3,514,215,538	3,906,874,257
		25,372,525,282	**14,198,827,511**
Investment in securities are classified as follows:			
Held for trading (Treasury Bill)		12,010,823,141	4,463,454,136
Held to maturity (Treasury Bond)		9,845,304,503	5,827,247,117
Other Investments		3,516,397,638	3,908,126,257
		25,372,525,282	**14,198,827,511**
6.1 Government Securities			
Treasury Bills	(Note: 6.1.1)	1,275,747,828	-
Bangladesh Bank Bills	(Note: 6.1.2)	6,967,625,583	-
Treasury Bonds	(Note: 6.1.3)	9,243,273,280	10,290,701,253
Encumbered Securities		4,369,480,954	-
Prize Bond		2,182,100	1,252,000
		21,858,309,744	**10,291,953,253**

	Particulars	2012 Taka	2011 Taka
6.1.1	91 Days Treasury bills	-	-
	182 Days Treasury Bills	1,036,975,293	-
	364 Days Treasury Bills	238,772,535	-
		1,275,747,828	**-**
6.1.2	**Bangladesh Bank Bills**		
	30 Days Bangladesh Bank Bills	**6,967,625,583**	**-**
6.1.3	**Treasury Bonds**		
	Treasury Bonds (3 years TNT)	-	-
	Treasury Bonds (5 years BGTB)	-	49,981,400
	Treasury Bonds (10 years BGTB)	4,192,853,580	4,283,736,533
	Treasury Bonds (15 years BGTB)	1,533,587,620	1,498,074,561
	Treasury Bonds (20 years BGTB)	3,516,832,080	3,420,972,970
	Reverse REPO	-	1,037,935,789
		9,243,273,280	**10,290,701,253**
6.2	**Other Investments**		
	Ordinary shares:		
	Industrial and Infrastructure Development Finance Co. Ltd.	24,442,502	20,345,700
	Dun & Bradstreet Rating Agency og Bangladesh Limited	12,497,600	12,497,600
	Central Depository Bangladesh Ltd.	6,277,770	6,277,770
	Documenta Limited	10,000,000	-
		53,217,872	**39,121,070**
	Capital market investment		
	Balance with subsidiary BRAC EPSL Stock Brokerage Ltd.		
	Managed by BRAC Bank Ltd.	2,660,546,666	2,964,302,188
		2,660,546,666	**2,964,302,188**
	Preference Shares		
	STS Holdings Limited	-	10,000,000
	Summit Uttaranchal Power Co Ltd	99,360,800	99,360,800
	Summit Purbanchal Power Co Ltd	151,090,200	151,090,200
		250,451,000	**260,451,000**
	(Details are shown in Annex - C)		
	Bonds		
	Orascom	300,000,000	400,000,000
	Trust Bond	30,000,000	30,000,000
	First Security Mudaraba Bond	100,000,000	-
		430,000,000	**430,000,000**
	Private Placement & IPO	**-**	**-**
	Private Placement & Pre IPO		
	Exim Bank First Mutual fund	50,000,000	50,000,000
	Prime Finance Second Mutual fund	30,000,000	30,000,000
	NLI First Mutual Fund	-	10,000,000
	Unique Hotel & Resorts	-	48,000,000
	Bengal Windsor Thermoplastics Ltd.	40,000,000	40,000,000
	Generation Next Fashion Ltd.	-	35,000,000
		120,000,000	**163,000,000**
		3,514,215,538	**3,856,874,258**
6.3	**Maturity Wise Grouping of Investment**		
	Up to 1 month	9,630,354,349	-
	More than 1 month to 3 month	1,330,844,406	506,079,092
	More than 3 month to 1 Year	3,712,353,153	2,161,971,992
	More than 1 year to 5 years	4,526,527,854	3,132,242,924
	More than 5 years	6,172,445,522	8,398,533,502
		25,372,525,282	**14,198,827,511**

	Particulars		2012 Taka	2011 Taka
6.a	**Consolidated Investments**			
	BRAC Bank Limited:			
	Government Securities		21,858,309,744	10,291,953,253
	Other Investments		3,514,215,538	3,906,874,257
			25,372,525,282	**14,198,827,511**
	Less:			
	Inter-company transaction			
	Balance with EPSL (Capital market investment)		**-**	**-**
			25,372,525,282	**14,198,827,511**
	Add:			
	Off Shore Banking Unit		-	-
	Investment of subsidiaries			
	BRAC EPL Investments Ltd.		28,939,897	434,119,992
	BRAC EPL Stock Brokerage Ltd.		61,614,752	42,036,288
	B-Kash Ltd.		-	-
	BRAC Saajan Exchange Ltd.		-	-
			25,463,079,931	**14,674,983,791**
7	**Loans and Advances**			
	Overdrafts		4,710,164,722	2,909,965,460
	Demand loans		19,494,823,274	17,613,379,489
	Term loans		18,321,674,745	16,466,589,497
	Lease receivables	(Note - 7.3)	149,995,042	462,641,045
	Small & medium enterprises		56,891,987,570	50,038,618,545
	Credit Cards		2,833,983,083	2,313,839,408
	Staff loans	(Note - 7.7)	620,673,330	622,327,607
			103,023,301,767	**90,427,361,050**
	Bills purchased & discounted	(Note - 7.17)	601,136,190	394,813,615
			103,624,437,957	**90,822,174,665**
7.1	**Net Loans and Advances**			
	Gross loans and advances		103,624,437,957	90,822,174,665
	Less:			
	Interest suspense		568,901,844	624,136,298
	Provision for loans & advances		6,509,051,804	4,949,801,968
			7,077,953,648	**5,573,938,266**
			96,546,484,309	**85,248,236,399**
7.2	**Maturity Wise Grouping of Loans and Advances**			
	Repayable on demand		19,658,566,821	15,433,072,461
	More than 1 months to 3 months		11,396,250,882	12,302,710,628
	More than 3 months to 1 Year		24,645,013,575	27,261,169,508
	More than 1 year to 5 years		37,825,673,561	30,281,978,169
	More than 5 years		10,098,933,117	5,543,243,898
			103,624,437,957	**90,822,174,665**
7.3	**Lease receivables**			
	Lease finance on demand		48,327,640	50,244,839
	Lease finance receivables More than 1 months to 3 months		10,642,241	96,389,338
	Lease finance receivables More than 3 months to 1 Year		42,875,712	67,707,586
	Lease finance receivables More than 1 year to 5 years		48,149,450	248,299,282
	Lease finance receivables More than 5 years		-	-
	Total Lease finance receivable		**149,995,042**	**462,641,045**
7.4	**Loans and Advances under the following broad categories**			
	Inside Bangladesh:			
	Loans		98,914,273,234	87,912,209,204
	Cash Credits		-	-
	Overdrafts		4,710,164,722	2,909,965,460
			103,624,437,957	**90,822,174,665**
	Outside Bangladesh:			
	Loans		-	-
	Cash credits		-	-
	Overdrafts		-	-
			103,624,437,957	**90,822,174,665**

	Particulars	2012 Taka	2011 Taka
7.5	**Geographical Location Wise Portfolio Grouping**		
	Inside Bangladesh:		
	Dhaka Division	69,986,225,886	59,549,684,448
	Chittagong Division	16,698,358,818	15,159,731,933
	Khulna Division	5,037,871,529	4,688,598,033
	Sylhet Division	1,809,688,537	1,737,391,914
	Barisal Division	2,437,352,934	2,740,452,721
	Rajshahi Division	5,132,047,480	4,760,969,055
	Rangpur Division	2,522,892,773	2,185,346,560
		103,624,437,957	**90,822,174,665**
	Outside Bangladesh:	-	-
		103,624,437,957	**90,822,174,665**
7.6	**Significant Concentration wise Grouping**		
	Directors & others	-	-
	Staff:		
	Managing Director & CEO	6,998,326	8,182,785
	Senior Executives	75,984,793	73,286,413
	Others	537,690,211	540,858,408
		620,673,330	**622,327,607**
	Industries:		
	Agricultural	1,008,793,926	3,454,456,128
	Large & Medium	13,912,549,341	12,993,611,459
	Small & Cottage	1,106,690,193	2,070,659,552
		16,028,033,459	**18,518,727,139**
	Consumers	15,459,129,582	12,459,605,704
	Trade & Commercial	71,516,601,584	59,221,514,215
		103,624,437,957	**90,822,174,665**
7.7	**Staff Loan**		
	Personal Loan	101,018,825	97,262,118
	Car and motorcycle Loan	172,929,440	229,219,582
	House building Loan	346,725,065	295,845,907
		620,673,330	**622,327,607**

7.8 Detail of Large Loan

Number of clients with amount outstanding and classification status to whom loans and advances sanctioned exceeds 10% of the total capital of the Bank. Total capital of the Bank was Taka 12,613.56 million on Consolidated basis and Taka 12,750.91 million on Solo basis as at 31 December 2012 (Taka 12,098.92 million and 12,788.69 million as at 31 December 2011 respectively). **(Details are shown in Annexure - E)**

	Particulars	2012 Taka	2011 Taka
7.9	**Grouping as per Classification Rules**		
	Unclassified		
	Standard including staff loan	92,971,558,186	83,364,964,314
	Special Mention Account (SMA)	3,015,779,003	2,217,667,800
		95,987,337,188	**85,582,632,114**
	Classified		
	Sub standard	1,434,071,781	1,584,001,808
	Doubtful	1,088,896,958	1,288,798,013
	Bad / Loss	5,114,132,029	2,366,742,729
		7,637,100,768	**5,239,542,550**
		103,624,437,957	**90,822,174,665**
7.10	**Loan type wise classified loan**		
	Overdraft	56,361,863	28,260,858
	Demand Loan	596,427,842	192,062,108
	Term Loan	6,621,152,689	4,833,509,523
	Lease Finance	38,859,799	39,115,299
	Credit Cards	324,298,576	146,594,763
		7,637,100,768	**5,239,542,550**

	Particulars	2012 Taka	2011 Taka
7.11	**Sector-wise Allocation of Loans and Advances**		
	Government	-	-
	Private:		
	Agriculture, fishing, forestry and dairy firm	1,008,793,926	3,454,456,128
	Industry (jute, textile, garments, chemicals, cements etc.)	13,912,549,341	12,993,611,459
	Working capital financing	5,912,717,720	5,257,710,388
	Export credit	892,858,079	11,543,611
	Commercial credit	64,711,025,785	53,952,260,216
	Small and cottage industries	1,106,690,193	2,070,659,552
	Miscellaneous	16,079,802,913	13,081,933,311
		103,624,437,957	**90,822,174,665**
		103,624,437,957	**90,822,174,665**
7.12	**Securities against loans/advances including bills purchased and discounted**		
	Collateral of moveable/immoveable assets	59,994,818,670	37,745,386,133
	Local banks & financial institutions guarantee	-	-
	Government guarantee	-	-
	Foreign banks guarantee	-	-
	Export documents	-	-
	Fixed deposit receipts (FDR)	5,871,268,190	6,632,709,069
	FDR of other banks	-	-
	Government bonds	-	-
	Personal guarantee & other securities	37,758,351,097	46,444,079,462
	Other securities	-	-
		103,624,437,957	**90,822,174,665**

7.13 Particulars of required provisions for loans and advances

Status	Outstanding Loans & advances December 2012	Base for provision	Percentage (%) of required provision	Required provision December 2012	Required provision December 2011
Unclassified					
All unclassified loans (Other than Small & Medium enterprise Financing,Consumer Financing,BHs/MBs/SDs, Housing & loans for professional)	35,050,277,071	35,050,277,071	1%	350,502,771	305,654,497
Small & Medium enterprise financing	43,151,367,862	43,151,367,862	0.25%	107,878,420	384,924,574
Loans to BHs/MBs/SDs against share etc	1,765,033,407	1,765,033,407	2%	35,300,668	37,560,234
Housing & loan for professional	8,794,915,604	8,794,915,604	2%	175,898,312	166,722,714
Consumer finance	3,589,290,911	3,589,290,911	5%	179,464,546	173,529,112
Special Mentioned Account (SMA)	3,015,779,003	3,015,779,003	5%	150,788,950	106,781,053
				999,833,666	**1,175,172,184**
Classified - Specific provision					
Sub-standard	1,434,071,781	1,262,859,835	20%	252,571,967	301,562,413
Doubtful	1,088,896,958	1,006,361,726	50%	503,180,863	595,016,389
Bad/Loss	5,114,132,029	4,649,504,757	100%	4,649,504,757	2,166,401,989
				5,405,257,587	**3,062,980,791**
Required provision for loans and advances				**6,405,091,254**	**4,238,152,975**
Total provision maintained (Note 17.1)				**6,509,051,804**	**4,949,801,968**
Excess/(Short) provision at 31 December 2012				**103,960,550**	**711,648,993**

* BHs = Brokerage Houses, MBs = Merchant Banks, SDs = Stock Dealers Against Shares.

7.14 Particulars of required provisions for off balance sheet items - General Provision

Name of Exposure	Outstanding	Percentage (%) of required provision	Required provision 2012	Required provision 2011
Acceptances and endorsements	149,723,080	1%	1,497,231	1,601,057
Letter of guarantees	4,740,297,069	1%	47,402,971	45,372,790
Irrevocable letter of credits	10,958,226,141	1%	109,582,261	162,010,808
Bills for collection	405,799,599	1%	4,057,996	6,266,240
Total required provision			162,540,459	215,250,895
Total provision maintained (note 17.2)			234,000,000	234,000,000
Excess/(Short) provision at 31 December 2012			**71,459,541**	**18,749,105**

	Particulars	2012 Taka	2011 Taka
7.15	**Particulars of Loans and Advances**		
i)	Debts considered good in respect of which Bank is fully secured;	65,866,086,860	44,378,095,203
ii)	Debts considered good for which Bank holds no other security than the debtor's personal security;	2,935,001,909	2,411,101,526
iii)	Debts considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtors;	34,823,349,188	44,032,977,936
iv)	Debts considered doubtful or bad, not provided for;	-	-
		103,624,437,957	**90,822,174,665**
v)	Debts due by directors or officers of the banking company or any of these either separately or jointly with any other persons;	620,673,330	622,327,607
vi)	Debts due by companies or firms in which the directors or officers of the bank are interested as directors, partners or managing agents or in case of private companies as members;	22,500,000	54,672,820
vii)	Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the banking companies or any of them either separately or jointly with any other person;	620,673,330	622,327,607
viii)	Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the banking company have interest as directors, partners or managing agents or in case of private companies, as members;	22,500,000	54,672,820
ix)	Due from banking companies;	-	-
x)	Amount of Classified loans on which interest has not been charged should be mentioned as follows:	-	-
a)	Increase/decrease of provision (specific)	1,980,891,250	539,873,497
	amount of debts written off	1,497,638,503	993,872,448
	amount realized against loan previously written off.	251,683,293	224,876,871
b)	Amount of provision kept against loan classified as "bad/loss" on the date of preparing the balance sheet;	5,114,132,029	2,366,742,729
c)	Interest creditable to the Interest Suspense a/c.	568,901,844	624,136,298
xi)	Cumulative amount of the written off loan and the amount written off during the current year should be shown separately. The amount of written off loan for which lawsuit has been field should also be mentioned.		
	- Current year	1,497,638,503	993,872,448
	- Cumulative to date	4,686,051,245	3,188,412,742
	The amount of written off loans for which law suit filed	4,686,051,245	3,188,412,742

7.16 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.

	Particulars	2012 Taka	2011 Taka
7.17	**Bill Purchased & Discounted under the following broad categories**		
	Inside Bangladesh	601,136,190	394,813,615
	Outside Bangladesh	-	-
		601,136,190	**394,813,615**
7.18	**Maturity Wise Grouping of Bill Purchased & Discounted**		
	Up to 1 months	362,822,529	201,711,847
	More than 1 months to 3 months	172,943,205	138,321,266
	More than 3 months to 1 Year	65,370,456	54,780,502
	More than 1 year to 5 years	-	-
	More than 5 years	-	-
		601,136,190	**394,813,615**
7.19	**Write off of Loans & advances**		
	Balance at the beginning of the year	2,707,370,879	1,938,375,302
	Add: Write off during the year	1,497,638,503	993,872,448
		4,205,009,382	**2,932,247,750**
	Less: Recovery of Write off loans	251,683,293	224,876,871
	Balance at the end of the year	**3,953,326,089**	**2,707,370,879**
7.a	**Consolidated Loans & Advances**		
	BRAC Bank Limited	103,624,437,957	90,822,174,665
	Off Shore Banking Unit	8,250,205,652	4,344,938,926
	BRAC EPL Investments Ltd.	3,679,472,517	3,924,682,337
	BRAC EPL Stock Brokerage Ltd.	49,691,103	-
	B-Kash Ltd.	-	-
	BRAC Saajan Exchange Ltd.	-	-
	Less: Inter-company transaction		
	Borrowing from BRAC Bank by BRAC EPL Investments Ltd.	1,517,524,055	1,613,431,410
		114,086,283,173	**97,478,364,517**
8	**Fixed assets including premises, furniture and fixtures**		
	Cost		
	Property plant and equipments:		
	Land	604,314,000	87,940,465
	Furniture & fixture	1,135,168,847	1,060,711,794
	Office equipments	941,004,481	872,013,588
	IT Hardwares	1,322,812,021	1,196,248,215
	Motor vehicles	94,402,419	83,865,588
		4,097,701,767	3,300,779,649
	Intangible Assets:		
	License (Indefinte useful live)	50,000	50,000
	IT Softwares (Finite useful live)	805,610,083	726,572,647
		4,903,361,850	**4,027,402,296**
	Less: Accumulated depreciation	2,311,909,970	1,678,237,541
	Net Book value at the end of the year	**2,591,451,880**	**2,349,164,755**
	(Details are shown in Annex - D)		
8.a	**Consolidated Fixed Assets including Premises, Furniture & Fixtures**		
	BRAC Bank Limited	2,591,451,880	2,349,164,755
	Off Shore Banking Unit	-	-
	BRAC EPL Investments Ltd.	54,980,465	76,777,723
	BRAC EPL Stock Brokerage Ltd.	73,759,856	72,348,051
	B-Kash Ltd.	126,905,445	99,322,987
	BRAC Saajan Exchange Ltd.	14,726,663	2,317,931
		2,861,824,309	**2,599,931,447**

	Particulars		2012 Taka	2011 Taka
9	**Other Assets**			
9.1	**Income Generating Other Assets**			
	Interest receivables	(Note - 9.1.1)	981,435,866	754,054,062
	Prepaid Interest Expenses on Interest First Fixed Deposit (IFFD)		1,365,470,978	80,468,181
	Receivables against sanchayapatra		420,133,936	161,622,019
	Receivables from Omnibus		23,994,415	28,952,943
	Receivables against travelers cheque		343,398	3,077,798
	Investment in subsidiary	(Note - 9.1.2)	2,171,088,125	2,138,505,445
	Investment in associates	(Note - 9.1.3)	17,300,000	12,500,000
	Balance with EPSL (Advance)		59,856,082	116,864,049
			5,039,622,799	**3,296,044,498**
9.1.1	**Interest Receivables**			
	Interest Receivables consists of interest receivable on loans, investments etc.			
	Receivable against Govt. securities		243,569,955	248,453,694
	Receivable against other securities		37,861,375	31,145,759
	Receivable against balance with other bank		212,226,538	45,148,379
	Receivable against loans and advances		442,330,947	428,295,859
	Receivable against term deposit - OBU		45,447,051	1,010,370
			981,435,866	**754,054,062**
9.1.2	**Investment in subsidiaries**			
	BRAC EPL Investments Ltd.		752,715,794	752,715,794
	BRAC EPSL Stock Brokerage Ltd.		1,344,147,500	1,344,147,500
	B-Kash Ltd.		14,836,300	1,785,000
	BRAC Saajan Exchange Ltd.		59,388,531	39,857,151
			2,171,088,125	**2,138,505,445**
9.1.3	**Investment in associates**			
	BRAC Asset Management Company Ltd.		12,500,000	12,500,000
	BRAC Impact Ventures Limited		4,800,000	-
			17,300,000	**12,500,000**
9.2	**Non Income Generating Other Assets**			
	Stock of stamps		5,636,907	1,159,714
	Other receivables	(Note - 9.2.1)	594,422,701	367,164,803
	Stock of security stationery		13,966,314	13,564,599
	Stock of printing stationery		43,204,197	26,677,406
	Stock of furniture		28,185,660	25,795,237
	Advance to staff & supplier		7,245,086	4,757,913
	Advance for ELDORADO		-	45,568,391
	Deferred revenue expenditure		38,496,926	44,790,113
	Advance payment of income tax		5,622,308,862	4,241,797,685
	Deferred tax asset	(Note - 9.2.2)	1,077,184,150	1,152,939,348
	Advance to SME unit offices		1,312,690	1,317,550
	Advance against fixed assets		50,808,910	89,044,599
	Advance against office rent		649,280,308	547,912,927
	Advance security deposit		9,207,431	9,259,026
	Advance for software migration		1,819,251	38,886,827
	Advance for ANIK tower project		7,000	112,112
	Advance to B-Kash		5,100	5,100
	Advance against Pre-IPO (First Bangladesh Fixed Income Fund)		-	250,000,000
	* Lease assets		3,901,201	3,945,579
	Interbranch Account	(Note-9.2.4)	123,785	123,785
			8,147,116,479	**6,864,822,714**
		(Note 9.1 + 9.2)	**13,186,739,278**	**10,160,867,211**

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 amortized over the term of the lease.

	Particulars	2012 Taka	2011 Taka
9.2.1	**Other Receivables**		
	Receivable against remittance	153,591,285	163,767,002
	Receivable against bills pay	500	-
	Receivable against DD	133,200,000	27,500,000
	Receivable against Cheques	19,725	19,725
	Receivable against Cards	34,951,260	12,003,959
	Account receivable-FCY(Unclaimed)	243,254	116,116
	Receivable from Merchant	175,040,887	63,917,101
	Receivable from Partners	15,983,059	32,234,050
	Receivable in Cash Shortage	9,339,506	15,978,000
	Receivable from Member Bank - ELDORADO	61,441,845	49,247,775
	Sundry debtors	8,611,380	459,725
	Receivable from Branch	-	1,921,349
	VAT current account	2,000,000	-
		594,422,701	**367,164,803**

9.2.2 Deferred Tax asset/ (Liability)

	Book Value	Tax Base	Deductible/ (Taxable) Temporary Difference	Deferred Tax Asset/ (Liability)
Balance as at 31 December 2011				
Deferred Tax Asset				1,052,939,348
Deferred Tax Liability				(287,021,562)
Net Deferred Tax Asset 2011				**765,917,786**
Balance as at 31 December 2012				
Loan loss provision (Note - 9.2.3)	5,114,132,029	-	2,769,845,060	945,577,274
Provision against Capital market	544,957,355	-	544,957,355	131,606,876
Provision against off balance sheet items	-	-	-	-
Deferred tax asset (a)				**1,077,184,150**
Interest receivable from treasury bills & bonds	243,569,955	-	(243,569,955)	(103,517,231)
Fixed assets (Annex-D)	1,987,087,880	1,692,271,026	(294,816,853)	(125,297,163)
Deferred Tax Liability (b)				**(228,814,394)**
Net Deferred Tax Asset 31 December 2012 (a+b)				**848,369,757**
Increase of deferred tax asset recognized into P&L as income				24,244,802
Decrease of deferred tax liability recognized into P&L as income				58,207,168
Total Deferred tax income recognized into P&L during the year 2012				**82,451,971**

9.2.3 A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Temporary difference arising from loan loss provision is recognized to the extent it is probable that taxable profit will be available in foresable future against which it can be utilized. According to the requirement of Bangaldesh Bank BRPD Circular No. 11 dated 12 December 2011, Deferred tax asset can be created against "Loan Loss Provision" according to the requirement of BAS - 12 but such amount (i.e. BDT 945,577,274) should be excluded from Regulatory Capital (i.e. Tier - 1 Capital). Expected time to adjust the above loan loss provision through write off is 5 years.

		2012 Taka	2011 Taka
9.2.4	**Interbranch Account**		
	Inter Branch Account - BDT	-	-
	Inter Branch Account - FCY	-	-
	Cost Center Account	123,785	123,785
	Spot Exchange - BDT	-	-
	Spot Exchange - FCY	-	-
	Forward Exchange - BDT	-	-
	Asset for Distribution	-	-
	Liability for Distribution	-	-
	Merchant POS Settlement Account	-	-
		123,785	**123,785**

	Particulars		2012 Taka	2011 Taka
9.a	**Consolidated Other Assets**			
	BRAC Bank Limited		13,186,739,278	10,160,867,211
	Off Shore Banking Unit		106,316,049	133,221,192
	BRAC EPL Investments Ltd.		592,104,555	135,634,733
	BRAC EPL Stock Brokerage Ltd.		110,939,212	199,161,589
	B-Kash Ltd.		115,136,159	27,204,574
	BRAC Saajan Exchange Ltd.		62,778,259	54,864,877
			14,174,013,512	10,710,954,176
	Less:			
	Investment in subsidiaries			
	BRAC EPL Investments Ltd.		752,715,794	752,715,794
	BRAC EPL Stock Brokerage Ltd.		1,344,147,500	1,344,147,500
	B-Kash Ltd.		14,836,300	1,785,000
	BRAC Saajan Exchange Ltd.		59,388,531	39,857,151
			2,171,088,125	2,138,505,445
	Investment in associates			
	BRAC Asset Management Company Ltd.		12,500,000	12,500,000
	BRAC Impact Ventures Limited		4,800,000	-
	Less: Inter-company transaction			
	Payable to BRAC EPL Investment Ltd.		65,000	92,437
	Advance to B-Kash		5,100	5,100
	Receivable from B-Kash Ltd.		5,505,951	19,606,650
	Balance with EPSL (Advance)		59,856,082	116,864,049
	Payable to BRAC EPSL Stock Brokerage Ltd by BRAC EPL Investment Ltd.		627,843	252,989
			66,059,976	136,821,225
	Add:			
	Investment of associates			
	BRAC Asset Management Company Ltd.	(Note - 9.a.1)	13,718,064	13,131,311
	BRAC Impact Ventures Limited	(Note - 9.a.2)	4,266,844	-
			11,997,406,400	**8,553,122,866**
9.a.1	**Investment in associates**			
	BRAC Asset Management Company Ltd.			
	Opening balance		13,131,311	12,571,651
	Investment made during the year		-	-
	Add: Share of post acquisition profit		586,753	559,660
	Less: Dividend receivable		-	-
	Total carrying amount of investment in associates		**13,718,064**	**13,131,311**
9.a.2	**Investment in associates**			
	BRAC Impact Ventures Limited			
	Investment made during the year		4,800,000	-
	Add: Share of post acquisition profit		(533,156)	-
	Less: Dividend receivable		-	-
	Total carrying amount of investment in associates		**4,266,844**	-

10 Non Banking assets

No non-banking assets is under the possession of the bank which acquired as claims. BRAC Bank limited was not acquired any such assets as on 31 December 2012.

		2012 Taka	2011 Taka
11.a	**Consolidated Goodwill**		
	BRAC Bank Limited	-	-
	BRAC EPL Investments Ltd.	246,289,822	246,289,822
	BRAC EPL Stock Brokerage Ltd.	1,126,273,573	1,126,273,573
	B-Kash Ltd.	-	-
	BRAC Saajan Exchange Ltd.	54,905,518	37,074,202
		1,427,468,912	**1,409,637,597**

11.a.1 Calculation of Goodwill

	BRAC EPL Investments Limited	BRAC EPSL Stock Brokerage Limited	B- Kash Limited	BRAC Saajan Exchange Limited	Total
Opening Balance	**246,289,822**	**1,126,273,573**	**-**	**37,074,202**	**1,409,637,597**
Cost of investment	-	-	-	19,531,380	19,531,380
Less:					
Share of Share Capital	-	-	-	4,593,745	4,593,745
Share of Share Premium	-	-	-	-	-
Share of Pre-acquisition profit	-	-	-	(2,893,681)	(2,893,681)
	-	-	-	1,700,065	1,700,065
	-	**-**	**-**	**17,831,316**	**17,831,316**
Closing Balance	**246,289,822**	**1,126,273,573**	**-**	**54,905,518**	**1,427,468,912**

	Particulars	2012 Taka	2011 Taka
12	**Borrowing from other Banks, Financial Institutions and Agents:**		
	Term Borrowing:		
	Banking company:		
	Off Shore to On Shore	39,559,407	-
	Uttara Bank Limited	-	650,000,000
		39,559,407	**650,000,000**
12.1	**Maturity Wise Grouping of Borrowing from Other Bank & Financial Institutions**		
	Up to 1 months	-	650,000,000
	More than 1 months to 3 months	39,559,407	-
	More than 3 months to 1 Year	-	-
	More than 1 year to 5 years	-	-
	More than 5 years	-	-
		39,559,407	**650,000,000**

12.2 **Disclosure regarding outstanding Repo as on 31 December 2012:**

Sl. no	Counter party name	Agreement Date	Reversal Date	Amount (1st leg cash consideration)
i	Dhaka Bank Ltd	12/30/2012	1/1/2013	1,201,416,441
ii	Standard Chartered Bank, Dhaka	12/30/2012	1/1/2013	844,009,715
iii	United Commercial Bank Ltd	12/30/2012	1/1/2013	1,497,286,491
				3,542,712,648

12.2.1 **Disclosure regarding outstanding Reverse Repo as on 31 December 2012:**

Sl. no	Counter party name	Agreement Date	Reversal Date	Amount (1st leg cash consideration)
	NIL	**N/A**	**N/A**	**NIL**

12.2.1 **Disclosure regarding overall transaction of Repo and Reverse repo during the year 2012:**

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year
Securities sold under repo:			
i) with Bangladesh Bank	199,920,000	5,134,315,000	746,357,077
ii) with other banks & Fis	255,773,832	1,497,286,491	28,646,095
Securities purchased under reverse repo:			
i) with Bangladesh Bank	-	-	-
ii) with other banks & FIs	108,931,130	3,074,310,039	927,632,380

	Particulars		2012 Taka	2011 Taka
12.a	**Consolidated Borrowing from other Banks, Financial Institutions and Agents**			
	BRAC Bank Limited		39,559,407	650,000,000
	Off Shore Banking Unit		8,063,401,672	3,271,000,000
	BRAC EPL Investments Ltd.		3,201,733,832	3,412,611,598
	BRAC EPL Stock Brokerage Ltd.		-	-
	B-Kash Ltd.		-	-
	BRAC Saajan Exchange Ltd.		-	-
	Less: Borrowing from BRAC Bank by BRAC EPL Investments Ltd. (Inter-Company)		1,517,524,055	1,613,431,410
	Borrowing from BRAC Bank by Off Shore Banking Unit. (Inter-Company)		4,869,001,672	
			4,918,169,184	**5,720,180,188**
13	**Borrowings from Central Bank**			
	Bangladesh Bank Refinance		632,592,247	461,882,617
	Bangladesh Bank REPO		3,893,910,000	-
			4,526,502,247	**461,882,617**
13.1	**Maturity Wise Grouping of Borrowing from Central Bank**			
	Up to 1 months		3,893,910,000	-
	More than 1 months to 3 months		-	-
	More than 3 months to 1 Year		632,592,247	461,882,617
	More than 1 year to 5 years		-	-
	More than 5 years		-	-
			4,526,502,247	**461,882,617**
13.a	**Consolidated Borrowings from Central Bank**			
	BRAC Bank Limited		4,526,502,247	461,882,617
	Off Shore Banking		-	1,071,488,567
	BRAC EPL Investments Ltd.		-	-
	BRAC EPL Stock Brokerage Ltd.		-	-
	B-Kash Ltd.		-	-
	BRAC Saajan Exchange Ltd.		-	-
			4,526,502,247	**1,533,371,184**
14	**Subordinated Convertible Bonds**			
	Private Placement	(Note - 14.1)	2,700,000,000	2,700,000,000
	Public Subscription	(Note - 14.2)	300,000,000	300,000,000
			3,000,000,000	**3,000,000,000**
14.1	**Private Placement details**			
		No. of Unit		
	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V	525,000	525,000,000	525,000,000
	Triodos Fair Share Fund	175,000	175,000,000	175,000,000
	Triodos Microfinance Fund	175,000	175,000,000	175,000,000
	Norwegian Investment Fund for Developing Countries	490,000	490,000,000	490,000,000
	Agrani Bank Limited	750,000	750,000,000	750,000,000
	BRAC Employee Providend Fund	482,500	482,500,000	482,500,000
	Delta Life Insurance Company Ltd.	20,000	20,000,000	20,000,000
	RACE Asset Management *	82,500	82,500,000	82,500,000
	* PHP 1st Mutual Fund, Popular Life 1st Mutual Fund			
	Total Private Placement		**2,700,000,000**	**2,700,000,000**
14.2	**Public Subscription details**	**No. of Unit**		
	Other than Non-resident Bangladeshis	212,775	212,775,000	212,775,000
	Non-resident Bangladeshis	2,285	2,285,000	2,285,000
	Mutual Funds	84,940	84,940,000	84,940,000
	Total Subscription received		**300,000,000**	**300,000,000**
	Less: Refundable against excess subscription		-	-
			300,000,000	**300,000,000**

	Particulars		2012 Taka	2011 Taka
14.3	**Maturity Wise Grouping of Subordinated Convertible Bonds**			
	Up to 1 months		-	-
	More than 1 months to 3 months		-	-
	More than 3 months to 1 Year		-	-
	More than 1 year to 5 years		3,000,000,000	-
	More than 5 years		-	3,000,000,000
			3,000,000,000	**3,000,000,000**
14.a	**Consolidated Subordinated Convertible Bonds**			
	BRAC Bank Limited		3,000,000,000	3,000,000,000
	Off Shore Banking Unit		-	-
	BRAC EPL Investments Ltd.		-	-
	BRAC EPL Stock Brokerage Ltd.		-	-
	B-Kash Ltd.		-	-
	BRAC Saajan Exchange Ltd.		-	-
			3,000,000,000	**3,000,000,000**
15	**Money at call and short notice**			
	Banking Company:			
	Sonali Bank Ltd.		400,000,000	-
	Southeast Bank Limited		100,000,000	-
	IFIC Bank Ltd.		100,000,000	-
	HSBC Bank		140,000,000	-
	Jamuna Bank Limited		50,000,000	-
	Trust Bank Limited		1,200,000,000	-
			1,990,000,000	**-**
15.1	**Maturity Wise Grouping of Money at call and short notice**			
	Up to 1 months		1,990,000,000	-
	More than 1 months to 3 months		-	-
	More than 3 months to 1 Year		-	-
	More than 1 year to 5 years		-	-
	More than 5 years		-	-
			1,990,000,000	**-**
15.a	**Consolidated Money at Call and Short Notice**			
	BRAC Bank Limited		1,990,000,000	-
	Off Shore Banking Unit		-	-
	BRAC EPL Investments Ltd.		-	-
	BRAC EPL Stock Brokerage Ltd.		-	-
	B-Kash Ltd.		-	-
	BRAC Saajan Exchange Ltd.		-	-
			1,990,000,000	**-**
16	**Deposit and Other Accounts**			
	Local Currency:			
	Current & other accounts		38,179,207,241	31,301,338,253
	Bills payable	(Note-16.3)	1,693,298,032	768,394,517
	Saving deposits		18,173,398,623	18,527,780,776
	Fixed deposits		71,457,715,031	51,053,796,908
	Other deposits	(Note-16.4.1)	132,669,605	120,935,996
			129,636,288,533	**101,772,246,449**
	Foreign Currency:			
	Current & other accounts		4,225,612,056	1,038,541,855
	Bills payable		-	-
	Saving deposits		-	-
	Fixed deposits		637,831,294	709,415,411
	Other deposits	(Note-16.4)	146,716,599	205,325,510
			5,010,159,949	**1,953,282,776**
	Total Deposit and other accounts		**134,646,448,482**	**103,725,529,225**

	Particulars	2012 Taka	2011 Taka
16.1	**Deposit details concentrating liquidity nature**		
	i) Demand deposit	**38,730,074,179**	**27,411,912,388**
	Current deposit	30,747,397,433	23,468,441,498
	Saving deposit (10%)	1,817,339,862	1,852,778,078
	Foreign currency deposit	4,372,328,655	1,243,867,366
	Sundry deposit	99,710,196	78,430,930
	Bills payable	1,693,298,032	768,394,517
	ii) Time deposit	**95,916,374,303**	**76,313,616,837**
	Saving deposit (90%)	16,356,058,761	16,675,002,699
	Foreign currency deposit	637,831,294	709,415,411
	Fixed deposit	55,435,619,919	46,804,112,552
	Short term deposit	7,431,809,808	7,832,896,754
	Deposit pension scheme	16,022,095,113	4,249,684,356
	Security deposit	12,668,190	21,655,406
	Other Deposit	20,291,219	20,849,659
		134,646,448,482	**103,725,529,225**
16.2	**Maturity Wise Grouping of Deposits**		
	Payable on demand	3,280,794,539	3,405,641,785
	Payable within 1 month	19,248,819,313	16,864,309,592
	Over 1 month but within 6 months	42,247,020,913	35,613,753,504
	Over 6 month but within 1 year	32,864,419,471	15,333,634,058
	Over 1 year but within 5 years	25,198,339,661	22,384,456,057
	Over 5 years but within 10 years	8,495,860,094	7,449,759,015
	Over 10 years	3,311,194,491	2,673,975,215
		134,646,448,482	**103,725,529,225**
16.3	**Bills payable**		
	Local Drafts Issued and Payable	70,889,260	146,208
	Stamp Charges payable for Loan Clients	6,195,778	7,842,270
	Insurance Premium payable for SME Loan Clients	76,536,799	83,667,169
	Payment Order Issued	1,275,413,126	582,205,279
	Sundry Creditors	60,246,415	20,004,562
	Payment Order To Be Issued	5,790,107	5,948,107
	Cards Settlement account	198,226,547	68,580,921
		1,693,298,032	**768,394,517**
16.4	**Other Deposits**		
	Foreign currency	146,716,599	205,325,510
	Local Currency:	-	-
	Sundry deposit (Note-16.4.1)	132,669,605	120,935,996
		279,386,204	**326,261,506**
16.4.1	**Sundry deposit**		
	Security Deposits	12,668,190	21,655,406
	Security Deposit from SME Loan client	541,201	602,244
	Security Deposit from Retail Loan client	19,750,018	20,247,415
	Merchant POS settlement account	-	-
	Lease Deposit	2,947,035	3,014,215
	Payable against Staff, Clients Loan account and others	96,763,161	75,416,715
		132,669,605	**120,935,996**
16.a	**Consolidated Deposit and Other Accounts**		
	BRAC Bank Limited	134,646,448,482	103,725,529,225
	Off Shore Banking Unit	39,542,241	-
	BRAC EPL Investments Ltd.	32,035,423	31,813,178
	BRAC EPL Stock Brokerage Ltd.	-	-
	B-Kash Ltd.	973,969,599	43,370,999
	BRAC Saajan Exchange Ltd.	-	-
		135,691,995,745	**103,800,713,402**

Particulars		2012 Taka	2011 Taka
Less: Inter Company Transaction			
BRAC EPL Investments Ltd.		28,551,078	20,658,044
BRAC EPL Stock Brokerage Ltd.		103,196,238	85,855,418
B-Kash Ltd.		1,269,100,058	45,474,169
BRAC Saajan Exchange Ltd.		46,159,064	-
		134,244,989,307	**103,648,725,771**

17 Other Liabilities

Provisions for loans & advances	(Note - 17.1)	6,509,051,804	4,949,801,968
Provisions for Off Balance Sheet Items	(Note - 17.2)	234,000,000	234,000,000
Provisions for Others		61,777	61,777
Interest suspense	(Note - 17.3)	568,901,844	624,136,298
Withholding tax payable	(Note - 17.4)	212,289,800	238,412,929
VAT payable	(Note - 17.5)	115,851,679	157,140,078
Provision for taxation	(Note - 17.6)	6,951,639,560	5,421,639,560
Deferred tax liability	(Note - 9.2.2)	228,814,394	287,021,562
Interest payable		1,694,854,983	1,745,688,487
Accrued expenses		847,359,595	600,099,835
Provision for diminution in value of Investments		544,957,355	474,595,202
Excise duty Payable		112,295,950	175,440,618
Share subscription - IPO (refund warrant)		6,517,319	9,107,461
Right Share subscription		1,020,775	1,027,375
Cheque clearing account		121,833,178	30,248,226
Margin on L/C		584,064,954	421,780,586
Margin on L/G		93,969,838	60,666,852
Cash Dividend payable		30,629,591	31,473,006
Unclaimed dividend		3,487,054	3,492,714
Payable against exchange house		4,233,535	18,199,453
Payable to ELDORADO member banks		-	3,728,600
Payable against insurance		7,614,248	25,163,622
Payable against freez account		241,662,415	105,952,195
Others		204,621,694	142,153,356
		19,319,733,341	**15,761,031,757**

17.1 Provision for Loans and Advances :

Provision for loans and advances is created for covering the bank from possible loan losses in the future. General provision is made on the outstanding amount of loans and advances without considering the classification status following the prescribed rate of Bangladesh Bank. Classified loans and advances of the banks are categorized as Sub-Standard, Doubtful and Bad/Loss as per Bangladesh Bank circulars. For loans which are classified as sub-standard, doubtful or bad/loss, specific provision is created netting off security value from the amount outstanding (net of unearned interest and interest suspense).

	2012 Taka	2011 Taka
A. General		
Balance at the beginning of the year	1,414,099,303	1,342,261,003
Add: Provision made during the year	(421,641,414)	71,838,300
Balance at the end of the year	**992,457,889**	**1,414,099,303**
B. Specific		
Balance at the beginning of the year	3,535,702,665	2,995,829,167
Add: Provision made during the year	3,302,774,899	1,442,477,570
	6,838,477,564	**4,438,306,737**
Less: Interest waiver during the year	-	-
Less: Write off during the year	1,321,883,649	902,604,073
Balance at the end of the year	**5,516,593,915**	**3,535,702,665**
Net actual provision at the end of the year (A+B)	**6,509,051,804**	**4,949,801,968**

	Particulars	2012 Taka	2011 Taka
17.2	**Provisions for Off Balance Sheet Items**		

Provision for off balance sheet items is made as per BRPD circular No. 8 of 7th August 2007 and 10 of September 18, 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:

	2012 Taka	2011 Taka
Balance at the beginning of the year	234,000,000	230,000,000
Add: Provision made during the year	-	4,000,000
Balance at the end of the year	**234,000,000**	**234,000,000**

17.3 Interest suspense

Classified loans and advances of the banks are categorized as sub-standard, doubtful and bad/loss as per guidelines of Bangladesh Bank. Interest accrued on SMA, Sub-Standard, Doubtful and Bad/Loss loans is transferred to interest suspense account and not considered as interest income. This interest is recognized as interest income when it is realized in cash by the bank.

	2012 Taka	2011 Taka
Balance at the beginning of the year	624,136,298	766,411,557
Add: Provision made during the year	1,178,672,512	1,194,933,560
	1,802,808,810	**1,961,345,116**
Less: Amount of interest suspense recovered	883,119,285	1,105,527,799
Less: Write off during the year	175,754,854	91,268,375
Less: Interest waiver during the year	175,032,826	140,412,645
Balance at the end of the year	**568,901,844**	**624,136,298**

17.4 Withholding Tax Payable

	2012 Taka	2011 Taka
Payable On Interest	188,995,656	223,397,445
Payable (Suppliers)	7,331,764	4,315,852
Payable (Staff Salaries & Allowance)	4,545,169	8,695,644
Payable (Rent)	2,400,097	127,163
Payable (Export)	1,527,230	625,417
Payable on Commission Paid	2,793,051	1,228,124
Payable on Others	2,784,332	23,284
Payable on Dividend	1,912,500	
	212,289,800	**238,412,929**

17.5 VAT Payable

	2012 Taka	2011 Taka
Payable On L/C Commission	2,643,509	3,895,107
Payable on Commission for Remittances	1,027,703	1,734,478
Payable on Loan Processing Fees	10,172,386	23,713,188
Payable - Credit Cards	6,638,318	16,139,119
Payable - Supplier	8,077,492	1,837,506
Payable - Rent	3,771,791	20,917,833
Payable - DESA & DESCO	7,559,105	5,281,317
Payable - BPDB	13,923,648	11,768,624
Payable - DPDC	48,542,466	55,912,106
Payable - Others	13,495,262	15,940,800
	115,851,679	**157,140,078**

17.6 Provision for current taxation

	2012 Taka	2011 Taka
Balance at the beginning of the year	5,421,639,560	4,003,775,611
Add: Provision made during the year	1,530,000,000	1,460,000,000
	6,951,639,560	5,463,775,611
Less: Adjustment of tax provision for previous years	-	42,136,051
Balance at the end of the year	**6,951,639,560**	**5,421,639,560**

Corporate tax position of the Bank has been shown in Annexure - F.

	Particulars	2012 Taka	2011 Taka
17.a	**Consolidated Other Liabilities**		
	BRAC Bank Limited	19,319,733,341	15,761,031,757
	Off Shore Banking	180,082,541	71,051,518
	BRAC EPL Investments Ltd.	61,267,454	170,680,695
	BRAC EPL Stock Brokerage Ltd.	366,686,817	486,188,675
	B-Kash Ltd.	283,023,703	96,117,147
	BRAC Saajan Exchange Ltd.	96,864,373	89,946,294
		20,307,658,229	**16,675,016,086**
	Less: Inter Company Transaction		
	Payable to BRAC EPL Investment Ltd.	65,000	92,437
	Receivable from B-Kash Ltd.	5,505,951	19,606,650
	Payable to BRAC EPSL Stock Brokerage Ltd by BRAC EPL Investment Ltd.	627,843	252,989
	Balance with BRAC EPL Stock Brokerage Ltd. (Advance)	59,856,082	116,864,049
		66,054,876	136,816,125
		20,241,603,354	**16,538,199,960**

18 Share Capital

18.1 Authorized Capital

Authorized Capital is the maximum amount of share capital that the bank is authorized by its Memorandum & article of association to issue to shareholders.

	2012	2011
1,200,000,000 ordinary shares of Tk. 10 each	**12,000,000,000**	**12,000,000,000**

18.2 Issued, Subscribed and Paid up Capital

The issued share capital of the bank is the total nominal value of the shares of the bank which have been issued to shareholders and which remain outstanding.

	2012	2011
100,000,000 ordinary Share of Tk. 10/- each issued for cash	1,000,000,000	1,000,000,000
259,082,240 ordinary Share of Tk. 10/- each issued as bonus share	2,590,822,400	1,948,352,000
26,400,000 Right Share of Tk. 10/- each issued as right share	264,000,000	264,000,000
	3,854,822,400	**3,212,352,000**

18.2.1 Issued, Subscribed and Paid up Capital

	2012	2011
Balance at the beginning of the year	3,212,352,000	2,676,960,000
Add: Bonus share issued	642,470,400	535,392,000
Closing at the end of the year	**3,854,822,400**	**3,212,352,000**

18.3 Initial Public Offering (IPO)

According to IPO rules 2006 “Initial public offering (IPO)” means first offering of security by an issuer to the general public. Out of the total issued, subscribed, and fully paid up capital of the bank 5,000,000 ordinary shares of Tk. 100.00 each amounting to Taka 500,000,000 was raised through Initial public offering of shares held in 2006.

18.4 Bonus Issue

No interim cash and stock dividend has been declared for the year 2012.

18.4.a The Bank held its 8th EGM on November 03, 2011 and charged the face value of share from Tk. 100 per share to Tk. 10 per share and market lot of shares from 50 shares to 500 shares in each lot. The maximum limit for Authorized Share capital was increased to BDT 12,000,000,000.

Particulars			2012 Taka	2011 Taka
18.5 Ordinary Shares				
	No. of Shares.	% of shareholding		
Sponsor				
BRAC	168,735,336	43.77%	1,687,353,360	1,406,127,800
ShoreCap International Ltd.	3,329,040	0.86%	33,290,400	27,742,000
International Finance Corporation	20,653,524	5.36%	206,535,240	172,112,700
Others	29,196	0.01%	291,960	243,300
Non Sponsor				
Non Resident Bangladeshis	1,152,192	0.30%	11,521,920	13,186,100
Mutual Funds	21,587,156	5.60%	215,871,560	151,324,100
Institutions & General Public	169,995,796	44.10%	1,699,957,960	1,441,616,000
	385,482,240	**100%**	**3,854,822,400**	**3,212,352,000**

18.6 Classification of Shareholding

Range of Holding of Shares	No. of Shareholders	No. of Shares	Percentage of Holding of Shares
Less than 500	10,671	2,163,254	0.56%
500 to 5, 000	15,843	26,647,347	6.91%
5,001 to 10,000	1,507	10,568,003	2.74%
10,001 to 20,000	687	9,549,502	2.48%
20,001 to 30,000	200	4,921,562	1.28%
30,001 to 40,000	76	2,641,456	0.69%
40,001 to 50,000	58	2,591,904	0.67%
50,001 to 100,000	106	7,406,596	1.92%
100,001 to 1,000,000	143	42,007,108	10.90%
Over 1000000	31	276,985,508	71.85%
Total	**29,322**	**385,482,240**	**100.00%**

18.7 Share Premium

	2012 Taka	2011 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	1,056,000,000
	1,406,000,000	**1,406,000,000**

18.8 Particulars of Share Premium

	No. of Shares.	Percentage	2012 Taka	2011 Taka
Sponsor:				
BRAC	168,735,336		335,163,840	335,163,840
ShoreCap International Ltd.	3,329,040		92,473,920	92,473,920
International Finance Corporation (IFC)	20,653,524		100,298,880	100,298,880
Others	29,196		63,360	63,360
Non Sponsor:				
Non Resident Bangladeshis	1,152,192		87,800,000	87,800,000
Mutual Funds	21,587,156		87,800,000	87,800,000
General Public	169,995,796		702,400,000	702,400,000
	385,482,240		**1,406,000,000**	**1,406,000,000**

18.8.a Consolidated Share Premium

	2012 Taka	2011 Taka
BRAC Bank Limited	1,406,000,000	1,406,000,000
BRAC EPL Investments Ltd.	147,052,103	147,052,103
BRAC EPL Stock Brokerage Ltd.	-	-
B-Kash Ltd.	187,050,150	-
BRAC Saajan Exchange Ltd.	-	-
	1,740,102,253	**1,553,052,103**

18.9 Preference Shares

Preference Shares are those share which give their holders an entitlement to a fixed dividend but which do not usually carry voting rights. 3,500,000 preference shares (9%, 5 years cumulative redeemable) of Tk. 100 each.

Breakup of Shareholders are given below:

		2012 Taka	2011 Taka
Trust Bank Limited		-	100,000,000
Prime Bank Limited	-	-	100,000,000
Bank Al-Falah Ltd.	-	-	100,000,000
Bangladesh Development Bank Limited	-	-	50,000,000
	-	**-**	**350,000,000**

Particulars	2012 Taka	2012 Taka	2011 Taka	2011 Taka
18.10 Capital Adequacy Ratio - As per BASEL-II				
	Consolidated basis	**SOLO Basis**	**Consolidated basis**	**SOLO Basis**
Tier - I (Core Capital)				
Fully paid up capital/ Capital deposited with BB	3,854,822,400	3,854,822,400	3,212,352,000	3,212,352,000
Statutory reserve	2,934,017,286	2,934,017,286	2,536,431,462	2,536,431,462
Non-repayable share premium account	1,740,102,253	1,406,000,000	1,553,052,103	1,406,000,000
General reserve	-	-	-	-
Retained Earnings	1,914,456,974	1,401,587,740	2,282,951,075	1,934,731,623
Minority interest in subsidiaries	449,607,676	-	321,435,935	-
Share money deposit	23,741,603	-	62,333,542	-
Non-cumulative irredeemable preference shares	-	-	-	-
Dividend equilization accounts	-	-	-	-
Sub-total	**10,916,748,192**	**9,596,427,426**	**9,968,556,117**	**9,089,515,085**
Deductable from Tier - I (Core Capital)				
Book value of Goodwill	1,427,468,912	-	1,409,637,597	-
Shortfall in provision required against classified assets irrespective of any relaxation allowed	-	-	-	-
Deficit on account of revaluation of investment in AFS category	-	-	-	-
Any increase in equity capital resulting from a securitization transaction	-	-	-	-
Deferred tax income arising from "Loan loss provision"	945,577,274	945,577,274	851,786,387	851,786,387
Investment in subsidiary	-	-	-	-
Other if any	-	-	-	-
Sub-total	**2,373,046,187**	**945,577,274**	**2,261,423,983**	**851,786,387**
Total eligible Tier - 1 Capital	**8,543,702,006**	**8,650,850,152**	**7,707,132,133**	**8,237,728,699**
Tier - II (Supplementary Capital)				
General Provision	1,226,457,889	1,226,457,889	1,648,099,303	1,648,099,303
Asset revaluation reserve	279,060,563	279,060,563	81,544,877	81,544,877
Preference Share	-	-	350,000,000	350,000,000
Perpetual Subordinated debt	2,563,110,602	2,595,255,046	2,312,139,640	2,471,318,610
Exchange Equalization Fund	-	-	-	-
Sub-total	**4,068,629,054**	**4,100,773,498**	**4,391,783,820**	**4,550,962,790**
Deduction (Investment in subsidiary)	-	-	-	-
Total eligible Tier - 2 Capital (a)	**4,068,629,054**	**4,100,773,498**	**4,391,783,820**	**4,550,962,790**
Tier-3 (eligible for market risk only)				
Short term sub-ordinated debt (b)	-	-	-	-
Total Supplementary Capital	**4,068,629,054**	**4,100,773,498**	**4,391,783,820**	**4,550,962,790**
Total Capital	**12,612,331,059**	**12,751,623,649**	**12,098,915,954**	**12,788,691,488**
Total Risk Weighted Assets	122,759,709,784	111,494,394,088	117,156,393,038	110,285,639,993
Required capital based on Risk Weighted Assets (10.00%)	12,275,970,978	11,149,439,409	11,715,639,304	11,028,563,999
Surplus/ (Deficiency)	336,360,081	1,602,184,240	383,276,650	1,760,127,489
Capital Adequacy Ratio:				
On core capital (against standard of minimum 5%)	6.96%	7.76%	6.58%	7.47%
On actual capital (against standard of minimum 10.00%)	**10.27%**	**11.44%**	**10.33%**	**11.60%**

	Particulars			2012 Taka	2011 Taka
19	**Statutory Reserve**				
	Balance at the beginning of the year			2,536,431,462	1,920,598,872
	Add: Transferred from profit during the year			397,585,824	615,832,590
				2,934,017,286	**2,536,431,462**
19.a	**Consolidated Statutory Reserve**				
	BRAC Bank Limited			2,934,017,286	2,536,431,462
	Off Shore Banking Unit			-	-
	BRAC EPL Investments Ltd.			-	-
	BRAC EPL Stock Brokerage Ltd.			-	-
	B-Kash Ltd.			-	-
	BRAC Saajan Exchange Ltd.			-	-
				2,934,017,286	**2,536,431,462**
20	**Revaluation Reserve**				
	Revaluation Reserve on Govt. Securities (note - 20.1)			41,747,591	163,089,754
	Assets Revaluation Reserve (note - 20.2)			516,373,535	-
				558,121,126	**163,089,754**
20.1	**Revaluation Reserve on Govt. Securities**				
		HTM	**HFT**	**Total**	**Total**
	Balance at the beginning of the year	18,124,635	144,965,119	163,089,754	1,220,932,130
	Add: Addition during the year	10,848,498	-	10,848,498	1,366,651
	Less: Adjustment during the year	-	(132,190,661)	(132,190,661)	(1,059,209,027)
		28,973,133	**12,774,458**	**41,747,591**	**163,089,754**
	Revaluation reserve is made according to DOS Circular no.-05, dated 26th May 2008.				
20.2	**Assets Revaluation Reserve**				
	Balance at the beginning of the year			-	-
	Add: Reserve made during the year			516,373,535	-
				516,373,535	-
20.a	**Consolidated Revaluation Reserve**				
	BRAC Bank Limited			558,121,126	163,089,754
	Off Shore Banking Unit				-
	BRAC EPL Investments Ltd.			-	-
	BRAC EPL Stock Brokerage Ltd.			-	-
	B-Kash Ltd.			-	-
	BRAC Saajan Exchange Ltd.			-	-
				558,121,126	**163,089,754**
20.b	**Share money deposit**				
20.b.1	**Share money deposit in B-Kash Ltd**				
	Share money deposited by Money in motion			122,222,632	122,227,732
	Less: Share money deposited by BBL			-	(5,100)
	Less: Share money transfer to Share			(121,722,602)	-
	Net Share money deposit in B-Kash			**500,030**	**122,222,632**
	Share of BRAC Bank (as Parent) on Share money deposit (51%)			**255,015**	**62,333,542**

In accordance with the memorandum of understanding with "Money in motion" (Minority shareholder with 49% share of B-Kash Ltd.) the banks share of "share money deposit" is disclosed.

	Particulars	2012 Taka	2011 Taka
20.b.2	**Share money deposit in BRAC Saajan Ltd**		
	Share money deposited by BRAC Saajan Ltd.	26,841,814	-
	Less: Share money deposited by BBL	-	-
	Share money deposit in BRAC Saajan Ltd.	**26,841,814**	**-**
	Share of BRAC Bank (as Parent) on Share money deposit (87.5%)	**23,486,587**	**-**
		23,741,603	**62,333,542**
21	**Surplus in Profit and Loss Account/ Retained Earnings**		
	Balance at the beginning of the year	1,934,731,623	1,693,401,098
	Less: Issue of Bonus Share (20%)	642,470,400	535,392,000
	Less: Cash Dividend (10%)	-	267,696,000
	Less: Dividend on Preference Share	33,468,750	47,812,500
	Add: HTM Loss adjustment (Prior year)	-	5,681,746
	Add: Retained Surplus for the year	142,795,267	1,086,549,279
		1,401,587,740	**1,934,731,623**
21.a	**Consolidated Surplus in Profit and Loss Account/ Retained Earnings**		
	BRAC Bank Limited	1,401,587,740	1,934,731,623
	Add: Retained Surplus from Off Shore Banking (Opening)	72,909,917	(6,006,545)
	Add: Retained Surplus from Off Shore Banking (During the year)	71,815,075	78,916,462
	Add: Retained Surplus from BRAC EPL Investments Ltd. (Opening)	101,567,310	144,528,611
	Add: Retained Surplus from BRAC EPL Investments Ltd. (During the year)	92,379,069	(42,961,300)
	Add: Retained Surplus from BRAC EPL Stock Brokerage Ltd. (Opening)	194,760,249	135,850,442
	Add: Retained Surplus from BRAC EPL Stock Brokerage Ltd. (During the year)	8,622,455	58,909,806
	Add: Retained Surplus from B-Kash Ltd. (Opening)	(28,988,682)	(11,501,616)
	Add: Retained Surplus from B-Kash Ltd. (During the year)	(42,468,059)	(17,487,065)
	Add: Retained Surplus from BRAC Saajan Ltd. (Opening)	7,339,346	-
	Add: Retained Surplus from BRAC Saajan Ltd. (During the year)	34,247,647	7,339,346
	Add: Share of profit from investment in BRAC Asset Management Company Ltd. (Opening)	631,311	71,650
	Add: Share of profit from investment in BRAC Asset Management Company Ltd. (During the year)	586,753	559,661
	Add: Share of profit from investment in BRAC Impact Ventures Limited (Opening)	-	-
	Add: Share of profit from investment in BRAC Impact Ventures Limited (During the year)	(533,156)	-
		1,914,456,974	**2,282,951,075**
22	**Minority Interest**		
	BRAC EPL Investments Ltd.	267,607,722	238,435,385
	BRAC EPL Stock Brokerage Ltd.	46,806,292	45,848,242
	B-Kash Ltd.	125,245,850	33,752,220
	BRAC Saajan Exchange Ltd.	9,947,812	3,400,088
		449,607,676	**321,435,935**

22.1 Calculation of Minority Interest

	BRACEPL Investments Ltd.	BRAC EPL Stock Stock Brokerage Ltd.	B-Kash Ltd.	BRAC Saajan Exchange Ltd.	Total
Share Capital	585,000,000	350,000,000	28,450,000	36,749,965	1,000,199,965
Share Premium	436,825,951	-	366,765,000	-	803,590,951
Share money deposit	-	-	500,030	26,841,814	27,341,844
Retained Earnings	93,206,227	118,062,922	(140,111,255)	15,990,721	86,870,930
Total net assets as at 31 December 2012	**1,115,032,178**	**468,062,922**	**255,603,775**	**79,582,500**	**1,918,003,690**
Minority Interest at 31 December 2012	**267,607,723**	**46,806,292**	**125,245,850**	**9,947,812**	**449,607,676**
Total net assets as at 31 December 2011	**993,480,771**	**458,482,417**	**68,882,081**	**13,600,516**	**1,534,445,785**
Minority Interest as at 31 December 2011	**238,435,385**	**45,848,242**	**33,752,220**	**3,400,088**	**321,435,935**

	Particulars		2012 Taka	2011 Taka
23	**Contingent Liabilities**			
	Acceptances and endorsements		149,723,080	160,105,738
	Import Letters Of Credit - Sight		3,815,766,460	9,773,346,190
	Import Letters Of Credit - Usance		6,432,561,469	6,031,452,875
	Import Letters Of Credit - Back to Back		709,898,212	396,281,783
	Guarantees Issued	(Note 23.2)	4,740,297,069	4,537,278,981
	Tax Liability	(Note 23.6)	143,894,928	115,398,757
	Bills for collection	(Note 23.4)	405,799,599	626,623,955
	Contingent Assets - FX deals		1,731,876,521	735,975,000
	Stock of Travelers Cheques (TC)		4,224,594	4,325,898
	Stock of Govt. Sanchaya Patra		12,851,000	12,851,000
			18,146,892,932	**22,393,640,175**
23.1	**Significant concentration wise grouping**			
	i) Documentary credits and short term trade related transactions:		16,254,045,889	21,525,089,520
	ii) Forward asset purchased and forward deposits placed		-	-
	iii) Undrawn formal standby facilities, credit lines and commitments to lend		-	-
	Under one year		-	-
	One year and over		-	-
	iv) Other exchange contracts		1,748,952,115	753,151,898
	iv) Others		143,894,928	115,398,757
			18,146,892,932	**22,393,640,175**
23.2	**Letter of Guarantee**			
	Letter of Guarantee (Local)		3,815,187,461	4,247,384,458
	Letter of Guarantee (Foreign)		925,109,608	289,894,523
	Foreign counter Guarantee		-	-
			4,740,297,069	**4,537,278,981**
	Less: margin		93,969,838	60,666,852
			4,646,327,231	**4,476,612,129**
	Balance for which the Bank is contingently liable in respect of guarantee issued favoring:			
	Directors		-	-
	Government		1,422,089,121	1,588,500,200
	Bank and other financial institution		521,432,678	501,277,500
	Others		2,796,775,271	2,447,501,281
			4,740,297,069	**4,537,278,981**
	Less : Margin		93,969,838	60,666,852
			4,646,327,231	**4,476,612,129**
23.3	**Irrevocable Letter of Credit**			
	Letter of Credit (Inland)		276,091,845	1,049,358,505
	Letter of Credit (General)		9,972,236,084	14,755,440,560
	Back to Back L/C		709,898,212	396,281,783
	Back to Back Bills		-	-
	Back to Back Bills (EDF)		-	-
	Bank's Liabilities - PAD (DEF)		-	-
			10,958,226,141	**16,201,080,847**
	Less: Margin		584,064,954	421,780,586
			10,374,161,187	**15,779,300,262**
23.4	**Bills for collection**			
	Outward local bills for collection		405,799,599	626,623,955
	Outward foreign bills for collection		-	-
	Inward local bills for collection		-	-
	Inward foreign bills for collection		-	-
			405,799,599	**626,623,955**

23.5 Suit filed by the Bank

No law suit filed by the bank against contingent liabilities.

23.6 Contingent Liabilities (Taxation)

Local & Revenue Audit Office has issued a demand of BDT 55,165,078 against VAT audit for the Income year 2006 and BDT 88,729,850 against VAT audit for the Income year 2010. The Bank has filed a writ petition to The Supreme Court of Bangladesh,High Court Division against the said demand. Writ pettion nubers are 5005 and 692.

	Particulars	2012 Taka	2011 Taka
23.a	**Consolidated Contingent liabilities**		
	BRAC Bank Limited	18,146,892,932	22,393,640,175
	Off Shore Banking Unit	-	-
	BRAC EPL Investments Ltd.	159,000,000	405,759,290
	BRAC EPL Stock Brokerage Ltd.	-	-
	B-Kash Ltd.	-	-
	BRAC Saajan Exchange Ltd.	-	-
		18,305,892,932	**22,799,399,465**
	Section -Three: Notes to Profit & loss Account		
24	**Income statement**		
	Income:		
	Interest, discount and similar income (Note-24.1)	17,896,383,838	14,651,576,981
	Dividend income (Note-27)	74,546,545	52,255,092
	Fees, commission and brokerage (Note-24.2)	2,192,097,885	2,027,122,972
	Gains less losses arising from dealing securities	-	-
	Gains less losses arising from investment securities	8,127,871	258,663,223
	Gains less losses arising from dealing from foreign currencies (Note-28)	333,368,691	695,328,102
	Gain less losses arising from REPO	459,191,524	439,861,373
	Income from non-banking assets	-	-
	Other operating income (Note-29)	320,204,951	261,207,507
	Profit less losses on interest rate changes	-	-
	Nominal value of bonus share received	-	-
		21,283,921,305	**18,386,015,250**
	Expenses:		
	Interest, fees and commission (Note-26)	10,195,401,072	8,164,158,814
	Losses arising from dealing securities	193,718,466	87,123,015
	Administrative expenses (Note-24.3)	4,014,252,456	3,690,683,523
	Other operating expenses (Note-38)	1,080,422,787	923,922,846
	Depreciation on banking assets (Note-37)	654,930,517	550,215,900
		16,138,725,298	**13,416,104,098**
	Operating Profit	**5,145,196,007**	**4,969,911,152**
24.1	**Interest, discount and similar income**		
	Interest on loans and advances	15,988,599,386	13,278,524,579
	Interest on money at call and short notice	92,544,821	91,965,814
	Interest on balance with other banks	14,523,099	21,324,284
	Interest on treasury bills & bonds	1,130,851,373	977,911,739
	Interest on fixed deposits with other banks	617,901,598	218,463,750
	Interest on coupon bearing bond	51,963,561	63,386,815
	Interest on zero coupon bond	-	-
		17,896,383,838	**14,651,576,981**
24.2	**Fees, commission and brokerage**		
	Fees	1,717,567,834	1,627,663,573
	Commission	474,530,051	399,459,399
		2,192,097,884	**2,027,122,972**
24.3	**Administrative expenses**		
	Salaries and allowances	2,519,815,735	2,348,572,171
	Rent, taxes, insurance, electricity etc.	659,435,061	566,123,413
	Legal expenses	31,384,698	21,523,613
	Postage, stamps, telecommunication etc.	169,498,124	184,315,961
	Stationery, printing, advertisement etc.	221,169,733	328,303,823
	Chief Executive's salary & fees	11,921,417	11,146,417
	Directors' fees & expenses	511,750	925,583
	Auditors' fee	867,800	867,800
	Repairs & maintenance of fixed assets	399,648,138	242,099,743
		4,014,252,456	**3,703,878,523**

	Particulars	2012 Taka	2011 Taka
25	**Interest Income**		
	Interest on loans and advances -		
	Retail	2,770,853,363	2,563,066,476
	Corporate	4,299,673,332	3,613,294,051
	Lease Finance	232,649,605	338,988,612
	SME	8,154,651,681	6,301,618,732
	Credit Cards	508,676,956	438,917,371
	Staff	22,094,449	22,639,338
		15,988,599,386	13,278,524,579
	Interest on money at call and short notice	92,544,821	91,965,814
	Interest on balance with other banks	14,523,099	21,324,284
	Interest on fixed deposits with other banks	617,901,598	218,463,750
		16,713,568,904	**13,610,278,427**
25.a	**Consolidated Interest Income**		
	BRAC Bank Limited	16,713,568,904	13,610,278,427
	Off Shore Banking Unit	347,170,400	194,125,146
	BRAC EPL Investments Ltd.	678,154,382	566,439,281
	BRAC EPL Stock Brokerage Ltd.	9,487,822	-
	B-Kash Ltd.	-	-
	BRAC Saajan Exchange Ltd.	-	-
	Less: Inter-company transaction:		
	Interest income from BRAC EPL Investment Ltd.	220,336,349	87,694,520
		17,528,045,159	**14,283,148,334**
26	**Interest Paid on Deposits and Borrowing etc.**		
	Interest on deposits		
	Current	1,185,193,215	1,105,541,478
	STD	422,906,719	750,840,992
	Savings	742,999,129	913,101,587
	Term	7,052,174,268	4,618,848,886
		9,403,273,331	7,388,332,943
	Interest on money at call and short notice	93,235,070	82,168,375
	Interest on local bank accounts	135,212,116	279,537,125
	Interest on BBL bond issue	563,680,555	414,120,370
		10,195,401,072	**8,164,158,813**
26.a	**Consolidated Interest Paid on Deposits and Borrowing etc.**		
	BRAC Bank Limited	10,195,401,072	8,164,158,813
	Off Shore Banking Unit	207,140,757	86,732,803
	BRAC EPL Investments Ltd.	521,370,403	481,904,585
	BRAC EPL Stock Brokerage Ltd.	-	-
	B-Kash Ltd.	-	-
	BRAC Saajan Exchange Ltd.	-	-
	Less: Inter-company transaction:		
	Interest income from BRAC EPL Investment Ltd.	220,336,349	87,694,520
		10,703,575,883	**8,645,101,681**
27	**Investment Income**		
	Interest on treasury bills & bonds	1,130,851,373	977,911,739
	Gain/ (Loss) on dealing of securities - HFT Instruments	(193,718,466)	(87,123,015)
	Gain on reverse REPO	459,191,524	439,861,373
	Dividend on preference shares	26,078,768	33,979,277
	Interest on coupon bearing bond	51,963,561	63,386,815
	Gain on trading shares (Realized)	8,127,871	258,663,223
	Dividend on ordinary shares	48,467,777	18,275,815
		1,530,962,408	**1,704,955,227**

	Particulars	2012 Taka	2011 Taka
27.a	**Consolidated Investment Income**		
	BRAC Bank Limited	1,530,962,408	1,704,955,227
	Off Shore Banking Unit	-	-
	Subsidiaries:		
	BRAC EPL Investments Ltd.	(551,293)	(127,050,104)
	BRAC EPL Stock Brokerage Ltd.	4,947,994	61,853,782
	B-Kash Ltd.	-	-
	BRAC Saajan Exchange Ltd.	-	-
	Associates:		
	Share of profit/ (loss) from associates	586,753	559,660
		1,535,945,862	**1,640,318,565**
28	**Commission, Exchange and Brokerage**		
	Commission from sale of sanchaya patra	1,861,901	1,873,571
	Commission from issue of payment orders, DD & TT	17,492,502	22,931,683
	Commission from issue of letter of guarantee	58,653,514	36,908,678
	Commission from issue of letters of credit (Import & Export)	256,403,345	176,693,425
	Commission on visa processing	9,721,654	8,235,005
	Commission on Travellers Cheques	309,242	4,480,141
	Commission on remittance	127,619,635	144,561,895
	Other commission	2,468,257	3,775,002
	Foreign exchange earnings	333,368,691	695,328,102
	Loan processing fees	637,598,907	751,779,479
	Account activity fees	233,025,230	136,694,333
	Import & export related fees	13,746,007	11,001,390
	Fees & Commission-Cards	436,734,580	347,717,588
	Relationship Fees	16,383,264	16,682,786
	Loan Early Settlement Fees	25,993,117	38,100,612
	Loan Penal Interest	10,227,059	3,984,854
	Service Charges for ATM Card	264,464,411	220,138,299
	Fund Collection/ Transfer Fees	171,200	288,635
	Student Service Center Fees	1,954,500	4,442,100
	Cancellation fees	120,600	97,900
	Cheque collection fees	3,045,352	2,924,294
	Trade Finance Charges	-	1,900,000
	Other fees (Note : 28.1)	74,103,605	91,911,302
		2,525,466,576	**2,722,451,074**
28.1	**Other fees**		
	Passport Endorsement Fees	4,304,894	6,536,074
	Locker fees	5,058,163	4,247,880
	Merchant Service Fee	140,000	864,000
	Service fees - BIT	1,164,542	1,088,172
	IOM Service Fees	1,289,049	1,485,650
	Annual Membership Fees-Premium Banking	177,000	211,515
	Membership Fees-ELDORADO	7,160,894	3,095,581
	Annual Fees-SMS Banking	46,246,749	46,781,908
	Cash withdrawal from branch POS	350	1,858
	Syndication Fees	4,805,113	26,286,712
	Valuation fees	3,756,853	1,311,953
		74,103,605	**91,911,302**
28.a	**Consolidated Commission, Exchange and Brokerage**		
	BRAC Bank Limited	2,525,466,576	2,722,451,074
	Off Shore Banking Unit	-	-
	BRAC EPL Investments Ltd.	126,203,567	157,271,233
	BRAC EPL Stock Brokerage Ltd.	153,864,398	223,078,105
	B-Kash Ltd.	34,240,668	-
	BRAC Saajan Exchange Ltd.	124,225,564	48,641,103
		2,964,000,773	**3,151,441,516**

	Particulars	2012 Taka	2011 Taka
29	**Other operating income**		
	Recovery of written off bad debts	251,683,293	224,876,871
	Profit on sale of assets	2,804,189	5,645,899
	Rebate income from other bank	25,319,669	7,716,425
	Miscellaneous Income	40,397,799	22,968,311
		320,204,951	**261,207,507**
29.a	**Consolidated Other operating income**		
	BRAC Bank Limited	320,204,951	261,207,507
	Off Shore Banking Unit	17,115,471	-
	BRAC EPL Investments Ltd.	7,323,057	11,265,512
	BRAC EPL Stock Brokerage Ltd.	38,540,563	37,395,494
	B-Kash Ltd.	44,272,022	56,111,589
	BRAC Saajan Exchange Ltd.	4,983,887	-
		432,439,952	**365,980,102**
30	**Consolidated Salaries and allowances**		
	BRAC Bank Limited	2,519,815,735	2,348,572,171
	Off Shore Banking Unit	8,187,503	4,390,042.00
	BRAC EPL Investments Ltd.	81,004,915	46,869,882
	BRAC EPL Stock Brokerage Ltd.	70,223,608	72,658,155
	B-Kash Ltd.	100,736,669	30,536,646
	BRAC Saajan Exchange Ltd.	31,101,489	16,121,851
		2,811,069,919	**2,519,148,747**
31	**Rent, Taxes, Insurance, Electricity etc.**		
	Rent, rates & taxes	524,988,611	447,085,819
	Insurance	29,422,768	42,293,989
	Power & electricity	99,121,012	71,978,170
	WASA & Sewerage	5,902,670	4,765,435
		659,435,061	**566,123,413**
31.a	**Consolidated Rent, Taxes, Insurance, Electricity etc.**		
	BRAC Bank Limited	659,435,061	566,123,413
	Off Shore Banking Unit	2,519,232	1,567,872
	BRAC EPL Investments Ltd.	23,270,021	20,549,457
	BRAC EPL Stock Brokerage Ltd.	18,178,604	35,295,506
	B-Kash Ltd.	16,864,033	5,728,759
	BRAC Saajan Exchange Ltd.	3,913,973	2,241,056
		724,180,924	**631,506,064**
32	**Consolidated Legal expenses**		
	BRAC Bank Limited	31,384,698	21,523,613
	Off Shore Banking Unit	-	22,305
	BRAC EPL Investments Ltd.	5,801,052	605,928
	BRAC EPL Stock Brokerage Ltd.	391,884	1,525,673
	B-Kash Ltd.	109,794	357,691
	BRAC Saajan Exchange Ltd.	503,932	771,287
		38,191,360	**24,806,497**
33	**Postage, Stamp, Telecommunication etc**		
	Postage & courier	33,924,962	43,775,264
	Telegram, telex, fax & Network	63,349,262	68,512,612
	Court fees & stamps	4,180,216	2,852,622
	Telephone-Office	68,043,684	69,175,463
	Telephone-Residence	-	-
		169,498,124	**184,315,961**

	Particulars	2012 Taka	2011 Taka
33.a	**Consolidated Postage, Stamp, Telecommunication etc.**		
	BRAC Bank Limited	169,498,124	184,315,961
	Off Shore Banking Unit	-	-
	BRAC EPL Investments Ltd.	8,702,473	7,563,284
	BRAC EPL Stock Brokerage Ltd.	33,639,164	14,968,921
	B-Kash Ltd.	10,299,549	496,470
	BRAC Saajan Exchange Ltd.	2,052,593	769,387
		224,191,903	**208,114,022**
34	**Stationery, Printing, Advertisement etc.**		
	Stationery & Printing	94,267,310	103,508,373
	Security Stationery	28,176,975	27,804,513
	Advertisement	98,725,448	196,990,936
	Billboard Rent	31,992,931	37,370,969
	Printing	4,513,889	38,383,129
	Publications	24,665,956	105,201,631
	Campaign	37,552,671	16,035,208
		221,169,733	**328,303,823**
34.a	**Consolidated Stationery, Printing, Advertisement etc.**		
	BRAC Bank Limited	221,169,733	328,303,823
	Off Shore Banking Unit	125,962	125,430
	BRAC EPL Investments Ltd.	3,777,229	10,197,033
	BRAC EPL Stock Brokerage Ltd.	6,968,256	7,866,055
	B-Kash Ltd.	3,678,141	1,168,169
	BRAC Saajan Exchange Ltd.	4,169,833	1,540,199
		239,889,154	**349,200,709**

35 Directors' Fees & Expenses

Director's fees represent fees paid for attending board meeting, board audit committee meeting, board recruitment committee meeting @ Tk. 5,000 per director per meeting and travel & accommodation expenses of foreign Director for attending the Board meeting.

Breakup of Directors fees & expenses are given below:

		2012 Taka	2011 Taka
	Directors Fees	360,000	390,000
	Traveling & Others	151,750	535,583
		511,750	**925,583**
35.a	**Consolidated Director's Fees & Expenses**		
	BRAC Bank Limited	511,750	925,583
	Off Shore Banking Unit	-	-
	BRAC EPL Investments Ltd.	900,750	1,129,410
	BRAC EPL Stock Brokerage Ltd.	525,000	750,000
	B-Kash Ltd.	1,589,400	991,163
	BRAC Saajan Exchange Ltd.	-	-
		3,526,900	**3,796,156**
36	**Auditors' Fee**	**867,800**	**867,800**

Auditors' fee is BDT 650,000 (Excluding VAT) and out of pocket expenses are BDT 100,000.

		2012 Taka	2011 Taka
36.a	**Consolidated Auditors' fee**		
	BRAC Bank Limited	867,800	867,800
	Off Shore Banking Unit	-	-
	BRAC EPL Investments Ltd.	230,000	182,875
	BRAC EPL Stock Brokerage Ltd.	114,500	384,250
	B-Kash Ltd.	150,000	40,000
	BRAC Saajan Exchange Ltd.	1,479,861	571,755
		2,842,161	**2,046,680**

	Particulars	2012 Taka	2011 Taka
37	**Depreciation on and repairs to bank's assets**		
	Depreciation of Property plant and equipment's		
	Furniture & fixtures	110,000,660	95,080,015
	Office equipment's	160,756,062	142,140,228
	IT hardware	231,762,283	194,230,484
	Motor vehicles	15,954,526	16,355,279
	Amortization of Intangible assets		
	IT software	136,456,986	102,409,894
		654,930,517	**550,215,900**
	Repairs & Maintenance expenses		
	Transport Maintenance	105,122,918	95,569,993
	Equipment Maintenance	43,707,259	42,374,285
	Hardware & Software Maintenance	229,055,722	84,273,149
	Premises Maintenance	21,762,239	19,882,317
		399,648,138	**242,099,743**
		1,054,578,655	**792,315,643**
37.a	**Consolidated Depreciation on and repairs to bank's assets**		
	BRAC Bank Limited	1,054,578,655	792,315,643
	Off Shore Banking Unit	-	-
	BRAC EPL Investments Ltd.	23,841,351	17,179,388
	BRAC EPL Stock Brokerage Ltd.	20,892,583	15,562,234
	B-Kash Ltd.	40,229,700	11,971,650
	BRAC Saajan Exchange Ltd.	3,978,879	1,451,954
		1,143,521,168	**838,480,869**
38	**Other Expenses**		
	Transportation & conveyance	44,504,281	37,904,077
	Fuel expenses	49,026,334	40,973,689
	Traveling	45,003,372	40,770,769
	Professional fees	27,980,828	17,596,431
	Entertainment	3,662,063	3,728,171
	Staff welfare	19,935,102	29,687,865
	SWIFT	2,706,557	3,435,443
	Business development	19,428,079	2,159,498
	Books, news papers and periodicals	508,438	1,621,284
	Donation and subscription	10,955,653	4,262,667
	VAT & excise duty	74,802,486	25,410,804
	Fraud, forgeries & operating loss	24,276,779	(1,600,000)
	Staff training	11,050,071	7,093,322
	Staff liveries	1,348,500	1,023,578
	Staff recruitment	464,277	362,080
	Payment to outsourcing staff	193,266,461	287,890,891
	Bank charges	148,459,924	187,745,295
	Crockery's	556,910	500,293
	IPO Expenses	14,967,000	3,400,000
	Documentation Charges - CIB	3,359,400	11,863,050
	Credit card expenses	112,170,591	75,074,917
	AGM expenses	10,500,000	4,796,242
	Right issue expenses	1,207,500	-
	Bond issue expenses	2,950,826	16,496,447
	Outsource agency fees	175,113,213	50,950,045
	Commission paid	16,990,265	11,368,643
	Cash carrying charges	64,804,298	45,852,411
	Miscellaneous	423,576	359,935
		1,080,422,787	**910,727,846**

	Particulars	2012 Taka	2011 Taka
38.a	**Consolidated Other Expenses**		
	BRAC Bank Limited	1,080,422,787	910,727,846
	Off Shore Banking Unit	1,763,462	188,145
	BRAC EPL Investments Ltd.	6,713,794	18,874,070
	BRAC EPL Stock Brokerage Ltd.	5,677,538	5,450,149
	B-Kash Ltd.	20,573,557	58,130,392
	BRAC Saajan Exchange Ltd.	36,258,935	15,387,858
		1,151,410,073	**1,008,758,460**
39	**Provisions**		
	For Loans & Advances:		
	For classified loans & advances	3,302,774,899	1,442,477,570
	For unclassified loans & advances	(421,641,414)	71,838,300
		2,881,133,485	**1,514,315,870**
	For Off Balance Sheet items	-	4,000,000
	For diminution in value of Investments	276,133,403	444,213,413
		3,157,266,888	**1,962,529,283**
39.a	**Consolidated Provisions**		
	BRAC Bank Limited	3,157,266,888	1,962,529,283
	Off Shore Banking Unit	72,733,882	22,182,088
	BRAC EPL Investments Ltd.	-	-
	BRAC EPL Stock Brokerage Ltd.	-	-
	B-Kash Ltd.	-	-
	BRAC Saajan Exchange Ltd.	-	-
		3,230,000,770	**1,984,711,371**

40 Income Tax

40.1 Provision for Income Tax

Current Tax

Provision for Income Tax has been made according to the Income Tax Ordinance,1984. During the year, an amount of Tk. 1,530,000,000 (2011 : 1,460,000,0000) has been provided for current Income Tax.

Deferred Tax

Deferred tax is provided using the liability method for timing differences arising between the tax base of assets and liabilities and their carrying values for reporting purposes as per Bangladesh Accounting Standard (BAS) - 12. During the period net amount of Tk. 82,451,971 (2011 : 155,000,000) has been provided as deferred Tax income.

The charge for taxation is based upon the profit for the year comprises:

		2012 Taka	2011 Taka
	Current tax on taxable income @ 42.5%	1,530,000,000	1,460,000,000
	Adjustment - prior year	-	-
		1,530,000,000	1,460,000,000
	Net deferred Tax liability/(asset) originated for temporary differences	(82,451,971)	(155,000,000)
	Income Tax on Profit	**1,447,548,029**	**1,305,000,000**
40.a	**Consolidated Provision for Income Tax**		
	Current Tax:		
	BRAC Bank Limited	1,530,000,000	1,460,000,000
	Off Shore Banking Unit	-	-
	BRAC EPL Investments Ltd.	14,584,413	45,509,095
	BRAC EPL Stock Brokerage Ltd.	40,649,135	70,138,548
	B-Kash Ltd.	3,591,416	2,679
	BRAC Saajan Exchange Ltd.	6,609,787	-
		1,595,434,751	**1,575,650,322**
	Deferred Tax:		
	BRAC Bank Limited	(82,451,971)	(155,000,000)
	Off Shore Banking Unit	-	-
	BRAC EPL Investments Ltd.	(618,096)	-
	BRAC EPL Stock Brokerage Ltd.	-	-
	B-Kash Ltd.	(36,038,865)	(19,023,667)
	BRAC Saajan Exchange Ltd.	-	-
		(119,108,931)	**(174,023,667)**
		1,476,325,820	**1,401,626,655**

	Particulars	2012 Taka	2011 Taka
41	**Weighted Average Earnings Per Share**		
	Profit after taxation	540,381,091	1,702,381,869
	Less: Preference dividend	(33,468,750)	(47,812,500)
	Profit attributable for distribution to ordinary shareholders	506,912,341	1,654,569,369
	Weighted average number of shares	385,482,240	385,482,240
	Weighted average/ adjusted earnings per share (Taka)	**1.32**	**4.29**
	Weighted average earnings per share (EPS) of 2012 has been restated as per BAS-33 "Earnings per Share".		
41.a	**Consolidated Weighted Average Earnings Per Share**		
	Profit after taxation	699,784,295	1,812,444,189
	Less:		
	Preference dividend	33,468,750	47,812,500
	Profit attributable to Minority	(5,779,736)	(13,861,801)
	Profit attributable for distribution to ordinary shareholders	672,095,280	1,778,493,491
	Weighted average number of shares	385,482,240	385,482,240
	Weighted average/ adjusted earnings per share (Taka)	**1.74**	**4.61**
	Weighted average earnings per share (EPS) of 2012 has been restated as per BAS-33 "Earnings per Share".		
	Section -Four : Notes to Cash Flow Statement		
42	**Cash & Cash Equivalent**		
	Cash in hand (including foreign currency)	4,749,600,127	3,648,209,193
	Balance with Bangladesh Bank and its agents banks (including foreign currency)	8,831,070,371	8,330,437,102
	Balance with other banks and financial institutions	15,320,967,135	3,211,368,001
	Money at call and on short notice	-	480,000,000
		28,901,637,632	**15,670,014,296**
42.a	**Consolidated Cash & Cash Equivalent**		
	BRAC Bank Limited	28,901,637,632	15,670,014,296
	Off Shore Banking Unit	71,229,745	8,289,885
	BRAC EPL Investments Ltd.	26,648,217	16,966,403
	BRAC EPL Stock Brokerage Ltd.	375,064,654	428,152,710
	B-Kash Ltd.	1,460,516	36,373,593
	BRAC Saajan Exchange Ltd.	53,031,592	46,285,869
		29,429,072,357	**16,206,082,756**
43	**Receipts from other operating activities**		
	Recovery of written off bad debts	251,683,293	224,876,871
	Profit on sale of assets	2,804,189	5,645,899
	Misc. Income	40,397,799	22,968,311
	Capital gain on coupon bearing bond	-	-
	Gain on trading shares	8,127,871	258,663,223
	Rebate income from other bank	25,319,669	7,716,425
		328,332,822	**519,870,729**
43.a	**Consolidated Receipts from other operating activities**		
	BRAC Bank Limited	328,332,822	519,870,729
	Off Shore Banking Unit	17,115,471	-
	BRAC EPL Investments Ltd.	(99,169,842)	367,899
	BRAC EPL Stock Brokerage Ltd.	21,922,325	11,490,512
	B-Kash Ltd.	-	1,403,409
	BRAC Saajan Exchange Ltd.	4,646,634	5,345,722
		272,847,411	**538,478,271**
44	**Payment for other operating activities**		
	Rent, taxes, insurance, electricity etc.	649,372,671	572,773,858
	Audit fees	747,800	935,300
	Directors fees & expenses	511,750	925,583
	Repair & maintenance	331,356,009	222,587,686
	Other expenses	889,402,340	484,066,293
	Legal expenses	31,304,176	19,667,924
		1,902,694,746	**1,300,956,644**

Particulars	2012 Taka	2011 Taka
44.a Consolidated Payment for other operating activities		
BRAC Bank Limited	1,902,694,746	1,300,956,644
Off Shore Banking Unit	12,596,158	6,293,793
BRAC EPL Investments Ltd.	-	31,032,852
BRAC EPL Stock Brokerage Ltd.	122,167,812	159,284,437
B-Kash Ltd.	-	(422,224)
BRAC Saajan Exchange Ltd.	80,814,309	7,091,710
	2,118,273,025	**1,504,237,212**

Section -Five : General Disclosures

45 General Disclosure

45.1 Audit Committee

An audit committee was constituted by the Board of Directors of BRAC Bank in its 23rd meeting held on March 02, 2003. Subsequently, in the 45th Audit Committee Meeting held on December 17, 2012 reconstituted the Audit Committee as under:

Sl No	Name of Director	Status with The Bank	Status with the Committee	Educational Qualification
01	Mr. Hafiz G.A Siddiqi	Director	Chairman	Ph.D (Manchester Business School), UK, MBA, (Graduate School of Buisiness Indiana University), USA
02	Mr. Shib Narayan Kairy	Director	Member	M.Com (Accounting)
03	Mr. Muhammad A (Rumee) Ali	Chairman	Member	MA (Economics)
04	Ms. Nihad Kabir	Director	Member	L.L.B., L.L.M.,(UK), (Barrister at Law)

During the year 2012, the Audit Committee of the Board conducted 06 (Six) meetings in which among others, the following issues were discussed:

Facts Discussed

- Discuss the Inspection report of Bangladesh Bank on Foreign trade & foreign exchange of Gulshan Branch.
- Discuss the audit report of different Head Office departments, Branches and SME Sales & service centers conducted by the Bank's internal audit team from time to time.
- Discuss the Enterprise Risk Management Report that prepared and conducted by ERMC team
- Discuss the fraud/forgeries & operational loss report
- Review the position of reconciliation with other bank and Nostro Account
- Review the status of the SMA and Bad/Loss loan
- Review the position of reconciliation with other bank and Nostro Account
- Reviewing the Impaired Asset Management Policy - SME & Retail Banking.
- Reviewing the Anti money laundering policy of the Bank.

45.2 Related Party/(ies) Transactions

i) The bank carried out transactions with related parties in the normal course of business an on arm length basis. As on 31 December 2012, the bank had following transactions with the 'Related Party/(ies)' as defined in the BRPD Circulars No. 14 issued by the Bangladesh Bank on 25 June 2003.

Name of the Related Parties	Relationship	Nature of Transaction	Balance at the end of period
BRAC & its associated organization	Director	Deposits made with us	12,799,186,035
BRAC	Service taken through BDP	Service taken through BDP	-
Delta Brac Housing Finance Corporation Ltd.	Director	Deposits made with us	1,911,077
Industrial & Infrastructure Development Finance Co. Ltd.	Director	Deposits made with us	-
Industrial & Infrastructure Development Finance Co. Ltd.	Director	Loans & advances	22,500,000
BRAC EPL Investments Ltd.	Subsidiary	Loans & advances	1,517,524,054
BRAC EPL Investments Ltd.	Subsidiary	Deposits made with us	-
BRAC EPL Stock Brokerage Ltd.	Subsidiary	Deposits made with us	103,479,840
BRAC EPL Stock Brokerage Ltd.	Subsidiary	Portfolio Investments	2,660,546,666
bKash Limited	Subsidiary	Deposits made with us	1,272,154,418

ii) Name of Directors and the entities in which they have interest as on 31 December 2012

Sl No.	Name of Director	Status with The Bank	Name of the firms/companies in which they have interest	Educational Qualification
01	Mr. Muhammad A (Rumee) Ali	Chairman	Enterprises of BRAC Delta Brac Housing Finance Corp. Ltd. BRAC Karnaphuli Tea Co. Ltd. BRAC Kayachora Tea Co. Ltd. BRAC Bashkhali Tea Co. Ltd., BRAC SAAJAN Exchange Ltd. BRAC Kodala Tea Estate BRAC Services Ltd. BRAC EPL Investments Ltd. BRAC EPL Stock Brokerage Ltd. bKash Ltd. Documenta Ltd.	MA (Economics)
02	MS. Zahida Ispahani (Independent Director)	Director	Ispahani Islamia Eye Institute & Hospital	Graduate
03	Ms. Nihad Kabir (Independent and Depositor Director)	Director	Kedarpur Tea Company Ltd. Shaistaganj CNG Co. Ltd. Sathgao Tea Estate Ltd. Infrastructure Development Company Ltd. (IDCOL)	L.L.B., L.L.M.,(UK) (Barrister at Law)
04	Ms. Tamara Hasan Abed	Director	BRAC Dairy Food Project, AARONG BRAC University Ayesha Abed Foundation (AAF)	MBA (Finance), USA
05	Mr. Shib Narayan Kairy	Director	BRAC Services Ltd. BRAC Industries Ltd. Documenta TM Ltd. BRAC Karnafuli Tea Co. Ltd. BRAC Banshkhali Tea Company Ltd. BRAC Kaiyacherra Tea Company Ltd. BRAC Kodala Tea state Ltd. bKash Ltd. Bangladesh Netting Factory Ltd.	M.Com (Accounting)
06	Mr. Hafiz G.A Siddiqi (Depositor Director)	Director	North South University	Ph.D (Manchester Business School), UK, MBA, (Graduate School of Buisiness Indiana University), USA
07	Mr. Syed Mahbubur Rahman	Managing Director & CEO	BRAC EPL Investments Limited BRAC EPL Stock Brokerage Limited Industrial and Infrastructure Development Finance Company Limited (IIDFC) Dun & Bradstreet Bangladesh Bangladesh Limited bKash Limited BRAC Saajan Exchange Limited	MBA (IBA)

iii) Significant contracts where bank is a party and wherein Directors have interest:	Nil
iv) Shares issued to Directors and executives without consideration or exercisable at discount	Nil
v) 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
vi) Loan and advances to Directors and their related concern:	
Industrial & Infrastructure Development Finance Co. Ltd.	22,500,000
Classification Status	Unclassified
vii) Business other than Banking business with any related concern of the Directors as per Section 18(2) of the Bank Companies Act-1991.	Nil
viii) Investment in the Securities of Directors and their related concern:	Nil

45.3 Claim not Acknowledged as Debt

There was no claim against the bank not acknowledged as debt as on 31.12.2012.

45.4 Number of Employees

The number of Employees including contractual engaged for the whole year or part there of who received a total yearly remuneration of Tk. 36,000 or above were 7,403 (2011: 6,619).

45.5 Post Balance Sheet Events:

a) The board of Directors in its 155th Board meeting held on 25th March, 2013 has proposed dividend of 15% stock dividend subject to the approval of the Shareholders at the next Annual General Meeting.

45.6 Coverage of External Audit:

The external auditor of the Bank, M/s Hoda Vasi Chowdhury & Co. Chartered Accountants worked about in excess of 3750 man hour at head office, 20 Branches and 20 SME Unit Offices and 20 SME Sales and Service Centre. During their audit, they audited above 80% of the Bank's risk weighted assets as on the Balance Sheet date.

45.7 Share trading

The bank traded its ordinary shares in CDBL through DSE and CSE on 31 January 2007. The closing market price on 31 December 2012 was Tk. 34.80 at DSE and Tk. 34.70 at CSE.

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director & CEO	**Director**	**Director**	**Chairman**

Annexure - A

BRAC Bank Ltd.
Highlights on the overall Activities
As on December 31, 2012

Amount in Taka

Particulars	2012	2011
Paid-up capital	3,854,822,400	3,212,352,000
Total capital including general provisions	12,751,623,649	12,788,691,488
Capital surplus/(deficit)	1,602,184,240	1,760,127,489
Total assets	173,676,792,029	133,201,048,438
Total deposits	134,646,448,482	103,725,529,225
Total loans & advances	103,624,437,957	90,822,174,665
Total contingent liabilities & commitments	18,146,892,932	22,393,640,175
Credit deposit ratio (Loans & advances/Deposits)	76.96%	84.82%
Percentage of classified loans against total loans & advances	7.37%	5.77%
Profit after tax & provisions	540,381,091	1,702,381,869
Amount of classified loans during the current year	7,637,100,768	5,239,542,550
Provision kept against classified loans	5,516,593,915	3,535,702,665
Provisions surplus/deficit	103,960,550	711,648,993
Cost of fund	8.43%	8.66%
Interest earning assets	162,938,223,671	123,987,060,969
Non-Interest earning assets	10,738,568,359	9,213,987,469
Return on Investment (ROI) [PAT/(Shareholders equity+Borrowings)]	3.44%	11.41%
Return on assets (ROA) [PAT/Average assets]	0.35%	1.36%
Return on Equity (ROE) [PAT/Average shareholders equity]	5.47%	17.90%
Income from investments	1,530,962,408	1,704,955,227
Weighted average earning per share	1.32	4.29
Net income per share [(PAT-Dividend on preference share/No. of Ordinary Shares)]	1.32	4.29
Price earning ratio (Market price per share/EPS)	26.46	8.87
Net Asset Value per Share (NAV) [(Shareholders equity- Preference Share)/No. of Ordinary Share]	26.34	28.80

Annexure - B

BRAC Bank Limited
Balance with other bank and financial institutions (Outside Bangladesh on Demand Deposit Accounts)
As on December 31, 2012

Name of Bank	A/C Type	December 2012			December 2011		
		FC Amount	Exchange Rate	Equivalent Taka	FC Amount	Exchange Rate	Equivalent Taka
Standard Chartered Bank-NY (USD)	CD	2,521,384.74	79.86	201,357,785	200,476.03	81.78	16,393,927.35
Mashreq Bank PSCNY (USD)	CD	23,672	79.86	1,890,430	6,989.78	81.78	571,589.26
The Bank of Nova Scotia- Canada (CAD)	CD	31,764.20	80.58	2,559,467	32,216.10	80.22	2,584,462.53
CITI Bank NA (USD)	CD	871,483.53	79.86	69,596,675	374,849.36	81.78	30,653,306.41
AB Bank Mumbai (ACU Dollar)	CD	560.02	79.86	44,723	1,040.02	81.78	85,047.64
ICICI Mumbai (ACU Dollar)	CD	23,099.74	79.86	1,844,745	27,344.90	81.78	2,236,129.20
Standard Chartered Bank-UK (GBP)	CD	101,686.45	129.25	13,142,506	21,156.39	128.14	2,711,009.43
Hypo Vereins Bank Germany (EURO)	CD	7,577.30	105.93	802,666	6,739.87	106.86	720,246.77
HSBC - NY (USD)	CD	1,103,550.89	79.86	88,129,574	1,307,651.39	81.78	106,933,192.42
HSBC - UK (GBP)	CD	378,169.89	129.25	48,876,719	169,175.73	128.14	21,678,414.89
HSBC - AUS (AUD)	CD	222.57	82.90	18,451	7,279.48	83.14	605,191.22
Union DE Banques Arabes ET Francaises (JPY)	CD	1,689,797.00	0.93	1,572,525	1,819,603.00	1.05	1,913,858.44
Westpack Banking Corporation, (AUD)	CD	51,526.13	82.90	4,271,449	57,925.75	83.14	4,815,749.91
HSBC - Pakistan (ACU Dollar)	CD	10,634.84	79.86	849,298	11,497.79	81.78	940,231.78
HSBC - India (ACU Dollar)	CD	-	-	-	-	81.78	-
Zuercher Kantonal Bank, Zurich (CHF)	CD	6,782.45	87.67	594,595	26,716.70	87.49	2,337,513.55
ING Belgium NV/SA (EURO)	CD	430.61	105.93	45,615	2,003.61	106.86	214,112.98
Commerz Bank AG Germany (EURO)	CD	52,325.38	105.93	5,542,843	99,637.19	106.86	10,647,588.82
JP Morgan Chase Bank (USD)	CD	996,496.63	79.86	79,580,221	76,880.31	81.78	6,286,887.35
Unicredito Italiano SPA (EURO)	CD	10,048.62	105.93	1,064,453	14,429.41	106.86	1,541,978.70
SCB Frankfut (EURO)	CD	10,183.00	105.93	1,078,688	3,610.97	106.86	385,881.25
United Bank of India (USD)	CD	951.16	79.86	75,960	951.16	81.78	77,781.11
Commerz Bank, AG Germany (USD)	CD	10,363	79.86	827,553	-	81.78	-
Sonali Bank Limited (UK)	CD	-	129.25	-	237.00	128.14	30,369.51
HDFC Bank Limited (ACU)	CD	149,980	79.86	11,977,414	26,642.05	81.78	2,178,653.64
Deutsche Bank Trust Company (USD)	CD	118,493	79.86	9,462,828	17,292.76	81.78	1,414,115.45
Commerz Bank - Frakfut (USD)	CD	-	79.86	-	-	-	-
Bank of America N.A New York	CD	22,990	79.86	1,835,981	-	-	-
Total				**547,043,164**			**217,957,240**

Annexure - C

BRAC Bank Limited
Investment in Shares
As on December 31, 2012

Sl. No	Name of the company	Face value	No. of Shares	Cost of holding	Average cost	Quoted rate per share as on 31/Dec/12	Total market value at 31/Dec/12
	Quoted						
	Ordinary shares						
1	ALARA BANK	10.00	12,002,425	476,153,862	39.67	25.10	301,260,868
2	Dhaka Bank	10.00	8,564,155	333,372,224	38.93	24.80	212,391,044
3	Pubali Bank	10.00	4,712,487	214,400,026	45.50	33.00	155,512,071
4	HEIDELBCEM	10.00	3,600	953,531	264.87	264.70	952,920
5	BSRMSTEEL	10.00	1,390,800	230,644,135	165.84	67.90	94,435,320
6	BATBC	10.00	188,900	133,758,175	708.09	839.50	158,581,550
7	MPETROLEUM	10.00	688,220	126,783,389	184.22	158.50	109,082,870
8	JAMUNA OIL	10.00	363,480	76,809,402	211.32	178.50	64,881,180
9	EBL NRB MF	10.00	4,342,500	42,710,189	9.84	9.40	40,819,500
10	LR GLOB MF1	10.00	29,257,500	292,550,345	10.00	10.00	292,575,000
11	FBFIF	10.00	24,932,500	249,317,751	10.00	10.10	251,818,250
12	NLI1STMF	10.00	1,002,500	10,023,351	10.00	9.20	9,223,000
13	Squr Pharma	10.00	121,000	19,978,744	165.11	168.60	20,400,600
14	ACTIVEFINE	10.00	1,979,000	145,277,601	73.41	72.70	143,873,300
15	UNIQUEHRL	10.00	345,000	48,000,001	139.13	126.20	43,539,000
16	GP	10.00	1,097,600	224,813,943	204.82	175.00	192,080,000
17	GENNEXT	10.00	1,200,000	35,000,001	29.17	34.40	41,280,000
				2,660,546,666			**2,132,706,473**

Annexure - C (Cont.)

BRAC Bank Limited
Investment in Shares
As on December 31, 2012

	Unquoted						
1	Industrial and Infrastructure Development Finance Co. Ltd.	100.00	443,301	24,442,502	55.14	-	-
2	Central Depository Bangladesh Ltd.	10.00	800,000	6,277,770	7.85	-	-
3	BRAC EPL Investments Ltd.	10.00	44,460,000	752,715,794	16.93	-	-
4	BRAC EPL Stock Brokerage Ltd.	100.00	3,150,000	1,344,147,500	426.71	-	-
5	B-Kash Ltd.	100.00	145,095	14,509,500	100.00	-	-
6	BRAC Asset Management Company Ltd.	100.00	125,000	12,500,000	100.00	-	-
7	BRAC Saajan Exchange Limited	100.00	290,834	59,388,531	204.20	-	-
8	Dun & Bradstreet Rating Agency of Bangladesh Limited	100.00	124,976	12,497,600	100.00	-	-
9	Documenta Limited	1,000.00	10,000	10,000,000	1,000.00	-	-
10	BRAC Impact Ventures Limited	10.00	480,000	4,800,000	10.00		
	Preference shares						
1	Summit Purbanchal & Uttaranchal Power Co Ltd	10.00	25,045,100	250,451,000	10.00	-	-
			74,584,306	**2,476,930,197**		**-**	**-**

Annexure - D

BRAC Bank Limited
Schedule of Fixed assets including premises, furniture and fixtures
As on December 31, 2012

Particulars	COST				Rate of Dep. %	DEPRECIATION				Written down value 31.12.2012
	Balance as on 01.01.2012	Addition during the year	Adjustment during the year	Balance as on 31.12.2012		Balance as on 01.01.2012	Charged during the year	Adjustment during the year	Balance as on 31.12.2012	
Property, plant & equipment's										
Land	87,940,465	516,373,535	-	604,314,000		-	-	-	-	604,314,000
Furniture & fixture	1,060,711,794	87,557,056	13,100,003	1,135,168,847	10	261,683,624	110,000,660	4,177,415	367,506,869	767,661,978
Office equipment's **	872,013,588	84,952,183	15,961,290	941,004,481	20	415,483,640	160,756,062	12,018,779	564,220,923	376,783,558
Office machineries	-	-	-	-	20	-	-	-	-	-
IT Hardware's *	1,196,248,215	135,696,504	9,132,698	1,322,812,021	20	587,956,765	231,762,283	5,061,893	814,657,155	508,154,866
Motor vehicles	83,865,588	10,536,831	-	94,402,419	20	41,099,155	15,954,526	-	57,053,681	37,348,738
Intangible:										
IT equipment - software										
	3,300,779,649	**835,116,109**	**38,193,991**	**4,097,701,767**		**1,306,223,184**	**518,473,531**	**21,258,087**	**1,803,438,628**	**2,294,263,139**
Intangible assets with Indefinite useful lives:										
License	50,000	-	-	50,000		-	-	-	-	50,000
with definite useful lives										
IT Softwares	726,572,647	79,037,436	-	805,610,083	20	372,014,356	136,456,986	-	508,471,342	297,138,741
	726,622,647	**79,037,436**	**-**	**805,660,083**		**372,014,356**	**136,456,986**	**-**	**508,471,342**	**297,188,741**
As at 31 Dec. 2012	**4,027,402,296**	**914,153,545**	**38,193,991**	**4,903,361,850**		**1,678,237,540**	**654,930,517**	**21,258,087**	**2,311,909,970**	**2,591,451,880**
As at 31 Dec. 2011	**2,909,787,607**	**1,181,195,585**	**63,580,896**	**4,027,402,296**		**1,160,882,100**	**550,215,900**	**32,860,459**	**1,678,237,541**	**2,349,164,755**

* IT Hardware includes Computers/ PC's which were depreciated @ 33.33%.

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

Annexure - E

BRAC Bank Ltd.
Detail of Large Loan
As on December 31, 2012

Number of Clients	9
Amount of outstanding advances	13,647,323,782
Amount of classified advances	NIL
Measures taken for recovery	NIL

Client wise break-up is as follows:

Name of Clients			December 2012	December 2011
	Outstanding (Taka)			
	Funded	Non Funded	Total	Total
ACORN INFRASTRUCTURE SERVICES LIMITED	5,213,960,363	125,598,896	5,339,559,259	6,976,543,338
CITY SUGAR INDUSTRIES LTD.	-	-	-	1,984,228,241
CITY SEED CRUSHING INDUSTRIES LTD.	1,457,846,726	339,872,163	1,797,718,890	3,337,749,044
ABUL KHAIR STEEL LIMITED	939,213,370	602,832,561	1,542,045,931	2,028,321,602
SHAH CEMENT INDUSTRIES LTD	-	-	-	1,685,169,027
M/S AMAN TRADING CORPORATION	-	-	-	1,358,872,771
MEGHNA SEEDS CRUSHING MILLS LTD	-	-	-	1,337,661,353
BRAC EPL INVESTMENTS LIMITED	1,517,524,054	-	1,517,524,054	1,615,706,347
AUGERE WIRELESS BROADBAND BANGLADESH LIMITED	3,245,963,729	204,511,920	3,450,475,648	-
Total	**12,374,508,242**	**1,272,815,540**	**13,647,323,782**	**20,324,251,724**

Annexure-F

BRAC Bank Ltd.
Statement of Tax position
As on 31 December 2012

Accounting Year	Assessment Year	Tax provision	Tax as per assessment	(Short)/Excess provision	Advance Tax as per assessment order	Present Status
2001	**2002-2003**	-	1,056,739	(1,056,739)	1,107,927	Completed
2002	**2003-2004**	-	375,000	(375,000)	375,000	Completed
2003	**2004-2005**	-	2,411,653	(2,411,653)	1,587,297	Completed
2004	**2005-2006**	111,000,000	82,779,311	28,220,689	78,337,409	Completed
2005	**2006-2007**	139,777,786	150,891,910	(11,114,124)	143,306,036	Completed
2006	**2007-2008**	334,920,000	385,558,644	(50,638,644)	145,000,000	Completed
2007	**2008-2009**	766,000,000	799,810,239	(33,810,239)	395,000,000	Completed
2008	**2009-2010**	1,220,000,000	1,254,976,871	(34,976,871)	742,800,000	Completed
2009	**2010-2011**	1,140,000,000	1,449,840,660	173,723,708	1,255,039,221	Assessment complete, appealed
2010	**2011-2012**	1,416,240,000	1,244,495,264	171,744,736	1,220,637,458	Tax Return is submitted u/s 82BB
2011	**2012-2013**	1,460,000,000	1,304,653,579	155,346,421	1,250,301,019	Tax Return is submitted u/s 82BB
2012	**2013-2014**	1,530,000,000	-	-	175,000,000	Not due Yet

Annexure-G

BRAC Bank Limited
Statement of outstanding unreconciled entries
As on December 31, 2012

(Amount in USD)

SL. No.	Period of Unreconciliation	As per Local Book				As per Correspondents' Book			
		Debit Entries		Credit Entries		Debit Entries		Credit Entries	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount
01	Up-to 3 months	5	12,799.45	66	416,444.69	279	4,968,536.79	436	8,073,529.14
02	More than 03 months but less than 06 months	0	-	0	-	0	-	0	-
03	More than 06 months but less than 09 months	0	-	0	-	0	-	0	-
04	More than 09 months but less than 12 months	0	-	0	-	0	-	0	-
05	More than 12 months	0	-	0	-	0	-	0	-
	Total	**5**	**12,799.45**	**66**	**416,444.69**	**279**	**4,968,536.79**	**436**	**8,073,529.14**

Hoda Vasi Chowdhury & Co

Chartered Accountants

Independent Correspondent Firm to **Deloitte Touche Tohmatsu**

AUDITORS' REPORT

To the Shareholders of BRAC Bank Limited
Offshore Banking Unit, Bangladesh

We have audited the accompanying financial statements of the Offshore Banking Unit, Bangladesh (the ''Unit'') of BRAC Bank Limited (the ''Bank''), which comprise the balance sheet as at 31 December 2012, profit and loss account and cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Unit in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in note 2, the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchanges Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in note 2, give a true and fair view of the financial position of the Unit as at 31 December 2012 and the results of its financial performance and its cash flows for the year then ended and comply with the applicable sections of the Bank Companies Act, 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchanges 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 Unit so far as it appeared from our examination of those books;

(iii) the Unit'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 Unit's business;

(v) the financial statements of the Unit have been drawn up in conformity with the Bank Companies Act 1991 and in accordance with the accounting rules and regulations issued by Bangladesh Bank;

(vi) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;

(vii) the financial statements of the Unit conform to the prescribed standards set in the accounting regulations issued by issued by Bangladesh Bank after consultation with the professional accounting with the professional accounting bodies of Bangladesh;

(viii) The information and explanations required by us have been received and found to be satisfactory; and

(ix) We have reviewed over 80% of the risk weighted assets of the Unit spending around 380 person hours;

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka, 25 March 2013

Independent Correspondent Firm to **Deloitte Touche Tohmatsu**

Annexure - H

Off-shore Banking Units
Balance Sheet
As on December 31, 2012

	Note	2012 USD	2012 Taka	2011 USD	2011 Taka
PROPERTY AND ASSETS					
Cash		**-**	**-**	**-**	**-**
Cash in hand (Including foreign currency)		-	-	-	-
Balance with Bangladesh Bank and its agent Bank(s) (Including foreign currency)		-	-	-	-
Balance with other Banks and Financial Institutions	3	**891,933**	**71,229,745**	**101,374**	**8,289,885**
Inside Bangladesh		393,325	31,410,951	-	-
Outside Bangladesh		498,607	39,818,794	101,374	8,289,885
Money at call and short notice		-	-	-	-
Investments		**-**	**-**	**-**	**-**
Government		-	-	-	-
Others		-	-	-	-
Loans and advances	4	**103,308,360**	**8,250,205,652**	**53,132,851**	**4,344,938,926**
Loans, cash credit, overdrafts etc.		103,308,360	8,250,205,652	53,132,851	4,344,938,926
Bills purchased & discounted				-	-
Fixed assets including premises, furniture and fixtures		-	-	-	-
Other assets	5	1,331,280	106,316,049	1,629,119	133,221,192
Total Property and Assets		**105,531,573**	**8,427,751,446**	**54,863,345**	**4,486,450,002**
LIABILITIES AND CAPITAL					
Liabilities					
Borrowings from other banks, financial institutions & agents	6	**100,969,217**	**8,063,401,672**	**53,102,887**	**4,342,488,567**
Borrowings from Central Bank	7	**-**	**-**	**-**	**-**
Deposits and other accounts	8	**495,145**	**39,542,241**	**-**	**-**
Current accounts & other accounts		-	-	-	-
Bills payable		-	-	-	-
Savings deposits		-	-	-	-
Fixed deposits		495,145	39,542,241	-	-
Other deposits		-	-	-	-
Other liabilities	9	**2,144,761**	**180,082,541**	**868,866**	**71,051,518**
Total Liabilities		**103,609,123**	**8,283,026,454**	**53,971,753**	**4,413,540,085**
Capital and Shareholders' Equity					
Paid up share capital		-	-	-	-
Statutory reserve		-	-	-	-
Revaluation reserve		-	-	-	-
Surplus in profit and loss account/Retained Earnings	10	1,922,451	144,724,992	891,592	72,909,917
Total shareholders' equity		**1,922,451**	**144,724,992**	**891,592**	**72,909,917**
Total Liabilities and Shareholders' Equity		**105,531,573**	**8,427,751,446**	**54,863,345**	**4,486,450,002**

Off-shore Banking Units
Off Balance Sheet Items
As on December 31, 2012

	Note	2012		2011	
		USD	Taka	USD	Taka
Contingent Liabilities					
Acceptances and endorsements		-	-	-	-
Letter of guarantees		-	-	-	-
Irrevocable letter of credits		-	-	-	-
Bills for collection		-	-	-	-
Tax liability		-	-	-	-
Other contingent liabilities		-	-	-	-
Total Contingent Liabilities		**-**	**-**	**-**	**-**
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- lease hold assets		-	-	-	-
Total Other Commitments		**-**	**-**	**-**	**-**
Total Off-Balance Sheet items including contingent liabilities		**-**	**-**	**-**	**-**

These financial statements should be read in conjunction with the annexed notes 1 to 13

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director & CEO	**Director**	**Director**	**Chairman**

Auditors' report to the shareholders See annexed report of date

Dated: 25 March 2013, Dhaka

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Off-shore Banking Units
Profit and Loss Account
For the period ended 31 December 2012

Particulars	Note	2012 USD	2012 Taka	2011 USD	2011 Taka
Interest income	11	4,347,238	347,170,400	2,373,894	194,125,146
Interest paid on deposits and borrowing etc.	12	2,593,799	207,140,757	1,060,627	86,732,803
Net interest income		**1,753,439**	**140,029,643**	**1,313,266**	**107,392,343**
Investment income		-	-	-	-
Other operating income		345,915	17,115,471	-	-
Total operating income		**2,099,354**	**157,145,115**	**1,313,266**	**107,392,343**
Salaries and allowances		102,523	8,187,503	53,684	4,390,042
Rent, taxes, insurance, electricity etc.		31,546	2,519,232	19,173	1,567,872
Legal expenses		-	-	273	22,305
Postage, stamps, telecommunication etc.		-	-	-	-
Stationery, printing, advertisement etc.		1,577	125,962	1,534	125,430
Chief Executive's salary & fees		-	-	-	-
Directors' fees & expenses		-	-	-	-
Auditors' fee		-	-	-	-
Depreciation on and repairs to bank's assets		-	-	-	-
Other expenses		22,082	1,763,461	2,301	188,145
Total operating expenses		**157,728**	**12,596,158**	**76,965**	**6,293,793**
Profit/(loss) before provisions		**1,941,626**	**144,548,957**	**1,236,301**	**101,098,550**
Provision for:					
Loans and advances	13	910,767	72,733,882	271,258	22,182,088
Off balance sheet items		-	-	-	-
Others		-	-	-	-
Total provision		**910,767**	**72,733,882**	**271,258**	**22,182,088**
Profit/(loss) before taxes		**1,030,859**	**71,815,075**	**965,044**	**78,916,462**
Provision for Tax:					
Current tax expense		-	-	-	-
Deferred tax expense/ (income)		-	-	-	-
Total provision for Tax		**-**	**-**	**-**	**-**
Total profit/(loss) after taxes		**1,030,859**	**71,815,075**	**965,044**	**78,916,462**
Retained earnings brought from previous years		891,592	72,909,917	(73,452)	(6,006,545)
Retained earnings		**1,922,451**	**144,724,992**	**891,592**	**72,909,917**

These financial statements should be read in conjunction with the annexed notes 1 to 13

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director & CEO	**Director**	**Director**	**Chairman**

Auditors' report to the shareholders See annexed report of date

Dated: 25 March 2013, Dhaka

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Off-shore Banking Units
Cash Flow Statement
For the year ended 31 December 2012

		2012		2011	
		USD	Taka	USD	Taka
A.	**Cash flows from operating activities**				
	Interest receipts	4,647,942	371,184,639	1,152,125	94,215,026
	Interest payment	(2,236,765)	(178,628,030)	(863,973)	(70,651,408)
	Receipts from other operating activities	214,318	17,115,471	-	-
	Payment for other operating activities :	(157,728)	(12,596,158)	(76,965)	(6,293,793)
	Operating profit/(loss) before changes in operating assets and liabilities (i)	**2,467,768**	**197,075,922**	**211,187**	**17,269,825**
	Increase/decrease in operating assets & liabilities				
	Loans and advances	(48,901,412)	(3,905,266,726)	(30,616,161)	(2,503,636,597)
	Other assets	36,200	2,890,904	(405,660)	(33,172,887)
	Deposit	495,145	39,542,241	-	-
	Other liabilities	97,476	7,784,414	34,904	2,854,279
	Cash utilised in operating assets & liabilities (ii)	(48,272,592)	(3,855,049,167)	(30,986,918)	(2,533,955,205)
	Net cash (used)/flows from operating activities (i+ii)	**(45,804,824)**	**(3,657,973,245)**	**(30,775,731)**	**(2,516,685,380)**
B.	**Cash flows from investing activities**				
	Acquisition of fixed assets	-	-	-	-
	Disposal of Fixed Assets	-	-	-	-
	Net cash used in investing activities	**-**	**-**	**-**	**-**
C.	**Cash flows from financing activities**				
	Borrowings from other banks	46,592,591	3,720,913,105	30,741,468	2,513,883,563
	Money at call and short notice	-	-	-	-
	Borrowings from Bangladesh Bank	-	-	-	-
	Net cash flows from financing activities	**46,592,951**	**3,720,913,105**	**30,741,468**	**2,513,883,563**
	Net increase/decrease in cash	**788,127**	**62,939,860**	**(34,263)**	**(2,801,817)**
	Cash and cash equivalents at beginning of year	103,805	8,289,885	135,637	11,091,702
	Cash and cash equivalents at end of year	**891,933**	**71,229,745**	**101,374**	**8,289,885**
	Cash and cash equivalents at end of the year:				
	Cash in hand (including foreign currency)	-	-	-	-
	Balance with Bangladesh Bank and its agents bank(s) (including foreign currency)	-	-	-	-
	Balance with other banks and financial institutions	891,933	71,229,745	101,374	8,289,885
		891,933	**71,229,745**	**101,374**	**8,289,885**

These financial statements should be read in conjunction with the annexed notes 1 to 13

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director & CEO	**Director**	**Director**	**Chairman**

Off-shore Banking Units
Notes To The Financial Statements
For the year ended 31 December 2012

1.1 Status of the units

Off-shore Banking Units of BRAC Bank Limited, governed under the rules and guidelines of Bangladesh Bank. The bank commenced the operation of its Off-shore banking Unit from 2010 after obtaining necessary approval from Bangladesh Bank.

1.1.1 Principal Activities

The principal activities of the units are to provide all kinds of commercial banking services to its customers through its off-shore Banking units in Bangladesh.

2 Summary of Significant Accounting Policies & basis of preparation

2.1 A summary of the principle accounting policies which have been applied consistently (Unless otherwise stated), is set out below:

a) Basis of accounting

The Off-shore Banking Units maintain its accounting records in USD from which accounts are prepared according to the Bank Companies Act 1991, Bangladesh Accounting Standards and other applicable directives issued by Bangladesh Bank.

b) Use of estimates and judgments

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. Revisitions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

c) Foreign currency transaction

Foreign currency transactions are converted into equivalent Taka using the ruling exchange rates on the dates of respective transactions as per BAS -21" The Effects of Changes in Foreign Exchange Rates". Foreign currency balances held in US Dollar are converted into Taka at weighted average rate of intern-bank market as determined by Bangladesh Bank on the closing date of every month. Balances held in foreign currencies other than US Dollar are converted into equivalent US Dollar at buying rates of New York closing of the previous day and converted into Taka equivalent.

Commitments for outstanding forward foreign exchange contracts disclosed in the financials are translated at contracted rates. Contingent liabilities/ commitments for letter of credit and letter of guarantee denominated in foreign currencies are expressed in Taka terms at the rates of exchange ruling on the balance date.

The resulting exchange transaction gains and losses are included in the profit and loss account, except those arising on the transaction of net investment in foreign subsidiary.

d) Cash flow statement

Cash flow statement has 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 June 25, 2003 issued by the Banking Regulation & Policy Department of Bangladesh Bank.

2.2 Reporting period

These financial statements cover one calendar year from 01 January to 31 December 2012.

2.3 Cash and cash equivalents

For the purpose of presentation in the Cash flow statements, cash and cash equivalents includes Cash in Hand and Cash at Bank , highly liquid interest bearing investment/Securities with original maturities of less than three month.

Cash flow statement is prepared in accordance with BAS 7 titled " Cash Flow Statements". Cash flows form operating activities have been presented at "Direct Method' .

2.4 Loans and Advances / investment

a) Loans and advances of Off-shore Banking Units are stated in the balance sheet on gross basis.

b) Interest is calculated on a daily product basis but charged and accounted for on accrual basis. Interest is not charged on bad and loss loans as per guidelines of Bangladesh Bank. Records of such interest amounts are kept in separate memorandum accounts.

2.5 Provision for liabilities

A provision is recognized in the balance sheet when the unit has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with the BAS 37 " Provisions, Contingent Liablities and Contingent Assets".

2.6 Revenue & Expense recognition

2.6.1 Interest income

In terms of the provisions of the BAS - 18 "Revenue", the interest income is recognized on accrual basis.

2.6.2 Interest paid and other expenses

In terms of the provisions of the BAS- 1 "Presentation of Financial Statements" interest and other expenses are recognized on accural basis.

2.7 General

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

b) Assests and liabilities & income and expenses have been converted into Taka currency @ US $ 1 = Taka 79.86 (Closing rate as at 31st December 2012).

	Particulars	2012 USD	2012 Taka	2011 USD	2011 Taka
3	**Balance with Other Banks and Financial Institutions**				
	A. Inside Bangladesh	393,325	31,410,951	-	-
	B. Outside Bangladesh	498,607	39,818,794	101,374	8,289,885
		891,933	**71,229,745**	**101,374**	**8,289,885**
4	**Loans and Advances**				
	Overdrafts	-	-	-	-
	Demand loans	-	-	-	-
	Term loans	103,308,360	8,250,205,652	53,132,851	4,344,938,926
	Lease receivables	-	-	-	-
	Small & medium enterprises	-	-	-	-
	Credit Cards	-	-	-	-
		103,308,360	**8,250,205,652**	**53,132,851**	**4,344,938,926**
	Bills purchased & discounted	-	-	-	-
		103,308,360	**8,250,205,652**	**53,132,851**	**4,344,938,926**
5	**Other Assets**				
	Interest receivables	952,092	76,034,066	1,223,458	100,048,305
	Deferred revenue expenditure	236,546	18,890,594	394,274	32,241,787
	Other assets	142,642	11,391,389	11,386	931,099
		1,331,280	**106,316,049**	**1,629,119**	**133,221,192**
6	**Borrowing from other Banks, Financial Institutions and Agents:**				
	Term Borrowing				
	Borrowings from BARC Bank Limited	60,969,217	4,869,001,672	13,102,887	1,071,488,567
	Borrowings from IFC	40,000,000	3,194,400,000	40,000,000	3,271,000,000
		100,969,217	**8,063,401,672**	**53,102,887**	**4,342,488,567**
7	**Borrowings from Central Bank**				
	Borrowings from Central Bank (Bangladesh Bank)	-	-	-	-
		-	**-**	**-**	**-**
8	**Deposit and Other Accounts**				
	Local Currency:				
	Current & other accounts	-	-	-	-
	Bills payable	-	-	-	-
	Saving deposits	-	-	-	-
	Fixed deposits	495,145	39,542,241	-	-
	Other deposits	-	-	-	-
		495,145	**39,542,241**	**-**	**-**
	Foreign Currency:				
	Current & other accounts	-	-	-	-
	Bills payable	-	-	-	-
	Saving deposits	-	-	-	-
	Fixed deposits	-	-	-	-
	Other deposits	-	-	-	-
		-	**-**	**-**	**-**
	Total Deposit and other accounts	**495,145**	**39,542,241**	**-**	**-**
9	**Other Liabilities**				
	Provisions for loans & advances	1,442,096	115,165,778	531,329	43,449,390
	Interest payable	702,665	56,114,855	337,537	27,602,128
	Others	110,217	8,801,908	-	-
		2,144,761	**180,082,541**	**868,866**	**71,051,518**

	Particulars	2012		2011	
		USD	Taka	USD	Taka
10	**Surplus in Profit and Loss Account/ Retained Earnings**				
	Balance at the beginning of the year	891,592	72,909,917	(73,452)	(6,006,545)
	Add: Retained Surplus for the year	1,030,859	71,815,075	965,044	78,916,462
		1,922,451	**144,724,992**	**891,592**	**72,909,917**
11	**Interest Income**				
	Interest on loans and advances	1,044,373	83,403,635	739,950	60,509,371
	Interest on bill discounted	,302,865	263,766,765	1,633,944	133,615,775
		4,347,238	**347,170,400**	**2,373,894**	**194,125,146**
12	**Interest Paid on Deposits and Borrowing etc.**				
	Interest on deposits	13,206	1,054,626	-	-
	Interest on local bank borrowing	2,580,593	206,086,131	1,060,627	86,732,803
	Interest on Bangladesh Bank borrowing	-	-	-	-
		2,593,799	**207,140,757**	**1,060,627**	**86,732,803**
13	**Provisions**				
	For Loans & Advances:			**-**	**-**
	For classified loans & advances	104,303	8,329,654	-	-
	For unclassified loans & advances	806,464	64,404,228	271,258	22,182,088
		910,767	**72,733,882**	**271,258**	**22,182,088**

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director & CEO	**Director**	**Director**	**Chairman**

AUDITORS' REPORT
OF
BRAC BANK LIMITED
Under section 135(1) and paragraph 24(1)(3) and 25 of Part-II of Third Schedule of the Companies Act 1994
AND
Under Rules 8 (i) of Securities and Exchange Commission (Right Issue) Rules, 2006

We have examined the consolidated financial statements of BRAC Bank Limited (the "Bank") and its subsidiaries for the year ended 31 December 2012 and those for the years ended 31 December 2011, 31 December 2010 and 31 December 2009 were audited by M/S. S. F. Ahmed & Co, Chartered Accountants and those for the years ended 31 December 2008 and 31 December 2007 were audited by M/S Rahman Rahman Huq, Chartered Accountants.

The presentation of these consolidated financial statements is the responsibility of the Bank's management.

Our responsibility is to review the relevant audited consolidated financial statements and confirm that the related information have been correctly extracted from those audited consolidated financial statements.

We have reviewed the relevant audited consolidated financial statements and confirm that the related information have been correctly extracted from those audited consolidated financial statements.

a. The BRAC Bank Ltd. and its subsidiaries were incorporated on :

(a) BRAC BANK LTD. --20th May, 1999
(b) Off-shore Banking (OBU) -- 17 th November, 2009
(c) BRAC EPL Investment Ltd. --18th April, 2000
(d) BRAC EPL Stock Brokerage Ltd.--16th May 2000
(e) bKash Ltd.-- 01st March, 2010
(f) BRAC SAAJAN Exchange Ltd.-- 10th January 2008
(g) BRAC Asset Management Company Ltd.-- 01st April, 2010

b. **Dividend declared:**

	31 Dec-2012	31 Dec-2011	31 Dec-2010	31 Dec-2009	31 Dec-2008
Cash dividend- %	0%	0%	10%	0%	0%
Stock dividend (Bonus share)- %	15%	20%	20%	30%	30%

c. No proceeds or part of proceeds of the issue of shares shall be applied directly or indirectly by the Bank in the purchase of any other business or an interest thereon;

d. **Enclosures :**

(i) The consolidated Statement of Profit and Loss Account of the Bank for the year ended 31 December 2012 and for immediately preceding five years. (***Annexure - A)***

(ii) The consolidated Balance Sheet of the Bank as at 31 December 2012 and for immediately preceding five years. (***Annexure - B)***

(iii) The consolidated Statement of Cash Flows Statement of the Bank for the year ended 31 December 2012 and for immediately preceding five years. (***Annexure - C)***

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka, 29 April 2013

Annexure-A

The Consolidated Statement of operating results (Profit and Loss Account) of the Bank for the year ended 31 December 2012 and for immediately preceding five years

BRAC Bank Limited
Consolidated Profit and Loss Account

	Amount in Taka				
	31 Dec-2012	**31 Dec-2011**	**31 Dec-2010**	**31 Dec-2009**	**31 Dec-2008**
INCOME					
Interest income	17,528,045,159	14,283,148,334	11,028,458,555	9,506,547,429	8,021,101,674
Less: Interest paid on deposits, borrowings, etc.	10,703,575,883	8,645,101,681	5,886,828,345	6,073,232,755	4,865,091,805
Net Interest income	**6,824,469,276**	**5,638,046,653**	**5,141,630,210**	**3,433,314,674**	**3,156,009,869**
Income from investment	1,535,945,862	1,640,318,565	2,259,257,261	1,619,635,992	909,126,833
Commission, exchange and brokerage	2,964,000,773	3,151,441,516	2,771,273,888	2,266,540,614	1,951,193,720
Other operating income	432,439,952	365,980,102	227,314,643	85,135,526	19,853,415
Total operating income	**11,756,855,863**	**10,795,786,834**	**10,399,476,002**	**7,404,626,805**	**6,036,183,837**
Salaries and allowances	2,811,069,919	2,519,148,747	2,114,272,749	1,604,439,388	1,422,467,134
Rent, taxes, insurance, lighting and travelling	724,180,923	631,506,064	553,962,234	327,230,744	201,185,595
Legal expenses	38,191,360	24,806,497	37,854,350	17,637,441	6,659,649
Postage, stamp, telecommunication etc.	224,191,903	208,114,022	184,457,390	169,451,904	153,973,003
Auditors' fee	2,842,161	2,046,680	943,150	877,925	753,125
Stationery, printing and advertisement	239,889,154	349,200,709	327,490,915	278,597,145	212,445,802
Chief Executive's salary	11,921,417	11,146,417	7,687,500	8,296,400	21,606,094
Directors' meeting fee	3,526,900	3,796,156	2,953,907	1,277,400	729,715
Repair, maintenance and depreciation of assets	1,143,521,168	838,480,869	607,276,877	452,730,307	320,428,159
Other expenses	1,151,410,073	1,008,758,460	1,043,484,084	743,030,877	522,029,311
Total operating expenses	**6,350,744,979**	**5,597,004,620**	**4,880,383,156**	**3,603,569,533**	**2,862,277,587**
Profit before provision	**5,406,110,884**	**5,198,782,215**	**5,519,092,846**	**3,801,057,272**	**3,173,906,250**
Provision for loans & advance, other assets & off BS items	**3,230,000,770**	**1,984,711,371**	**2,053,030,038**	**1,574,000,000**	**1,150,455,420**
Profit before taxation	**2,176,110,114**	**3,214,070,844**	**3,466,062,808**	**2,227,057,272**	**2,023,450,830**
Provision for taxation:					
Current tax	1,595,434,751	1,575,650,322	1,558,995,482	1,153,692,401	1,220,000,000
Deferred tax	(119,108,931)	(174,023,667)	(165,991,757)	(300,000,000)	(170,000,000)
	1,476,325,820	1,401,626,655	1,393,003,726	853,692,401	1,050,000,000
Profit after taxation	**699,784,295**	**1,812,444,189**	**2,073,059,083**	**1,373,364,871**	**973,450,830**
Extra Ordinary Gain	-	-	-	-	-
Retained profit brought forward	-	-	-	-	-
	699,784,295	**1,812,444,189**	**2,073,059,083**	**1,373,364,871**	**973,450,830**
Appropriations					
Statutory reserve	397,585,824	615,832,590	583,118,995	428,717,788	404,690,166
General Reserve	-	-	-	-	-
	397,585,824	**615,832,590**	**583,118,995**	**428,717,788**	**404,690,166**
Retained earnings	**302,198,471**	**1,196,611,599**	**1,489,940,088**	**944,647,083**	**568,760,664**
Earnings per Share (EPS) [Considering Tk. 10/-]	**1.74**	**4.61**	**5.68**	**4.02**	**2.95**
Earnings per Share (EPS) [Considering Tk. 100/-]	**17.44**	**46.14**	**56.80**	**40.20**	**29.50**

As per our separate report of even date annexed.

Dhaka, 29 April 2013

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

Annexure-B

The Consolidated Statement of Assets and Liabilities (Balance Sheet) of the Bank as at 31 December 2012 and for immediately preceding five years

BRAC Bank Limited
Consolidated Balance Sheet

	Amount in Taka				
	31-Dec-2012	**31-Dec-2011**	**31-Dec-2010**	**31-Dec-2009**	**31-Dec-2008**
PROPERTY AND ASSETS					
Cash	**13,581,915,641**	**11,979,216,569**	**9,853,046,265**	**6,619,082,263**	**4,315,888,000**
Cash in hand (including foreign currency)	4,750,845,270	3,648,779,467	3,578,604,502	1,637,296,747	908,567,282
Balance with Bangladesh Bank and its Agents Bank (including foreign currency)	8,831,070,371	8,330,437,102	6,274,441,763	4,981,785,516	3,407,320,718
Balance with other Banks and financial institutions	**10,978,155,044**	**3,746,866,187**	**3,887,254,779**	**5,649,104,142**	**3,194,971,113**
In Bangladesh	10,338,261,494	3,138,856,331	3,036,616,263	5,427,024,479	2,925,484,028
Outside Bangladesh	639,893,550	608,009,856	850,638,516	222,079,663	269,487,085
Money at call on short notice	**-**	**480,000,000**	**-**	**1,300,000,000**	**-**
Investments	**25,463,079,931**	**14,674,983,791**	**13,125,495,806**	**10,383,311,907**	**8,245,373,273**
Government securities	21,858,309,744	10,291,953,253	9,667,938,634	10,257,680,797	7,880,195,243
Other investments	3,604,770,187	4,383,030,537	3,457,557,172	125,631,110	365,178,030
Outside Bangladesh	-	-			-
Loans and advances	**114,086,283,173**	**97,478,364,517**	**86,573,913,596**	**64,150,835,159**	**52,676,716,740**
Loans, cash credits, overdrafts, etc.	113,485,146,983	97,083,550,903	86,329,829,222	64,084,358,403	52,665,236,558
Bills purchased and discounted	601,136,190	394,813,615	244,084,374	66,476,756	11,480,182
Fixed assets including premises, furniture and fixtures	**2,861,824,309**	**2,599,931,447**	**1,854,245,194**	**1,666,593,932**	**1,472,024,279**
Other assets	**11,997,406,400**	**8,553,122,866**	**7,195,307,035**	**5,080,443,373**	**2,536,919,987**
Non banking assets	-	-	-	-	-
Goodwill	**1,427,468,912**	**1,409,637,597**	**311,888,515**	**311,888,515**	
Total assets	**180,396,133,411**	**140,922,122,974**	**122,801,151,190**	**95,161,259,291**	**72,441,893,392**
LIABILITIES AND CAPITAL					
Liabilities					
Borrowing from other banks, financial Institutions and agents	**4,918,169,184**	**5,720,180,188**	**4,973,920,255**	**2,450,000,000**	**2,280,000,000**
Borrowing from Central Bank	**4,526,502,247**	**1,533,371,184**	**1,828,605,004**	**-**	**-**
Convertible Subordinate Bonds	**3,000,000,000**	**3,000,000,000**	**3,000,000,000**	**-**	**-**
Money at Call & Short Notice	**1,990,000,000**	**-**	**550,000,000**	**-**	**-**
Deposit and other accounts	**134,244,989,307**	**103,648,725,771**	**88,154,867,683**	**74,455,677,860**	**58,006,887,011**
Current deposits and other accounts	42,141,724,262	32,369,590,116	30,290,472,653	24,549,612,758	7,652,002,775
Bills payable	1,693,298,032	768,394,517	1,021,461,002	453,829,731	424,455,762
Savings bank deposits	18,130,936,581	18,421,267,314	21,093,422,226	12,973,969,209	4,627,686,658
Term deposits	71,999,644,228	51,763,212,319	35,488,954,124	36,037,073,117	43,399,790,445
Other deposits	279,386,204	326,261,506	260,557,678	441,193,045	1,902,951,371
Other liabilities	**20,241,603,354**	**16,538,199,960**	**13,742,438,421**	**9,424,340,286**	**6,717,480,731**
Total liabilities	**168,921,264,092**	**130,440,477,104**	**112,249,831,364**	**86,330,018,146**	**67,004,367,742**
Capital / Shareholders' equity					
Paid up capital	3,854,822,400	3,212,352,000	2,676,960,000	2,059,200,000	1,584,000,000
Preference share capital	-	350,000,000	500,000,000	500,000,000	500,000,000
Share premium	1,740,102,253	1,553,052,103	1,553,052,103	1,553,052,103	1,406,000,000
Statutory reserve	2,934,017,286	2,536,431,462	1,920,598,872	1,337,479,877	908,762,088
Revaluation reserve	558,121,126	163,089,754	1,220,932,131	1,576,498,469	118,846,147
Share money deposit	23,741,603	62,333,542	24,851,503	-	-
Other reserve	-	-	-	45,000	45,000
Surplus in Profit and Loss Account	1,914,456,974	2,282,951,075	1,956,125,242	1,331,987,555	919,872,415
Total shareholders' equity	**11,025,261,642**	**10,160,209,935**	**9,852,519,851**	**8,358,263,004**	**5,437,525,650**
Minority Interest	**449,607,676**	**321,435,935**	**698,799,975**	**472,978,141**	**-**
Total liabilities and shareholders' equity	**180,396,133,411**	**140,922,122,974**	**122,801,151,190**	**95,161,259,291**	**72,441,893,392**
OFF BALANCE SHEET ITEMS					
Contingent liabilities					
Acceptances and endorsements	149,723,080	160,105,738	140,191,600	137,392,734	136,773,626
Letters of guarantee	4,740,297,069	4,537,278,981	3,818,035,880	1,051,007,264	425,080,706
Irrevocable letters of credit	10,958,226,141	16,201,080,847	18,816,476,381	4,620,316,769	1,570,706,657
Bills for collection	405,799,599	626,623,955	110,562,929	36,164,384	8,570,591
Tax liability	143,894,928	115,398,757	249,485,368	127,787,830	3,367,206
Other contingent liabilities	1,748,952,115	753,151,898	16,596,320	16,514,722	16,496,673
	18,146,892,932	**22,393,640,175**	**23,151,348,479**	**5,989,183,702**	**2,160,995,459**
Other Commitments:					
Documents credit and short term trade -related transactions	-	-	-	-	-
Forward assets purchased and forward deposits placed	-	-	-	-	-
Undrawn note issuance and revolving underwriting facilities	159,000,000	405,759,290	824,637,000	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-	-	-	-
	159,000,000	405,759,290	824,637,000	-	-
	18,305,892,932	**22,799,399,465**	**23,975,985,479**	**5,989,183,702**	**2,160,995,459**
Net Asset Value (NAV) [Considering Tk. 10/-]	**28.60**	**30.54**	**34.94**	**38.16**	**31.17**
Net Asset Value (NAV) [Considering Tk. 100/-]	**286.01**	**305.39**	**349.37**	**381.62**	**311.71**

As per our separate report of even date annexed.

Dhaka, 29 April 2013

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

Annexure-C

The Consolidated Statement of Cash Flows of the Bank for the year ended 31 December 2012 and for immediately preceding five years

BRAC Bank Limited

Consolidated Cash Flow Statement

	Amount in Taka				
	31 Dec-2012	**31-Dec-2011**	**31-Dec-2010**	**31-Dec-2009**	**31-Dec-2008**
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received in cash	18,550,350,922	15,641,915,477	12,463,132,109	10,924,127,258	8,752,901,827
Interest payments	(10,951,162,753)	(8,199,547,626)	(5,703,656,787)	(6,330,714,215)	(4,308,796,588)
Dividend received	58,256,966	52,297,592	28,705,742	4,400,027	6,400,000
Fees and commission received in cash	3,649,224,285	3,091,237,271	2,771,273,888	2,266,540,613	1,951,193,720
Cash paid to employees	(2,959,633,267)	(2,435,244,405)	(2,025,702,712)	(1,695,706,633)	(1,320,858,916)
Cash paid to suppliers	(841,403,139)	(655,371,909)	(568,394,136)	(376,240,067)	(359,009,559)
Income tax paid	(1,435,010,399)	(1,564,614,901)	(1,314,225,180)	(1,168,503,044)	(809,274,043)
Cash received from other operating activities	272,847,411	538,478,271	1,088,786,908	105,179,789	19,853,415
Cash paid for other operating activities	(2,118,273,025)	(1,504,237,212)	(1,066,303,390)	(974,960,180)	(690,261,152)
Cash flows before charges in operating assets and liabilities	**4,225,197,001**	**4,964,912,559**	**5,673,616,442**	**2,754,123,548**	**3,242,148,704**
Increase / Decrease in operating assets and liabilities					
Loans and advances to customers	(16,512,011,301)	(11,793,368,545)	(22,423,078,437)	(11,474,118,419)	(20,215,614,560)
Other assets	(1,275,921,151)	(1,704,693,078)	(1,258,938,325)	(830,479,772)	(239,704,724)
Deposits from other Banks	-	-	-	-	-
Deposit from customers	30,444,275,905	15,429,399,774	13,699,189,823	16,448,790,851	20,638,479,236
Trading liabilities	-	-	-	-	-
Other liabilities	(1,493,901,261)	(1,035,393,072)	410,513,133	(140,232,636)	294,581,854
	11,162,442,191	**895,945,079**	**(9,572,313,806)**	**4,003,960,024**	**477,741,806**
Net cash from operating activities	**15,387,639,192**	**5,860,857,638**	**(3,898,697,363)**	**6,758,083,572**	**3,719,890,510**
CASH FLOWS FROM INVESTING ACTIVITIES					
Treasury bills	(1,275,747,828)	-	-	-	848,242,240
Encumbered Securities	(4,369,480,954)	-	-	-	-
Bangladesh Bank Bills	(6,967,625,583)	-	-	-	-
Treasury bonds	926,085,811	(1,682,188,797)	234,489,325.77	(919,615,233)	(3,617,744,127)
Sale/ (Investment) in shares	892,508,788	(983,104,224)	(2,903,283,908)	(61,131,110)	-
Redemption of debenture	-	-	-	-	-
Investment in bonds	-	70,000,000	(500,000,000)	300,000,000	(270,000,000)
Investment in zero coupon bonds	-	-	-	678,030	7,893,235
Investment in prize bond	(930,100)	331,800	(313,500)	(218,000)	(824,000)
Acquisition of fixed assets	(509,186,554)	(1,363,694,392)	(624,848,899)	(554,582,043)	(765,393,785)
Disposal of Fixed Assets	9,332,708	12,220,291	10,371,422	7,741,456	946,357
Net cash from investing activities	**(11,295,043,712)**	**(3,946,435,322)**	**(3,783,585,559)**	**(1,227,126,900)**	**(3,796,880,080)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares	24,950,000	36,738,938	-	-	-
Proceeds from issue of preference shares	(350,000,000)	(150,000,000)	-	-	-
Proceeds from issue of right shares	-	-	-	-	264,000,000
Share premium	366,765,000	-	-	-	1,056,000,000
Payment of dividend on preference share	(33,468,750)	(47,812,500)	(47,812,500)	(47,812,500)	(46,800,000)
Payment for lease finance	(378,240)	(378,240)	(315,200)	-	(4,485,369)
Borrowings from other banks	(897,662,105)	(261,184,958)	2,523,920,255	170,000,000	40,000,000
Proceeds from issue of Subordinate Debts	-	-	3,000,000,000	-	-
Money at call and short notice	1,990,000,000	(550,000,000)	550,000,000	-	-
Borrowings from Bangladesh Bank	2,993,131,063	1,533,371,184	1,828,605,004	-	-
Share money deposit	(102,250,745)	73,499,295	-	-	-
Donor grant received	119,162,011	88,489,123	-	-	-
Dividend paid	(843,415)	(236,222,994)	-	-	-
Net Cash from Financing activities	**4,109,404,819**	**486,499,849**	**7,854,397,559**	**122,187,500**	**1,308,714,631**
Net increase/(decrease) in cash and cash equivalent	**8,202,000,300**	**2,400,922,165**	**172,114,637**	**5,653,144,172**	**1,231,725,061**
Opening cash and cash equivalent	**16,358,070,385**	**13,805,160,592**	**13,568,186,406**	**7,915,042,234**	**6,279,134,052**
Closing cash and cash equivalent	**24,560,070,685**	**16,206,082,756**	**13,740,301,043**	**13,568,186,406**	**7,510,859,113**

As per our separate report of even date annexed.

Sd/-

Dhaka, 29 April 2013

Hoda Vasi Chowdhury & Co
Chartered Accountants

Rating Report
BRAC Bank Limited

Ratings			
Long Term :	**AA3**		
Short Term :	**ST-2**		
Outlook :	**Stable**		

Previous Rating			
Date of Rating	Long Term	Short Term	Outlook
24 May, 2012	AA3	ST-2	Stable

Date of Rating: 30 June 2013

Validity: 30 June 2014

Rating Based on: Audited financial statement up to 31 December 2012 and other relevant quantitative as well as qualitative information up to the date of rating declaration.

Methodology: CRAB's Bank Rating Methodology (www.crab.com.bd)

Analysts:

Shahtaj Noor
shahtaj.noor@crab.com.bd

Tahmina Islam
tahmina.islam@crab.com.bd

Key Performance Indicator of the Bank

	--Year ended December 31--	
(Mil. BDT)	2012	2011
Loans	103,624.4	90,822.2
Deposit	134,646.4	103,725.5
Gross NPL	7,637.1	5,239.5

Figures in %		
NIM	6.1	6.0
ROAA (after tax)	0.4	1.4
RWCAR	11.4	11.6
Gross NPL Ratio	7.4	5.8
Loans to Deposit Ratio	77.0	87.6
Cost to Income Ratio	52.8	51.0

CORPORATE PROFILE

BRAC Bank Limited was incorporated in May 1999 and commenced its commercial operation from July 2001. The Bank went to IPO in 2006. The paid up capital of the company reached BDT 3,854.8 million against authorized capital of BDT 12,000.0 million at the end of December 2012. The Bank offers a full range of banking and investment services for personal and corporate customers with special focus to SME clusters. Presently the Bank operates with its 86 branches, 69 SME/agri branches/service centers and 309 unit offices of SME as the Bank is strongly committed towards SME financing. The Bank has four subsidiary companies; i) BRAC SAAJAN Exchange Ltd., ii) bKash Limited, iii) BRAC EPL Stock Brokerage Ltd. and iv) BRAC EPL Investments Limited.

Rationale

Credit Rating Agency of Bangladesh Limited (CRAB) has affirmed **AA3** (Pronounced Double A three) rating in the long term and **ST-2** rating in the short term to the BRAC Bank Limited based on audited financials up to 31st December 2012 and other relevant information.

Commercial Banks rated **AA3** in the long term belong to very strong capacity & very high quality" cohort. Banks rated "**AA3**" have very strong capacity to meet their financial commitments. **AA3** rated banks are judged to be of very high quality and are subject to very low credit risk. Commercial Banks rated in the short term **'ST-2'** category are considered to have strong capacity for timely repayment of obligations. Commercial Banks rated in this category are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds.

The rating reflects the Bank's strength in risk weighted capital adequacy, strong stable low cost deposit base as well as wide network of branches. Rating also factors substantial cushion against required provision. On the other hand, principal concerns of the Bank are higher rate of fresh NPL generation as well higher cost to income ratio.

Net interest income remained the dominating revenue sources having 59.8% of total operating income in 2012 (on an average 53.1% for the last five years) followed by commission/fees and exchange income (26.9% of total income) and investment income (15.7% of total). Net profit of the Bank was significantly affected in 2012 mainly resulted from substantial increase in provision expense due to increased NPL. These also reflected in the reduced net profit margin as well as ROAA of the Bank. NIM remained stable at 6.1%. Return on risk weighted reduced to 0.5% in 2012 from 1.5% in 2011.

The growth of operating expense of the Bank was low compared to that of previous years. However, cost to income ratio remained high at 52.8% which was much higher compared to the PCB industry average. High operating expense incurred mainly because of its SME focused business model which need close supervision and there by high administrative cost.

The Bank's gross NPL increased by 45.7% in 2012, whereas loan portfolio increased by 14.1% during the same period. Therefore, gross NPL ratio increased to 7.4% in 2012 from 5.8% in 2011. Fresh NPL generation of the Bank was high at 4.5% in 2012. SMA to total loans was 2.4% at the end of 2011. The Bank also has written off loan amounting BDT 1,497.6 million in 2012 (1.4% of total loans). Every year the Bank maintains extra cushion in case of provision and in 2012 the Bank maintained BDT 175.4 million excess provisions. The Bank's loan portfolio was dominated by retail financing (22.9%) followed by industry sector financing (20.2% of total). About 45.0% of Bank's total loans and advances belonged to the top 50 funded large loans in 2012 which was 5.4 times of core capital of the Bank.

For the last couple of years, the Bank's deposit grew on an average 23.6%, whereas loans portfolio grew at an average of 18.6%. Therefore, the Bank enjoyed prudent liquidity. Loans to deposit ratio of the Bank was 77.0% at the end of 2012 with monthly average of 84.2%. Total deposit of the Bank grew by 19.8% in 2012 and reached BDT 134,646.4 million which was dominated by term deposit (53.5% of total). However, the Bank has a sound funding profile with current account and savings accounts deposits constituting 45.0% of total deposits in 2012 (2011: 49.0%). Therefore, the Bank enjoyed relatively stable and lower cost of deposits supported by its large network consisting of branches, unit offices and SME centers. They may enjoy further low cost deposit through its mobile banking operation.

The risk weighted capital adequacy ratio of the Bank was 11.4% (with tier I ratio 7.8%) against regulatory requirement of 10.0% under Basel II at the end of 2012. Around 62.6% of total corporate loan exposures (BDT 26,499.3 million) were rated. The risk weighted asset of the rated client was BDT 10,043.0 million as of 31 December 2012 against actual exposure of BDT 19,479.1 million. 30.5% of the rated clients of BRAC Bank are from Single A category followed by AA category (18.7%) and BBB category (9.7%).

■ MACROECONOMIC SCENARIO[1]

In FY12 the economy faced a different set of challenges related to rising inflation and balance of payments pressures. Despite an unfavorable global economy, Bangladesh managed to attain 6.3% GDP growth in FY12 (FY11: 6.7%) which was in the line of average GDP growth (6.2%) of the country over the last ten years. The economic slowdown in FY12 was attributable entirely to reduced contribution from agriculture sector due to lower growth in crop production. However, the industry sector, driven by its manufacturing and construction sub-sectors, improved its contribution to growth, with 2.8 percentage points.

Favorable international price trends and monetary tightening has reduced inflation. Consumer price index (CPI) declined steadily from the second half of FY2012 settling at 8.6% in June 2012 and easing further to 7.4% in September down from 12.0% in September 2011. This decline has largely been due to lower food price inflation. During FY12 Bangladesh economy experienced a mixed picture in terms of various factors associated with output growth. Remittance grew significantly and continued in first quarter (Q1) of FY13. Private sector credit observed moderate growth of 19.7% in FY12 and continued in Q1 of FY13 considering the tightening monetary policy. However, export growth and import growth was low pointing to slower economic expansion.

The euro area crisis has already affected exports. Although the year-on-year decline in exports observed since February 2012 came to a halt in July-September. Garment orders from new markets appear to have offset declining shipments to Europe in July-September. This may not be sustained if orders from Europe continue to decline. Export of knitted ready-made garments remained flat while woven garments grew by 13.9 percent in FY12. In July-September 2012, knitwear exports declined by 1.5 percent while woven garments grew by 9.9 percent. Among other export sectors engineering products, agricultural products and leather goods witnessed the growth in FY12. On the other hand, Jute goods and frozen food export growth was negative. Because of higher domestic production, import of food grains decreased significantly by 53.1 percent during FY12. Import of capital machinery recorded a 5.5 percent growth during FY12 compared to 28.6 percent growth during FY11.

In FY12, the industry sector registered 9.47 percent growth, compared with the 8.20 percent actual growth in FY11 contributed mainly from SME sector growth by 7.18 percent in FY12, compared with the 5.84 percent in FY11. The disbursement of industrial term loans grew by 9.68 percent to BDT 352.78 billion in FY12. However, disbursement experienced a sharp growth of 30.69 percent in the Q1 of FY13 over the same period of FY12.

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[1] Source: Bangladesh Bank Publications & ADB Quarterly Economic Update.

MONETARY & FINANCIAL DEVELOPMENT

Despite central bank's restrictive monetary policy, broad money (M2) growth moderated to 19.01% year-on-year at the end of 2012 resulted from slower growth in import payment as well as higher remittance inflows. Even after monetary tightening, excess liquidity of scheduled banks remained high at BDT 579.90 billion at the end of December 2012. The higher lending rates of commercial banks and sluggish business environment reduced demand for credit, contributing to a buildup of excess liquidity in the banking system.

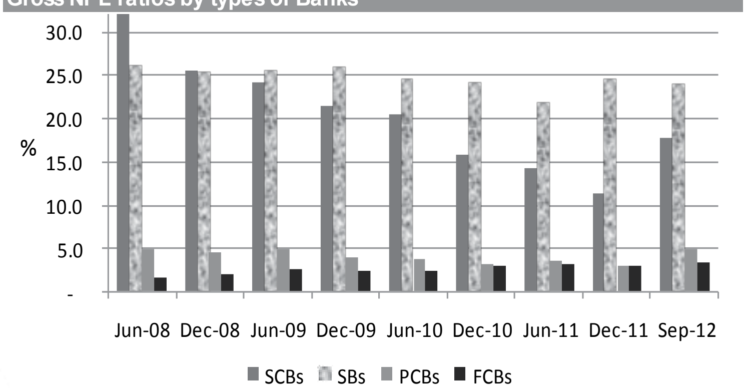
The interbank call money rate was high during the first half of 2012 but came down at the second half of 2012 because of central bank's policy support. The BB has introduced a new policy effective from August 1, 2012 which requires the 15 primary dealers to buy 60 percent of the unsubscribed T-bills and bonds and the rest 40 percent will have to be bought by the 25 non primary dealer banks. The weighted average nominal (taka–dollar) exchange rate depreciated from Tk 76.2 = $1 at the end of October 2011 to Tk 83.42 = $1 at the end of January 2011 (a depreciation of about 9.47%). However, dollar price remained stable between Tk.81.52 to Tk.81.87 from March 2012. Bangladesh Bank occasionally intervened in the interbank foreign exchange market to limit the excessive volatility in the exchange rate, while at the same time allowing taka to depreciate to ease pressure on the reserves.

Total deposit liabilities (excluding interbank items) of the scheduled banks increased by 13.22% during the first three quarters of 2012 and reached BDT 5,040.41 billion. About 62.84% of the total deposit shared by private sector banks (PCB) followed by state owned banks (SCB) having 26.01% and foreign banks (FCB) having 6.34%. Private sector credit of the scheduled banks experienced a moderate growth of 16.6% at the end of December 2012 and reached BDT 4,328.9 billion at the end of 2012. Economic purposes classifications of private sector credit show that major portion of bank advances belonged to trade financing at the end of 3rd quarter of 2012 followed by advances to industry sector and working capital financing.

The interest rate spread of the banking system dropped to 5.33% in December 2012 from 5.46% in December 2011. The weighted average lending rate rose to 13.9% at the end of September 2012 from 12.7% at the end of September 2011. The deposit rate rose to 8.4%, from 7.4% in the same period.

Graph 1

Gross NPL ratios by types of Banks



At the end of December 2012, the gross NPLs of the banking system accounted for 10.03% of outstanding loans compared with 6.12% in December 2011. Some irregularities in state-owned commercial banks (SCB) branches were not detected until the amount went well beyond the threshold allowed. The recently exposed cross-acceptance of inland trade bills of unscrupulous private business people increased inter-bank defaults especially SCBs. Gross NPL ratio of SCBs experienced a sharp rise to 23.87 at the end of December 2012 from 11.27% in December 2011. Gross NPL ratio of private commercial banks (PCBs) witnessed a rise to 4.58% in December 2012 (Dec 2011: 2.95%). Foreign commercial banks' (FCB) asset quality also deteriorated as gross NPL ratio increased to 3.53% at the end of 2012 (Dec 2011: 2.96%). However, net NPL ratio of the industry was 4.38% at the end of December 2012.

The risk weighted capital asset ratio (RWCAR) for all banks decreased to 10.46 percent at the end of December 2012 from 11.31 percent at the end of June 2012 due partly to higher provisioning in anticipation of the impending implementation of BBs new provisioning guidelines by some banks as well as an increase in NPLs. At the end of December 2012, RWCAR (under Basel II) of PCBs was 11.38%, FCBs was 20.56% and SCBs was 8.13%.

Provision maintenance ratio at the end of June 2012 for PCBs was 101%, FCBs was 107.1% and SCBs was 96.6%. Profitability in the banking sector dropped sharply in 2012 due to lower income from investment as well as increase in non performing loans. At the end of 2012, return on assets (ROA) of the FCBs was 3.27% (2011: 3.24%) and PCBs was 0.92% (2011: 1.59%).

Overall asset quality of the banking sector weakened in 2012. However, banks appear to be quite resilient to various kinds of market risks and shocks such as change in interest or exchange rates. The Bangladesh Bank (BB) is taking proactive steps to maintain stability.

INDUSTRY OUTLOOK[2]

The continued global economic slowdown with likely negative impact on Bangladesh's trade and investment outlook, real economic growth in FY2013 is expected to be similar to the 6.2% average growth over the last ten years. Agriculture growth is expected to be higher than last year, aided by government policy support and benefitting from the lower base. Industry growth will slow because of decreasing export growth and subdued domestic demand. However, the steady rise in remittance inflows may continue in FY13which will impact positively to the overall economy.

[1] Source: Bangladesh Bank Publications, Quarterly Economic Update by ADB, Bangladesh Economic Update by World Bank– October 2012.

Monetary stance in second half of FY12 will take recent economic developments into account and pursue a restrained monetary growth path in order to curb inflationary and external sector pressures, while ensuring adequate private sector credit to stimulate inclusive growth. Credit to the private sector is envisaged to remain at a healthy 18.3% well in line with growth target.BB will continue to focus on the quality/composition of private sector credit and on interest rate spreads. BB will aim to ensure that the composition of this credit is focused on productive sectors with an envisaged reduction in the share of consumer credit. SME and agricultural credit are expected to take a larger share of the loan portfolios of the banking sector in order to promote financial inclusion.

■ CORPORATE PROFILE

BRAC Bank Limited was incorporated on May 1999 and commenced its commercial operation from July 2001. The Bank went to IPO in 2006. The paid up capital of the company reached BDT 3,854.8 million against authorized capital of BDT 12,000.0 million at the end of December 2012. The Bank offers a full range of banking and investment services for SME customer, personal and corporate customers. Presently the Bank operates with its 86 branches, 69 SME/agri branches/service centers and 309 unit offices of SME as the Bank is strongly committed towards SME financing. The Bank has four subsidiary companies; i) BRAC SAAJAN Exchange Ltd., ii) bKash Limited, iii) BRAC EPL Stock Brokerage Ltd. and iV) BRAC EPL Investment Limited.

■ OPERATIONAL PERFORMANCE

(All data disclosed below relate specifically to the Bank excluding the Offshore Banking Unit and all the comparison are based on 2011 unless specifically mentioned.)

Earnings and Volatility

In 2012, revenue mix of the Bank remained almost same as in 2011. In 2012, total operating income of the Bank was dominated by net interest income (59.8% of total) followed by commission, fees & exchange income (23.2% of total) and investment income (14.1% of total). On an average, net interest income dominated total operating income of the Bank with 53.1% of total for the last five years followed by commission, fees & exchange income (26.9%).

Table 1

Income Segregation of the Bank

	--Year ended December 31--					
(Mil. BDT)	**2012**			**2011**		
	Amount	**%**	**Growth (%)**	**Amount**	**%**	**Growth (%)**
Net Interest Income	6,518.2	59.8	19.7	5,446.1	53.7	7.8
Investment Income	1,531.0	14.1	(10.2)	1,705.0	16.8	(20.5)
Commission/Fees Income	2,525.5	23.2	(7.2)	2,722.5	26.9	28.1
Other Operating Income	320.2	2.9	22.6	261.2	2.6	27.1
Total Operating Income	**10,894.8**	**100.0**	**7.5**	**10,134.7**	**100.0**	**6.2**

Interest income of the Bank grew by 22.8% and reached BDT 16,713.6 million backed by loan growth (14.1%) along with marginal increase in interest spread. The Bank's has major concentration in SME financing where interest rate is relatively high compared to the other sectors. However, interest expense of the Bank experienced very high growth (24.9%) during the same period mainly resulted from the 29.8% growth of deposit as well as interest rate hike. As a result, net interest income grew by 19.7% in 2012 and reached BDT 6,518.2 million. Major portion of interest income was dominated by interest on SME loans having 48.8% in 2012 (2011: 46.3%) followed by interest on corporate loans 25.7% (2011: 26.5%).

Investment income of the Bank reduced by 10.2% in 2012 and reached BDT 1,531.0 million resulted from the lower capital gain on stock market investment. Commission/fees & exchange income of the Bank was BDT 2,525.5 million in 2012. Major drivers of commission/fees & exchange income were loan processing fees, commission/fees on cards etc. Other operating income of the Bank reached BDT 320.2 million in 2012 major portion of which includes different fees, charges etc. As an overall effect, total operating income grew by 7.5% and reached BDT 10,894.8 million.

Table 2

Key Performance Indicator of the Bank						
	--Year ended December 31--					
(Mil. BDT)	2012		2011		2010	
	Amount	Growth (%)	Amount	Growth (%)	Amount	Growth (%)
Interest Income	16,713.6	22.8	13,610.3	25.9	10,808.0	14.4
Interest Expense	10,195.4	24.9	8,164.2	41.8	5,756.7	(4.9)
Net Interest Income	**6,518.2**	**19.7**	**5,446.1**	**7.8**	**5,051.3**	**48.8**
Investment Income	1,531.0	(10.2)	1,705.0	(20.5)	2,145.1	34.0
Commission, fees & Exchange Income	2,525.5	(7.2)	2,722.5	28.1	2,125.6	(1.8)
Other Operating Income	320.2	22.6	261.2	27.1	205.5	165.1
Total Operating Income	**10,894.8**	**7.5**	**10,134.7**	**6.4**	**9,527.5**	**31.7**
Personnel Expense	2,531.7	7.3	2,359.7	17.6	2,007.3	26.3
Other Operating Expense	3,217.9	14.7	2,805.1	9.4	2,564.0	31.0
Total Operating Expense	**5,749.6**	**11.3**	**5,164.8**	**13.0**	**4,571.3**	**28.9**
Pre Provision Profit	**5,145.2**	**3.5**	**4,969.9**	**0.3**	**4,956.2**	**34.3**
Provision	3,157.3	60.9	1,962.5	(3.5)	2,034.6	30.4
Profit Before Taxes	1,987.9	(33.9)	3,007.4	2.9	2,921.6	37.3
Provision for tax	1,447.5	10.9	1,305.0	4.3	1,251.2	49.0
Profit After Tax	**540.4**	**(68.3)**	**1,702.4**	**1.9**	**1,670.4**	**30.1**

On the other hand, operating expense of the Bank grew by 11.3% during the same period. On an average 44.4% of total operating expenses of the Bank comprised of personnel expenses for the last three years and the rest are infrastructure cost and other overhead cost (about 55.6% of operating expenses). The Bank's staff cost increased by 7.9% in 2012 whereas operating expense increased by 14.2%. Staff cost to income ratio of the Bank remained stable at 23.2% in 2012, whereas cost to income ratio increased marginally. Cost to income ratio of the Bank was much higher compared to the PCB industry average (45.9%). High operating expense incurred mainly because of its SME focused business model which need close supervision and there by high administrative cost.

Table 3

Efficiency Ratios of the Bank				
	--Year ended December 31--			
Particulars	**2012**	**2011**	**2010**	**2009**
Cost to Income Ratio[3] (%)	52.8	51.0	48.0	48.8
Staff Cost to Income Ratio (%)	23.2	23.2	21.0	21.8

Profit before provision was BDT 5,145.2 million in 2012. The Bank's provision expense increased significantly (by 60.9%) in 2012 resulted from increased specific provision as the asset quality deteriorated. Tax expense was 1,447.5 million in 2012. Profit after tax decreased by 68.3% in 2012 and reached BDT 540.4 million mainly resulted from high provision expense along with lower growth of operating income.

[3] Excluding interest expense

Profitability

Table 4

Profitability Ratios of the Bank

	--Year ended December 31--			
Particulars	**2012**	**2011**	**2010**	**2009**
Net Interest Margin	6.1	6.0	6.4	5.4
Return on Average Asset (after tax)	0.4	1.4	1.6	1.6
Return on Average Equity (after tax)	5.5	17.9	19.0	19.2
Return on Risk Weighted Asset*	0.5	1.5	1.7	2.2
Asset Utilization	7.1	8.1	9.0	8.7
Net Profit Margin	5.0	16.8	17.4	17.9
Leverage Multiplier (times)	15.5	13.2	12.1	12.3

* 2012-2010: Under Basel II, 2009: Under Basel I

Due to the high provision expense along with reduction of commission & fees income and investment income, all profitability ratios of the Bank had shown a negative trend since 2011. However, the Bank still enjoys healthy net interest margin compared to the PCB industry average on the back of its SME focused business model where interest rate are relatively high. Net profit margin of the Bank decreased to 5.0% in 2012 from 16.8% in 2011 due to the high growth of provision expense. These also reflected in the reduced return on average asset as well as return on average equity. Leverage multiplier increased to 15.5 times in 2012. Return on risk weighted asset decreased to 0.5% in 2012 from 1.5% in 2011 resulted from reduced profit.

Asset Evaluation

In 2012, the Bank's total asset grew substantially (by 30.4%) and reached BDT 173,676.8 million (2011: BDT 133,201.0 million) resulted from the high growth of loans & advances. In 2012, the Bank's asset composition was strongly dominated by loans & advances (59.7% of total assets) followed by investment (14.6% of total). On an average, loans and advances dominated the asset structure by 66.0% of total for the last three years. BDT 8,831.1 million was kept in Bangladesh Bank mainly to fulfill regulatory requirement. Other assets of the Bank were BDT 13,186.7 million at the end of 2012 major portion of which includes its investment in subsidiary and associate companies (BDT 2,188.4 million). The Bank's Risk weighted asset reduced to 64.2% in 2012 from 82.8% in 2011 resulted from marginal growth of risk weighted asset.

Table 5

Asset Composition of the Bank

	--Year ended December 31--					
(Mil. BDT)	**2012**			**2011**		
	Amount	**%**	**Growth (%)**	**Amount**	**%**	**Growth (%)**
Money at Call	-	-	-	480.0	0.4	-
Cash in hand and with BB	13,580.7	7.8	13.4	11,978.6	9.0	21.6
Balance with other Bank & FI's	15,321.0	8.8	377.1	3,211.4	2.4	(11.3)
Investment	25,372.5	14.6	78.7	14,198.8	10.7	10.4
Loans and advances	103,624.4	59.7	14.1	90,822.2	68.2	10.1
Fixed Assets	2,591.5	1.5	10.3	2,349.2	1.8	34.3
Other Assets	13,186.7	7.6	29.8	10,160.9	7.6	50.4
Total	**173,676.8**	**100.0**	**30.4**	**133,201.0**	**100.0**	**13.6**

Investment

The Bank's investment portfolio increased significantly (by 78.7%) in 2012 and reached BDT 25,372.5 million. In 2012, the Bank's investment portfolio was dominated by high quality liquid asset (like Government Securities) followed by quoted and unquoted shares, bonds etc. in 2012, the Bank's investment was mainly comprised of high quality liquid asset; like Government Securities (BDT 21,858.3 million, 86.1% of total investment). The purpose of investment in these securities is to meet statutory regulatory requirement (SLR) as well as to remain liquid. The Bank realized BDT 1,130.8 million interest income from holding these securities.

Table 6

Investment Portfolio of Bank

(Mil. BDT)	--Year ended December 31-- 2012		2011	
	Amount	**% of Total**	**Amount**	**% of Total**
Government Securities & Bonds	21,858.3	86.1	10,292.0	72.5
Others	3,514.2	13.9	3,906.9	27.5
Quoted Shares	*2,660.5*	*10.5*	*2,964.3*	*20.9*
Unquoted Shares	*423.7*	*1.7*	*512.6*	*3.6*
Bonds	*430.0*	*1.7*	*430.0*	*3.0*
Total	**25,372.5**	**100.0**	**14,198.8**	**100.0**

BRAC Bank held BDT 2,660.5 million investments in quoted shares 17 companies (26.2% of total equity) which were recorded at cost price. The market value of the quoted share was BDT 2,132.7 million as of 31 December 2012. The Bank maintained provision as per requirement for these diminishing values of investment. The Bank realized capital gain of BDT 8.1 million from quoted shares in 2012. Under the unquoted category, the Company holds shares of IIDFC, Dan & Bradstreet Rating Agency Bangladesh Ltd., CDBL, preference shares of one company and placement shares of three different companies. The Bank also held Bonds amounting BDT 430.0 million of Orascom, Trust Bank and First Security Mudaraba Bond. The investment yield of the Bank reduced to 7.7% in 2012 from 12.6% in 2011 mainly resulted from lower capital gain from shares.

Credit Risk

CRAB reviews the fundamentals of managing credit risk including qualitative and quantitative analysis as a part of credit risk evaluation. Qualitative evaluation includes credit policy, credit and credit monitoring. CRAB addresses intrinsic risk, concentration risk as well as risk arising from large loan exposures.

Credit policy and Approval Process

Credit risk is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, losses stem from outright default due to inability or unwillingness of a customer or counterparty to meet commitment in relation to lending, trading, settlement and other financial transactions.

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. During the entire credit year for transparency in the operation the following team were set up which are i) Credit Approval Team ii) Asset Operation Department iii) Recovery Unit iv) Impaired Asset Management.

In credit management process sales team of each business unit mentioned above book the customers; the credit division does thorough assessment. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer. Asset operation department ensures compliance of all legal formalities, completion of all documents security of the proposed credit facility and finally disburse amount. The credit approval process and chain reports directly to Country Credit Officer while credit administration (documentation and disbursement) is carried out by loan origination department which reports to Head of Operations. The sales team reports to the respective business head.

Credit Quality

CRAB analyzes Bank's credit quality in terms of past trend, present scenario as well as future aspects.

Table 7

NPL Movement of the Bank

Mil. BDT	--Year ended December 31-- 2012		2011		2010	
Particulars	**Amount**	**% of Total Loans**	**Amount**	**% of Total Loans**	**Amount**	**% of Total Loans**
Opening balance of NPL	5,239.5	5.1	4,929.6	5.4	3,877.7	4.7
Add: Fresh NPL Generation	4,634.3	4.5	2,097.4	2.3	2,776.5	3.4
Less: Cash Recovery	677.0	0.7	622.1	0.7	518.0	0.6
Less: Rescheduling	62.1	0.1	171.5	0.2	183.7	0.2
Less: Write off	1,497.6	1.4	993.9	1.1	1,022.9	1.2
Closing Balance of NPL	**7,637.1**	**7.4**	**5,239.5**	**5.8**	**4,929.6**	**6.0**

Gross NPL of the Bank increased to BDT 7,637.1 million in 2012 from BDT 5,239.5 million in 2011, registering a growth of 45.7%. Fresh NPL generation ratio was very high (4.5%) in 2012 compared to its previous two years. Therefore, gross NPL ratio of the Bank jumped to 7.4% at the end of 2012 (2011: 5.8%) in spite of BDT 1,497.6 million write off and substantial loan growth (14.1%). Despite substantial write off each year, the Bank's gross NPL ratio was higher than the PCB industry average for last five years. Of the total NPL, 67.0% loans belonged to bad & loss category followed by substandard (18.8% of total) and doubtful category (14.3% of total). The net NPL ratio of the Bank also increased to 1.6% in 2012 (2011: 1.2%). SMA to total loans and advances of the Bank was 2.9% at the end of 2012 with an average of 2.8% for the last five years.

Table 8

Loan Loss Provision of the Bank

Mil. BDT	--Year ended December 31--			
	2012		2011	
Particulars	**Amount**	**% of Total Loans (%)**	**Amount**	**% of Total Loans (%)**
General Provision Held	1,226.5	1.2	1,648.1	1.8
Specific Provision Held	5,516.6	5.3	3,535.7	3.9
Total Provision Held	**6,743.1**	**6.5**	**5,183.8**	**5.7**
Required Provision	6,567.6	6.3	4,453.4	4.9
Provision surplus	175.4	0.2	730.4	0.8

In 2012, the Bank's provision requirement for classified loans and advances was BDT 5,405.3 million against which BDT 5,516.6 million was kept as specific provision. In addition, the Bank maintained BDT 1,226.5 million as general provision against unclassified loans and advances as well as off balance sheet exposures. The Bank had BDT 175.4 excess provision in 2012. Gross NPL coverage ratio of the Bank was higher (88.3% in 2012) than the PCB industry average (79.1%) as the Bank maintained extra cushion against loans & advances.

CRAB looks at pre-provision profit (PPP) to net loans for assessing the Bank's ability to survive against unfavorable circumstances in future. The Bank's PPP to net loan ratio in 2012 was 5.3% (2011: 5.7%). Pre-provision profit to net loans of the Bank indicates that 5.3 of currently performing loans can be written off without charging on reserves and equity.

Loan Portfolio Analysis

Table 9

Concentration of Loans and Advances

Mil.BDT	--For the Year 2012--				
Particulars	**Amount (A)**	**% of Total Loans**	**Sector wise NPL (B)**	**% of Total NPL**	**Sector wise NPL Rate**
Agriculture	1,008.8	1.0	112.0	1.47	11.1
Industry	20,931.9	20.2	878.1	11.50	4.2
Term Loan	*15,019.2*	*14.5*	*732.2*	*9.59*	*4.9*
Working Capital	*5,912.7*	*5.7*	*145.9*	*1.91*	*2.5*
Trade & Commerce	64,437.1	62.2	5,762.3	75.45	8.9
Retail Trading	*23,746.6*	*22.9*	*2,322.0*	*30.40*	*9.8*
Wholesale Trading	*11,109.4*	*10.7*	*1,589.0*	*20.8*	*14.3*
Export Financing	*291.7*	*0.3*	*2.3*	*0.0*	*0.8*
Import Financing	*7,893.0*	*7.6*	*329.0*	*4.3*	*4.2*
Lease Financing	*35.5*	*0.0*	*-*	*-*	*-*
Others	*21,360.9*	*20.6*	*1,520.0*	*19.9*	*7.1*
Construction	2,928.1	2.8	71.8	0.9	2.5
Transportation	164.6	0.2		-	-
Consumer Financing	8,779.4	8.5	306.4	4.0	3.5
Miscellaneous	4,773.4	4.6	506.5	6.6	10.6
Bills payable	601.1	0.6	-	-	-
Total	**103,624.4**	**100.0**	**7,637.1**	**100.0**	**7.4**

The Bank's total loan portfolio reached BDT 103,624.4 million at the end of 2012 registering a growth of 14.1%. Concentration distribution shows that loans and advances portfolio was mainly dominated by retail financing (22.9%) followed by industry sector financing (20.2% of total). Sector wise NPL depicts that wholesale trade financing experienced highest NPL rate (14.3%) followed by retail financing (8.9%). Nature wise loan distribution shows that, SME financing with 54.9% of total portfolio followed by demand loans (18.8%).

Large Loan Exposure

As of 31 December 2012, the Bank's top 50 large loan exposures (both funded & non-funded) amounted to BDT 58,729.0 million against approved facilities of BDT 93,293.7 million. The Bank's large loan concentration is relatively high with top 50 funded loans and advances held 45.0% of total loan portfolio and 5.4 times of core capital of the Bank in 2012. All of these loans were reported as unclassified as of December 2012. The Bank had 9 loans amounting BDT 13,647.3 million (both funded and non-funded) outstanding more than 10.0% of the total capital in 2012.

Capital Adequacy

At the end of 2012, Bank's paid up capital and statutory reserve stood at BDT 6,788.8 million (2011: BDT 5,748.8 million). The Bank's equity to total deposit & borrowing decreased to 7.0% in 2012 from 8.9% in 2011 resulted from higher growth of deposit & borrowings compared to that of shareholders' equity.

Table 10

Capital Structure of the Bank

	--Year ended December 31--					
Mil. BDT	**2012**		**2011**		**2010**	
Particulars	**Amount**	**% of RWA**	**Amount**	**% of RWA**	**Amount**	**% of RWA**
Tier 1 Capital	8,650.9	7.8	8,237.73	8.3	7,391.63	11.1
Tier 2 Capital	4,100.8	3.7	4,550.96	4.6	2,215.77	3.3
Total Capital	**12,751.6**	**11.6**	**12,788.69**	**12.9**	**9,607.40**	**14.4**
Required Capital	11,149.4	10.0	11,028.56	11.1	8,955.76	13.5
Capital Surplus/ (shortfall)	**1,602.2**	**1.4**	**1,760.13**	**1.8**	**651.64**	**1.0**

The Bank had subordinated convertible bond (BDT 3,000.0 million) which was allowed to be accounted for Tier II capital as per BB regulation. Risk weighted capital adequacy ratio of the Bank was 11.4% against regulatory requirement of 10.0% under Basel II at the end of 2012 which was in line with the PCB average (11.4%). The Bank conducted stress testing based on "simple Sensitivity and Scenario Analysis". Stress test revealed that the Bank's capital adequacy ratio would be highly affected from increase in NPLs due to default of top large loan borrowers.

Table 11

RWA Distribution of the Bank as per Basel II

	--Year ended December 31--			
Mil. BDT	**2012**		**2011**	
Particulars	**Amount**	**% of Total**	**Amount**	**% of Total**
Credit Risk	90,589.3	81.3	90,465.90	82.0
Market Risk	4,640.7	4.2	5,376.80	4.9
Operational Risk	16,264.4	14.6	14,442.90	13.1
Total Risk Weighted Asset	**111,494.4**	**100.0**	**110,285.60**	**100.0**

In 2012, the Bank's risk weighted asset remained almost stable at BDT 111,494.4 million mainly resulted from stable credit risk. The Bank's risk weighted asset composition under credit risk was dominated by private sector advances followed by retail and SME advances. However, 62.6% of total corporate loan exposures (BDT 31,122.7 million) are rated. The risk weighted asset of the rated clients was BDT 10,043.0 million as of 31 December 2012 against actual exposure of BDT 19,479.1 million. It is observed that 30.5% of the rated clients are from Single A category followed by AA category (18.7%) and BBB category (9.7%).The details of the rated clients are given in the annexure.

Funding and Liquidity

Table 12

Funding Mix of the Bank

(Mil. BDT)	--Year ended December 31--					
	2012			2011		
Particulars	**Amount**	**%**	**Growth (%)**	**Amount**	**%**	**Growth (%)**
Current deposit	42,404.8	31.5	31.1	32,339.9	31.2	6.9
Bills payable	1,693.3	1.3	120.4	768.4	0.7	(24.8)
Savings Deposit	18,173.4	13.5	(1.9)	18,527.8	17.9	(12.3)
Term Deposit/Fixed deposit	72,095.5	53.5	39.3	51,763.2	49.9	45.9
Other Deposit	279.4	0.2	(14.4)	326.3	0.3	25.2
Total Deposit & other Account	**134,646.4**	**100.0**	**29.8**	**103,725.5**	**100.0**	**17.7**

The Bank's asset was mainly funded by customer deposit (77.5% of total) and internal capital (5.8% of total). Total deposit of the Bank reached BDT 134,646.4 million in 2012 registering a growth of 29.8%. In 2012, the Bank's total deposit was mainly dominated by term deposit (53.5% of total deposit) followed by current deposit (31.5% of total) and savings deposit (13.5% of total). Due to the large network consisting of branches, unit offices, SME centers, the Bank's low cost deposit base was stable and strong with an average of 50.8% for the last three years. Therefore average cost of deposit & borrowing of the Bank (8.1%) was lower than the PCB industry average (9.1%).

Table 13

Month wise Call Market Operation of the Bank

Mil.BDT	--For the Year 2012--											
Particulars	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Call Lending (Monthly Average)	381.9	501.4	1,477.4	1,217.0	221.0	151.4	670.0	810.5	1,200.5	1,102.6	712.3	468.7
Avg. Interest Rate (%)	19.6	17.6	12.5	14.1	15.6	15.0	11.5	13.7	10.5	10.2	11.0	10.6
Call Borrowing (Monthly Average)	306.1	500.3	116.8	185.8	825.8	1,589.8	1,775.2	503.6	613.7	1,246.8	935.3	1,077.9
Avg. Interest Rate (%)	19.3	18.1	11.2	12.5	14.9	15.0	10.2	11.4	9.5	9.7	8.8	10.4
Net Lending/(Borrowing)	75.7	1.0	1,360.7	1,031.2	(604.8)	(1,438.4)	(1,105.2)	306.9	586.8	(144.2)	(223.0)	(609.2)

Loans and advances to deposit ratio of the Bank was 77.0% at the end of 2012 with a monthly average of 84.2%. The Bank was net lender in the call market for the months of January, February, March, April, August and September and for the rest of the months that Bank was net borrower. The Bank earned BDT 92.5 million as interest income in 2012 from call market operation, whereas the interest expense was BDT 93.2 million for the same year. The Bank's liquid asset to deposit and borrowings increased to 35.2% in 2012 from 24.1% in 2011 resulted from substantial growth of government investment.

Table 14

Liquidity Profile of the Bank

Mil.BDT	--As of 31st December, 2011--					
Particulars	**Up to 1 month**	**1-3 months**	**3-12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Assets	38,267.6	18,496.2	34,740.0	44,201.2	37,971.8	173,676.8
Liabilities	30,036.3	29,109.4	46,276.9	30,913.7	27,195.9	163,532.2
Net Liquidity Gap	**8,231.2**	**(10,613.2)**	**(11,536.9)**	**13,287.5**	**10,775.9**	**10,144.5**
Cumulative Liquidity Gap	8,231.2	(2,382.0)	(13,918.9)	(631.4)	10,144.5	(0.0)
Gap as % of Liability (%)	27.4	(36.5)	(24.9)	43.0	39.6	6.2

The asset liability maturity of the Bank shows that the Bank possessed positive net liquidity gap for all maturity bucket except 1-3 months and 3 to 12 months maturity bucket.

Interest Rate Risk

Table 15

Interest Rate Risk Exposure of the Bank

Mil.BDT	--As of 31st December, 2012--			
Particulars	**Up to 3 months**	**3-6 months**	**6-12 months**	**More than 12 months**
Int. Sensitive Assets	45,366.0	16,303.0	15,822.0	48,452.0
Int. Sensitive Liabilities	52,617.0	12,276.0	31,283.0	38,780.0
Gap	**(7,251.0)**	**4,027.0**	**(15,461.0)**	**9,672.0**
Cumulative Earning impact (1% point int. rate increase)	(18.1)	(8.1)	(85.4)	(85.4)
Cumulative Earning impact (1% point int. rate decrease)	18.1	8.1	85.4	85.4

The exhibit shows the maturity wise interest sensitive asset and liabilities and thereby the exposures to interest rate risk of the Bank. The Bank had asset sensitive positions in all maturity buckets except up to 3 months and 3 to 6 months maturity. GAP indicates that the Bank will be benefited on decreasing interest rates and will suffer on increasing interest rate scenario marginally. For 1 percentage point interest rate decrease, the Bank will gain BDT 85.4 million and will lose the same amount for 1 percentage point interest rate increase.

Foreign Exchange Risk

Table 16

Foreign Currency Exposure of the Bank

Mil.BDT	--As of 31st December, 2012--			
Particulars	**Assets**	**Liabilities**	**Overall Net**	**Overall Net Position*/Core Capital**
USD	5,306.6	4,940.9	365.7	4.2
EURO	84.2	81.4	2.8	0.0
AUD	4.3	0.7	3.6	0.0
CAD	2.5	1.1	1.4	0.0
GBP	307.1	890.9	(583.8)	(6.7)
CHF	0.6	-	0.6	0.0
JPY	1.6	-	1.6	0.0

BRAC Bank is also exposed to potential changes in earnings like any other bank arising due to change in market price of currency and the position in the currency that is held during the changes. To address this issue, all foreign exchange activities have been segregated between Front 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 Division always monitors the market scenario of risks and manages the foreign exchange operations in a way so that earnings are not hampered by any adverse movement in market prices. The Bank possessed overall net positions in different currencies resulted in net liability position of BDT 208.1 million which was 2.4% of core capital of the Bank. The Bank's overall net open position was dominated by GBP dollar having 6.7% of core capital.

Off Balance Sheet Exposures

Table 17

Off Balance Sheet Exposure of the Bank

	--Year ended December 31--			
Mil. BDT	**2012**		**2011**	
Particulars	**Amount**	**% of Total Assets**	**Amount**	**% of Total Asset**
Acceptances and endorsements	149.7	0.1	160.1	0.1
Letter of guarantee	4,740.3	2.7	4,537.3	3.4
Letter of credit	10,958.2	6.3	16,201.1	12.2
Bills for Collection	405.8	0.2	626.6	0.5
Other Commitments	1,892.8	1.1	868.6	0.7
Total	**18,146.9**	**10.4**	**22,393.6**	**16.8**

The Bank's total contingent liabilities reduced to BDT 18,146.9 million in 2012 from BDT 22,393.6 million in 2011. In 2012, contingent liabilities portfolio of the Bank was 10.4% of total assets and 1.4 times of its total capital by the end of 2012 (2011: 1.7 times). In 2012, contingent liabilities portfolio was dominated by letter of credit (60.4% of total) followed by letter of guarantee (26.1% of total). The Bank's provision for off-balance sheet liabilities reached BDT 234.0 million at the end of 2012 (2011: BDT 234.0 million).

Market Share and Growth

Table 18

Market Share of the Bank					
Particulars	**2012**	**2011**	**2010**	**2009**	**2008**
Deposit (%)	2.8	2.5	2.3	2.6	2.5
Loans and Advances (%)	2.4	2.4	2.6	2.5	2.5

The market share of the Bank in terms of deposit increased to 2.8% in 2012 from 2.5% in 2011 on the back of significant growth of deposit (29.8%) backed by its large network of branches as well as mobile banking services. On the other hand, market share of the Bank in terms of loans & advances remained stable at 2.4% in 2012.

■ BRANCH NETWORK

BRAC Bank's branches are divided in three categories; Branches, SME/Krishi branches and SME service centers. Branches are situated in urban or rural areas. Presently BRAC Bank has 86 branches across the country among which 52 branches are located in urban areas and the rest are in rural areas. SME/Krishi branches (presently 48) are situated in district towns/thanas, whereas SME service centers (presently 21) are in divisional towns. Besides these, the Bank has more than 309 unit offices to provide service in the rural and urban areas. The Bank also has countrywide network of own and shared ATM's. Presently the Bank has more than 350 ATM's (own and shared) and according to the management 60% of the Bank's cash transactions are done through ATM. The selection of location for expanding the distribution network depends on products, customer segments. As of 31st December 2012, 17 branches were loss incurring among which 16 were opened in the last three years. The Bank provides online banking facilities to its clients.

■ EARNINGS DIVERSIFICATION

The Bank had a moderate customer base and offers a comprehensive range of financial services to its customers. The principal services offered are as follow:

- SME Banking: the Bank is strongly focused towards SME banking. The Bank's branch network are segregated as per the demands of SME level customer. BRAC Bank has 69 SME/Krishi service centers/branches which provide comprehensive support to the prospective SME clients. Up to date, more than BDT 220,139 million loans were disbursed in SME sector.

- Retail Banking: BRAC Bank offers all kind of retail banking related products and services including deposit account, personal loans, credit card, inward and outward remittances.

- Wholesale Banking: BRAC Bank offers a full array of Financing, advisory, operational and custodian services to its corporate client groups combining trade, treasury, syndication, structured finance, investment and transactional banking activities in one package.

- Probashi Banking: BRAC Bank provides different foreign currency account facilities, remittance of foreign currency, travelers' endorsement facilities, and investment facilities in foreign currencies for expatriate Bangladeshi.

- Mobile Banking: BRAC Bank has introduced Mobile Banking service through its subsidiary bKash Limited. It is a deposit prepaid account facilities in which customer can transfer fund, deposit and withdraw money from the accredited pay-points by using mobile/card. Customers can also send remittance faster to the remote place of Bangladesh by availing this product.

■ MANAGEMENT

Senior Management

The management of the Bank is headed by the Managing Director and CEO Mr. Syed Mahbubur Rahman. Mr. Rahman is in the position of Managing Director & CEO since May, 2010. He has more than 24 years experience in Banking and financial services sector. The MD is supported by a group of trained and experienced professionals comprising of two Deputy Managing Directors and departmental heads.

For smooth operation the Bank has formed following committees:

Management Committee (MANCOM): Management Committee comprised of 13 senior officials of the company and is headed by the Managing Director & CEO. They meet regularly to discuss relevant matter of the business.

Asset Liability Management Committee (ALCO): comprised of 9 members and is headed by the Managing Director & CEO. The committee meets regularly to monitor liquidity risk, market risk and capital management of the Bank. It discusses latest position of deposits, cost of deposits, L/D ratio, interbank dependence, mobilization of wholesale funds, interest rate of peer banks, NPA position etc. In 2012, 12 ALCO and 3 special ALCO meetings were held.

Credit Committee: headed by the Managing Director, is responsible for review of all credit proposals for corporate credit and medium business. The Committee accords decision and recommendations as per delegation guidelines, review business strategies and performance, status of loans and advance, furnish credit related MIS to Board or EC for review etc.

Enterprise Risk Management Committee: the committee is comprised of all members of MANCOM and thereby headed by the Managing Director. The main responsibility of the committee is to develop and implement asset/liability management process and related procedures, review credit risk profile of the Bank and other risks as per leading key risk indicators.

Auction Committee: comprises of 5 members and headed by the Head of Special Asset Management Division. The committee takes decisions for sale of the collateral securities to the successful bidder through auction.

Human Resource Management

The HR division of the Bank comprises of 40 members and is headed by a senior level profession of the Bank. The Bank has defined HR policies including recruitment, training & development, promotion, leave, transfer, and disciplinary action policy. Usually internal recruitment procedures are considered to fill up the mid and top management positions, while entry-level positions are filled through competitive recruitment tests. Total human resources strength of the Bank reached 4,971 at the end of 2012 (2011: 4,830). Besides these, BRAC Bank has substantial (2012: 2,432) contractual as well as outsourced employees. In 2012, 464 employees left/retired from the Bank, whereas 562 new employees were recruited.

The Bank organizes both internal and external training programs to enhance the skills and knowledge of its employees. Main training activities consist of in-depth foundation programs for entry level Management Trainees. Specialized training programs in the areas like general banking, advance, foreign exchange, information technology, marketing and accounts etc. are also organized by the HR division depending on need. IT and card division of the Bank also provides training activities for the employees. In addition, the Bank also sends its employees for external training in home and abroad.

Management Information System (MIS)

The IT division of the Bank comprises of 140 members which comprises system analyst, engineer, network administrator, programmer etc. The division is headed by a senior official of the Bank. The Bank uses **Finacle** of Infosys as the platform for financial and management reporting. Real time online banking system is supported by WAN connectivity. The Bank implemented Enterprise Resources Planning (ERP) solutions for human resources which may make the operational process faster and more efficient. Salary process, pay-slip, tax certificate, incentive payments, provident fund statements etc are being ensured through ERP solutions. The Bank also uses other in-house software for management information, regulatory requirement, activity monitoring and other operational processing. The Bank continuously updates these reporting systems to comply with enhancing reporting requirements. To ensure proper control in IT operations, information system audit has been done by Internal Control Department and external audit firm. The disaster recovery site implementation of the Bank is under process.

■ CORPORATE GOVERNANCE

To assess the Bank's corporate governance practices CRAB evaluates the quality of financial reporting and disclosures, strength of internal control system and internal audit function; the inclusion of appropriate qualified independent non-executive directors on Board of Directors, the formation of audit committee; delegation of power to executives and staff and protection of shareholders' rights. CRAB evaluates how the Bank complies with these corporate governance requirements.

Financial Reporting and Disclosures

The financial statement of the Bank was audited by a reputed chartered accountant firm Hoda Vasi Chowdhury & Co. According to them the financial statements of the Bank were prepared and presented in accordance with Bangladesh Financial Reporting Standards, the Bank Companies Act 1991, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations. According to the auditor the financial statements gave a true and fair view of the state of the Bank as at December 31, 2012. BRAC Bank has complied with all conditions applicable to them imposed by the Bangladesh Securities & Exchange Commission as of December 2012.

Board of Directors

The Bank's Board comprises of 8 members including the managing director and CEO of the Company. Presently Sir Fazle Hasan Abed KCMG is the chairman of the Bank. The Bank's Board of Directors meets monthly; but may hold more meetings in case there are special needs. The Board held 13 meetings in 2012 (2011: 13 meetings). Board is involved in policy formulations, strategic direction setting, business plan approval and review of various activities and also providing necessary direction to the management for conducting businesses in a competitive and profitable manner. Board also ensures effective risk management across the Bank as per the central bank's guidelines.

- **Audit Committee**

  The Audit Committee of the Board comprises of four members of the BOD of the Bank in accordance to BRPD Circular No. 12 of 23 December 2002. Dr. Hafiz G. A. Siddiqi is the present Chairman of the committee. Mr. Shib Narayan is the Group CFO of BRAC & BRAC International. Among the other two members, one is independent director. The committee meets once in every two months to review and monitor regulatory compliance, financial reporting, internal control & internal audit functions, and other operational activities particularly the recovery status of the loans and advances. The committee held 6 meetings in 2012.

Regulatory Compliance
Company Secretariat, Legal and Regulatory Affairs department is the point of contact for regulatory inspection/queries on operation of the Bank. The department is headed by Company Secretary and Head of Legal & Regulatory Affairs & CAMLCO of the Bank. The department has three wings: i) Company Secretariat, ii) Legal and iii) Regulatory Affairs. Company Secretariat wing ensures that the Bank's operations are in proper compliance with the governing rules, regulations and policies. This wing maintains liaison with the regulators at all levels and notifies the other units about the regulatory changes time to time.

Internal Control
The Internal Control wing is under the Risk Management Division of the Bank. All Departments and Branches are audited periodically and when and as required by the management. Instant recommendations are provided to concern Departments and Branches. Moreover SME Auditors audited SME Loans as on prior/post disbursement and numbers of loans disbursed having adverse comment by the auditor is post visited. Finally all these Audit Reports are submitted to the MD, & CEO, Board Audit Committee (BAC) and Board of Directors.

Internal Control conducts Risk Based Audit and award ratings to branches. Other than the regular Control Activity, Fraud and Forgeries are investigated through this department. The Head of Internal Control reports to the Head of Risk Management. The Wings of Internal Control Department are:

a) Retail Banking
b) SME Banking
c) Head Office &
d) Technology

Corporate Social Responsibility
The Bank has been very aware of their corporate social responsibilities. The Bank has launched a CSR desk with a dedicated team in 2011. The Bank's CSR program focuses on the area of education, health, social welfare, environment, young leadership, cultural & heritage and community development.

■ SUBSIDIARIES

BRAC EPL Investment Limited
BRAC EPL Investment Limited (BEIL) was incorporated on October 2009 under new management after acquiring share of Equity Partners Ltd. The Company obtained new license from BSEC on February'10 in favor of BEIL to carryout merchant banking business in Bangladesh. The principal activity of the Company includes issue management, portfolio management, underwriting etc. The paid up capital of the Company was BDT 585.0 million at the end of 2012 against authorized capital of BDT 3,000.0 million. BRAC Bank holds 76% of the equity and the rest held by a diverse group of international fund managers and capital market institutions at home and abroad.

As of 31st December 2012, the Company had BDT 3,679.5 million margin loans outstanding with clients. As of December 2012, the market value of the margin client's portfolio was BDT 4,023.0 million against cost price of that portfolio (Dec'12: BDT 6,448.0 million). BEIL has overdraft facilities and short term loans amounting BDT 3,201.0 million with five different commercial banks (including BRAC Bank) at the end of 2012. Debt service capacity as measured by Debt/EBITDA and interest coverage (EBITDA/Interest Expense) was 4.9 times and 1.3 times respectively at the end of 2012. Profit after tax of the Company was BDT 121.6 million in 2012.

BRAC EPL Stock Brokerage Ltd.
BRAC EPL Stock Brokerage Ltd. was established to carry out the business of stock brokers/stock dealers and other related business in connection with the dealing of listed securities. Other activities of the Company are to buy/sale, hold or acquire or invest the capital of the company in Shares, stocks and fixed income securities. BRAC Bank holds 90.0% of the share of the Company. Capital of the Company was BDT 451.5 million at the end of 2012. As of 31st December 2012, the Company had BDT 49.7 million loans outstanding with clients. Profit after tax of the Company was BDT 9.6 million in 2012.

bKash Limited
bKash Limited is a joint venture between BRAC Bank and Money in Motion LLC, USA. BRAC Bank holds 51.0% shares of the Company. BKash is established to provide mobile money transfer service to the masses under a payment systems operator license approved by Central Bank. The Company experienced a loss amounting BDT 83.3 million in 2012.

BRAC SAAJAN Exchange Limited
BRAC SAAJAN exchange Limited was incorporated in England and Wales through acquisition of the erstwhile Saajan Worldwide Money Transfer Limited. BRAC Bank holds 87.5% shares of the Company. The Company mainly provides remittance services to the Bangladeshi Communities living in UK. Apart from remittance services the Company also caters to the investment needs of the NRBs through its parent organization. The Company gained GBL 73,172 in 2012.

1st Quarter Performance of the Bank

Table 19

1st Quarter Performance of the Bank

Month	(3)	(12)
(Mil. BDT)	**2013**	**2012**
Loans	103,298.4	103,624.4
Deposit	129,361.0	134,646.4
Gross NPL	8,270.9	7,637.1
Net Interest Income	1,475.7	6,518.2
Total Operating Income	3,176.1	10,894.8
Profit before Provision	1,643.8	5,145.2
Provision	735.5	3,157.3
Profit/(loss) After Tax	508.3	540.4
Loans to Deposit Ratio (%)	79.9	77.0
Gross NPL Ratio (%)	8.0	7.4
RWCAR (%)	11.8	11.4

As of 31 March 2013, total loans portfolio of the Bank reduced to BDT 103,298.4 million, whereas deposit reduced to BDT 129,361.0 million. Loans to deposit ratio of the Bank was 79.9 at the end of March'13. Gross NPL ratio increased to 8.0% in March'13 from 7.4% in December'12. Profit before provision was BDT 1,643.8 million at the end of March 2013. Profit after tax was BDT 508.3 million at the end of March 2013.

APPENDIX 1: Definitions of Selected Ratios

Definitions of Selected Ratios

1. Loans and advances include Loans, Cash Credit, Overdrafts, Bill purchased and discounted unless mentioned otherwise.
2. Deposits include Deposits & other accounts and bills payables unless mentioned otherwise.
3. Average Assets, Average investment assets, Average Earning Assets and Average equity are calculated on the basis of opening and year end balances.
4. Interest Earning Assets include total loans & advances, money at call & short notice, balance with other banks & FIs, foreign currency balance with Bangladesh Bank and interest earning assets in Offshore Unit.
5. Net Loans & Advances has been calculated by deducting Specific Provision and Interest Suspense Accounts from Gross Loans & Advances.
6. Net Interest Margin = Net interest income / Average Interest Earning Assets.
7. Net Profit Margin = Net Profit after Tax / Operating Income
8. Asset Utilization = Operating Income / Average Assets
9. Leverage Multiplier = Average assets / Average Equity
10. Yield on Average Investment = Income from Investment / Average Investment Assets

APPENDIX 2: Assumptions for Interest Risk Exposure

1. Assets and liabilities are re-priced on the first day of the re-pricing interval and, therefore, that interest rate change affects the whole period.
2. Assets and liabilities are rolled over into the same types of instruments with the same maturities.

Table 1

Structural Liquidity Profile of the Bank

Mil.BDT	--As of 31st December, 2012--				
Particulars	**Up to 1 month**	**1-3 months**	**3-12 months**	**1 to 5 years**	**More than 5 years**
Net Mismatch	(15,310.7)	(15,179.6)	(12,322.0)	9,114.6	10,440.1
Cumulative Net Mismatch	(15,310.7)	(30,490.3)	(42,812.3)	(33,697.7)	(23,257.6)

Table 2

Month wise Loans to Deposit Ratio of the Bank

Mil.BDT	--For the Year 2012--											
Particulars	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Loans	91,822	93,053	95,802	95,577	96,086	98,101	99,223	99,600	101,428	101,551	101,518	103,624
Deposit	103,698	107,265	112,387	112,400	110,910	113,298	113,944	117,660	122,722	123,402	129,208	134,646
Loans to Deposit (%)	88.5	86.8	85.2	85.0	86.6	86.6	87.1	84.7	82.6	82.3	78.6	77.0

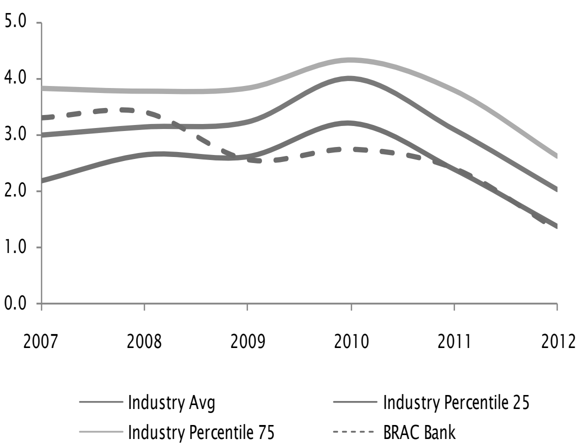
Table 3

List of rated corporate clients

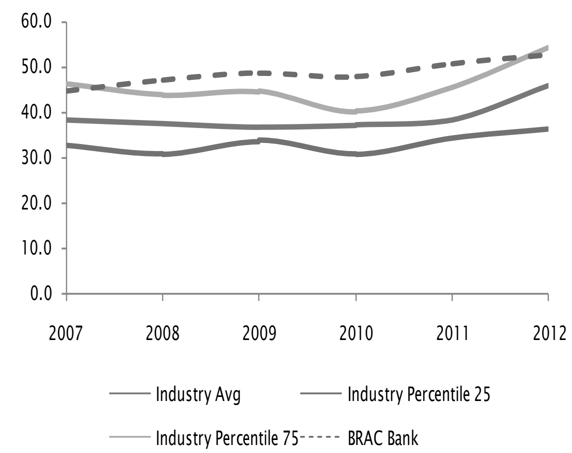
(Mil. BDT)	--Year ended December 31, 2012--	
Agency Rating	**Exposure/Outstanding**	**RWA**
AAA	20.0	4.0
AA	5,832.6	1,166.5
A	9,508.0	4,745.0
BBB	3,400.6	3,029.4
BB	371.2	271.2
ST-3	717.8	717.8
Total	**19,479.1**	**9,933.9**

APPENDIX 4: Comparison with Industry

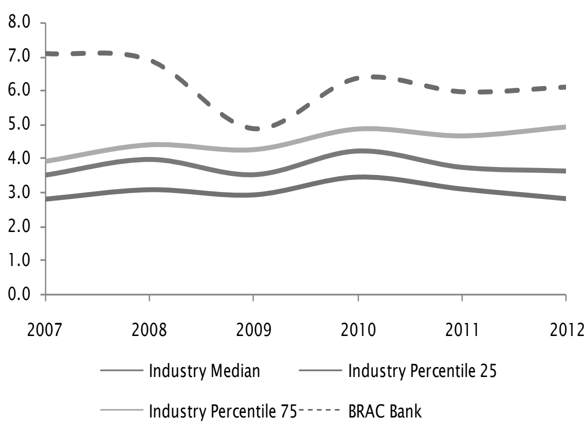
Graph 1
Return on Average Asset (Before Tax)



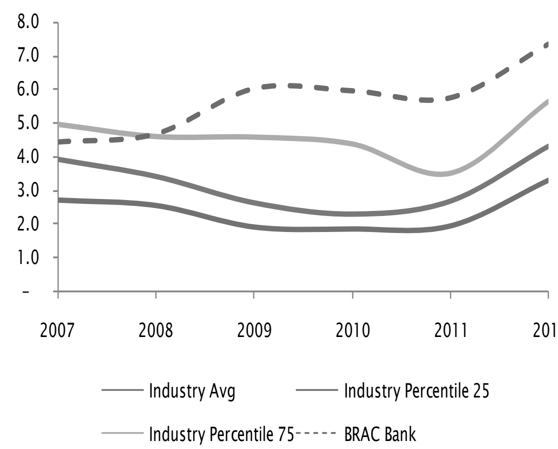
Graph 4
Cost to Income Ratio



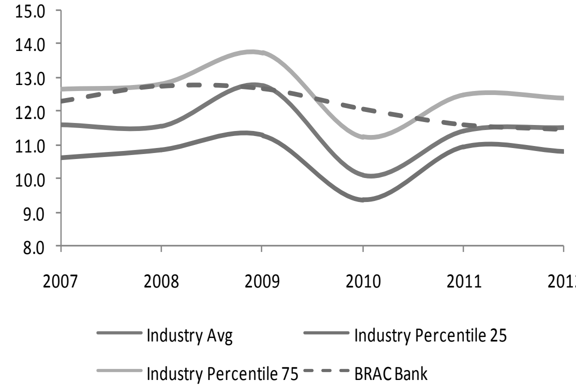
Graph 2
Net Interest Margin



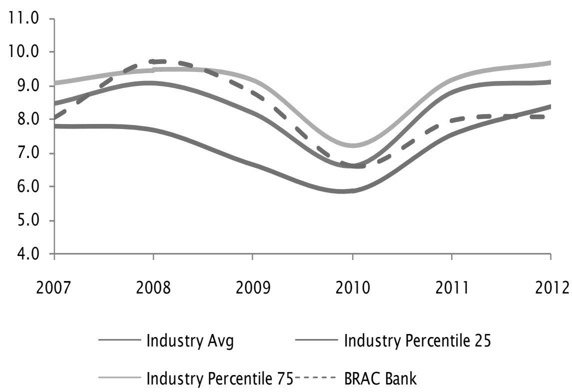
Graph 5
Gross NPL Ratio



Graph 3
Risk Weighted Capital Adequacy Ratio



Graph 6
Average Cost of Deposit and Borrowing



- **Notes:**

RWCAR are shown under Basel I up to 2009 and Basel II in 2010-12.

Table 1

Shareholding Structure of the Bank	
Name	**% of Shareholding**
BRAC	43.77%
Sir Fazle Hasan Abed	0.001%
Mr. Syed Humayun Kabir	0.001%
Mr. A.S Mahmud	0.001%
Mr. Faruq A. Chowdhury	0.001%
Dr. Saleh Uddin Ahmed	0.001%
Mr. Md. Aminul Alam	0.001%
Ms. Tamara Hasan Abed	0.001%
Mr. Shib Narayan Kairy	0.001%
International Finance Corporation (IFC)	5.36%
ShoreCap International Ltd.	0.86%
General Shareholders	50.00%
Total	**100.00%**

CRAB RATING SCALES AND DEFINITIONS - LONG TERM: BANKS

RATING	DEFINITION
AAA Triple A (Extremely Strong Capacity & Highest Quality)	Commercial Banks rated 'AAA' have extremely strong capacity to meet their financial commitments. 'AAA' is the highest issuer credit rating assigned by CRAB. AAA is judged to be of the highest quality, with minimal credit risk.
AA_1, AA_2, AA_3* Double A (Very Strong Capacity & Very High Quality)	Commercial Banks rated 'AA' have very strong capacity to meet their financial commitments. They differ from the highest-rated Commercial Banks only to a small degree. AA is judged to be of very high quality and is subject to very low credit risk.
A_1, A_2, A_3 Single A (Strong Capacity & High Quality)	Commercial Banks rated 'A' have strong capacity to meet their financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than Commercial Banks in higher-rated categories. A is judged to be of high quality and are subject to low credit risk.
BBB_1, BBB_2, BBB_3 Triple B (Adequate Capacity & Medium Quality)	Commercial Banks rated 'BBB' have adequate capacity to meet their financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the Commercial Banks to meet their financial commitments. BBB is subject to moderate credit risk.
BB_1, BB_2, BB_3 Double B (Inadequate Capacity & Substantial Credit Risk)	Commercial Banks rated 'BB' are less vulnerable in the near term than other lower-rated Commercial Banks. However, they faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which may lead to the Commercial Bank's inadequate capacity to meet their financial commitments. BB is judged to have speculative elements and is subject to substantial credit risk.
B_1, B_2, B_3 Single B (Weak Capacity & High Credit Risk)	Commercial Banks rated 'B' are more vulnerable than the Commercial Banks rated 'BB', but the Commercial Banks currently have the capacity to meet their financial commitments. Adverse business, financial, or economic conditions are likely to impair the Banks' capacity or willingness to meet their financial commitments. B is considered speculative and weak capacity and is subject to high credit risk.
CCC_1, CCC_2, CCC_3 Triple C (Very Weak Capacity & Very High Credit Risk)	Commercial Banks rated 'CCC' are currently vulnerable, and are dependent on favorable business, financial, and economic conditions to meet their financial commitments. CCC is judged to be of very weak standing and is subject to very high credit risk.
CC Double C (Extremely Weak Capacity & Extremely High Credit Risk)	Commercial Banks rated 'CC' are currently highly vulnerable. CC is highly speculative and is likely in, or very near, default, with some prospect of recovery of principal and interest.
C Single C (Near to Default)	A 'C' rating is assigned to Banks that are currently highly vulnerable to non-payment of obligations, or in the verge of default or faced with insolvency petition or bankruptcy petition or similar actions, but have not yet experienced a payment default with external support.
D (Default)	'D' is in default. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

***Note:** CRAB appends numerical modifiers 1, 2, and 3 to each generic rating classification from AA through CCC. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

CREDIT RATING SCALES AND DEFINITIONS - SHORTTERM: BANKS

RATING	DEFINITION
ST-1 Highest Grade	Commercial Banks rated in this category are considered to have the highest capacity for timely repayment of obligations. Commercial Banks rated in this category are characterised with excellent position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-2 High Grade	Commercial Banks rated in this category are considered to have strong capacity for timely repayment. Commercial Banks rated in this category are characterised with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-3 Average Grade	Commercial Banks rated in this category are considered to average capacity for timely repayment of obligations, although such capacity may impair by adverse changes in business, economic, or financial conditions. Commercial Banks rated in this category are characterised with satisfactory level of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-4 Below Average Grade	Commercial Banks rated in this category are considered to have below average capacity for timely repayment of obligations. Such capacity is highly susceptible to adverse changes in business, economic, or financial conditions than for obligations in higher categories. Commercial Banks rated in this category are characterised with average liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-5 Inadequate Grade	Commercial Banks rated in this category are considered to have inadequate capacity for timely repayment of obligations susceptible to adverse changes in business, economic, or financial conditions. Commercial Banks rated in this category are characterised with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-6 Lowest Grade	Commercial Banks rated in this category are considered to have obligations which have a high risk of default or which are currently in default. Commercial Banks rated in this category are characterised with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.

The Rating Committee of CRAB is the final authority to award a rating. The Rating Committee of CRAB is comprised of external independence persons who are not members of the Board of the Company and they ensure the independence of rating.

BRAC BANK

Registered Office
1, Gulshan Avenue, Gulshan 1, Dhaka-1212, Bangladesh

Folio/BO Account No :
Name :
Address :

LETTER OF OFFER FOR RIGHTS ISSUE

Dear Shareholder (s)

We are pleased to inform you that the Board of Directors in its **143rd** meeting held on **May 17, 2012** recommended to issue Rights Shares @ 01 (one) Rights share for 02 (two) shares held, at a price of Tk. 25.00 each including a premium of Tk.15.00 per share. Board's recommendation was approved by the Shareholders in the **9th** Extra Ordinary General Meeting held on **June 28, 2012.** Later the Board of Directors in its 156th Board Meeting held on April 15, 2013 recommended to revise the Rights Offer of the Bank to issue **221,652,288** Ordinary shares at Tk.20.00 each including a premium of Tk.10.00 per share at the rate of **01 (one) [R]:02 (two)**, i.e. one rights share for every 02 (two) existing shares held on the record date which has been approved in the **14th AGM** held on **May 09, 2013.** As a registered Shareholder as on **February 10, 2014** (Record date for entitlement), you are entitled to subscribe your rights share(s).

If you wish to accept the above Rights Share(s) in full or in part, you are required to submit completed application **Form-A** annexed hereto with necessary payments. You may, however, renounce your rights in respect of all or part of your entitlement in favor of others in which case the Renunciation Form-B and Form-C annexed hereto shall be submitted, duly filled in by you and the renouncee(s) along with necessary payments.

The Rights cannot be exercised for fraction of a share i.e. below full unit of share.

All the payments for accepted shares are to be made in cash or by P.O./D.D./Cheque @ **Tk.20.00** each including a premium of **Tk.10.00** per share and to be deposited with any of the Branches of Bankers to the Issue during Banking hours from **April 20, 2014** to **May 15, 2014** (both days inclusive). Any extension of time will be notified through national dailies. Payments through P.O./D.D./Cheque, must be issued in favor of **"Right Share Subscription-2012"** and must be drawn on a Bank in the same town, where the branch of Banker to the Issue in which the application form has been submitted, is situated. It is to be noted that all transactions above **Tk.1.00** (one) lac must be effected through Demand Draft/Crossed Cheque/Pay Orders.

The offer will be deemed to have been declined if completed Application Form-A and/or Renunciation **Form-B** and **Form-C** with necessary payments have not been received by **May 15, 2014** or by such later date as may be notified through national dailies to that effect.

A self-explanatory Rights Share Offer Document is attached for your kind information and evaluation.

By order of the Board of Directors

Sd/-
Syed Mahbubur Rahman
Managing Director & CEO

“শেয়ার বাজারে বিনিয়োগ ঝুকিপূর্ণ। জেনে ও বুঝে বিনিয়োগ করুন”

Application Form-A

BRAC BANK

Registered Office
1, Gulshan Avenue, Gulshan 1, Dhaka-1212, Bangladesh

Rights Offer of **221,652,288** Ordinary Shares of **Tk.10.00** each issuing at **Tk.20.00** each, including a premium of **Tk.10.00** per share, totaling **Tk.4,433,045,760.00** offered on the basis of 01(R):02 i.e. 01 (one) Rights share for 02 (two) existing shares held on the record date **February 10, 2014.**

Subscription	**Opens on: April 20, 2014**
	Closes on: May 15, 2014
Within Banking Hours Both Days Inclusive	

FORM OF ACCEPTANCE AND APPLICATION FOR SHARES

The Managing Director & CEO **Dated:** ………/………./2014
BRAC BANK LIMITED
1, Gulshan Avenue, Gulshan 1, Dhaka-1212, Bangladesh

Dear Sir,

I/We apply for allotment of ordinary shares indicated below in response to your letter of Rights Offer and Subject to the Memorandum and Articles of Association of the Company. I/We hereby agree to accept the shares as may be allotted to me/us on the terms laid down in the letter of offer and enclose the necessary remittance @ Tk.20.00 each (including a premium of Tk.10.00 per share) in cash or by Draft/Pay order/Cheque on…………………………………………….. dated …………..……………………. drawn on ……………………………………………………………………………….. Bank………………………………………………………… Branch.

Holder's Folio/BO Account No.	No. of shares held at the close of business on February 10, 2014	No. of Shares offered	No. of Shares Accepted	Total Amount Paid

Yours faithfully,

1. Name (in block letters) :
   Address : Signature

2. Name (in block letters) :
   Address : Signature

BO Account No.																

As per provision of the Depository Act, 1999 and regulations made thereunder, rights share shall only be issued in dematerialized condition. An applicant must apply for allotment of rights shares mentioning his/her Beneficiary Owner (BO) account number in the application form.

Note: Signature must be the same as furnished earlier. Incomplete or incorrectly filled application form may be rejected.

……

ACKNOWLEDGEMENT RECEIPT OF SHARE MONEY

Received Tk. …………………………………………(Taka……………………………………………………………………………………)only from Mr./Ms……………………………………………………………………………Folio/BO Account No……………………………………………………………. for…………………………………………………no.(s) of rights shares of **BRAC BANK LIMITED** in Cash/Pay Order/ Draft/Cheque No………………………………date……………………………………of…………………………………………Bank……………………………………Branch.

Application Sl. No. **(Bank's Seal)** **Signature of Receiving Officer**
Date

“শেয়ার বাজারে বিনিয়োগ ঝুঁকিপূর্ণ। জেনে ও বুঝে বিনিয়োগ করুন”

Renunciation Form-B

BRAC BANK

Registered Office
1, Gulshan Avenue, Gulshan 1, Dhaka-1212, Bangladesh

Rights Offer of **221,652,288** Ordinary Shares of **Tk.10.00** each issuing at **Tk.20.00** each, including a premium of **Tk.10.00** per share, totaling **Tk.4,433,045,760.00** offered on the basis of 01(R):02 i.e. 01 (one) Rights share for 02 (two) existing shares held on the record date **February 10, 2014.**

Subscription	**Opens on: April 20, 2014**
	Closes on: May 15, 2014
Within Banking Hours Both Days Inclusive	

FORM OF RENUNCIATION

The Managing Director & CEO **Dated:** ………../………../2014
BRAC BANK LIMITED
1, Gulshan Avenue, Gulshan 1, Dhaka-1212, Bangladesh

Dear Sir,

I/We hereby renounce my/our rights to the shares offered to me/us as noted below in favor of person(s) accepting the same and signing in application by renouncee(s) and apply for allotment in his/her/their name(s).

Holder’s Folio/BO Account No.	No. of shares held at the close of business on February 10, 2014	No. of Shares offered	No. of Shares Renounced	Value of Shares Renounced

Yours faithfully,

1. Name (in block letters) :
   Address : Signature

2. Name (in block letters) :
   Address : Signature

	Name(s) of Renouncee(s)	BO A/C No.
1	Name:	
2	Name:	

N.B. Use photocopy in case of renouncement favoring more than 2 (two) persons

As per provision of the Depository Act, 1999 and regulations made there under, rights share shall only be issued in dematerialized condition. An applicant must apply for allotment of rights shares mentioning his/her Beneficiary Owner (BO) account number in the application form.

Note: Signature must be the same as furnished earlier. Incomplete or incorrectly filled application form may be rejected.

"শেয়ার বাজারে বিনিয়োগ ঝুকিপূর্ণ।
জেনে ও বুঝে বিনিয়োগ করুন"

Renunciation Form-C

BRAC BANK

Registered Office
1, Gulshan Avenue, Gulshan 1, Dhaka-1212, Bangladesh

APPLICATION BY RENOUNCEE(S)

The Managing Director & CEO
BRAC BANK LIMITED
1, Gulshan Avenue, Gulshan 1, Dhaka-1212, Bangladesh

Dated: ………../………../2014

Dear Sir,

As the share holder(s) at pre-page has/have renounced his/her/their rights to the shares offered, in my/our favor, I/We do hereby apply for the number of share noted above as renounced, by making payment of Tk. ………………………………… being the value of ……………………………………………….share @ **Tk.20.00** each (including a premium of Tk.10.00 per share).

Yours faithfully,

1 Signature:	2 Signature:
Name (in block letters):	Name (in block letters):
S/O. D/O. W/O.:	S/O. D/O. W/O.:
Address:	Address:
BO No.	BO No.

N.B. use photocopy in case of renouncement favoring more than 2 (two) persons

Signature of the Renouncer(s):	**1**		**2**	

As per provision of the Depository Act, 1999 and regulations made there under, rights share shall only be issued in dematerialized condition. An applicant must apply for allotment of rights shares mentioning his/her Beneficiary Owner (BO) account number in the application form.

Note: Folio No. is to be mentioned only in case of existing shareholder(s). Incomplete or incorrectly filled application form may be rejected.

………

ACKNOWLEDGEMENT RECEIPT OF SHARE MONEY

Received Tk. …………………………………………(Taka……………………………………………………………………………………………)only from Mr./Ms……………………………………………………………………………Folio/BO Account No……………………………………………………………… for…………………………………………………no.(s) of rights shares of **BRAC BANK LIMITED** in Cash/Pay Order/ Draft/Cheque No………………………………date…………………………………of…………………………………………Bank……………………………………Branch.

Application Sl. No. **(Bank's Seal)** **Signature of Receiving Officer**
Date

BRAC Bank Limited
1 Gulshan Avenue, Gulshan -1, Dhaka 1212
Phone: +880-2-988 4292, Fax: +880-2-989 8910
E-mail: enquiry@bracbank.com
www.bracbank.com