THE CITY BANK LIMITED
Head Office: City Bank Centre, 136 Gulshan Avenue
Gulshan - 2, Dhaka - 1212, Bangladesh
Tel: 880 2 8813483, 8814375, 8813126; Fax: 880 2 9884446
E-mail: info@thecitybank.com; SWIFT: CIBLBDDH
Web: www.thecitybank.com

CBL/efdass/may/ 2013

2012

THE CITY BANK LIMITED
ANNUAL REPORT 2012

CITY BANK WINS FINANCE ASIA 'BEST BANK AWARD 2012'

"Best Bank in Bangladesh for 2012"

"The Strongest Bank in Bangladesh-2010" adjudged by The Asian Banker

"American Express Marketing Award" for Outstanding New Card launch in 2010

"ISO 9001:2008 certification from Moody International, for the bank's entire back end and technology operations.

City Bank has won the 'Best Bank in Bangladesh for 2012' award from Finance Asia, a leading financial publication in the Asia-Pacific region. This is the first year of FinanceAsia's extending the award into local bank category in Bangladesh. The bank was evaluated on its performance in the past year, its financial statures, vision and long term strategies. The award was received by City Bank Chairman Rubel Aziz and MD & CEO K Mahmood Sattar.

The FinanceAsia Country Awards for Achievement are given out every year to distinguish the region's best banks and financial institutions. The awards are regarded highly by the financial industry and offer an important benchmark in the region. The earlier recipients of the award include names like JP Morgan, Goldman Sachs, Citibank N.A., HSBC, ICICI, Standard Chartered and so on. Based in Hong Kong and established in 1996, FinanceAsia is a renowned financial journal in Asia and the Pacific with additional bureaus in Singapore and Sydney, Australia.

FinanceAsia's award presentation to City Bank declares that "this is the first year we are awarding in the local bank category in Bangladesh and we have selected City Bank for its leadership in risk management and its plan for steady and sustainable growth. It might not be the Best Bank in the country in terms of its network and balance sheet size or even profitability, as there are some bigger and more profitable banks operating in Bangladesh, but **it is the Best Bank in terms of adopting global best practices, which in an emerging market is extraordinarily important.**"

VISION

We believe that our vision is the desired future where we want to see ourselves. Our vision is always stretching and far fetched. It sets the tone for our organization and gives a common direction to our employees as to where it wants to be. At City Bank, we have re-engineered our vision to define a path towards our envisioned future.

The financial supermarket with a winning culture offering enjoyable experiences

TO CHAIRMAN'S MESSAGE

TO OUR SHAREHOLDERS:

To pass the test of time and competition, it is always important to reassess the business model in light of current and anticipated changes. Being advised by the Board, the management has undertaken the big leap in the "restructuring" direction at the end of 2012. It has already presented a business model restructuring plan to the Board, which was accordingly approved. The implementation of the new business model is currently underway.

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In 2012, your Bank has been recognized as the 'Best Bank in Bangladesh for 2012' by FinanceAsia for adopting global best practices. That was the first year of FinanceAsia's extending the award into local bank category in Bangladesh.

Our shareholders are well aware that BSEC, through a promulgation on the issue of Corporate Governance, inserted few new conditions for compliance by the listed companies within 31 December 2012. Our bank has successfully complied with all the provisions of the BSEC notification except few, which are under consideration of the Board. Board of Directors has agreed to comply the BSEC notification in regard to inclusion of independent directors and accordingly taken steps to include a personality who will be acceptable to all the stakeholders.

To pass the test of time and competition, it is always important to reassess the business model in light of current and anticipated changes. Being advised by the Board, the management has undertaken the big leap in the "restructuring" direction in the end of 2012. It has already presented a business model restructuring plan to the Board, which was accordingly approved. The implementation of the new business model is currently underway.

Our shareholders shall be pleased to learn that the action plan for the Bank in 2013 shall be focused on the following priorities, to mention a few, which will eventually lead to improvement and consolidation of the current KPIs:

- Continuing the diversification of credit portfolio in SME, emphasis on retail, focus on SME agriloan
- Maintaining strong capital base
- Improving the deposit mix by undertaking efficient deposit mobilization and by increasing the share of low cost deposit
- Focusing on non-fund based business
- Launching of "CityTouch" internet banking; and CityGems Priority Banking; and a sophisticated platform of other alternate delivery channels by introducing drive-through ATMs and by opening in-branch ATMs at all of our 102 branches
- Maintaining adequate level of liquidity through minimizing asset-liability mismatch
- Recovering substantial amount of past due loans

COUNTRY AWARDS FOR ACHIEVEMENT 2012 FinanceAsia Best Bank Bangladesh

"Best Bank in Bangladesh for 2012"

First year of FinanceAsia's extending the award into local bank category in Bangladesh.

Best regards,

RUBEL AZIZ
Chairman
The City Bank Limited

LETTER OF TRANSMITTAL

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

Sub: Annual Report for the year ended December 31, 2012

Dear Sir(s),

We are pleased to present before you the Bank's Annual Report 2012 along with the audited Financial Statements (Consolidated and Separated) as at and for the year ended December 31, 2012.

Financial Statements of the Bank comprise those of CBL On-Shore (main operation) and Off-Shore Banking Unit whereas Consolidated Financial Statements comprise Financial Statements of the Bank and those of its subsidiaries (City Brokerage Ltd. and City Bank Capital Resources Ltd.) presented separately. Analyses of this report, unless explicitly mentioned otherwise, are based on the financials of the Bank, not the consolidated financials.

Yours sincerely

MD. KAFI KHAN
Company Secretary

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FORWARD LOOKING STATEMENT

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

- National political and economic conditions;
- Changing in monetary & fiscal policy budget;
- The effect of changes to our credit rating;
- Amendments to, and interpretations of, risk-based capital guidelines and reporting instructions;
- The risk that the Bank's risk management models may not take into account all relevant factors;
- Changing customer demand or preferences for business, including the effects of economic conditions on the business;
- Changing government policy issues viz.
  - Withholding Tax, VAT on banking services
  - Corporate tax rate
  - CRR and SLR of the banks
  - Lending rates to finance essential items;
  - Provisioning requirement would change the ROA and ROE;
- Volatility in interest rates and currency values;
- Volatility in capital market;
- Changes in international prices of essential which is growing pressure on foreign exchange market resulting to volatility in Foreign Exchange market;
- International embargo on certain countries is likely to affect remittances and trade;
- The accuracy and completeness of information the Bank receives on customers and counterparties;
- The Bank's ability to expand existing distribution channels and to develop and realize revenues from new distribution channels;

The preceding list of important factors is not exhaustive. When relying on forward looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the preceding factors, other uncertainties and potential events. The Bank does not undertake to update any forward looking statements, whether written or oral, that may be made from time to time by or on its behalf.

BOARD OF DIRECTORS

RUBEL AZIZ
Chairman

An industrial entrepreneur, Mr. Rubel Aziz has been in the business for a long time and has set up and successfully executed a good number of industrial undertakings. He joined the Board on December 14, 1998 and has been serving it since then. Mr. Aziz is also serving as the Chairman of the Board of Directors of the Bank since December 2011. He is also Vice Chairman of Janata Insurance Co. Ltd. and Managing Director and Director of number of Partex Group Companies. Mr. Aziz graduated in Bachelor of Business Administration. He was former elected President of Gulshan Club.

DEEN MOHAMMAD
Director

Mr. Mohammad, one of the most renowned industrialists of the country, first joined the Board in the year 1984. He returned to the Board in March 2012. He is the founder Chairman of the Bank and held the positions of bank's Chairman several times. He is also the Chairman of Phoenix Finance & Investment Ltd. Mr. Mohammad started trading business in 1960. Two years later, he made his mark in the industrial sector. Slowly, he became one of the top figures of the industrial and trading sector. He has been working with various government committees over the years, such as, the Consultative Committee for the Ministry of Energy and Mineral Resources. He was a member of the Executive Committee of Dhaka Chamber of Commerce and Industry. Mr. Mohammad is also a dedicated social worker. He was the President of Lalbagh Sporting Club, Rahmotgonj Sporting Club and so on.

AZIZ AL KAISER
Director

Mr. Kaiser, Director of City Bank, is a prominent entrepreneur of the country. He comes with a sound academic and entrepreneual background. A graduate from US International University, London, UK, Mr. Kaiser is involved in diverse area of businesses like Shipping, Food, Telecom, ICT, Bank, Leasing, Real Estate, etc. Mr. Kaiser is the immediate past Chairman of City Bank. He also holds Managing Director and Director positions in a number of Partex Star Group Companies. He is also a member of the Executive Committee of the Board of Directors of City Bank. Mr. Kaiser has keen interest in cricket and he was one of the Directors of Bangladesh Cricket Board and Chairman of Marketing & Commercial Committee, Bangladesh Cricket Board.

HOSSAIN MEHMOOD
Director

Mr. Mehmood is the representative Director of A-One Polymer Ltd. He is an industrial entrepreneur and has been in the business for a long time. He successfully set up and executed a good number of industrial undertakings. He is the immediate past Vice Chairman of the Bank. Mr. Mehmood is director of a number of companies of Anwar Group of Industries and also holds Managing Director positions of Hossain Dyeing & Printing Mills Limited, Mehmood Industries (Pvt.) Limited and Anwar Silk Mills Limited. He is also a member of the Executive Committee of the Board of Directors of City Bank. Mr. Mehmood has sound academic background. He holds an Associate Degree in Textile Engineering and Management from University of New Hampshire, USA.

MEHERUN HAQUE
Vice Chairperson

Mrs. Haque joined the Board on December 20, 2001. She is serving as its Vice Chairperson since December 2011. She is a successful business personality and holds Director positions in Phoenix Insurance Co. Ltd. and Phoenix Finance & Investment Ltd. She is also a member of the Executive Committee of the Board of Directors of the Bank. Mrs. Haque is an active social worker and takes keen interest in different benevolent and philanthropic activities.

MOHAMMED SHOEB
Director

Mr. Shoeb has been a Director of the bank from 1990 to 2007. He was Vice Chairman of the bank several times. He returned to the bank's board in May 2012. He is also the Chairman of Phoenix Insurance Co. Ltd. and is holding director positions in various companies, like Rangdhanu Spinning Mills Ltd., Phoenix Spinning Mills Ltd., Phoenix Textiles Mills Ltd., Phoenix Securities Ltd., etc. Mr. Shoeb is widely accredited with introducing the IT infrastructure in the companies he served. He facilitated the online banking service for City Bank and also introduced the first international dual currency credit card in the banking industry.

HOSSAIN KHALED
Director

Mr. Hossain Khaled is a versatile new age business personality. He obtained his BBA in Accounting from the University of Toledo, Ohio and MBA degree in International Banking from A & M University (TAMU), Texas, USA. Mr. Khaled joined the family conglomerate of Anwar Group of Industries during the year 2000. Since then he has held and led successfully many portfolios among which few noteworthy ones are his being the youngest President of Dhaka Chamber of Commerce & Industry and Co-Chairman of Bangladesh Better Business Forum. Mr. Khaled is also holds director positions of number of companies of Anwar Group. He is also one of the members of the Executive Committee of the Board of Directors of City Bank. He is also Convenor of the bank's Audit Committee.

RAFIQUL ISLAM KHAN
Director

Mr. Khan joined the City Bank Board on November 25, 2000. He is the Chairman of Pakiza Group of Industries. He is one of the renowned cloth merchants of the country. Mr. Khan is also Director of Phoenix Finance & Investments Ltd., Phoenix Securities Ltd., Phoenix Insurance Co. Ltd. and Phoenix Medical Center Ltd.

RAJIBUL HUQ CHOWDHURY
Director

Mr. Chowdhury is a prominent businessman of the country and involved in the business of chemicals, garments, knitting and printing. He joined the Board on October 18, 2001 and has remained a Director since then. Mr. Chowdhury is an MBA. He is also proprietor, Managing Director and Director of various business organizations within the prominent conglomerate called Aziz Group. He is one of the members of the Executive Committee of the Board of Directors of City Bank.

AZIZ AL MAHMOOD
Director

Mr. Mahmood joined the Board on June 21, 2011. He completed his graduation from the US International University, London, UK. Mr. Mahmood joined Partex Star Group at an early age. With his inherent quality of leadership and pragmatic outlook, he became one of the Group's directors within a short time. Mr. Mahmood's diverse leadership qualities as Managing Director of Partex Star Group's key units have made quick turnarounds possible even under a competitive environment. Mr. Mahmood is also actively engaged with number of social, philanthropic and charitable institutions.

TABASSUM KAISER
Director

Mrs. Tabassum Kaiser joined the Board on March 6, 2002. At present she is also serving as Director in various companies like, Janata Insurance Co. Ltd., GSP Finance Company (BD) Ltd., Fairhope Housing Ltd. and Partex Agro Ltd. Mrs. Kaiser is an MBA from North South University, Bangladesh.

EVANA FAHMIDA MOHAMMAD
Director

Ms. Evana joined the Board on November 9, 2000. She holds Diploma in Business Studies major in Management from Padworth International College, in Reading, Berkshire, England. She is a successful business personality and holds Director positions in Phoenix Finance & Investment Ltd. , Phoenix Securities Ltd. and Rangdhanu Spinning Mills Ltd. Ms. Evana is an active social worker and takes keen interest in different benevolent and philanthropic activities.

SYEDA SHAIREEN AZIZ
Director

Mrs. Aziz, Director of the Bank, joined the Board on April 30, 2012. At present she is also serving as Director in various companies like Partex Corp. Ltd., Sattar Glass Factory Limited and so on. Mrs. Aziz did her graduation in Business Administration.

K MAHMOOD SATTAR
Managing Director & CEO

Mr. Sattar has started his career as an MTO in ANZ Grindlays Bank, Dhaka in 1981. He has been serving the City Bank as Managing Director & CEO since 2007. Prior to joining City Bank, he was MD & CEO of Eastern Bank Ltd. from 2001 to 2007. In his 31 years of banking career, he served many foreign banks in different capacities as senior management member. He achieved the prestigious "Asian Banker Leadership Achievement Award 2010" from The Asian Banker for his individual contribution to banking industry and leadership. He is current chairman of SWIFT User Group Bangladesh and ex-chairman of Association of Bankers Bangladesh. He worked for foreign banks like ANZ, ANZ Grindlays and Standard Chartered for 20 years at home abroad.

CORPORATE PROFILE

Formal Inauguration
MARCH 27, 1983

Registered office
136, BIR UTTAM SHAWKAT SARAK (GULSHAN AVENUE) GULSHAN-2, DHAKA-1212 BANGLADESH

Web site
www.thecitybank.com

Chairman
RUBEL AZIZ

Vice Chairperson
MEHERUN HAQUE

Managing Director & CEO
K MAHMOOD SATTAR

Company Secretary
MD. KAFI KHAN

Authorized Capital
Tk. 10,000,000,000

Paid Up Capital
Tk. 6,318,889,120

Reserves
Tk. 11,642,537,751

Total Asset
Tk.130,185,631,812

Listing with Dhaka Stock Exchange Ltd.
FEBRUARY 03, 1987

Listing with Chittagong Stock Exchange Ltd.
DECEMBER 27, 1995

Total Manpower
2,765

Number of branches
89

Number of Islamic branch
01

Number of SME Service Centers
01

Number of SME/Agri Branches
11

Number of ATM Booths
163

Number of CDM Terminals
20

Auditors
HODA VASI CHOWDHURY AND CO. CHARTERED ACCOUNTANTS

Tax consultants
ACNABIN CHARTERED ACCOUNTANTS
&
K.M HASAN & CO. CHARTERED ACCOUNTANTS

Legal Retainer
LAW VALLEY

Credit Rating Agency
CREDIT RATING AGENCY OF BANGLADESH LTD. (CRAB)

MANAGING DIRECTOR & CEO's MESSAGE

Economic Scenario
Bank's Financial Performance
Human Resources
Other Achievements In 2012
Priorities For 2013
Conclusion

It is my pleasure to present your Bank's progress report for 2012 and also highlight the strategic priorities for the current year to steer the bank's journey towards further excellence. City Bank, being a first generation private commercial bank, committed itself to grow into a financial supermarket that sells a very wide range of financial products and services not limited to banking alone but encompassing brokerage services, investment banking, latest generation tablet/net banking among others. 2013 is a crucial year for us in that direction. This is the year when we plan to launch "City Gems – Priority Banking", a platform for our high net worth customers to stretch their arms into brokerage, investment banking and real estate area as well. This is also the year when, I am extremely hopeful, the launch of the "CityTouch Mobile Banking" will smoothly obliterate the dividing lines between banking and net browsing. In 2013 we also plan to go international by opening a remittance company (subject to regulatory approval) in one of the top Bangladeshi workers' markets abroad. And this is also the year when – by recognizing the demands of the changing times and environment – we hope to get closer to understanding and fulfilling customers' needs by way of restructuring our business model thoroughly. With that kind of a promising year full of projects and tasks lying our way, we can still take a breath and look into what went behind making 2012 a very tough and challenging year for the bank and the industry.

+ ECONOMIC SCENARIO

In 2012, the global economy showed its varying colors with the European sovereign debt crisis, weak financial performance of EU countries, high unemployment rate in the developing nations, avoidance of fiscal cliff to avert recession in USA etc. In spite of all this, Bangladesh economy showed its resilience amidst global downturn registering 6.3 percent GDP growth against 5.3 percent as average for developing countries. One of the key factors underlying our ability to have done so is the successful controlling of a point-to-point inflation to a single digit.

+ BANK'S FINANCIAL PERFORMANCE

City Bank's performance was, at its core, a reflection of the macro and micro economic factors as well as changes in the regulatory framework adopted by several of our regulators in 2012. Despite the heavy challenges to grow in the operating profit line, the bank has marked a growth of 9 percent nevertheless. Regulatory pressure on keeping the credit growth at a sustainablelevel as well as maintaining a sufficient liquidity cushion forced the bank to make a steady credit growth of 8% on YOY basis. Recorded 12% deposit growth against the credit growth of 8% caused high pressure on interest cost, which ultimately reflected in the not-so-alluring operating performance of the bank. The bank faced further challenges in managing balance sheet through core banking business in the year 2012 due to major changes in Bangladesh Bank's loan classification and provisioning policy. The changed regulations of Bangladesh Bank and downward trend of non-performing loans caused by macro economic issues forced the bank to make a loan loss provision of Tk. 2804 M in 2012, the resultant effect of which was felt notably in the profit before tax line. We posted a PBT of Tk 1762 M in 2012 compared to the PBT of 3,468 M in 2011. After keeping such a significant amount of provision for loans, another provision of BDT 1,000 M had to be kept for tax charge, hence, profit after tax (PAT) was only BDT 762 M in 2012, which was BDT 1,256 M lower than 2011's (2011

International Finance Corporation World Bank Group

CITY BANK AND IFC JOIN HANDS

The bank signed agreement with International Finance Corporation (IFC) for participation in Global Trade Finance program and Short Term Rollover Loan facilities.

PAT: BDT 2,018 M). Earning per shares in 2012 stood at BDT 1.21 compared to 3.19 of 2011. Capital adequacy ratio stood at 11.7% against the regulatory requirement of 10%, which also reflected a good management of our balance sheet. In regard to loans & advances, NPL rose from 3.44% of 2011 to 7.48% in 2012. The bank has maintained an additional provision of BDT 312 M to cover for any emergencies and to satisfy the confidence of the stakeholders.

+ HUMAN RESOURCES

City Bank always gives the highest focus on the right placement of its prime resource - human resources. The bank believes in certain core values as practiced by all employees to meet the mission and the broader vision of the organization. Our new vision and the mission statements launched not so long ago saw its embedding through to the end of 2012. In most part of 2012, our 2,765 full time employees worked together to make possible the technological advancement, expansion and modernization plan that we set for ourselves to achieve. Our aim was to anticipate the customers' needs, and once that was effectively drawn on the boards, we could plan for large scale restructuring by the end of 2012. This restructuring will directly impact 73% of bank's employees in terms of their KPIs in 2013. I am happy that the sewing together of, firstly, our company's newly formed vision and, secondly, the new business model roll out plan – occurred one after the other in a natural succession flow, giving the staff enough mental readiness to digest in the changes.

+ OTHER ACHIEVEMENTS IN 2012

I will not go into so much detail in listing the other few big achievements of ours in 2012 since the bank's Chairman in his speech has touched those upon already. Yet I feel that the projects like operational and technological reengineering undertaken with PWC or the launch of Amex CityMaxx debit card that pays interest to the customers even after the fund has been withdrawn or the bank's handshake with IFC and FMO on strategic alliances will have far reaching strategic impacts for us in the years to come. 2012 in that sense has been the stepping stone for many a thing to happen in the very near future.

+ PRIORITIES FOR 2013

Sustainable business growth, dynamic and talented human capital driven by values, excellent risk management, and involvement of mid level management in decision making process will surely command some key strengths for City Bank. Few of the major tactical and strategic moves that I have chalked out for myself to drive and supervise for the current year are:

FMO Entrepreneurial Development Bank

CITY BANK & FMO SIGN BUSINESS DEAL

The bank signed agreement with FMO whereby FMO with provide a Term Finance facility for its offshore banking units.

- Maintain capital base above regulatory requirement
- Bring down the cost to income ratio to industry average
- Maintain NPL at 3%
- Bring change in mix in loans & advances, thus reflecting a truly diversified risk allotment
- Intensify the growth in SME Business
- Integrate the Green Banking Model in our overall business model
- Implement ICAAP, the Pillar-II of BASEL - II requirement
- And last but in no way the least, implement "Enter prise IT" solution in place of current island-like approach for our applications with a view to integrate CRM and analytics in everything we do

+ CONCLUSION

The bank has worked hard over the past years to instill the spirit of combating challenges, and accordingly came in lot of capacity building activities. As such it is my firm belief that we have a very skilled workforce equipped enough to ward off crises of any nature and magnitude. I have no worries in my mind in this respect, even if I map out and look at the future challenges and obstacles, which are, to name a few: 1. Sudden policy decisions like increase in CRR & SLR and reduction in Repo; 2. Investment in large infrastructure projects and time gap of return; 3. Inflationary pressure at the end of the year 2013; 4. High Govt. borrowings; 5. High price of property that may act as a deterrent to industrial growth; 6. Bank's recovery of NPL (particularly the investment of merchant bank & brokerage houses); 7. High interest rate and reduction in repayment capacity of the customers in general.

Knowing the Achilles' heel was believed to be the number 1 strength in battle in the ancient times. Similarly I feel reenergized having the knowledge of the probable weakening conditions; this knowledge will help us fight better in the challenging times. With a good team as the grandest arsenal, I am all too hopeful about a brighter future for this institution.

I acknowledge the contribution of our stakeholders, the prudence and guidance of our very capable and professional Board of Directors and the support of all the regulators in framing business-friendly policies. I specially thank our Chairman who has been extremely supportive of the new projects and who has regularly been taking good care in seeing through their speedy implementation. I also thank our 595,881 customers for their continuous support and unwavering confidence in us. The interest of our stakeholders is always on the forefront of everything we do and we are grateful for their support as we build upon our strengths.

K MAHMOOD SATTAR
Managing Director & CEO
The City Bank Limited

MANAGEMENT COMMITTEE

K MAHMOOD SATTAR
Managing Director & Chief Executive Officer

Mr. Sattar has started his career as an MTO in ANZ Grindlays Bank, Dhaka in 1981. He has been serving the City Bank as Managing Director & CEO since 2007. Prior to joining City Bank, he was MD & CEO of Eastern Bank Ltd. from 2001 to 2007. In his 31 years of banking career, he served many foreign banks in different capacities as senior management member. He achieved the prestigious "Asian Banker Leadership Achievement Award 2010" from The Asian Banker for his individual contribution to banking industry and leadership. He is current chairman of SWIFT User Group Bangladesh and ex-chairman of Association of Bankers Bangladesh. He worked for foreign banks like ANZ, ANZ Grindlays and Standard Chartered for 20 years at home and abroad.

SOHAIL R. K. HUSSAIN
Additional Managing Director & Chief Business Officer

Mr. Sohail R. K. Hussain joined City Bank as Deputy Managing Director & CBO in 2007. Prior to his joining City Bank, Mr. Hussain, in his 22 years banking career, served ANZ Grindlays Bank, Standard Chartered Bank and Eastern Bank Limited in many capacities including Head of Corporate Banking, SME Banking and Treasury Division. He represents City Bank in the Board of IIDFC and City Brokerage Limited and City Bank Capital Resources Limited. He is a post graduate (MBA) in Marketing from Institute of Business Administration (IBA), University of Dhaka.

FARUQ M. AHMED
Additional Managing Director & Chief Risk Officer and CAMLCO

Mr. Faruq Mainuddin joined City Bank as Additional Managing Director & CRO in 2011. Prior to his joining City Bank, he was Deputy Managing Director of AB Bank. He worked there as Head of SME, Head of Credit Risk Management and Country Manager of AB Bank, Mumbai, India. He received gold medal for securing 1st position in Banking Diploma examination Part I in 1987. Besides his Banking career, he is the author of 14 books so far and was awarded "IFIC Bank Literary Award 2011" for best translation of the literary biography of Poet Jibanananda Das. He is also a member of Bangladesh Economic Association.

MASHRUR AREFIN
Deputy Managing Director Chief Operations Officer & CCO

Mr. Mashrur Arefin started his career as an MTO in ANZ Grindlays Bank, Dhaka in 1995. He worked as Head of Credit & Collections for Standard Chartered Bank, Qatar. He also worked for ANZ Banking group in Melbourne, Australia and worked as Director & Head of Retail Banking for American Express Bank, Bangladesh and was the Head of Consumer Banking of Eastern Bank Limited and Head of Retail/Priority Banking of Citi NA Bangladesh. He is an M.A. in English from University of Dhaka, Bangladesh and MBA from Victoria University, Melbourne, Australia. In City Bank, he is also in charge of the bank's Cards business, retail Alternate Delivery Channels, Priority Banking and General Admin Division.

BADRUDDUZA CHOUDHURY
Deputy Managing Director & Head of Branch Banking

Mr. Badrudduza Choudhury joined City Bank as Head of Credit in 2002. He started his career as Probationary Officer with IFIC Bank in 1984. Prior to joining City Bank, Mr. Choudhury worked in Dutch Bangla Bank in various managerial capacities at head office and branches. He has career track of more than 28 years in different local private banks performing in senior management roles in various capacities. He has also worked abroad in IFIC Bank's Karachi office as its Head of Credit and Marketing Division. He is a post graduate in Public Administration from University of Dhaka.

SHEIKH MOHAMMAD MAROOF
Deputy Managing Director & Head of Wholesale Banking

Mr. Sheikh Mohammad Maroof started his career with American Express Bank, Bangladesh as Management Trainee in 1995. He worked as Director and Head of Treasury and FMS in American Express Bank, Bangladesh. Prior to his joining City Bank, Mr. Maroof worked for Eastern Bank Limited as Head of Treasury from 2005 to 2007. He is also a Director of City Brokerage Limited. He has expertise in operation, structured finance and corporate, Money Market, Capital Market and FX dealing. He is a post graduate (Masters in Commerce) in Finance from University of Dhaka.

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MD. MAHBUBUR RAHMAN
Chief Financial Officer

Mr. Md. Mahbubur Rahman joined City Bank as CFO in 2011. Prior to his joining City Bank, he served in various important roles in multinational, local Corporates and development organization such as Leads Corporation Ltd, Grameenphone, World Bank. He is a fellow member of The Institute of Chartered Accountants of Bangladesh (ICAB).

MD. ABDUL WADUD
Head of Credit Risk Management

Mr. Md. Abdul Wadud started his career in 1996 with Eastern Bank Limited as a Management Trainee Officer. Prior to joining City Bank, Mr. Wadud was Executive Vice President & Head of Structured Finance of Eastern Bank Limited. He also worked as Branch Manager and Unit Head of Corporate Banking in EBL. Currently, in addition to heading the Credit Risk Management Division, Mr. Wadud is also responsible for Credit Administration Division of the bank. He is a post graduate (M. Sc) in Statistics from Jahangirnagar University, Dhaka and MBA from Victoria University, Melbourne, Australia.

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ZABED AMIN
Head of Retail Banking

Mr. Zabed Amin completed his M.A. from Chittagong University in 1990 and started his career as a Management Trainee at ANZ Grindlays Bank back in June, 1991. During his professional career spanning over two decades, he served in senior positions of Grindlays Bank, Standard Chartered Bank and BRAC Bank and then joined City Bank back July 01, 2008 as its Head of Branches. He has been leading the Retail business division as its Head since 2011. He is also a poet with two book publications.

KAZI AZIZUR RAHMAN
Head of IT

Mr. Kazi Azizur Rahman started his career with Grabowsky & Poort B.V., a Dutch company as System Engineer/Programmer. Prior to his joining City Bank, Mr Aziz was Vice President and Manager, Service Management Unit of IT Division of Eastern Bank Limited. Mr Aziz also worked with Net-Linx Americas Inc. in Edmonton, Canada as Oracle DBA/Data Analyst. He also worked with British American Tobacco Company, Bangladesh as System Administration Manager and served as Information System Officer in BIRDEM. He is a Bachelor of Science in Engineering from Newport University, India.

NASIM AHMED
Head of Internal Control & Compliance

Mr. Nasim Ahmed started career with American Express Bank, Dhaka in 1973. Prior to his joining City Bank, Mr. Ahmed worked for American Express Bank in Bahrain, Albank Alsaudi Alhollandi (a joint venture of ABN-AMRO Bank of Netherlands) in Saudi Arabia, Albank Alsaudi Alfransi (a joint venture of Credit Agricole Indosuez Bank of France) in Saudi Arabia. He was Head of Internal Control & Compliance and Chief Anti-Money Laundering Compliance Officer of Premier Bank Limited prior to joining City Bank. He is a graduate in Commerce from University of Dhaka; also he is an EMBA in Banking and Financial Institutions from the Sam Houston State University, Huntsville, USA.

EXECUTIVE COMMITTEE

Chairman
[illegible]een Mohammad

Member
Rubel Aziz
Aziz Al Kaiser
Meherun Haque
Hossain Mehmood
Hossain Khaled
Rajibul Huq Chowdhury

SHARIAH SUPERVISORY COMMITTEE

Chairman
M. Azizul Huq

Member
Dr. Muhammad Mustafizur Rahman
Prof. Maulana Muhammad Salahuddin
Md. ZainulAbedin
Prof. ANM Rafiqur Rahman
Md. Fariduddin Ahmed
Muhammad Nazrul Islam

REPORT ON AUDIT COMMITTEE

Audit Committee of the Board
Composition and Qualifications
Roles and Responsibilities of Board Audit Committee
Meetings of Board Audit Committee
Acknowledgement

+ AUDIT COMMITTEE OF THE BOARD

The Audit Committee (AC) of the Board of The City Bank Limited was formed by the Board of Directors to provide independent oversight of the company's financial reporting, non financial corporate disclosures, internal control system and compliance to governing rules and regulations in compliance with Bangladesh Bank's guidelines and Bangladesh Securities and Exchange Commission (BSEC) Notification on Corporate Governance.

+ COMPOSITION AND QUALIFICATIONS

The existing composition of the Audit Committee as reconstituted in 419th Board Meeting held on 5 December 2011 by the Board of Directors is as follows:

Name	Status with Committee	Status with Bank	Educational Qualification	Meeting Attendance
Mr. Hossain Khaled	Convener	Director	MBA	5/5
Mr. Mohammad Shoeb	Member	Director	BBA	-
Mr. Rafiqul Islam Khan	Member	Director	HSC	2/5
Mr. Rajibul Huq Chowdhury	Member	Director	MBA	5/5
Mr. Aziz Al Mahmood	Member	Director	BBA	4/5

The Company Secretary acts as Secretary of the Audit Committee of the Board.

+ ROLES AND RESPONSIBILITIES OF BOARD AUDIT COMMITTEE

Audit Committee is mainly responsible for the following :

Internal Control And Compliance Activities:

- To evaluate whether management has communicated the importance of internal control and risk management to ensure that all employees understand their roles and responsibilities;
- To review whether internal control strategies, processes recommended by internal and external auditors have been implemented by the management;
- To review the existing risk management procedures in order to ensure an effective internal check and control system;
- To review the corrective measures taken by the management with regard to reports relating to fraud-forgery, deficiencies in internal control and external auditors and inspectors of the regulatory authority and inform the Board on a regular basis;
- To appraise, improve and reinforce the Bank's system risk analysis and to ensure that they work in a cost-effective manner;
- Guide implementation of Corporate Governance in the organization;
- Recommend to the Board the appointment and removal of the Head of Internal Control and Compliance.

Compliance Activities:

- To establish a compliance culture across the organization through effective control;
- To establish regulatory guidelines and instructions within the organization;
- To ensure adherence to legal and regulatory requirements;
- To establish, guide and review internal process control system and documentation;
- To establish Regulatory and external auditors recommendation(s) in the organization;
- To monitor effectiveness of compliance system of the organization and to guide for improvement.

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Monitoring Activities:

- To monitor effectiveness of internal control system(s) on an ongoing basis;
- To review Quarterly Operations Report and Exception Report;
- To review Credit Documentation Discrepancy Report;
- To guide monitoring team on surprise inspection(s);
- To guide management for improvement of monitoring procedure and activity.

Internal Audit & Inspection Activities:

- To review and approve "Internal Audit Charter";
- To guide and approve "Internal Audit Plan";
- To guide and review "Internal Audit Process and Procedure";
- To guide bank management body for ensuring compliance on audit recommendation(s) and scope of development;
- To review compliance status of audit recommendation;
- To review annual assessment of the performance of audit and inspection activity;
- To recommend audit findings to be placed to the Board of Directors.

External Audit:

- To review external auditors management report and financial audit report;
- To guide bank's management for ensuring compliance with audit recommendation;
- Assist the Board regarding the appointment of the external auditors.

Financial Reporting:

- To review the annual financial statements and determine whether those are complete and consistent with the accounting standards set by the regulatory authority;
- To meet with management and the external auditors for reviewing the financial statements before submission;
- To improve the financial reporting quality by ensuring significant adjustments resulting from audit and compliance with accounting standards and also to ensure that the expenses are not hidden and the off-balance sheet activities do not have any material effect on the situation;
- To discuss earnings, press releases as well as financial information provided to analysts and rating agencies;
- To discuss with management the company's major financial risk exposures and the steps that management has taken to monitor and control such exposures;
- To oversee compliance with the statutory financial reporting obligations of the Bank and permit processes and policies;
- To assist in financial planning and budgeting as per financial audit;
- To guide bank's management in view of optimum usage and allocation of financial resources.

+ MEETINGS OF BOARD AUDIT COMMITTEE

The Audit Committee of the Bank held five meetings during the year 2012 and had detail discussions and review sessions with Head of Internal Control & Compliance, External Auditors etc., regarding their findings, observations and remedial suggestions on issue of the bank affairs that need improvement. The Audit Committee instructed management to follow those remedial suggestions and monitored those accordingly.

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Dates of Audit Meetings held during the year 2012 are:

Meeting	Date of Meeting Held
34th Audit Committee Meeting	January 19, 2012
35th Audit Committee Meeting	February 22, 2012
36th Audit Committee Meeting	May 8, 2012
37th Audit Committee Meeting	August 7, 2012
38th Audit Committee Meeting	December 6, 2012

During the year under review, the Committee, inter alia, focused on following activities:

- Review Internal Audit Plan for the year 2012 and Internal Control & Compliance Guidelines and Policies;
- Review Draft Financial Statements and after discussing with the External Auditors, recommended it to the Board for their consideration;
- Review the Management Letter issued by the External Auditors, management responses thereto and corrective measures taken by the bank to avoid recurrence of the lapses mentioned therein;
- Review the overall financial health of the Bank;
- Review sector wise exposures of the bank for identifying possible profitable sectors;
- Review CSR (Corporate Social Responsibilities) activities of the Bank and advised area of emphasize to be given;
- Review internal mechanism to identify divisionwise cost and necessary measures to avoid lapses of existing mechanism;
- Review fixed assets policy of the Bank;
- Review fraudulent transaction which occurred during the year 2012;
- Review Bangladesh Bank Comprehensive Inspection Report of City Bank as on June 30, 2011 and its implementation status.

+ ACKNOWLEDGEMENT

The Audit Committee expresses its sincere thanks to the Members of the Board, Management and the Auditors for their excellent support while carrying out their duties and responsibilities effectively.

HOSSAIN KHALED
Convener, Audit Committee

The Audit Committee was formed by the Board of Directors to provide independent oversight of the company's financial reporting, non financial corporate disclosures, internal control system and compliance to governing rules and regulations in compliance with Bangladesh Bank's guidelines and BSEC notification on Corporate Governance.

PERFORMANCE AT A GLANCE

Deposit Growth
12.27%
From 83,818 M in 2011

Loan Growth
8.50%
From 76,807 M in 2011

Regulatory Capital
15,772 M
From 15,036 M in 2011

Shareholders' Equity
17,961 M
From 17,856 M in 2011

Operating Profit
4,567 M
From 4,196 M in 2011

Number of ATMs
163
From 122 in 2011

Taka in Million unless specified

	2012	2011	2010	2009	2008
Income Statement					
Interest Income	12,643	9,415	7,090	5,743	4,669
Interest Expenses	7,673	4,997	3,516	3,672	3,163
Non-Interest Income	3,790	3,338	3,728	2,297	1,874
Non-Interest Expenses	3,993	3,560	3,201	2,112	1,625
Profit Before Provision	4,567	4,196	4,100	2,256	1,755
Profit Before Tax	1,763	3,468	2,999	1,388	1,014
Profit After Tax	763	2,018	1,849	819	398
Balance Sheet					
Authorized Capital	10,000	10,000	10,000	1,750	1,750
Paid-up Capital	6,319	5,055	3,009	1,571	1,366
Reserve Fund & Surplus	11,643	12,801	7,630	4,293	3,851
Total Shareholders' Equity	17,961	17,856	13,519	5,864	4,217
Deposits	94,099	83,818	67,420	62,384	45,034
Loans and Advances	83,333	76,807	60,327	43,486	34,421
Investments	20,991	16,311	12,474	16,588	9,074
Fixed Assets	5,921	5,950	5,206	2,788	2,514
Total Assets	130,186	115,736	90,898	76,467	57,115
Off-Balance Sheet Exposures	37,742	35,866	20,387	10,447	10,921
Foreign Exchange Business					
Export	13,800	22,033	18,646	13,815	14,766
Import	58,420	41,474	38,155	28,718	30,894
Remittance	24,594	42,189	24,496	17,933	9,828
BIS Capital Measures *					
Risk Weighted Assets (RWA)	134,759	117,575	112,049	45,715	35,919
Core Capital (Tier I)	12,127	11,522	9,260	5,535	2,711
Supplementary Capital (Tier II)	3,646	3,514	3,120	1,625	1,243
Tier I Capital Ratio	9.0%	9.6%	8.3%	7.7%	7.5%
Tier II Capital Ratio	2.7%	3.2%	2.8%	3.6%	3.5%
Total Capital Adequacy Ratio	11.7%	12.8%	11.2%	11.3%	11.0%
Credit Quality					
Provision for Unclassified Loans	1,170	1,400	1,040	799	420
Provision for Classified Loans	3,410	1,101	970	708	780
Percentage of NPL over Total Loans and Advances	7.5%	3.4%	4.4%	4.9%	6.3%
Share Information					
No. of Shares Outstanding (in million)	631.9	505.5	30.1	15.7	13.7
Earnings Per Share					
Basic	1.21	4.0	3.7	52.1	25.3
Diluted	-	-	-	-	-
Cash Dividend	-	-	-	-	-
Stock Dividend **	10.0%	25.0%	30.0%	25.0%	15.0%
Market Value Per Share (Taka)	27	53	1,000	730	452
Price Earning Ratio (Times)	22	13	17	14	18
Net Assets Value Per Share (Taka)	28	35	449	373	309
Operating Performance Ratio					
Credit Deposit Ratio	82.7%	85.7%	89.5%	69.7%	76.4%
Cost to Income Ratio	46.6%	45.9%	43.8%	48.4%	48.1%
Total Operating Income per employee	3.1	2.8	2.7	1.9	1.6
Total profit per employee	1.65	1.5	1.5	0.9	0.8
Cost of Funds	7.5%	6.4%	4.9%	6.1%	6.9%
Cost of Deposits	8.5%	6.4%	5.3%	6.6%	7.1%
Yield on Loans and Advances	14.9%	13.1%	12.7%	13.1%	13.5%
Return on Assets	0.6%	2.0%	2.2%	1.2%	0.8%
Return on Equity	4.3%	13.7%	21.3%	16.2%	11.2%
Distribution Network					
Number of Branches	90	89	88	67	83
Number of SME Centres & Agri Branches	12	12	11	10	5
Number of ATM	163	122	72	50	23
Number of Employees	2,763	2,772	2,665	2,424	2,134
Number of Foreign Correspondents	548	538	533	513	501

"CREDIT RATING"

Rating	2012	2011
Long Term	AA3	A1
Short Term	ST-2	ST-2

* Valid till 30 June 2013

** BIS: Bank for International Settlements*
*** The Board of Directors in its 436th meeting decided to recommend distribution of 10% (10 percent) stock dividend subject to approval of the shareholders*
**** Face value of each equity share was converted into Tk. 10 from Tk.100 in 2011.*

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This section refers to the value the Bank delivers to its customers, shareholders, employees, and to the nation at large. The City Bank creates value through provision of financial services in line with its vision, "The Financial Supermarket with A Winning Culture Offering Enjoyable Experiences". The Bank has its own systems, processes and procedures in place to check verify and validate the value creation process. The Bank conducts its business in a transparent and ethical manner in line with the best industry practices while being fair to every stakeholder. The Bank is mindful of the need to add values on a sustainable basis to all stakeholders in this value creation process. It has not been a case of bubble financial value and enhancing the bottom line for the Bank, but participating in a process of creating value through fair and ethical means.

Some of the measures taken to create, sustain and deliver optimum value are as follows:

+ MAINTAINING CAPITAL ADEQUACY

Capital Adequacy Ratio (CAR) is the measure of the financial strength and sustainability of a bank. It limits the extent up to which banks can expand their business in terms of risk weighted assets. Bank's capital is the "cushion" for potential losses, which protect the bank's depositors or other borrowers. In this regard, Bangladesh Bank uses CAR as a mechanism to protect depositors and enhance confidence in the banking system.

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

Please refer to Notes to the Accounts Point 15.3.a (Capital Adequacy Ratio-The City Bank Limited) for the capital adequacy computation of The City Bank Limited as at December 31, 2012. Last five years position is given below:

CAPITAL ADEQUACY RATIO (%)

The City Bank creates value through provision of financial services in line with its vision, "The Financial Supermarket With A Winning Culture Offering Enjoyable Experiences".

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+ VALUE ADDED STATEMENT

for the year ended 31 december 2012

Value Added is the wealth accretion made by The City Bank Ltd. through providing banking and other financial services in 2012 for it's employees, government and shareholders in the form of salaries & allowances, duties & taxes and net profit after tax respectively and also indicates value of use of fixed assets through depreciation.

Fig. in Million

Particulars	2012 Taka	(%)	2011 Taka	(%)
Income from Banking Services	16,232		12,740	
Less: Cost of Services and Supplies	(9,299)		(6,480)	
Value Added by the Banking Services	**6,933**		**6,260**	
Non-Banking Income	1		14	
Loan Written Off and Provision	(2,805)		(729)	
Total Operating Income	**4,130**		**5,545**	
Distribution of Value Addition				
To Employees as Salaries & Allowances	2,043	49.5%	1,800	32.5%
To Shareholders	763	18.5%	2,018	36.4%
To Govt. as Income Tax	1,000	24.2%	1,450	26.1%
Depreciation	324	7.8%	277	5.0%
	4,130	**100%**	**5,545**	**100%**

+ ECONOMIC VALUE ADDED STATEMENT

for the year ended 31 december 2012

Economic Value Added (EVA) is the measures of financial performance of an organization. It is based on the principle that since a company's management employs equity capital to earn a profit, it must pay for the use of this equity capital. This management tool is useful to shareholders in particulars and other stakeholders in general to take decision for increasing wealth.

EVA is equal to profit after tax plus the provision for loans and other assets less written off during the year minus cost of equity where cost of equity is the opportunity cost that the shareholders forego. This cost of equity is calculated considering risk free rate based on weighted average rate of sanchayapatras issued by Bangladesh Government plus 2% risk premium. City Bank management is concerned for maximizing of wealth of its shareholders and other equity providers.

Fig. in Million

Particulars	2012 Taka	(%)	2011 Taka	(%)
Shareholders' Equity	17,961		17,856	
Add: Provision for Loans and Advances	4,965		2,681	
	22,927		**20,537**	
Average Shareholders' Equity	21,732		17,138	
Earnings				
Profit after Tax	763		2,018	
Add: Provision for Loans and Others	2,805		728	
	3,567		**2,746**	
Average cost of equity (based on weighted average rate of 10 years treasury bond issued by the Bangladesh Government plus 2% risk premium)	13.46%		13.40%	
	2,925		**2,296**	
Economic Value Added	**642**		**450**	

+ REMUNERATIVE DIVIDEND POLICY

The Bank continued to pay a substantial dividend to its shareholders while ploughing back sufficient profits to augment the funding needs and capital adequacy requirements. The Bank is careful of the need to strike a reasonable balance between these aspects in maintaining sustainable growth, commensurate with the risks undertaken by its investors. This prudent dividend policy has contributed in building the Bank's shareholders' funds to the present level and it is considered as one of the major funding sources of the Bank's expansion.

Considering the performance of the bank over the past year, the Board of Directors has recommended 10% stock dividend, i.e 1(one) bonus share against 10 (ten) shares held for the year 2012.

+ MAINTAINING A SATISFACTORY LIQUIDITY

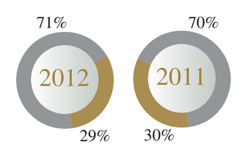
The Bank maintains liquid assets to carry out the day-to-day operations and fulfill the statutory requirements imposed by the regulator. The Asset and Liabilities Committee (ALCO) of the Bank monitors the situation carefully and provides direction to maintain an optimum trade-off between liquidity and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

Our policy is to carry a positive mismatch primarily in 1-30 days category in interest earning assets and interest bearing liabilities. Our liquidity remained at optimum level during the year. The liquid assets ratio stood at 23.15% (required 19% of total demand & time deposits) in December 2012.

+ OPTIMUM UTILIZATION OF RESOURCES

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

Cost/income ratio reported by the Bank which is the lowest among any local commercial bank, testifies the optimum utilization of resources.



MARKET CAPITALIZATION
■ Book Value of total equity
■ Market Value Addition

The Bank's shareholders' equity stood at BDT 17,961 million as at December 31,2012, mainly due to the initiatives taken, such as prudent dividend policy, tax planning and controlled capital and revenue expenditure over the years.

The Bank is vigilant in mobilizing the resources in the most cost efficient manner and is cognizant of the need for prudent investment of funds for the improvement of profitability.

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+ MARKET VALUE ADDED (MVA)

Market Value Added (MVA) Statement reflects the Company's performance evaluated by the market through the share price. This amount is derived from the difference between market capitalization and book value of Shares outstanding. It signifies the enhancement of financial solvency as perceived by the market.

Amount in BDT Million

Particulars	2012	2011
No. of Shares Outstanding	631,888,912	505,511,130
Market Value Per Share (Taka)	26.80	52.60
Face Value Per Share (Taka)	10.00	10.00
Total Market Capitalization	16,935	26,590
Book Value of Paid Up Capital	6,319	5,055
Market Value Added	10,616	21,535

+ SHAREHOLDERS' INFORMATION-DISTRIBUTION OF SHARE HOLDERS IN 2012

Shareholding range on the basis of shareholdings at 31 December 2012

Shareholding range	Number of shareholders	Shares	Percentage (%)
01 - 500	45,186	7,309,389	1%
501 - 5,000	24,400	38,436,006	6%
5,001 - 10,000	2,009	14,337,214	2%
10,001 - 20,000	910	12,882,689	2%
20,001 - 30,000	244	6,111,273	1%
30,001 - 40,000	112	3,922,193	1%
40,001 - 50,000	66	3,052,525	0%
50,001 - 100,000	132	9,643,820	2%
100,001 - 1,000,000	215	59,829,097	9%
1,000,000 and over	90	476,364,706	75%
	73,364	**631,888,912**	**100%**

+ EXCHANGE LISTING

The issued ordinary shares of City Bank are listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded company. The audited Income Statement for the year ended 31 December 2012 and the audited Balance Sheet of the Bank as at 31 December 2012 have been submitted to Dhaka Stock Exchange and Chittagong Stock Exchange within four months of the Balance Sheet date. Stock exchange code for The City Bank Limited shares is "CITYBANK".

+ SHARE TRADING

Market price of shares of The City Bank Limited in Dhaka Stock Exchange was BDT 26.8 on close of the business of the 31 December 2012. The Bank's market capitalization at 31 December 2012 was BDT. 16,935 million which is 0.95% of total market capitalization of DSE. *(Source of information: Monthly Review of December, 2012).*

Market price of shares of The City Bank Limited in Dhaka Stock Exchange was BDT 26.8 on close of the business of the 31 December 2012. The Bank's market capitalization at 31 December 2012 was BDT. 16,935 million which is 0.95% of total market capitalization of DSE. *(Source of information: Monthly Review of December, 2012).*

+ FINANCIAL CALENDAR

Quarterly Results

Particulars	Submission Date to BSEC	Publication Date on Dailies /Website
Audited Consolidated Results for the 4th quarter ended 31 December 2011	March 29, 2012	March 29, 2012
Unaudited consolidated results for the 1st quarter ended 31 March 2012	May 14, 2012	May 15, 2012
Unaudited consolidated results for the 2nd quarter ended 30 June 2012	July 26, 2012	July 30, 2012
Unaudited consolidated results for the 3rd quarter ended 30 September 2012	November 11, 2012	November 11, 2012

+ DIVIDENDS

Distribution of stock dividend of 10% in respect of financial year ended 31 December 2012	Notice Date	17 April 2013
	Record Date	29 April 2013
Notice of Annual General Meeting		17 April 2013
Annual General Meeting	Will be held on	16 June 2013

Stock Details

Particulars	Dhaka Stock Exchange (DSE)	Chittagong Stock Exchange (CSE)
Stock Symbol	CITYBANK	CTBNK
Company Code	11102	22006
Listing Year	1986	1995
Market Lot	50	50
Market Category	A	A
Electronic Share	Yes	Yes

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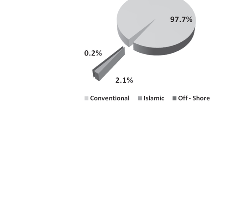
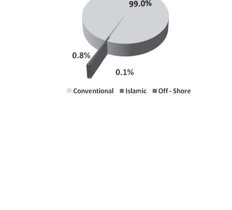
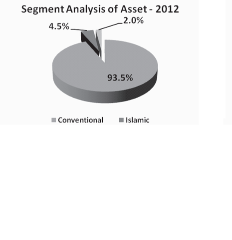
SEGMENT ANALYSIS

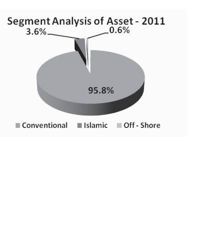
Business Segment *Fig. in Million*

Particulars	2012 Consumer & Commercial Banking: Conventional	2012 Islamic	2012 Off-Shore	2012 Total	2011 Consumer & Commercial Banking: Conventional	2011 Islamic	2011 Off-Shore	2011 Total
Total Operating Profit (Profit before Unallocated Expenses and tax)	8,367	179	14	8,560	7,682	11	63	7,756
Allocated Expenses	(3,952)	(41)	0	(3,993)	(3,589)	29		(3,560)
Provision against loans & advances	-	-	-	(2,644)	(710)			(710)
Provision against Off-Balance Sheet exposures	-	-	-	(161)	-			-
Provision for gratuity	-	-	-	-	-			-
Provision for diminution in value of investments	-	-	-	-	-			-
Other provision	-	-	-	-	(18)			(18)
Profit before tax	-	-	-	1,763	3,365			3,468
Income tax expenses including deferred tax	-	-	-	(1,000)	(1,450)			(1,450)
Net profit	-	-	-	763	1,915			2,018
Segment assets	**121,682**	**5,837**	**2,667**	**130,186**	**110,870**	**4,125**	**741**	**115,736**
Segment liabilities	**121,682**	**5,837**	**2,667**	**130,186**	**110,870**	**4,125**	**741**	**115,736**









DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is appointed to act for and on behalf of the shareholders to oversee the day to day affairs of the business. The Board is directly accountable to the shareholders and each year the company will hold an Annual General Meeting (AGM), at which the directors must provide a report to shareholders on the performance of the company, what its future plans and strategies are and also submit themselves for re-election to the board.

The report of the Company's affairs and the audited Financial Statements duly certified by is generally to be laid down before the Annual General Meeting for discussion. In preparing the Annual Report, the Board of Directors is required to ensure that:

- Financial statement of the bank present a true and fair view of the state of affairs, the result of its operation, cash-flows and changes in equity;
- Proper books of accounts have been maintained as required by relevant laws;
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;
- International accounting standards, as applicable in Bangladesh, have been followed in preparation of the financial statements;
- The internal control system is sound in design and effectively implemented and monitored;
- There are no significant doubts upon the bank's ability to continue as a going concern;
- There is no significant deviation of the operating results from that of last year;
- Key operating and financial data of the preceding 5 years- please refer to "Performance at a glance" above;
- There was a 10% proposed dividend ;
- Number of Board meetings held during the year and attendance by each director (please refer to " Corporate Governance section);
- Shareholding patterns of the bank:
  - Parent/subsidiary/ associated companies and other related parties – not applicable;
  - Shares held by directors, CEO, CFO, Company Secretary, Head of ICC and their spouses and minor children - please refer to " Corporate Governance section".

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

MR. RUBEL AZIZ
Chairman
On behalf of Board of Directors

MANAGING DIRECTOR & CEO AND CHIEF FINANCIAL OFFICER'S STATEMENT OF RESPONSIBILITIES

The financial statements of the City Bank Limited are made up to 31 December 2012 and are prepared under the historical cost convention and in accordance with the First Schedule (Sec-38) of the Bank Companies Act, 1991, BRPD Circular # 14 dated 25 June 2003, other Bangladesh Bank Circulars, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted by the Institute of Chartered Accountants of Bangladesh, Companies Act, 1994, The Securities and Exchange Rules 1987, Dhaka & Chittagong Stock Exchanges' listing regulations and other laws and rules applicable in Bangladesh. In addition to foregoing directives and standards, the operation of Islamic Banking Branch is accounted for in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, Bahrain. The Accounting Policies used in the preparation of the financial statements are appropriate and are consistently applied by the Bank (material departures, if any, have been disclosed and explained in the notes to the financial statements). There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation.

The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with our external auditors and the audit committee.

The Board of Directors and the Management of the Bank accept responsibility for the integrity and objectivity of these financial statements. 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. The most significant areas where estimates and judgments have been made are on provision for loans and advances. 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. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The financial statements of the Bank were audited by Messrs Hoda Vasi Chowdhury & Co., Chartered Accountants, and their report is given on page 86 of the Annual Report.

The Audit Committee of the Bank meets periodically with the internal audit team and the external auditors to review their audit plans, assess the manner in which these auditors are performing their responsibilities and to discuss their reports on internal controls and financial reporting issues. To ensure complete independence, the external auditors and the internal auditor have full and free access to the members of the Audit Committee to discuss any matter of substance.

We confirm that the Bank has complied with all applicable laws, regulations and guidelines.

Md. Mahbubur Rahman
Chief Financial Officer

K Mahmood Sattar
Managing Director & CEO

DIRECTORS' REPORT

BEST BANK IN THE YEAR 2012*

Bangladesh's financial system has benefited from sustained economic development of the country over the past years. Owing to the accelerated GDP growth in FY11, the banks have further strengthened their funding base over the year, leaving them better placed to meet future credit demand and support economic growth. Despite the worldwide economic recession, City Bank managed to deliver sound growth during the year 2012.

The Board of Directors of CBL has the pleasure of presenting the 30th Annual Report and Audited Financial Statements for the year 2012 along with the Report of the Auditors to the shareholders. We have also drawn a pen-picture of the current world economy and Bangladesh economy along with the business activities and financial highlights of The City Bank Limited. An overview of this Report would indicate continuous growth of the bank amidst stiff competitions and adversities both at the domestic and international levels.

* *City Bank won the "Best Bank in Bangladesh for 2012" award from Finance Asia, a leading publication in the Asia-Pacific region.*

+ GLOBAL ECONOMY - TWO STEPS FORWARD, ONE STEP BACK

The global economy seemed to take two steps forward followed by one or two steps back. Four years after the eruption of the global financial crisis, the world economy was still struggling to recover. During 2012, global economic growth weakened further with most regions expanding at a pace below potential in the face of subdued growth, financial sector fragility, weak aggregate demand compounded by fiscal austerity and prevailing global job crises. The euro area debt crisis remained the biggest threat to the world economy. The risks to the global outlook were tilted to the downside.

A growing number of developed economies fell into a double-dip recession. Growth in the major developing countries and economies in transition also decelerated noticibly, reflecting both external vulnerabilities and domestic challenges. Most low-income countries have held up relatively well so far but now face intensified adverse spillover effects from the slowdown in both developed and major middle-income countries. The prospects for the next two years continue to be challenging, fraught with major uncertainties and risks slanted towards the downside.

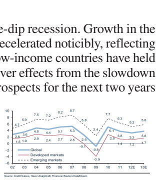


Exhibit 1: Ten years of global real GDP growth (%)

Global real GDP growth is projected to slowdown to 3.3 percent in 2012 from 3.8 percent in 2011.

In 2012, the speed and magnitude of growth remained diverse across regions and also between developed and developing countries, while recovery remained sluggish in most advanced countries; despite all, many emerging and developing countries experienced higher GDP growth. Global real GDP growth was projected to slowdown to 3.3 percent in 2012 from 3.8 percent in 2011 reflecting weakness in output activities in both the emerging and advanced Economies (WEO, October 2012 update). Advanced economies' growth was projected to decelerate slightly to 1.4 percentage in 2012, from 1.6 percent in 2011; particularly growth in the Euro Area, Germany, France, Italy and Spain was expected to moderate in 2012. However, the growth rates of the United States and Japan were projected to increase to 2.0 percent and 2.4 percent respectively in 2012 from 1.7 percent and (-0.7) percent in 2011.

Inflation receding worldwide, but still a concern in some developing countries:

Inflation rates remained subdued in most developed economies.Continuing large output gaps and downward pressure on wages in many countries were keeping inflationary expectations low. Inflation in the United States moderated over 2012, down to about 2 per cent, from 3.1 per cent in 2011. In the euro area, it was above the central bank's target of 2 per cent. In Africa, while inflation moderated in many economies, the rate of inflation was still above10 percent. In most of Asia on average, it was over 11 percent in 2012.

Declining import demand in Europe dampened world trade growth in 2012:

After plunging by more than 10 per cent in the Great Recession of 2009, world trade rebounded strongly in 2010. Since 2011, the recovery of the volume of world exports has lost momentum. Growth of world trade decelerated sharply during 2012, mainly owing to declining import demand in Europe, as the region entered into its second recession in three years, and anemic aggregate demand in the United States and Japan. Developing countries and economies in transition have seen demand for their exports weaken as a result.

Oil prices fluctuated in 2012, with weaker demand off-setting geopolitical risks:

The price of oil fluctuated during 2012; weaker global demand tended to push prices down, while heightened geopolitical risks in several oil-producing countries put upward pressure on prices.

Emerging markets continued to experience volatile capital flows:

Global financial vulnerabilities remained unabatedly high. Bank lending has remained sluggish across developed economies. For the year 2012, net private capital inflows to emerging markets —that is, selected developing countries and economies in transition—were estimated to reach about $1 trillion, down by about 10 per cent from the previous year 2011.

Continued exchange-rate volatility:

A large depreciation of the euro vis-à-vis other major currencies was the defining trend in global foreign exchange markets for the first half of 2012, driven by the escalation of the debt crisis in the euro area.

Political instability and fears of supply shortages kept prices high during most of 2012:

The International Monetary Fund's (IMF) World Economic Outlook Update of 2012 showed that downside risks related to a weak global economic outlook continue to loom large because of political uncertainties in advanced economies. Political gridlock in the US and Italy detered the needed fiscal expansion to push economic growth. Like in Indonesia, growth momentum slowed in leading emerging economies due to a combination of external environment and domestic capacity constraints.

Policy Action is Needed to Secure the Fragile Global Recovery:

The policy requirements outlined in the October 2012 WEO (World Economic Outlook) remained relevant. Most advanced economies face two challenges. First, they need steady and sustained fiscal consolidation. Second, financial sector reform must continue to decrease risks in the financial system. Addressing these challenges will support recovery and reduce downside risks.

+ BANGLADESH ECONOMIC GROWTH

In FY10 and FY11 the global economy continued languishing in the aftermath of the 2009 global financial crisis and BB eased monetary policy in order to limit the impact on the Bangladesh economy. Due to this and other pro-active measures, the Bangladesh economy emerged largely unscathed from this global crisis, averaging over 6% growth between FY09 and FY11. In FY12 the economy faced a different set of challenges related to rising inflation and balance of payments pressures. In order to address these challenges BB's monetary stance was more restrained than earlier years and yet able to accommodate a controlled private sector credit growth rate that of the which was more than sufficient to meet the initial GDP growth target. The monetary growth targets set in January 2012 were met and the key outcomes – falling inflation and containment of external sector pressures – were achieved.

In FY10 and FY11 the global economy continued languishing in the aftermath of the 2009 global financial crisis and BB eased monetary policy in order to limit the impact on the Bangladesh economy.

GDP Growth:

Despite an unfavorable global economy, Real GDP growth in Bangladesh was projected at close to 6 percent in 2012. The Bangladesh economy was not able to meet its GDP growth target of 7.0 percent set for 2012 in the sixth five year plan. Provisionally estimated GDP growth was 6.3 percent for FY12, compared with 6.7 percent growth the previous year 2011.

Inflation:

Favorable international price trends and monetary tightening has reduced inflation. The last several months of FY12 have seen moderating inflation pressures as point-to-point inflation declined from a peak of 10.63% in December 2011 to 7.69% in December 2012. It was driven by a deceleration in both food and non-food price rises.Slowdown in global demand pushed both fuel and non-fuel commodity prices downward.

Call Money Rates:

Call money rates have declined and interest rate spreads have fallen marginally. At the retail level both deposit and lending rates rose in FY12. Call money rates have declined steadily since late June '12 (15.0%) and December '12 (9.3%) suggesting an easing of liquidity pressures in the banking system. Interest rate spreads have on average fallen – from 5.63% in January '12 to 5.46% in December 2012 - after the January instruction by BB on limiting spreads was issued.

Balance of Payment:

The overall balance of payments reversed from a moderate deficit in FY11 to a small surplus in FY12 due to much slower than projected import growth and strong growth in remittances. Despite increases in trade, services and income account showed deficits in FY12; the current account surplus increased from US$ 885 million in FY11 to $1.7 billion due to robust growth in remittances decline in import. Total remittance earnings in FY12 stood at $12.8 billion which was 10.2 percent higher relative to the previous year's.

Broad Money:

The broad money (M2) growth stood at 17.4 percent in FY12, which was lower than the 21.4 percent growth recorded in FY11 and was close to the target of 17.0 percent growth under the programme.

Reserve Money:

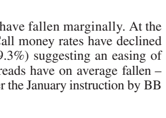
Reserve money recorded a 8.99 percent growth (y-o-y) in FY12 against 21.03 percent in FY11 resulting mainly from lower level increase of 1.71 percent in Net Domestic Assets (NDA) of Bangladesh Bank in FY12 which in fact increased by 119.09 percent during the same period of the preceding year.

Exports:

Total export receipts during FY12 increased by 5.93 percent and stood to US$ 24.28 billion as compared to US$ 22.92 billion during FY11 due mainly to higher exports in leather and woven garments.

Imports:

Import payments, as a percent of GDP, increased from 27.1 in FY11 to 27.7 in FY12. Imports grew at a rate of 5.4 percent during FY12 compared to 41.8



GROWTH

The broad money (M2) growth stood at 17.4 percent in FY12, which was lower than the 21.4 percent growth recorded in FY11 and was close to the target of 17.0 percent growth under the programme.

percent growth in FY11. This lower growth of import payments resulted mainly from the decline in food grains imports by 52.9 percent although other food items, consumer and intermediate goods, and capital goods and others experienced positive import growth of 49.7, 6.6 and 5.7 percent respectively in FY12.

Foreign Exchange Reserves:

The Foreign exchange reserves stood at US$ 10.36 billion at the end of June 2012 from US$ 10.92 billion at the end of June 2011. It turned this way even with lower export growth, as well as lower import growth and mainly because of higher remittance growth. As the central bank is continuing on buying US dollar to keep the market stable, country's forex reserve rose to US$12.40 billion at the end of December 2012.

Workers' Remittances:

The foreign exchange remittances from Bangladeshi nationals working abroad increased by US$ 140.09 million or 12.21 percent to US$ 1,287.31 million during December'12 compared to US$ 1,147.22 million at the end of December'11. The rate of growth of workers' remittance inflows was 10.2 percent in FY12 compared to the previous year's moderate growth of 6.0 percent. During FY13 remittances increased by US$ 1439.06 million or 19.74 percent to US$ 8,728.77 million compared to US$ 7,289.71 million during the same period of the last year.

Financial Sector Performance:

The financial sector is passing through stressful times. The relative stability and resilience of the financial sector of Bangladesh, in the face of the global financial crisis, has been somewhat dented in the last six months. Bank stability has deteriorated recently and capital market volatility has continued.

There has been a general drop in liquidity in banking industry caused by: (i) domestic financing of fiscal deficits through government borrowing from the banking sector, (ii) drop in the loan recovery rate; and (iii) a tighter monetary stance of the central bank. This has resulted in higher deposit and lending rates at commercial banks. Despite monetary tightening, excess liquidity of scheduled banks remained high at Tk. 453.1 billion at the end of September 2012, although declining slightly from Tk. 456.8 billion at the end of June 2012.

The central bank is making efforts to maintain stability. In a bid to reduce riskiness and retain stability the central bank has lately tightened rules regarding loan loss provisioning, redefined the list of eligible collateral, and hardened the reporting requirements. These are steps in the right direction and need consistent follow up.

The capital market remains volatile. Given the protracted lack of investor confidence following the bubble burst in early 2011, the situation in capital market remains volatile. The Securities and Exchange Commission (SEC) earlier had stipulated a mandatory 2 percent shareholding rule for directors of the listed companies. The rule had a mixed impact on the market and triggered a round of volatility.

The relative stability and resilience of Bangladesh's financial sector in the face of the global financial crisis has been somewhat stressed over the last six months. Bank stability has deteriorated in the last six months and capital market volatility has continued. However, banks have been resilient to market risks and shocks such as change in interest and exchange rates. The general tightening of liquidity has pushed up deposit and lending rates at commercial banks.

Heightened risks in the banking sector. Banks are susceptible to credit and market risk and the global economic vulnerabilities. Stress tests conducted in collaboration with the central bank in the third and fourth quarter of FY12 point to weaknesses in a number of banks because of their deteriorating loan quality. Increase in credit risk and liquidity risk has been significant. A downward shift in the CAMELS rating 20 of commercial banks operating in Bangladesh further affirmed riskiness of the banking sector.

Adverse external demand and domestic supply constraints continue to drag growth. The euro area crisis has already affected exports. Although the year-on-year decline in growth of exports was observed since February 2012, it came to a halt in July-September, with exports growing by miniscule 2.1 percent relative to July- September, 2011. The outlook for the whole year remained uncertain, due mainly to the possible intensification of the euro area crisis.

Deterioration of governance in State-owned Commercial Banks (SCB). Some irregularities in 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 might lead to inter-bank defaults affecting their profitability as well as the balance sheets, especially of the SCBs unless effective actions are taken against the perpetrators and the money is recovered.

Increased political uncertainty: Bangladesh is gearing up for parliamentary elections in 2013/14. This is expected to provoke sporadic street agitation, driven by the opposition's demand for reversal of the ban on caretaker government system that anchored the previous four elections. Labor unrest stemming from demands to increase wages and prospective garment sector lay-offs if exports stagnate could add to these tensions. Pre-election political pressure could upset the fiscal and monetary stance, leading to pressures on inflation and the balance of payments.

Weaknesses in the rate of private investment can be expected to continue as revealed by the Global Competitiveness Index 2012 in which Bangladesh slipped by 10 places—the second biggest drop in a decade; it now ranks 118 out of 144 economies.

Agriculture sector:

The agriculture sector attained a lower 2.53 percent growth (provisional) in FY12, against 5.13 percent actual growth achieved in FY11. The agriculture and forestry sub-sector recorded a lower growth of 1.72 percent in FY12 compared with the 5.09 percent actual growth in FY11. Of which, crop and horticulture subsector decelerated substantially to 0.94 percent in FY12 compared with the 5.65 percent in FY11 partly due to higher base effect; animal farming and forest and related services maintained a 3.39 percent and 4.42 percent growth respectively in FY12 compared with the 3.48 and 3.90 percent growth in FY11. The fishing sub-sector registered a higher growth of 5.38 percent in FY12 compared to 5.25 percent growth in FY11. The contribution of agriculture sector to GDP was lower in FY12 (19.29 percent) which was 20.01 percent in FY11.

Industry sector:

In FY12, the industry sector registered a strong 9.47 percent growth, compared with the 8.20 percent actual growth in FY11 contributed mainly from SME sector's growth by 7.18 percent in FY12, compared with the 5.84 percent in FY11. Sub-sectoral contributions to GDP increased for all the sub-sectors except for the large and medium sector in FY12. Manufacturing sub-sector, the largest and the dominant part of overall industrial production grew slightly higher by 9.76 percent during FY12 as against 9.45 percent in FY11. The contribution of industry sector to GDP at constant price was higher in FY12 (31.26 percent), which was 30.38 percent in FY11.

Services Sector:

BBS data shows that in FY12, the service sector registered a 6.06 percent growth which was marginally lower than the 6.22 percent actual growth recorded in FY11, due mainly to a lower growth registered in wholesale and retail trade sub-sector (which contributed about 29 percent share to services sector). This sub-sector registered a growth of 5.88 percent in FY12, as against 6.31 percent growth in FY11. Sub-sectoral growth increased for hotel and restaurants, transport, storage and communication, real estate, renting and business, community, social and personal services sub-sectors in FY12.

+ PERFORMANCE OF CITY BANK IN 2012 – FINANCIAL OVERVIEW

In 2012 world financial markets underwent another spell of volatility, triggered by uncertainty over the outlook for US economic growth and renewed sovereign debt strains in some euro-area countries. The ensuing portfolio reallocation contributed to a fall in the yields on government securities of countries not involved in the public debt crisis, a stock market correction and a modest increase in the risk premiums on bank and corporate bonds.

Bangladesh's financial system has benefited from sustained economic development of the country over the past years. Owing to the accelerated GDP growth in FY11, the banks have further strengthened their funding base over the year, leaving them better placed to meet future credit demand and support economic growth. Despite the worldwide economic recession, City Bank managed to deliver sound growth during the year 2012. Some of the highlights are given below:

Achievements:

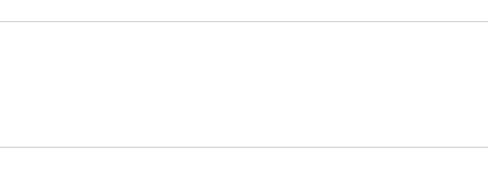
Interest Income

During 2012, The City Bank Limited earned BDT 12,443 million as interest income, recording a growth of BDT 3,028 million (32%) over previous year. The growth in interest income was attributable to real growth in overall asset portfolio and efficient utilization of fund.

Interest Expense

Interest/profit paid on deposits and borrowings during 2012 was BDT 7,673 million, an increase over 2011 by BDT 2,676 million (54%). Interest expenses increased due to the increment of deposit volume by 10,281 million and increase of cost of deposit.

INTEREST INCOME (in million) **INTEREST EXPENSE** (in million)



Net Interest Income

Net interest income (NII) during the year was recorded at BDT 4,770 million, recording a growth of BDT 352 million or 8% over 2011. This growth was due to a combination of efficiencies achieved both in interest income and interest expense.

Investment Income

Investment income during 2012 was recorded at BDT 1,819 million compared to BDT 1,327 million of 2011, posting a positive growth of BDT 492 million i.e. 37% due to higher investing activities and Capital gains from prudent treasury activities.

Commission, Exchange & Brokerage

At the end of year a large volume of fee based income such as Letter of Credit (L/C), Letter of Guarantee (L/G), Accepted Bills, Non-returning Bangladesh (NRB) operation etc increased very significantly but all over the year the business growth of those segments was very slow. Due to this reason, income from commission, exchange and brokerage during 2012 decreased by BDT 17 million (-1%) compared to 2011.

Total Operating Income

Total operating income posted a healthy growth of BDT 804 million or 10% from BDT 7,756 million in 2011 to BDT 8,560 million in 2012. This growth was due to the respective growth in Net Interest Income, commission, exchange & brokerage income.

Operating Costs

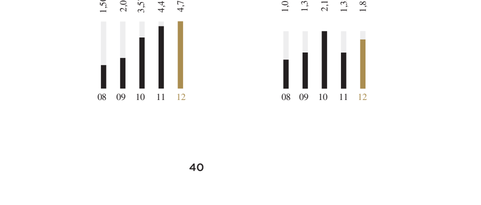
During 2012 the bank's total operating expenditures increased 12% over previous year.

The bank has gone through restructuring of its operations and has put in place systems and processes for compliance of its internal and external rules and regulations. The bank has undertaken the following initiatives for the restructuring:

- Recruitment of significant number of qualified and professional employees.
- Renewal of many of its existing branches' rent agreements at significantly higher rates, relocation of old branches, opening of new branches, SME Service centers, ATM booths, DST centers and occupying new floor space for Head Office.

In order to run the operations smoothly under the restructured environment, the bank's operating expenses increased significantly by BDT 433 million from BDT 3,559 million in 2011 to BDT 3,993 million in 2012. The increased costs were contributed primarily by increase in head count and payroll expenses (BDT 242 million increase in Salaries & Allowances), increase in rents and utilities (BDT 78 million increase in rent, tax, insurance, electricity etc.). It was also due to the growth of depreciation and repair expenses by BDT 68 million owing to renovation, relocation of branches, building of new ATM booths as well as investments in IT infrastructure, and of other expenses by BDT 81 million.

NET INTEREST INCOME (in million) **INVESTMENT INCOME** (in million)



Operating Profit

Operating profit of the bank for the year 2012 stood at BDT 4,567 million compared to 4,196 million in the year 2011. This is 9% growth or BDT 371 million over the previous year's despite the increase of 12% in Operating costs.

Profit before Tax

Profit before tax (PBT) of the bank stood at BDT176 million in 2012 compared to BDT 3,468 million in 2011 having decreased by 49% in terms of growth. Due to Bangladesh Bank implementing new loan classification and provisioning guidelines for banks by December 2012, this year total provision was kept BDT2,804 million (increased 285%) against loans and advances, off-balance sheet items, diminution in value of investments and other provisions compared to BDT 728 million of 2011.

Earnings per Share

In the year under review, Earning per Share (EPS) stood at BDT1.21 which was BDT3.19 in the previous year.

Dividend

Taking into account results achieved in 2012 and to enhance capital base of the bank required for future business growth, the Board of Directors of the bank recommended 10% dividend subject to shareholders and regulatory bodies' approval.

Balance Sheet

Total Assets

The Bank's total assets at December 31, 2012 stood at BDT130,186 million, up by BDT 14,450 million from last year. This satisfactory increase in Total assets is comprised of growth in Cash (13%), Investments (30%) and Loans & Advances (8%).

Loans and advances

Loans and advances of the bank as on December 31, 2012 stood at BDT83,333 million compared to BDT76,807 million of previous year's and increased in growth by 8%.

Deposits and Other Accounts

Total deposit of the bank as on December 31, 2012 stood at BDT94,099 million compared to BDT83,818 million of previous year, a growth of BDT10,281 million (12%). In 2012 growth of fixed deposits was 56% and Savings deposit was 18% of the total deposit mix.

Shareholder's Equity

The paid up capital of the bank increased to BDT17,961 million in 2012 from BDT17,856 million in 2011 through issuance of 10% bonus share. Statutory Reserve stood at BDT3,023 million as on December 31, 2012 compared to BDT2,671 million as on December 31, 2011 reflecting an increase of BDT 353 million.

DEPOSITS

In 2012 growth of fixed deposits 56%. Savings deposits 18% of the total deposit mix.

+ DIVISIONAL PERFORMANCE OF CITY BANK

CORPORATE BANKING

Corporate Banking Division, started its journey in the year of 2007, then became a wing of Wholesale Banking in 2011, supported by Cash Management and Corporate Product & Transactional Support Unit (CPTSU). Other wings are Treasury and Market Risk, Portfolio Management, NRB Unit and Structured Finance Unit of the Bank. Corporate Banking Division operates being split into 9 (nine) Corporate Relationship teams, driving from Dhaka and Chittagong. Under a central business matrix model, these teams meet all kinds of product and service requirements of large corporate customers ensuring superior satisfaction of the customer.

CB achieved satisfactory milestones in 2012. The total corporate portfolio achieved a modest growth of 4.25% from that of 2011. The portfolio stands at BDT 54,426.28 million at the end of 2012. With the persistence of recessions in the Euro zone and Japan, coupled with a significant deceleration in the US economy, Bangladesh economy came to a difficult position in 2012 from the perspective of macroeconomic management. The overall banking industry of the country opted for a non-aggressive marketing strategy for the year 2012. As a result, CB focused more on improving assets portfolio quality through proactive supervision and monitoring than to business growth. CB also focused on offering FCY financing facility to their top clients to add value to their companies, and as such the growth of the Bank's OBU stood at BDT 2,625.77 million from BDT 722.88 million in 2011, which now is 5.2% of the total portfolio of the Bank. To secure this position, Wholesale banking worked with a number of multilaterals and successfully achieved their goals. This year the growth will increase further with the increase in number of multilaterals. New clients booked in 2012 are all large and reputable business houses with good credit track record. Following the strategy of the Management, CB has significantly diversified its portfolio. The largest sectors financed under CBD are: RMG, Textile & Spinning, Power, Telecom, Steel, Trading, Renewable Energy, Construction, Ship-building, Ship-breaking and Infrastructural Development etc.

Besides the above, Corporate Banking has made a US$ 784.55 million import business and US$ 324.315 million export business en-routed in 2012. Corporate Banking also grabbed a corporate deposit of Tk. 19,066.60 million at the close of 2012. Throughout the year, CB successfully faced challenges regarding global price fall in commodity sector and sluggish demand and supply conditions in overseas barriers.

CBD is the largest division of City Bank in terms of revenue and earnings generation. As part of our continuous effort to improve our performance, we have analyzed the effectiveness and productivity of different wings of Wholesale Banking and came up with the decision to bring some changes in the existing organogram in Year 2013. The suggested changes will be made to Corporate Banking, Treasury & Portfolio Investment, Cash Management, Structured Finance Unit and Corporate Product & Transactional Support Unit (CPTSU) which will give the following benefits:

- Facilitate Unit Heads and Relationship Managers meeting new customers and booking new business
- Streamline and standardise the credit proposal process & In depth credit monitoring
- Ensure proper and timely completion of documentation and covenant management
- Increase the current standard of due diligence & stronger follow-up for repayment, past dues, expiries
- Stock inspection and stock assessment

- Specialization in different industries (e.g. Garments, Power, Infrastructure etc.)
- Increased focus on Cash Management and Liability business, Value added and customized product & solutions development
- Income / budget monitoring and strategy development to achieve target
- Better assessment of the projects eligible for Project Financing
- Better project management, better transactional support and customer service
- Proper MIS and reconciliation, increased customer call, project visit and better system and administration

Proposed changes in the Corporate Banking in 2013 include restructuring of Corporate Banking asset units, expansion of "Cash Management", restructuring Corporate Product and Transactional Support Unit (CPTSU). Corporate Banking Business in 2013 will be driven by three objectives: a. to increase earning by increasing portfolio size as well as introducing new product lines; b. to increase customer satisfaction by increasing service quality at all levels; and c. to make further improvement in quality of portfolio under Wholesale Banking management.

To complement these objectives CB has already structured a Support Unit styled CPTSU (Corporate Product & Transactional Support Unit) to develop time-bound products and accord transactional support to CBD for better customer service. As part of this, CPTSU has already rolled out different EMI and Non-EMI based STL products, high-value deposit and collection arrangements and better MIS support for CBD performance review etc. Another support unit named Project Accounts Unit or PAU widens the fundamentals of CBD's project financing model. PAU members comprise technical professionals like engineers, with requisite technical and financial expertise. In 2012, PAU completed over 100 technical assessment works on projects all across the country. PAU team also provides critical technical support through counseling to complex projects for safe investment participation by the Bank.

Cash Management:

City Cash Management provides solutions such as collection services, centralized and decentralized payment solutions, issue management, account services and liquidity management, cash pickup, courier service, capital market services, remittance information, foreign exchange & money market information for large corporate houses and institutional clients along with information management through detailed automated reporting formats. Our client spectrum covers a wide array of cash management solutions to institutions ranging from local corporate, multinational companies, NGOs, corporations and govt. autonomous bodies.

In 2012, we developed relationship with the major players from various industries including telecom, power & energy, petroleum, non-banking financial institutes, mutual funds, insurance, government autonomous bodies; providing transactional, collection and payment solutions. Other than developing new relationships the unit has also strengthened existing relationships; thereby developing a portfolio with diverse exposure while lowering the overall cost of fund of City Bank.

In 2012, we also mobilized over BDT 4.6 billion as partner banker to the issue and BDT 15 billion, USD 5.8 million and GBP 0.13 million as lead banker to issue capturing the highest market share for the year. We have also executed automated reconciliation and refunds without any post-issue management service with the help of our operations team which was done first time by a scheduled bank resulting in significant cost savings. We have enhanced our relationship as the settlement bank for the Dhaka Stock Exchange and its brokerage despite 2012 being a challenging year in the capital market. City Bank is also the prime contributor for transaction automation project of DSE.

Cash management unit has also significantly contributed in developing alternative delivery channels including various internet banking modules. Moreover, we have received all necessary regulatory approvals to launch collection services for non resident Bangladeshi and foreign institutional investors who wish to invest in the capital market.

With the momentum and rising market reputation the cash management unit targets to develop innovative products and solutions for a diverse, low risk portfolio providing secured and streamlined cash supply at low cost for other business units of the bank.

RETAIL BANKING

In the 5th year since the inception of City Retail, 2012 was marked with some landmark events like soft launching of Retail Call Center, forming of Priority Banking department, introduction of American Express Citymaxx Account and and a number of customer focused initiatives.

Retail Banking continued to execute a strategic repositioning of its business during 2012. Operating income increased from Tk. 134.5 crore, or 85.57%, to Tk. 249.6 crore and Operating profit grew from Tk. -8.6 crore to Tk. 96.6 crore.

Net interest income increased by Tk. 295.5 crore, or 60.98%, to Tk. 780.1 crore, largely driven by significant rise in liability products. Asset margins remained under pressure, particularly in the unsecured book, and Term Deposit (TD) margins also continued to be under pressure as competition intensified in the market. The business continued its stronger focus on liquidity and managing its deposit mix by encouraging CASA acquisition, although fixed deposits remained a key element in the portfolio to ensure a stable liquidity.

Initiatives:

Last year had been a specially challenging one for the entire economy. However, Retail Bank overcame the hurdles. Some bold initiatives taken during the year eventually helped exceed Retail's profit target. The brightest stars among our numerous initiatives were:

- Instilling the notion of profitability and motivating the branch teams to improve their bottom line
- Significantly improving the compliance culture and introducing stricter controls to eliminate fraud exposures
- ADC centre was launched to centralize the entire ATM/CDM operations
- Retail & SME Call Centre was soft launched with state of the art facilities and large service spectrum
- Islamic Banking facility was extended to more than 60 branches
- CDM was introduced for the first time in CBL during last year and more than 41 new ATMs were launched across the country

Liability Value Center:

During the year 2012, Liability Value Centre brought net retail deposit of Tk. 1,027.38 crore and closed the book with a balance of Tk. 6,595.93 crore, up by 18.5% from Tk. 5,566.54 crore of the previous year's.

Updates were made in City Youth account to make it more acceptable. Some regular and highly used processes like FD opening and encashment, tracker and register for branches.

Evening Banking etc. were updated to make them more efficient and standardized. CASA was redesigned and relaunched.

A hybrid card, first of its kind in Asia, called American Express Citymaxx card was launched in November with a goal to attract low cost deposits in the form of Current Account/Savings Account and offset the impact of high cost fixed deposits on the balance sheet. Citymaxx card has been successful in generating a stir in the retail market and had proven to be an effective tool for new customer acquisition.

In 2012 the payroll team has booked 2134 savings accounts from 47 companies.

Asset Value Center:

2012 was very challenging for secured retail asset portfolio with increased restrictions and tough regulations on automobile imports and significant decrease in sales in the real estate sector. Yet the home loan portfolio, although relatively low, kept growing in a steady pace and contributed to the interest income. The home loan portfolio grew by 66% to Tk. 45.23 crore and auto loan book declined from Tk. 75.78 crore to Tk. 56.2 crore in 2012. The overall retail loan outstanding stood at Tk. 1,107.01 crore at the end of 2012.

Considering the vulnerability in the business sector, Asset value center made a strategic shift in offering unsecured loans from businessmen to low risk salaried executives. As a result the asset portfolio has started to show improvements. Any Purpose Loan contributed the significant amount of interest income in 2012, which was Tk. 112.94 crore.

Payroll segment was brought under business focus and product team to harmonize the approach. Considering the major shift in client focus from businessmen to low risk salaried executives, payroll team has showed more improvement with high negotiation skills and new corporate bodies have been acquired in a joint and coordinated approach along with Cash Management team.

Alternate Delivery Channel:

Alternate Delivery Channel (ADC) was revamped and a department head was assigned to expand the team. ADC Centre was launched with an aim to centralize all ATM/CDM management across the country. 41 new ATMs and 10 Cash Deposit Machines (CDM) were installed in 2012.

Islamic Banking:

City Bank Islamic Banking has received tremendous momentum after re-launching in 2010 with a separate brand name "City Manarah". Basic principles of Islamic banking – sharing of profit and loss and prohibition of interest in any form - are the philosophy of City Manarah. The entire product base under City Manarah are strictly guided by Islamic Shariah and vetted by Shariah Supervisory Committee. This committee is headed by Janab. M. Azizul Huq, a renowned Islamic banker along with six other reputed members having outstanding knowledge in the field of the Quran, Hadith & Fiqh al-Muamalat. The Bank has also appointed a Muraqib (Shariah Auditor) to perform oversight on Shariah Compliance.

In 2012 the bank has taken a number of significant steps to provide full range of Islamic Banking services and products to our retail, SME and corporate customers. Keeping this in view, City Manarah extended its service to 60 branches through online banking facility. The teams future plan is to extend this facility to remaining branches of City Bank by next year. As on December 31, 2012 Islamic banking deposit portfolio stood at BDT 4228.53 million while total investment stood at BDT 3211.41 million. City Manarah team ended the calendar year with a net operating profit of BDT 137.9 million.

Service Quality (SQ):

Following on the service successes of previous year's, 2012 was dotted with numerous activities and initiatives taken up by Service Quality department. Major initiatives included :

- Launching of Electronic Queue Management (EQM) system for branches and service timing
- Appointing 'Service Ambassadors' in 14 branches in Dhaka and Chittagong for offering enjoyable services to customers
- Mystery Shopping Survey (MSS) also expanded with new assessment criteria and time parameters

Branch Banking:

Retail Bank expanded its network by including 12 SME/Agri branches along with its existing network of 90 conventional branches. The total business outlets reached beyond the milestone figure of 100, as the total number stood at 102. New processes, evening banking, greater authority for BSSMs, profit targets and many new dimensions were added to the branch network as a whole. The significant enhancement in business momentum was felt throughout the chain thanks to the new initiatives. The board propelled the branches to contribute greater than ever before.

CARDS

The journey to excellence, which City Bank started in 2004 by launching the first dual currency VISA credit card in the market, reached a supreme height with the introduction of American Express cards in 2009. The momentum has been moving throughout in which CBL Cards has marketed pioneering products and concepts catering to the diverse needs of a modern market.

In line with the long term goals and vision, City Bank has demonstrated its prominence in the cards industry both in furnishing new features to delight cardmembers as well as dominate the market in terms of issuing and acquiring numbers.

Issuing Business:

City Bank currently holds the second position in credit card market in terms of new acquisition combining both Amex and VISA cards. We have gone way beyond the 1 lac figure with more than 1,00,000 cards in force. City Bank issued more than 30,000 credit cards in 2012. By the end of the year 2012, total number of credit cards issued by City Bank was 100,000 ... We have been able to achieve such a huge growth because of the right product line to cater to the right segment, namely – City Visa Classic for mass segment, City Visa Gold for mass affluent, Amex Greenblue for affluent segment, Amex Gold for super affluent segment. In addition to the credit card business, City Bank is also focused on account tagged debit cards. As a result of CBL Card's efforts to come up with innovative and better solutions to customers' customized needs, it has achieved a milestone in 2012 with the launch of CityMaxx – a hybrid debit card and the first of its kind in South Asia.

Acquiring Business:

At present City Bank is the number one acquirer in the market. To guarantee ultimate customer satisfaction through card acceptance, it has developed country wide huge network by deploying 1,459 POS terminals at 779 merchants only in 2012. Therefore the number of merchants reached almost 4,000 and the number of POS machines is 6,527.

City Bank acquiring facility is prominent all over the country at every potential sector starting from 5 star hotels, fine dining and branded stores to grocery and doctor. To ensure customer convenience and fulfillment, City Bank POS network has gone beyond the typical metro centric approach and expanded its boundaries across the suburbs like Bogra, Noakhali, Feni, Rangpur, Barishal, Mymensingh etc.

Service Enhancement:

In 2012, City Bank remained focused on customer service and customer convenience. A number of developments and additions were made in 2012 to ensure customer convenience at different channels, among which the establishment of two new "American Express Customer Service Centers" in Dhanmondi and Uttara may be deemed specially noteworthy.

New Products, Partnerships & Initiatives:

City Bank Amex cards stand out in the market for its distinctive facilities and features. One of the finest additions to the value palette of American Express credit cards in 2012 was the launch of Membership Rewards – one of the leading loyalty programs worldwide. With this program, cardmembers earn points whenever they spend with their Amex credit cards, both locally or abroad (BDT50/ USD 1 = 1 Reward Point). Amazing reward choices including travel, shopping, dining, electronics and lifestyle are available for redeeming these points. The Membership Rewards program is also available for ... the top ... of loyalty ... like ... Bangladesh such as Agora, Shwapno, Lavender, CSD, Khulshi Mart etc. Whereas cardmembers ... 5 times of the regular earning rate i.e. they earn 5 Points for every BDT 50 spent on their cards.

Amex has offered the best to its cardmembers on all comparable matters ... Select Partners" – 125 merchants under three major categories: dining, retail and lodging, offering 10% - 25% discounts to Amex cardmembers. Only in 2012, CBL Card has added 10 high-profile Selects merchants like Westecs, Charcoal, Trendz, Village, Bamboo Shoot, Zaika Restaurant, Allegro resort etc.

Flexible payment mode like 0% interest installment "FlexiBuy" is one of the most popular programs now. This profile gained rapid growth in 2012 by having the number of ...

The prime addition in the year 2012 was the launch of "EasyPay" program – the Auto Debit facility for Amex cardmembers. This program allows Amex cardmembers to pay their mobile bills with three leading telecom operators of the country - Grameenphone, Robi and Banglalink. Moreover, with the goal of engaging with the premium players in various industries for a win-win solution, partnered with Scholastica, a renowned english medium school of the country, in 2012 under the umbrella of EasyPay.

Way Forward:

Cards division, as a major contributor to bank's revenue line, played a significant revenue role in 2012. The business strategies and initiatives adopted in 2012 proved to be very effective in terms of fortifying City Bank's stronghold in the Cards industry. Some crucial projects were initiated this year which will take City Bank to a greater height once they are fully implemented. Few among these include:

- Establishing a state-of-the-art domestic airport lounge at the Shahjalal International Airport, Dhaka exclusively for the American Express Cardmembers
- Planning and launch of higher-tier products and facilities for both VISA and Amex Cardmembers
- Forge partnerships with prominent players in un-tapped industries such as airlines, media etc.

HUMAN RESOURCES

2012 has been a year of actions for City HR. Along with the business as usual activities, HRD has undertaken a lot of important initiatives in this year, some of which are really crucial for the organizational sustainability and success as a whole.

Focusing on building the Talent for the Bank, the 2012 Management Trainee Recruitment program, which was initiated internally thus saving a huge cost (approximately 12.64 lac in comparison to hiring external agency for the job in 2011 MT batch), ensured quality of the assessment. Another important and crucial initiative in 2012, for leadership and organizational development, was the completion of 'Role Profiles' for all unique roles of the Bank which helps in not only adding value for the present incumbents of the role but also in being a major instrument during recruitment and in effectively setting the KPI and performance parameters. A new Performance Management System was also designed to ensure more productive outcomes from all levels and to drive an all rounded performance from the employees.

Putting the Employer Brand of City Bank on a strong footing was also a major success of HR team this year, and for that an Employer Brand Health Indexing was done based on which an Employer Brand Strategy for the Bank was formulated. In line with the Employer Brand strategy, another major initiative of HR was the project 'DREAM-DARE DO, covering top 10 universities of the country and approximately 1300 students, with the view to being the capacity builders by developing their CV writing and interview-facing skills, and making them more confident by training them on communication, presentation and self branding skills. Beside focusing on Employer Brand for potential recruit, focus was also there on increasing the engagement of internal employees and thus the initiative 'Kothopokothon' was undertaken, which were informal sessions where employees got chance to meet and have discussion with the MD & CEO himself and learn about Bank's goals, standards and the type of work culture the Bank wants to establish.

In 2012, the HR team has focused heavily on developing the skills of its employees which are evident through the 121 trainings that were conducted throughout the year. There were a total of 113 Functional and 8 Leadership training in which around 3070 participants were covered in functional trainings and 307 participants in leadership. Involvement of internal trainer is also worth mentioning in which about 1205 employees attended training conducted by the in-house trainers, a more which saved the bank around 60 lacs taka.

City Bank HR team has also initiated and successfully implemented process automation to increase efficiency like the Automated Payroll System, Time Management Module for employees daily attendance, Travel Management Module, to mention a few.

Besides the core area of work of HR, the team took a prompt initiative and recovered the loan from the separated employees and by December, 2012 recovered about 1.6 crore taka and also informed relevant departments to convert the employee loans of separated employees into commercial loans.

The journey of 2012 has not been all easy. The bank faced many challenges. However, that did not stop HRD from achieving its goals.

CREDIT RISK MANAGEMENT

[illegible]

– **Credit Risk Grading Matrix (CRGM):** In line with development of existing rating process, as designed by central bank, CRM is in the process of implementation of 11-scale [illegible]

[illegible]

FINANCE

[illegible]

As a part of our continuous effort to automate the operational process, we have automated payment system. In order to have better budgetary control and monitoring we have introduced a new software very recently which reduces time and paperwork as well.

OPERATIONS

[illegible]

INFORMATION TECHNOLOGY

[illegible]

IT division also implemented another virtualization environment with high availability option enabled which is not only reduces server hardware & power cost but also providing support to environment by green banking.

In the year 2012, we have incorporated 08 new products; thus totaling 85 products covering all business lines namely Retail, SME, Corporate and Treasury. We have also launched 7 new investment products for our Islamic banking customers.

In 2012, IT implemented own BACH system real-time integration with core banking. The initiative mitigates lot of duplication/triplication of jobs; based on role profile in a single window all BACH activities can be monitored. This year Retail Call center and Tele Banking facilities have been is integrated with core banking, so customers are now able to enjoy banking services through telephone.

IT took initiative to migrate Storage Area Network (SAN) with bigger space and real time replication functionality between DC and DR, IT also automated few functionalities like cheque book charge, dormant account activate/deactivate, FD encashment etc. IT division also implemented another virtualization environment with high availability option being enabled, which not only reduced server hardware & power cost but also provided support to environment by green banking. The other major achievement is implementation of CityMaxX shopping card.

INTERNAL CONTROL & COMPLIANCE

Internal Control & Compliance (ICC) operates independently as a division consists of three units (Audit & Inspection, Monitoring and Compliance) with prime responsibility to determine risks by evaluating overall Business, Operations & Credit Portfolios of City Bank. The key objective of ICC is to assist and guide in all aspects of the bank using adequate resources for identification of weaknesses and taking appropriate measures to overcome the same to be a compliant bank.

ICC has a unique reporting line to the bank's Board of Directors through the Audit Committee and to the Managing Director & CEO, thus it acts as a bridge between the board and the bank's management.

An effective organizational structure has been established by exercising durable Internal Control culture within City Bank. Our status on establishing internal control in the bank in line with regulatory requirements which is detailed out in Corporate Governance Report of thi book.

GENERAL ADMINISTRATION

General Administration is another support division which plays critical role for smooth functioning of business and operations of the bank. Existing five departments within General Admin, i.e. Infrastructure Development; Infrastructure Management; Security & Protocol; Logistics, Stores & Inventory Management and Process & Compliance Management are striving to attain a standard that would ensure operational efficiency and higher customer satisfaction.

As per business requirements and is order to improve customer satisfaction, in 2012, GAD has contributed in the following areas:

– Delivered 40 new ATM booths that brought the number to 163 for wider customer accessibility
– Delivered two AmeX Service Centers at Dhanmondi and Uttara for our valued AmeX cardmembers

– Delivered City Call Center to ensure improved customer support to retail customers
– Ensured observance of SOP for maintenance, hence, maintained a better environment in both front and back offices. This helps imprint enjoyable experience in the minds of CBL internal and external customers
– Ensured necessary arrangements for converting 9 SME Service Centers to Agri branches and earning Bangladesh Bank's accreditation as "Green Branches"
– Conducted Fire drills and emergency evacuation practices to ensure safety and security of the employees and valued customers
– Purchased 4 new properties as venuesfor future branches of the bank. All four properties are located in major residential cum commercial hubs of Dhaka. These purchases at a very competitive price ensured strengthening the asset base of the bank.

ANTI-MONEY LAUNDERING

Anti-Money Laundering (AML) operates independently as a division under the guidance of the Chief Anti Money Laundering Compliance Officer (CAMLCO) and the Additional Managing Director of the Bank. The prime responsibility of AMLD is to mitigate the risk in respect of Money Laundering and Terrorist Financing. The key objective of AMLD is to assist and guide all employees of the bank, so that they know how to use adequate resources for identification of weakness and take appropriate measures to overcome such weatness. The goal is to be fully compliant with Anti-Money Laundering (AML) and Combating Financing of Terrorist (CFT) legislations, guidelines and circulars.

Significant Achievements of AMLD in 2012:

Bangladesh Bank's rating and our own ratings of different business units have evidenced trend of improvement in the AML & CFT compliance culture within the bank. A few of those are appended below:

– AMLD has updated Anti-Money Laundering Policy, Know Your Customer (KYC) Policy and Anti-Terrorist Financing Policy in September 2012 which are implemented in all levels of the bank.
– AMLD is keeping efforts continuously to improve the AML & CFT compliance culture in the bank. This is being done by continuous monitoring of branch activities from AMLD and guiding them on different aspects. As a result, compliance status and AML & CFT awareness level of branch officials have improved significantly.
– Apart from Head Office monitoring, all of our branches perform their self assessment on a quarterly basis to measure their own effectiveness to comply with AML & CFT functions.
– As advised by Bangladesh Bank, AMLD has arranged two training programs for the officials of different scheduled banks in Gaibandha and Manikgonj district in 2012. The programs were very much successful and all the participants and Bangladesh Bank's resource persons highly appreciated our efforts in conducting the program in a befitting manner.

Legal Division

Legal Division of City Bank has been restructured and is now equipped with competent and experienced legal experts and practitioners to ensure utmost protection of Bank's interest and to resolve and deal with all legal issues of the Bank effectively and efficiently. Legal Division acts as the first line of defense in relation to legal issues of the Bank. It is entrusted with a wide array of responsibilities that encompass, monitoring and enforcement of law pertinent to Banking industry. It offers advises to the board, the management and also to other respective departments ensuring transparency, accountability and good corporate governance, thus minimizing the potential legal risks involved in the business. The division is divided into four units: Litigation, Estate Management, Credit Document Perfection and MIS. Litigation Unit has been equipped with officials having expertise to deal with legal cases filed by and against the Bank before the Supreme Court of Bangladesh and all other courts. Estate Management has been equipped with officials having expertise to deal with immovable properties owned and vested in favour of the Bank. Estate Management also deals with and facilitates legal matters related to mortgage loans, leasing of properties for branches, ATM booths, etc. Credit Documentation Perfection Unit is equipped with officials having vast legal knowledge and expertise to deal with credit documentations and to ensure legal protection, due compliance and prevent fraudulent document submissions. MIS Unit maintains a robust information management system of legal issues and keeps record and up-to-date information on legal cases and other related legal databases. It ensures due and punctual reporting to Bangladesh Bank and other regulating authorities from time to time in relation to legal cases and other legal issues of the Bank. Legal Division keeps strong tie-up and coordination with law enforcing and other government agencies to ensure immediate and proactive support for the interest of the Bank. In 2012, Legal Division has done significantly well as support team for Special Asset Management Division, Business Units etc. and contributed significantly in recovery of bad loans, regularization of probable default borrowers, execution of warrant of arrest, prevention of fraud and forgery, safeguarding the right, title and interest of the Bank over the properties and many others for the betterment, growth and sustainability of the Bank.

Contribution to National Exchequer

In the year 2012, Bank made provision of BDT1,021.46 million for corporate tax against BDT1,486.71 million of the previous year. Beside these, during the year 2012, Bank has deposited BDT 1285.19 million as corporate tax, BDT87.10 million as salary tax BDT 891.71 million as source & other tax, BDT976.84 million as VAT and BDT126.28 million as excise duty to Government exchequer during the year 2012.

Attendance in the Board Meeting during Period 1st January 2012 to 31st December 2012.

During the year 2012, 13 no. of Board Meetings were held and detailed information is provided in Corporate Governance section.

Attendance in the Board's EC Meeting during Period 1st January 2012 to 31st December 2012.

During the year 2012, 3 Executive Committee Meetings were held and detailed information is provided in Corporate Governance section.

Attendance in the Board's Audit Committee Meeting during Period 1st January 2012 to 31st December 2012.

During the year 2012, 5 Audit Committee Meetings were held and detailed information is provided in report on Audit Committee.

Shareholding pattern of the bank

A. Shares held by directors and their spouses

Information is provided in Corporate Governance section.

B. Shares held by CEO, CFO, Company Secretary and Head of ICC

Detailed Information is provided in Corporate Governance section.

C. Details of shares held by Executives of the Bank

Detailed Information is provided in Corporate Governance section.

There is no Shareholders holding 10% or more voting interest in City Bank. Hence, the corresponding BSEC rule does not apply.

+ ACKNOWLEDGEMENT

For the unrelenting support and assistance, the Board of Directors of the Bank would like to convey its thanks to all honorable sponsors and shareholders, valued clients and well-wishers of The City Bank Limited.

The Board also takes the pleasure to pass on earnest appreciation and profound thanks to the Government of Peoples Republic of Bangladesh, Securities and Exchange Commission, Dhaka Stock Exchange, Chittagong Stock Exchange and Registrar of Joint Stock Companies & Firms for their suggestions and directions extended to the bank.

Rubel

RUBEL AZIZ
Chairman

Corporate Governance is the system of principles, policies, procedures and clearly defined responsibilities [illegible]

[illegible]

General Public	339,242,077	53.69%	387,715,821	76.70%
Financial Institutions	95,378,442	15.09%	46,251,209	9.15%
	631,888,912	100.00%	505,511,130	100.00%

Directors' Shareholdings Status

As per SEC Notification dated November 22, 2011 and December 7, 2011, each director other than Independent and Depositors Director(s) of any listed company shall hold minimum 2% (two percent) shares of the paid up capital by May 21, 2012. Otherwise, there shall be a casual vacancy of director(s). And all directors of a company, listed with any stock exchange shall all time jointly hold minimum 30% (thirty percent) shares of the paid up capital of the company.

All the eligible directors of the Bank have taken required number of shares to comply with the above notification. Share holding structure of directors is as follows:

[illegible]

Mr. Md. Abdul Wadud	Head of Credit Risk Management	Nil

There is no Shareholders holding 10% or more voting interest in City Bank. Hence, the corresponding BSEC rule does not apply.

Separation of Chairman and Chief Executive Officer Roles

In compliance with Bangladesh Bank BRPD Circular No.06, February 04, 2010 and clause 1.4 of BSEC Corporate Governance Guidelines dated August 7, 2012, we report that the Chairman of the Board Mr. Rubel Aziz has been elected from among the directors and there are clear and defined roles and responsibilities of the Chairman and the Chief Executive Officer Mr. K Mahmood Sattar.

The Chairman of the Board approves the agenda for the Board Meetings, assisted by the Managing Director and the Company Secretary. Regular agenda items include approving credit beyond CEO's authority and aspects of the Bank's corporate strategy, financial performance, core risk and credit policy, corporate governance, CSR and organizational structure, human resources policy, customer and service strategies, procurement policy, etc.

On the other hand, CEO, being the head of management team, is accountable to the Board and its committee to run and manage the Bank in accordance with the prescribed policies, principles and strategies, established by the Board and rules, regulations and guidelines from Central Bank, BSEC and other regulatory authority. Management's primary responsibilities are:

- Manage the operation of the Bank safeguarding interests of customers and other stakeholders in compliance with the highest standards of ethics and integrity;
- Implement the policies and strategic direction, established by Board;
- Establish and maintain a strong system of internal control;
- Ensure the Bank's compliance with applicable legal and regulatory requirement.

Responsibilities of the Chairman of the Board

The overall responsibilities of the Chairman are to:

- Ensure that the Board sets and implement the Bank's direction and strategy effectively;
- Act as the Bank's led representative, explaining aims and policies to the shareholders;
- Ensure no participation in or interfere in the administrative or operational and routine affairs of the Bank.

The Specific responsibilities of the Chairman, among others, are to:

- Provide all over leadership to the Board, supplying vision, mission and imagination, working closely with the CEO;
- Take leading role in determination of composition and structure of the Board, which will involve in regular assessment of the:
  - Size of the Board
  - Interaction, harmony and involvement of the directors
- Set the Board's agenda and plan Board Meeting;
- Chair all Board Meetings, directing debate towards consensus;
- Ensure that the Board receives appropriate, accurate, timely and clear information;
- Chair the AGM and other shareholders' meetings to foster effective dialogue with shareholders;
- Ensure that the views of the shareholders are communicated to the Board as a whole;
- Work with Chairman of Board Committee;
- Conduct on-site inspection of any bank-branch or financing activities under the purview of the oversight responsibilities of the Board.

Benefits provided to Directors and Managing Director

- Directors are entitled to fees for attending the Board/Executive Committee meetings (Notes to the Financial Statement No. 34.a)
- Managing Director is paid salaries and allowances as per approval of the Board and Bangladesh Bank (Notes to the Financial Statement No.33)

The Bank has fully complied with Bangladesh Bank Circular and Guidelines.

Appointment of External Auditors

The Board of Directors of the Bank in its 29th Annual General Meeting held on May 6, 2012 appointed Hoda Vasi Chowdhury & Co., Chartered Accountants(an independent correspondent firm to Deloitte Touche Tohmatsu) as the statutory auditor for the year 2012.

Services not provided by External Auditors

As per BSEC guidelines, we declare Hoda Vasi Chowdhury & Co., Chartered Accountants, involved in statutory audit was not involved in any of the followings during the year 2012:

- Appraisal or valuation services or fairness opinions;
- Designing and implementing financial information system;
- Bookkeeping or other related services;

- Broker-Dealer services;
- Actuarial services;
- Internal Audit services;
- Any other services that the Audit committee determines.

No partner or employee of Hoda Vasi Chowdhury & Co., Chartered Accountants possess any share of the Bank during the tenure of their audit assignment at the Bank.

Central Bank Inspections

Bangladesh Bank carried out a comprehensive inspection of the Bank's Head Office and 40 branches (among 102 branches) based on 30-06-2011 and 7 Core Risks based on 30.06.2011 financials along with Foreign Exchange and Trade. They submitted their detail inspection report during 2012, which was placed to the Audit Committee of the Board first and then to the Board. Major findings of the inspection were discussed in a meeting participated by the Board, Bangladesh Bank Representatives and related management personnel of the Bank. The Board took the observation with utmost importance and instructed management to comply with Bangladesh Bank's suggestion for improvement.

Bangladesh Bank also completed their comprehensive inspection at our 11 branches based on 31.12.2012 financials and information and the report thereon is not yet received.

Related Party Transaction

The Bank in its ordinary course of business accomplished financial transaction with some entities or persons that fall within the definition of 'Related Party' as contained in BAS-24 (Related Party Disclosure) and as defined in Bangladesh Bank BRPD Circular 14, 2013. As on the reporting date, the Bank had funded line to its subsidiary (City Brokerage Ltd.), funded and non-funded exposure to current and ex-directors and credit card limits to few of its directors.

Board Committee and its responsibilities

To ensure proper accountability and transparency through Due Diligence the Bank has two Board Committed namely Audit Committee and Executive Committee mainly to oversee and direct operations, performance and strategic direction of the Bank.

Audit Committee (AC)

Detail information of AC is provided in Report on Audit Committee.

Executive Committee (EC)

Composition and detail information of EC is given below:

Name	Status with Committee	Status with Bank	Meeting Attendance
Mr. Deen Mohammad	Chairman	Director	2/3
Mr. Rubel Aziz	Member	Chairman	2/3
Mrs. Meherun Haque	Member	Vice Chairperson	3/3
Mr. Aziz Al-Kaiser	Member	Director	3/3
Mr. Hossain Mehmood	Member	Director	3/3
Mr. Hossain Khaled	Member	Director	1/3
Mr. Rajibul Haque Chowdhury	Member	Director	2/3

EC is entrusted the following broader responsibilities and functions:

- Establish and periodically review the Bank's overall credit and lending policies and procedures;
- Develop and implement uniform and minimum acceptable credit standards for the Bank;
- Approve all revision, restructure and amendments made to the Credit proposals initially approved by this committee.

Management Committees and their responsibilities

In an effective CG Structure, bank management has a collective mandate under the leadership of MD & CEO to carry out daily operations to the best interest of the stakeholders. The Management team of CBL is headed by the Managing Director, Mr. K Mahmood Sattar. Several management committees have been formed to handle the banking operation and identify and manage risk. The committees are MANCOM, ALCO, RMU, Investment Committee and Purchase Committee. Managing Director leads the three most important Committees, MANCOM, ALCO and Investment Committee.

Management Committee (MANCOM)

MANCOM is considered the highest decision and policy making authority of the Bank which consists of CEO and different business and support unit head. Routine works of the committee are:

- Monthly business and financial performance analyses;
- Monthly business review and analyses of each business unit (Corporate, SME, Retail and Treasury) performance

Risk Management Committee

Bank Risk Management Committee with AMD & CRO in the chair to ensure proper and timely identification, management and mitigation of risks exposed by the Bank in a comprehensive way.

Assets Liability Committee (ALCO)

ALCO was full engaged with full activity in setting strategies and revamping previously taken strategies to cope with current market scenario.

Investment Committee (IC)

The five members committee looks after investment in capital market and meets as and when required. They oversee and monitor to ensure that the investment decisions are carried out as per approved strategy and investment policy. This committee regularly monitors Bank's holdings of shares and capital market exposures and ensures keeping investment within prescribed limit (currently 10% of total liabilities) set by Central Bank.

Purchase Committee

The five members purchase committee plays an instrumental role in the procurement procedure of the Bank.

Achievement of Business targets by the Management in 2012

Amount in BDT Million

Particulars	Budget 2012	Actual 2012	Achievement of Budget
Operating Profit	6,003	4,568	76.1%
Deposit	116,848	94,099	80.5%
Advance	106,195	83,333	78.5%

Internal Control: The watch dog of transparency and accountability

Internal Control & Compliance (ICC) operates independently as a division consists of three units (Audit & Inspection, Monitoring and Compliance) with prime responsibility to determine risks evaluating overall Business, Operations & Credit Portfolios of City Bank. The key objective of ICC is to assist & guide in all aspects of the bank using adequate resources for identification of weaknesses and taking appropriate measures to overcome the same to be a complied bank.

The ICC has a unique reporting line to the bank's Board of Directors through the Audit Committee and to the Managing Director & CEO, thus acts as a bridge between the board and the bank's management. An effective organizational structure has been established by exercising durable Internal Control culture within City Bank. Our status on establishing internal control in the bank in line with regulatory requirements is described below in brief:

- The Board of Directors is actively concerned with sound corporate governance and diligently ensures that the bank is appropriately and effectively managed and controlled.
- The Management Committee (MANCOM) actively controls the overall management of the Bank and decides the extent of the Internal Control System, which is appropriate for the Bank.
- The bank has formulated and updated from time to time its Internal Control policies and manuals.
- Internal Control & Compliance Division has been structured as per prescribed organization structure of managing core risk in the bank.
- The Audit Committee of the Board of Directors regularly monitors the effectiveness of internal control system within the bank.
- External Auditors evaluate the internal control system while conducting their statutory audit.
- Each year, ICCD submits an annual report on the health of the bank to the Managing Director & CEO and Audit Committee of the Board of Directors for onward submission to the Board of Directors to assess the strength of the bank on the basis of core fundamental yardsticks.
- A robust Risk Based Internal Audit (RBIA) has been implemented. Risk assessment by Internal Control focuses on compliance with the bank's policies together with regulatory requirements, social, ethical and environmental risks so as to ensure profit maximization through risk minimization and to determine the future growth of the bank.
- Risk grading of branches have been implemented since 2009 and updated from time to time. Risk grading of a number of Head Office divisions has already been implemented and is in the process to cover all divisions based on overall risk profiling and risk matrix.
- Key operational risk areas of four core lines of business (Retail, SME, Corporate and Treasury & Market Risk) and their segments are identified through regular audit process.
- All core risk guidelines provided by Bangladesh Bank have been duly implemented and compliance is routinely monitored by ICC to determine effectiveness.

BANGLADESH BANK'S GUIDELINES FOR CORPORATE GOVERNANCE AND OUR COMPLIANCE STATUS

Status of Compliance of Bangladesh Bank's Guidelines for Corporate Governance

(BRPD circular No 6 dated 04.02.2010)

Sl No.	Particulars	Compliance Status
1.	**Responsibilities and authorities of the board of directors:**	
	(a) **Work-planning and strategic management** (i) The board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rests the development of implementation of the work-plans. (ii) The board shall have its analytical review incorporated in the Annual Report as regard the success/failure in achieving the business and other targets as set out in its annual work-plan and shall appraise the shareholders of its opinions/recommendations on future plans and strategies. It shall set the Key Performance Indicators (KPIs) for the CEO and other senior executives and have it evaluated at times.	Complied
	(b) **Lending and risk management** (i) The policies, strategies, procedures etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, reschedulement and write-off thereof shall be made with the board's approval under the purview of the existing laws, rules and regulations. The board shall specifically distribute the power of sanction of loan/investment and such distribution should desirably be made among the CEO and his subordinate executives as much as possible. No director, however, shall interfere, directly or indirectly, into the process of loan approval. (ii) The board shall frame policies for risk management and get them complied with and shall monitor at quarterly rests the compliance thereof.	Complied
	(c) **Internal control management** The board shall be vigilant on the internal control system of the bank in order to attain and maintain satisfactory qualitative standard of its loan/investment portfolio. It shall review at quarterly rests the reports submitted by its audit committee regarding compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.	Complied
	(d) **Human resources management and development** (i) Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules shall be framed and approved by the board. The chairman or the directors shall in on way involve themselves or interfere into or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the set service rules. No member of the board of directors shall be included in the selection committees for recruitment and promotion to different levels. Recruitment and promotion to the immediate two tiers below the CEO shall, however, rest upon the board. Such recruitment and promotion shall have to be carried out complying with the service rules i.e. policies for recruitment and promotion. (ii) The board shall focus its special attention to the development of skills of bank's staff in different fields of its business activities including prudent appraisal of loan/investment proposals, and to the adoption of modern electronic and information technologies and the introduction of effective Management Information System (MIS). The board shall get these programs incorporated in its annual work plan.	Complied
	(e) **Financial management** (i) The annual budget and the statutory financial statements shall finally be prepared with the approval of the board. It shall at quarterly rests review/ monitor the positions in respect of bank's income, expenditure, liquidity, non-performing asset, capital base and adequacy, maintenance of loan. Loss provision and steps taken for recovery of defaulted loans including legal measures. (ii) The board shall frame the policies and procedures for bank's purchase and procurement activities and shall accordingly approve the distribution of power for making such expenditures. The maximum possible delegation of such power shall rest on the CEO and his subordinates. The decision on matters relating to infrastructure development and purchase of land, building, vehicles etc. for the purpose of bank's business shall, however, be adopted with the approval of the board.	Complied

Sl No.	Particulars	Compliance Status
	(f) **Formation of supporting committee** For decision on urgent matters an executive committee, whatever name called, may be formed with the directors. There shall be no committee or sub-committee of the board other than the executive committee and the audit committee. No alternate director shall be included in these committee.	Complied
	(g) **Appointment of CEO** The Board shall appoint a competent CEO for the bank with the approval of the Bangladesh Bank.	Complied
	(h) The Board shall ensure fulfilling any other responsibility (ies) appropriately assigned by the Central Bank.	Complied
2.	**Responsibilities of the Chairman and Board of Director**	
	(a) As the Chairman of the Board of directors (or chairman of any committee formed by the board or any director) does not personally possess the jurisdiction to apply policy making or executive authority, he shall not participate in or interfere into the administrative or operational and routine affairs of the bank.	Complied
	(b) The Chairman may conduct on-site inspection of any bank-branch or financing activities under the purview of the oversight responsibilities of the board. He may call for any information relating to bank's operation or ask for investigation into any such affairs; he may submit such information or investigation report to the meeting of the board or the executive committee and if deemed necessary, with the approval of the board, he shall effect necessary action thereon in accordance with the set rules through the CEO. However, any complaint against the CEO shall have to be appraised to Bangladesh Bank through the Board along with the statement of the CEO.	Complied
	(c) The Chairman may be offered an office-room, a personal secretary/assistant, a telephone at the office and a vehicle in the business-interest of the bank subject to the approval of the board.	Complied
3.	**Responsibilities of Adviser** The adviser, whatever name called, shall advise the board of directors or the CEO on such issues only for which he is engaged in terms of the conditions of his appointment. He shall neither have access to the process of decision-making nor shall have the scope of effecting executive authority in any matters of the bank including financial, administrative or operational affairs.	No such Adviser at the Bank.
4.	**Responsibilities and authorities of CEO** The CEO of the bank, whatever name called, shall discharge the responsibilities and effect the authorities as follows:	
	(a) In terms of the financial, business and administrative authorities vested upon him by the Board, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administration and financial management.	Complied
	(b) The CEO shall ensure compliance of the Bank companies Act. 1991 and/or other relevant laws and regulations in discharge of routine functions of the bank.	Complied
	(c) The CEO shall clearly include any violation from Bank Companies Act, 1991 and/or any other related laws/regulations in the Memo presented to the meeting of the Board or any other Committee(s) engaged by the Board.	Complied
	(d) The CEO shall report to Bangladesh Bank of issues in violation of the Bank Companies Act. 1991 or of other laws/regulations and, if required, may apprise the board post facto.	Complied
	(e) The recruitment and promotion of all staff of the bank except those in the two tiers below him shall rest on the CEO. He shall act in such cases in accordance with the approved service rules on the basis of the human resources policies and sanction strength of employees as approved by the board. The Board or the Chairman of any committee of the Board or any director shall not get involved or interfere into such affairs. The authority relating to transfer of and disciplinary measures against the staff, except those at one tier below the CEO, shall rest on him, which he shall apply in accordance with the approved service rules. Besides, under the purview of the human resources policy as approved by the board, he shall nominate officers for training etc.	Complied
5.	**Meetings of the Board of Directors** One meeting of the Board of Directors per month can be held usually but it can be more than one upon necessity. No less than one meeting of the Board in three months to be held.	Complied
6.	**Number of members of Executive Committee (EC) of the Board** Number of members of EC cannot exceed 7 members as per BRPD Circular. Letter No. 2 dated February 15, 2010 and more than one member from one family shall not be included in the EC as per BRPD Circular Letter No. 4 dated March 14, 2010	Complied
7.	**Training of the Directors** The Directors of the Board will acquire appropriate knowledge of the Banking Laws and other relevant laws, rules and regulations to effectively discharge the responsibilities as a director of the Bank.	Complied

STATUS OF COMPLIANCE OF BANGLADESH BANK'S GUIDELINES FOR CORPORATE GOVERNANCE

The Bangladesh Securities and Exchange Commission (BSEC) issued Corporate Governance (CG) Guidelines in 2012, which is being followed by Banks on "Comply" basis. Status of compliance of the Bank with the CG guidelines are as follows:

(Report under Condition No.7)

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.0	**Board of Directors**			
1.1	Board's size shall not be less than 5 and more than 20	√		
1.2	**Independent Director**			
1.2 (i)	Independent director: At least 1/5th of the total number of directors		√	We are in the process of appointment of independent directors.
1.2 (ii)	For the purpose of this clause "independent director" means a director.	NA		
1.2 (ii)a)	Independent director does not hold any share or holds less than one percent (1%) shares of total paid up capital.	NA		
1.2 (ii)b)	Independent Director is not a sponsor of the company and is not connected with the company's Sponsor Or Director Or Shareholder who holds 1% or more shares of the company (certain family members are also required to comply with this requirement).	NA		
1.2 (ii)c)	Independent director does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies.	NA		
1.2 (ii)d)	Independent directors are not the members, directors or officers of any stock exchange.	NA		
1.2 (ii)e)	Independent director is not the shareholder, director or officers of any member of Stock Exchange or an Intermediary of the capital market.	NA		
1.2 (ii)f)	Independent director is/was not the partners or executives during preceding 3 (three) years of concerned company's statutory audit firm.	NA		
1.2 (ii)g)	Independent directors is not the independent director in more than 3 (three) listed companies.	NA		
1.2 (ii)h)	Independent director is not convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a non-bank financial institution (NBFI).	NA		
1.2 (ii)i)	Independent director has not been convicted for a criminal offence involving moral turpitude.	NA		
1.2 (iii)	The independent director shall be appointed by the Board of Directors and approved by the Shareholders in the AGM.		√	
1.2 (iv)	The post of independent directors cannot remain vacant for more than 90 days.	NA		
1.2 (v)	The Board shall lay down a Code of Conduct of all Board Members and Annual Compliance of the Code to be recorded.	√		

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.2 (vi)	The tenure of office of an Independent Directors shall be for a period of 3 (three) years which may be extended for 1(one) term only.	NA		
1.3	**Qualification of Independent Director (ID)**			
1.3 (i)	Independent director shall be knowledgeable individual with integrity who is able to ensure required compliance.	NA		
1.3 (ii)	The independent director must have at least 12 (twelve) years of corporate management/ professional experiences along with other requisites.	NA		
1.3 (iii)	In special cases above qualification may be relaxed by the Commission	NA		
1.4	Separate Chairman and CEO and their clearly defined roles and responsibilities.	√		
1.5	**Directors Report to Shareholders**			
1.5 (i)	Industry outlook and possible future developments in the industry	√		
1.5 (ii)	Segment-wise or product-wise performance.	√		
1.5 (iii)	Risks and concerns	√		
1.5 (iv)	Discussion on cost of goods sold, gross profit margin and net profit margin	√		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	√		
1.5 (vi)	Basis for related party transaction- a statement of all related party transactions should be disclosed in the annual report	√		Please refer to note No. 46 of Financial Statements
1.5 (vii)	Utilization of proceeds from public issues, right issues and/ or through any others instruments.	NA		
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc.	NA		
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report	√		
1.5 (x)	Remuneration to directors including independent directors.	√		Please refer to note No. 34.a of Financial Statements
1.5 (xi)	The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operation, cash flows and changes in equity.	√		
1.5 (xii)	Proper books of account of the company have been maintained.	√		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	√		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.	√		

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		
1.5 (xvi)	There are no significant doubts upon the company's ability to continue as a going concern.	√		
1.5 (xvii)	Significant deviations from the last year's operating results of the company shall be highlighted and the reasons thereof should be explained.	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	√		
1.5 (xix)	If the company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	NA		
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
1.5 (xxi)	**The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:**			
1.5 (xxi)	a) Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
1.5 (xxi)	b) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1.5 (xxi)	c) Executives (top five salaried employees of the company other than stated in 1.5(xxi)b);	√		
1.5 (xxi)	d) Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
1.5 (xxii)	**In case of appointment/re-appointment of a Director the Company shall disclose the following information to the Shareholders:**			
1.5 (xxii)	a) a brief resume of the Director;	√		
1.5 (xxii)	b) Nature of his/her expertise in specific functional areas.	√		
1.5 (xxii)	c) Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		Annexure-E of Financial Statements
2.0	**Chief Financial Officer, Head of Internal Audit & Company Secretary**			
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and their clearly defined roles, responsibilities and duties.	√		
2.2	Attendance of CFO and the Company Secretary at Board of Directors meeting	√		
3.0	**Audit Committee:**			
3 (i)	Audit Committee shall be the sub-committee of the Board of Directors.	√		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business.	√		

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		
3.1	**Constitution of the Audit Committee**			
3.1 (i)	The Audit Committee shall be composed of at least 3 members.	√		
3.1 (ii)	Constitution of Audit Committee with Board Members including one Independent Director.	NA		
3.1 (iii)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	√		
3.1 (iv)	Filling of Casual Vacancy in Committee	√		
3.1 (v)	The Company Secretary shall act as the secretary of the Committee.	√		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 independent director.	NA		
3.2	**Chairman of the Audit Committee**			
3.2 (i)	Chairman of the Audit Committee shall be an Independent Director.	NA		
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√		
3.3	**Role of Audit Committee**			
3.3 (i)	Oversee the financial reporting process.	√		Refer to Audit Committee's Report
3.3 (ii)	Monitor choice of accounting policies and principles.	√		
3.3 (iii)	Monitor Internal Control Risk management process.			
3.3 (iv)	Oversee hiring and performance of external auditors.	√		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	√		
3.3 (vi)	Review along with the management, the quarterly and half yearly Financial Statements before submission to the Board for approval.	√		
3.3 (vii)	Review the adequacy of internal audit function.	√		
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	√		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	√		
3.3 (x)	When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO)/Rights Issue, the company shall disclose to the Audit Committee about the uses/ applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results.	NA		

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3.4.	**Reporting of the Audit Committee**			
3.4.1	**Reporting to the Board of Directors**			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:			
3.4.1 (ii) a)	Report on conflicts of Interests.	Nil		
3.4.1 (ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;	√		
3.4.1 (ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations;	Nil		
3.4.1 (ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.	Nil		
3.4.2	Reporting of anything having material financial impact to the Commission.	Nil		
3.5	Reporting to the Shareholders and General Investors.	Nil		
4.0	**External/Statutory Auditors should not be engaged in:**			
4 (i)	Appraisal or valuation services or fairness opinions.	√		
4 (ii)	Financial information systems design and implementation.	√		
4 (iii)	Book-keeping or other services related to the accounting records or financial statements.	√		
4 (iv)	Broker-dealer services.	√		
4 (v)	Actuarial services.	√		
4 (vi)	Internal audit services.	√		
4 (vii)	Any other service that the Audit Committee determines.	√		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that Company.	√		
5.0	**Subsidiary Company**			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	√		
5 (ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	NA		
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	√		

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
5 (iv)	The Minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the Subsidiary Company also.	√		
5 (v)	The Audit Committee of the holding company shall also review the Financial Statements, in particular the investments made by the Subsidiary Company.	√		
6.0	**Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO):**			
6 (i)	They have reviewed financial Statements for the year and that to the best of their knowledge and belief:	√		
6 (i)	a) These financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.	√		
6 (i)	b) These financial statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	√		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	√		
7.0	**Reporting and Compliance of Corporate Governance:**			
7 (i)	The company shall obtain a Certificate from a Professional Accountant/Secretary (CA/CMA/CS) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	√		Please refer to following page.
7 (ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	√		

CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE GUIDELINES TO THE SHAREHOLDERS OF THE CITY BANK LIMITED

We have examined the compliance of conditions of corporate governances of the Bangladesh Securities and Exchange Commission (BSEC) by The City Bank Limited (the "Bank") as stipulated in clause 7(i) of the BSEC notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated August 7, 2012.

The Compliance of conditions of corporate governance guidelines as stated in the aforesaid notification and reporting of the status of compliance is the responsibility of the Bank's management. Our examination for the purpose of issuing this certification was limited to the checking of procedures and implementations thereof, adopted by the Bank for ensuring the compliance of conditions of corporate governance and correct reporting of compliance status on the attached statement on the basis of evidence gathered and representation received.

To the best of our information and according to the explanation given to us, we certify that the Bank has complied with all the conditions of corporate governance except condition on independent directors stipulated in the above mentioned BSEC notification dated August 7, 2012 and reported on the attached status of compliance statement.

Hoda Vasi Chowdhury & Co

Manzoor Alam, FCA
Senior Partner
ICAB Enrollment Number 132
For Hoda Vasi Chowdhury & Co.
Chartered Accountants

Dated : April 17, 2013

CRO'S REPORT ON RISK MANAGEMENT

Chief Risk Officer's (CRO) report on risk management practices at The City Bank Limited (CBL) is made in line with best practices and premised on the commitment of the Board of Directors to adhere to sound corporate governance standards within the industry. Market Disclosure provides qualitative and quantitative disclosure while CRO report is aimed to provide detail of risk management structure and relevant information to all stakeholders and thereby continues to boost the confidence of the market in the Bank.

CBL is committed to its stakeholders to attain a sustainable business growth commensurate with its strategy through implementation of a robust enterprise risk management (ERM) framework within the organization. The main objective of this ERM is to inculcate the risk culture at every part of its operation so that risk elements (whether credit, market, operation or other pillar II risk elements) remain within its acceptable level and the bank is not exposed to any threats for exceeding its tolerance parameters.

Bank has Risk Management Unit (RMU), a committee to oversee the risk management activities across the bank, comprising of member of senior management, headed by CRO. Activities of Risk Management Unit (RMU) are supported by Risk Management Division (RMD) of the bank.

+ CREDIT RISK

CBL Credit team operates in a comprehensive and robust framework for the identification, analysis and monitoring of credit risks arising within each business. Credit Risk process and practices is guided by Credit Policy Manual (CPM) including several Credit Instruction Manuals (CIMs), which have been adopted in February 2008 and updated in 2012. Key aspects of this framework are discussed below:

Analysis and Approval of Exposures
Boards delegated discretions to approve credit to Chief Executive Officer (CEO) of the Bank, who sub-delegates to appropriate individuals based on capacity. Credit proposals are initiated by business or relationship managers and are independently assessed by risk managers of Credit Risk Management Division (CRMD) and finally declined/approved by appropriate authority. Bank enforces a strict 'no limit, no dealing' rule. All credit exposures are reviewed at least once a year, or more frequently if required.

Measuring Credit Risk
For Corporate and SME loan, Bank follows Credit Risk Grading Model (CRGM) recommended by Bangladesh Bank. CBL is at final stage to implement (eleven) 11-scales CRGM. Additionally RMD is working on Internal Risk Model to move Foundation Internal Rating Based (IRB) approach of capital charging for credit risk.

Analysis of Credit Risk
Portfolio Comparison: In 2012, loans and advances portfolio grew by 7.76% compared to that of 2011. However, classified portfolio increased from 3.43% to 7.48% and SMA portfolio increased from 2.44% to 4.08%. A major cause of such deterioration may be attributed to revision of classification & provisioning rules by Bangladesh Bank. Portfolio comparison over last three years is shown below:

City Bank is committed to its stakeholders to attain a sustainable business growth commensurate with its strategy through implementation of a robust enterprise risk management (ERM) framework within the organization.

(Amount in crore Tk.)

Classification	Dec-12	Dec-11	Dec-10
Standard	7,370.28	7,244.45	5,680.42
Special Mention Account (SMA)	339.91	187.66	107.05
Total Unclassified	**7,710.19**	**7,432.11**	**5,787.47**
Sub Standard(SS)	87.10	71.01	111.29
Doubtful (DF)	41.83	35.81	27.45
Bad/Loss	494.15	157.61	128.13
Total Classified	**623.08**	**264.43**	**266.87**
Total Portfolio	**8,333.27**	**7,696.54**	**6,054.34**
% of Classification	**7.48%**	**3.43%**	**4.41%**
% of SMA	**4.08%**	**2.44%**	**1.77%**

Breakdown of Portfolio (December, 2012):

Segments	Amount in Tk. Crore	% of Total Portfolio
Corporate	5,121.29	61.46%
SME (Medium)	787.57	9.45%
SME (Small)	496.42	5.96%
Retail	1,108.29	13.30%
Card	367.90	4.41%
Staff loan	130.65	1.57%
Islami Banking	321.15	3.85%
Total	**8,333.27**	**100.00%**

Loan concentration by sector: On consolidated basis, major concentration of CBL's loan portfolio is on Corporate Clients (61.46%). Among Corporate relationships, major concentration is at trade related credit (18.35 %), followed by RMG sector (7.31%). However, CBL's aggregate exposure in RMG, textile and spinning sector is 13.08%. Last year, the highest concentration was with trade related credit (27.05%), which has now been reduced to 18.35%.

Status of client rating (Credit Exposure): In line with central bank's guideline CBL is pursuing for external credit rating of its client base for the purposes of risk weighting its exposure. By 2012, 14.84% (Tk.1,236.59 crore) of funded clientele and 4.59% (Tk.173.08 crore) of the non-funded clientele have come under external rating while it was 5.58% and 5.81% respectively in 2011.

Status of cash recovery: With the newly restructured of the recovery units, CBL attained a 16% growth in credit recoveries compared to last year. The snapshot of recovery over the year is shown below:

(Amount in Crore Tk.)

Particulars	2012					2011
	1st Q	2nd Q	3rd Q	4th Q	Total	Total
Recovery from Classified accounts	8.78	16.36	18.75	27.33	71.22	50.93
Recovery from Rescheduled A/cs	6.28	42.14	3.72	3.91	56.05	58.37
Recovery from Written-off A/cs	0.40	4.89	5.90	3.62	14.81	13.00
Total recovery	**15.46**	**63.39**	**28.37**	**34.86**	**142.08**	**122.30**

Risk Weighted Asset (RWA) under credit risk (both on and off balance sheet)

(Amount in Crore Tk.)

Particulars	Dec-12	Dec-11
RWA for Credit Risk	**11,333.87**	**9,748.12**
Minimum Capital Requirement for Credit Risk @ 10% Capital Charge	**1,133.39**	**974.81**

+ MARKET RISK

Market risk exposure of CBL is explicit in portfolios of securities/equities and instruments that are actively traded. Conversely implicit exposures of CBL are risks like interest rate risk due to mismatch of loans and deposits. Besides, market risk also arises from activities categorized as off-balance sheet item.

Policy and Process to manage Market Risk

The Bank has put in place an Asset Liability Management (ALM) Policy for effective management of Interest Rate Risk, Liquidity Risk. As envisaged in the policy, Liquidity Risk is managed through GAP & Duration analysis, based on residual maturity/behavioral pattern of assets and liabilities, on a daily basis based on best available data coverage, as prescribed by the Bangladesh Bank. Additionally, Bank has comprehensive Investment policy and VaR & Stress Testing policy, Market Risk Management Framework which is at final stage of approval. The policies set various risk limits for effective management of Market Risk and ensuring that the operations are in line with Bank's expectation of return to market risk.

The Asset Liability Management Committee (ALCO)/Board monitors adherence of prudential limits fixed by the Bank and determines the strategy in light of market environment as articulated in the ALM policy. Investment Committee(IC) is the supervisor of investment activities. Market Risk Unit of RMD independently oversees the market risk of the Bank, aids formulating policy guidelines and oversees overall adherence to the external and internal regulations.

Capital Allocation for market Risk elements

Market risk is computed using Standardized approach, under which Capital requirement is calculated for the risk elements to which CBL is exposed i.e. Interest Rate Risk, Forex risk and Equity risk. Following is the Capital Requirement for Market Risk Elements.

BDT Crore

	Dec-12	Dec-11
Total Capital Charge for Market Risk	93.60	104.82

As of Dec 31, 2012, CBL investment in market related interest rate risk products (HFT investment) was very low. As such, capital requirement for this particular segment is very minimal as the major portion goes to banking book assets rather trading book assets. Capital requirement for Equity position also decreased significantly from that of Dec '11 due to overall fall in capital market.

Outcome of Value at Risk (VaR) as of Dec 31, 2012

Value at Risk (VaR) estimates potential losses due to consequences of movements in market rates and prices over a specified time horizon and to a given level of confidence. Bank is considering setting of threshold for Daily/Monthly Stop Loss Limits for trading positions.

(Amount in Crore Tk.)

VaR For the Year of 2012
1 Day VaR at 99% Confidence level

Portfolio	Maximum Value	Minimum Value	Average Value	Year end 31.12.12
BDT Crore				
Equity Trading Portfolio*	**5.55**	**2.92**	**3.85**	**3.10**
FX Net Open Position(NOP)	**1.42**	**0.04**	**0.48**	**0.04**

** Excluding strategic holding of equity portfolio.*

+ OPERATIONAL RISK

Operational risk is the risk related to losses due to inadequate or failed internal processes, staff and systems or external events; it also includes legal risk. CBL emphasizes on risk identification and assessment process to ensure both inherent and residual risks are effectively highlighted. This enables the Bank to focus on fewer but more fundamental risks.

Control & Mitigation

At present, operational risk is largely managed through internal controls and audit system. Bank has put in place many measures to control/mitigate operational risk including System of delegated authority covering credit and expenditure, Book of instructions and issuance of instructions through circulars from time to time, Maintenance of Risk Log and Risk Register with input on risk events directly from various departments to obtain Risk Matrix of CBL, Preventive vigilance, Continuous training process, Risk Based Internal Audit, Outsourcing policy, Compliance Policy, Policy on Business Continuity etc.

Approaches followed for assessing operational risk

CBL applies the Basic Indicator Approach (BIA) in order to determine the capital requirement for operational risk. According to BIA capital is charged at 15% of average positive Gross Income (GI) of previous three years for operational risk. CBL's Capital Allocation for Operational Risk under BIA is as below:

Dec-12		Dec-11	
Average (GI)	15% of Average Gross Income (Capital Charge)	Average (GI)	15% of AverageGross Income (Capital Charge)
804.13	120.62	640.78	96.12

RMD is in the process of designing 'Risk Control Self Assessment (RCSA)' method with a view to measuring and managing inherent and residual risk within the organization against various processes, which will be implemented in different phases. This method is expected to deliver risk control points and risk boundaries for each of the existing process gradually. RMD is also in the process to finalize and adopt 'Operational Risk Management Policy' of the Bank.

+ PILLAR II AND ALL OTHER RISKS

Bangladesh Bank released Process Document for SRP-SREP Dialogue on Internal Capital Adequacy Assessment Program (ICAAP) towards implementation of 2nd pillar of Basel II, CBL already established SRP team and adopted policy guideline on ICAAP to calculate in addition to Minimum Capital Requirement (MCR). CBL has developed

models for assessing pillar II risk elements like Residual risk for credit and market, credit concentration risk, liquidity risk, interest rate risk in banking book, settlement risk, reputation risk, strategic risk, pension obligation risk, compliance risk etc.

+ COMPLIANCE STATUS OF MCR IN 2012

After the end of parallel run period of 1 year in 2009, the banking industry in Bangladesh entered into the regime of Basel II compliance. In compliance of MCR under Pillar-1 risk elements, CBL was well ahead of minimum required target through 2012. Following is the MCR result both in Solo and in consolidated basis:

(Amount in Crore Tk.)

	Dec-12		Dec-11	
	Consolidated Basis	Solo Basis	Consolidated Basis	Solo Basis
A. 1. Tier-I Capital (Core Capital)	1,212.68	203.63	1,132.19	1,126.31
2. Tier-II Capital (Supplementary Capital)	364.55	364.55	371.40	371.40
3. Tier-III Capital				
4. Total Eligible Capital (1+2+3)	1,577.23	1,568.18	1,503.59	1497.71
B. Total Risk Weighted Assets (RWA)	13,476.09	13,401.49	11,757.53	11,703.06
Capital Adequacy Ratio (CAR) (A4/B)*100	11.70%	11.70%	12.79%	12.80%
Core Capital to RWA (A1/B)*100	9.00%	8.98%	9.63%	9.62%
Supplementary Capital to RWA(A2/B)*100	2.71%	2.72%	3.16%	3.17%
Minimum Capital Requirement (MCR)	1,347.61	1,340.15	1,175.75	1,170.31

+ CONCLUSION

In today's economy, leaders in the financial institutions are faced with critical challenges in finding new and better ways to increase top-line revenues, maintain necessary capital ratios, improve margins, strengthen balance sheets and enhance efficiencies. Regulatory changes, compliance, economic volatility, and issues involving data security, distressed lending and troubled assets add even more concern. Competition in financial industry is intensified as numbers of corporations are shifting from bond debt market to equity market for funding.

Recently, BASEL III, an updated version of BASEL II, came as regulatory response to the banking crisis, which envisages updating shortcomings of the earlier version. Basel III will undoubtedly hit banks hard through its range of new and stricter regulations, whether because of higher capital requirements, the new liquidity standard, the increased risk coverage, the new leverage ratio or a combination of the different requirements. The aggregate effect of all of these requirements will vary from bank to bank, and among large banks almost all will have to deal with its far-reaching implications.

Faruq M. Ahmed
Additional Managing Director &
Chief Risk Officer and CAMLCO

CBL GREEN REPORT CARD

Green Banking means promoting environmental-friendly practices and reducing carbon footprint from the banking activities. Green banking is a banking practice that considers all the social and environmental factors with a view to protect the environment and conserve natural resources. With a view to enhancing In order to enhance green banking practices in the country, Bangladesh Bank has already provided an indicative 'Green Banking Policy' and developed a strategy framework for the banks which needs to be covered within a stipulated timeframe. City Bank has tried to fulfill all the regulatory guidelines from time to time.

In 2012, CBL developed its own green banking and environmental risk management policy framework named "Environmental Blue Print". In this year, the Bank also started implementing Environmental Risk Management as one of the core risk areas of the Bank and adopted it as a part and parcel of credit risk evaluation process.

In 2012, the Banks' credit budget was BDT 450 crore for Green Finance through various borrowers against which actual credit allocation as on 31.12.2012 on Green Finance was BDT 463.66 crore. Additionally, the bank already approved BDT 10 lac for Climate Risk Fund and BDT 5 Lac for Marketing, Training & Capacity Building Fund from its own fund, which will be utilized for various green activities. CBL undertook number of green banking training and capacity building programs for an expense of BDT 50,000.

In 2012, CBL has conducted environmental risk rating for 105 projects financed by the Bank, among which 90 projects worth BDT 900.97 crore were rated as 'low risk' grade; 6 projects worth BDT 38.69 crore were rated as 'moderate risk' grade and 9 projects worth BDT 176.79 crore were rated as 'high risk' grade. As a part of green initiatives, the Bank has already installed solar panels in its 9 Agri branches located in Kishoreganj, Gazipur, Hobiganj, Jamalpur, Maizdi Court, Joypara, Savar, Bhatiyari and Lohagara.

As part of creating green banking awareness, CBL human resources division arranged three training programs for its employees on environment related issues. Green Banking Cell of CBL also conducted one comprehensive workshop on 'Awareness of Green Banking for Business Development Managers and Credit Analysts of SME-M segment'. To create bank-wide awareness on environmental and green banking issues, Green Banking Cell published 02 issues of E-newsletter of Green Banking in March, 2012 and December, 2012.

The most significant initiative of the Bank was signing of a trade finance guarantee facility agreement with IFC in June, 2012. According to this agreement for availing the credit facility, the Bank cannot facilitate any environmentally hazardous activities. Additionally, as another requirement for availing this facility, CBL has to adopt sound Environmental & Social Risk Management process. CBL also has signed a term facility agreement of aggregate amount of USD 20,000,000 with FMO, a multilateral development bank of Netherlands in October, 2012 which is expected to be disbursed by CBL at its offshore banking units. Similarly, CBL needs to comply with the similar covenants in environmental and social issues for the financing agreement with IFC also.

CORPORATE SOCIAL RESPONSIBILITY

The bank is regularly pursuing towards environmentally sustainable and socially equitable development. City Bank CSR is seen as benefiting the business by building reputation, brand value, customer loyalty, employee motivation and retention.

During the year 2012, City Bank worked for the development of the community in the area of sports, awareness program, beautification of the parks and also vocational trainings for poor women and less privileged children of the society. Some of the major events are mentioned below:

Community Sports and cultural activities :

To build a healthy and positive society inside the slum area in the metropolitan area of Dhaka, City Bank along with Bangladesh Police partnered together to arrange annual cultural and sports program for the people of Korail slum area in Dhaka. It was a wonderful effort of Bangladesh Police to arrange a three day long sports and cultural event during the first week of January 2012. Over 300,000 people live in this slum where there is merely any scope of any sports and cultural activities that awareness ensures healthy living. City Bank came forward to sponsor the whole program and donated the necessary funds for the program.

Awareness on Preventing Cancer & raising quality of life for cancer patients:

Each year, globally, over 12 million people receive a cancer diagnosis and 7.6 million die of the disease. As a developing country, Bangladesh is also experiencing this tsunami of death with one in five adult Bangladeshi women (21%) dying and millions suffering. The good news is that approximately 40% of cancers are potentially preventable.

With this as the context, City Bank partnered with Eminence, Bangladesh - whose motto is work for the prevention, control, management and surveillance of NCDs such as cancer. They promote preventive actions and also awareness building measures; not only that, they also focus on the healthy quality of life for Cancer survivors.

City Bank sponsored the series of program along with Eminence starting from observing the World Cancer day on February 4th. Apart from several awareness programs at national level, the program also conducted:

– Specialized training program for nurses on cancer

– Provide VIA and mammography for women under a UNFPA project with low cost. A total of 100 eligible women from an identified urban slum were taken to the BSMMU and tested for both cervical cancers screening through VIA and breast cancer screening through physical examination and mammography. The positive cancer patients were followed up and efforts were taken in order to provide them with proper treatment.

CANCER SCREENING PROGRAM

The bank held a Cancer Screening program in Dhaka in february 2012.

Sewing the way to women empowerment:

With the support of City Bank the poor women in Basatpur village of Jessore are now trained to sew their way out of poverty. The bank funded the project called "livelihood program for women in Jessore" for three years starting from 2011 and the project as already placed the villages in position to market their products.

The village, lining the Bangladesh-India border, lacks opportunities, with destitution making many young women easy prey for human traffickers. The Bank partnered with MRDI, ManusherJonno Foundation and Bachte Sekha along with the local community and set up sewing and embroidery

training center for 200 women within the span of three years. The women are taught how to make home accessories such as tissue box cover, table runner, showpiece, table mat and so on.

The centre was inaugurated on September 1, 2012, in the presence of Shirin Sharmin Chaudhury, the state minister for women and children affairs, Dr. Atiur Rahman, Governor of Bangladesh Bank, K Mahmood Sattar, Managing Director and CEO of City Bank along with local members of the parliament.

Beautification of Baridhara Park:

Baridhara Lakeside Park started its new journey in December 2012 after the completion of the beautification project funded by City Bank as part of its Corporate Social Responsibilities. The Project included the full renovation and development of the park. City Bank financed this large project with BDT 1.7 crore while Baridhara Society supervised the work and Spotlight carried out the year-long work that included jet fountain on the lake, building new pathway, sitting spaces, new toilets inside the park, planting new trees, installing sitting platforms by the water and so on.

Ex-President and current M.P. and prominent resident of Baridhara Hussain Muhammad Ershad was the Chief Guest at the inauguration event. City Bank Chairman Rubel Aziz along with many other directors and management team members of the bank were present during the inauguration ceremony of the renovated park on December 28th, 2012.

BARIDHARA LAKESIDE PARK GETS A NEW LOOK

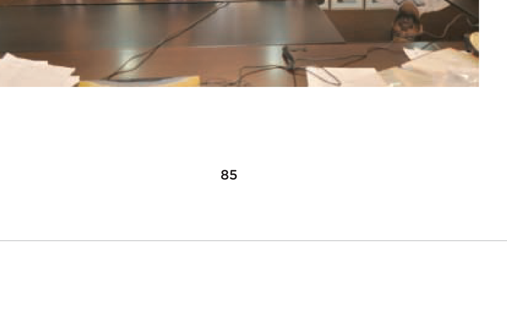
Baridhara Lakeside Park started its new journey in December 2012 after the completion of the beautification project sponsored by City Bank.

Chairman of City Bank Mr. Rubel Aziz spoke of the bank's commitment on the regular maintenance and further beautification of the park on an ongoing basis.

2012 FINANCIAL STATEMENTS

CITY BANK SIGNED ITS FINANCIAL STATEMENTS For The Year 2012

Rubel Aziz, Chairman, Deen Mohammad, Director, Hossain Mehmood, Director, K Mahmood Sattar, Managing Director & CEO are seen signing the Financial Statements of the Bank for the year 2012.



AUDITORS' REPORT

To The Shareholders Of The City Bank Limited

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

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 note1, the Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Excahnge 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.

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 1, 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 47 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 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 the Bangladesh Bank has been maintained adequately during the year.

l) 80% of the risk weighted assets have been reviewed by us spending 3,680 person hours.

Hoda Vasi Chowdhury & Co

Dhaka, April 17, 2013

Hoda Vasi Chowdhury & Co
Chartered Accountants

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

Figures in Taka

PROPERTY AND ASSETS	Notes	2012	2011
Cash	3		
In hand (including foreign currencies)		2,387,407,570	1,483,855,797
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		6,049,419,316	6,046,258,108
		8,436,826,886	7,530,113,906
Balance with other banks and financial institutions	4		
In Bangladesh		2,493,267,691	904,615,517
Outside Bangladesh		357,798,700	201,367,767
		2,851,066,391	1,105,983,284
Money at call and short notice	5	3,549,179,167	2,499,379,167
Investments	6		
Government		15,697,273,822	9,809,783,220
Others		5,730,894,968	6,452,820,396
		21,428,168,790	16,262,603,616
Loans and advances / Investments	7		
Loans, cash credits, overdrafts, etc./ general investments		79,085,621,831	75,211,300,486
Bills purchased and discounted	8	3,849,358,122	1,754,124,468
		82,934,979,953	76,965,424,955
Fixed assets including premises, furniture and fixtures	9	5,957,809,664	5,993,506,147
Other assets	10	4,725,693,871	5,559,426,789
Non - banking assets	11	430,149,002	206,605,394
Total assets		130,313,873,724	116,123,043,257
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	12	5,595,620,560	2,514,217,684
Deposits and other accounts	13		
Current deposits and other accounts		9,780,649,775	9,861,029,185
Bills payable		1,172,149,548	1,083,214,921
Savings bank deposits		16,705,636,955	16,745,415,495
Fixed deposits		65,989,157,865	55,944,946,544
Bearer certificate of deposit		-	-
		93,647,594,142	83,634,606,145
Other liabilities	14	13,018,643,794	12,059,431,564
Total liabilities		112,261,858,497	98,208,255,394
Capital / Shareholders' equity			
Paid up capital	15.2	6,318,889,120	5,055,111,300
Statutory reserve	16	3,023,446,512	2,670,899,481
Share Premium	17	1,924,634,700	1,924,634,700
Other reserve	18	5,936,570,307	6,604,177,255
Surplus in profit and loss account / Retained earnings	19	848,393,437	1,659,887,149
Shareholders' equity of The City Bank Limited		18,051,934,076	17,914,709,884
Minority Interest	20	81,151	77,979
Total equity		18,052,015,227	17,914,787,863
Total liabilities and Shareholders' equity		130,313,873,724	116,123,043,257

Figures in Taka

	Notes	2012	2011
OFF- BALANCE SHEET ITEMS			
Contingent liabilities	21		
Acceptances and endorsements		13,733,063,904	3,484,163,577
Letters of guarantee	21.1	6,171,212,207	4,281,344,584
Irrevocable letters of credit	21.2	9,912,795,624	5,160,626,275
Bills for collection	21.3	7,924,994,307	2,532,687,846
Other contingent liabilities		-	-
Total		37,742,066,041	15,458,822,281
Other commitments			
Documentary credits and short term trade -related transactions		-	-
Forward assets purchased and forward deposits placed	21.4	-	407,268,500
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities , credit lines and other commitments		-	-
Other commitments		-	-
Total		-	407,268,500
Total Off-Balance Sheet items including contingent liabilities		37,742,066,041	15,866,090,781

The annexed notes form an integral part of these financial statements

Managing Director & CEO | Director | Director | Chairman

Signed as per annexed report of even date

Dated: Dhaka
April 17, 2013

Hoda Vasi Chowdhury & Co
Chartered Accountants

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

Figures in Taka

	Notes	2012	2011
Interest income / profit on investments	23	12,427,897,727	9,436,108,669
Interest / profit paid on deposits and borrowings, etc.	24	(7,693,325,847)	(5,026,237,602)
Net interest / net profit on investments		4,734,571,880	4,409,871,066
Investment income	25	1,866,946,491	1,334,113,132
Commission, exchange and brokerage	26	1,388,120,908	1,444,740,032
Other operating income	27	728,055,760	756,003,373
Total operating income (A)		8,717,695,039	7,944,727,603
Salaries and allowances	28	2,080,282,042	1,830,732,231
Rent, taxes, insurance, electricity, etc.	29	468,351,579	372,661,172
Legal expenses	30	25,149,182	12,134,851
Postage, stamp, telecommunication, etc.	31	57,241,746	57,404,940
Stationery, printing, advertisements, etc.	32	221,248,527	274,503,540
Chief Executive's salary and fees	33	15,937,836	14,438,440
Directors' fees	34	1,070,000	1,199,593
Auditors' fees		862,750	585,350
Depreciation and repair of Bank's assets	35	518,330,798	447,083,770
Other expenses	36	708,788,996	663,131,894
Total operating expenses (B)		4,097,263,455	3,673,875,780
Profit / (loss) before provision (C=A-B)		4,620,431,584	4,270,851,823
Provision for loans and advances / investments	37	(2,644,021,721)	(710,000,000)
Provision for Off-Balance Sheet exposures		(160,500,000)	-
Other provision		-	(18,000,000)
Total provision (D)		(2,804,521,721)	(728,000,000)
Total profit / (loss) before taxes (C-D)		1,815,909,863	3,542,851,823

Figures in Taka

	Notes	2012	2011
Provision for Income Tax		(1,021,456,049)	(1,486,712,700)
Net profit after taxation		794,453,814	2,056,139,123
Transferred to Minority Interest		(3,172)	(5,880)
Net Retained Earnings		794,450,642	2,056,133,243
Appropriations			
Statutory reserve		352,547,031	693,665,445
General reserve		-	-
		352,547,031	693,665,445
Retained surplus		441,903,611	1,362,467,798
Earnings per share (EPS)	43	1.26	3.25

The annexed notes form an integral part of these financial statements

Managing Director & CEO | Director | Director | Chairman

Signed as per annexed report of even date

Dated: Dhaka
April 17, 2013

Hoda Vasi Chowdhury & Co
Chartered Accountants

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

Figures in Taka

	Notes	2012	2011
A) Cash flows from operating activities			
Interest receipts in cash		12,027,043,223	9,151,096,175
Interest payments		(6,760,935,971)	(4,399,422,353)
Dividend receipts		76,879,106	144,891,551
Fees and commission receipts in cash		978,078,648	813,161,242
Recoveries of loans previously written off		136,636,224	99,336,763
Cash payments to employees		(2,006,219,878)	(1,840,673,977)
Cash payments to suppliers		(76,784,335)	(76,931,955)
Income taxes paid		(1,337,580,397)	(1,240,487,543)
Receipts from other operating activities	39	2,518,123,145	1,945,224,953
Payments for other operating activities	40	(1,591,788,608)	(1,472,516,612)
Cash generated from operating activities before changes in operating assets and liabilities		3,963,451,156	3,123,678,243
Increase / (decrease) in operating assets and liabilities			
Statutory deposits		-	-
Purchase of trading securities (Treasury bills)		-	-
Loans and advances to other banks		-	-
Loans and advances to customers		(5,969,554,998)	(16,421,975,033)
Other assets	41	(528,052,547)	1,111,776,715
Deposits from other banks / borrowings		1,943,010,321	4,145,746,646
Deposits from customers		11,151,380,552	12,357,958,031
Other liabilities account of customers		-	-
Trading liabilities		-	-
Other liabilities	42	(947,169,487)	(134,632,439)
		5,649,613,841	1,058,873,921
Net cash from operating activities		9,613,064,997	4,182,552,164
B) Cash flows from investing activities			
Debentures		-	-
Proceeds from sale of securities		-	80,134,287
Payments for purchases of securities		(168,048,921)	-
Purchase / sale of property, plant and equipment		(263,160,342)	(970,304,998)
Acquisition of Membership		-	-
Payment against lease obligation		-	-
Proceeds from sale of property, plant and equipment		-	-
Net cash used in investing activities		(431,209,263)	(890,170,710)

Figures in Taka

	Notes	2012	2011
C) Cash flows from financing activities			
Receipts from issue of ordinary shares		-	-
Dividend paid		-	-
Net Cash from financing activities		-	-
D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)		9,181,855,734	3,292,381,454
E) Effects of exchange rate changes on cash and cash equivalents		410,042,260	631,578,790
F) Cash and cash equivalents at beginning of the period		20,912,298,309	16,988,338,066
G) Cash and cash equivalents at end of the year (D+E+F)		30,504,196,303	20,912,298,309
Cash and cash equivalents at end of the year			
Cash in hand (including foreign currencies)		2,387,407,570	1,483,855,797
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		6,049,419,316	6,046,258,108
Balance with other banks and financial institutions		2,851,066,391	1,105,983,284
Money at call and short notice		3,549,179,167	2,499,379,167
Government securities		15,667,123,859	9,776,821,953
		30,504,196,303	20,912,298,309

The annexed notes form an integral part of these financial statements

Managing Director & CEO | Director | Director | Chairman

Dated: Dhaka
April 17, 2013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

1.1 Status of the Bank

The City Bank Limited ("the Bank") was incorporated as a public limited company in Bangladesh under the Companies Act, 1913. It commenced its banking business from March 14, 1983 under the license issued by Bangladesh Bank. Presently the Bank has 90 branches, 11 SME/ Agri Branches and 1 SME center all over Bangladesh. The Bank had no overseas branches as at 31 December 2012. Out of the above 90 branches, 01 (one) branch is designated as Islamic Banking Branch complying with the rules of Islamic Shariah, the modus operandi of which is substantially different from other branches run on conventional basis. The Bank is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded company for its general class of shares. With 163 ATMs, 11 SME / Agri Branches and 1 SME center in Dhaka, Chittagong and Sylhet, The City Bank Limited offers financial services including current and saving accounts, personal loans, period deposit.

The registered office of the Bank is located at 136, Bir Uttam Mir Shawkat Sarak (Gulshan Avenue), Gulshan-2, Dhaka-1212.

1.1.1 Principal activities

The principal activities of the Bank are to provide all kinds of commercial banking, consumer banking, trade services, SME, Retail, custody and clearing services to its customers through its branches, SME/Agri branches and SME Service Centering Bangladesh. There have been no significant changes in the nature of the principal activities of the Bank during the financial year under review.

1.1.2 Islamic Banking Branch activities

Through the Islamic Banking Branch, the Bank extends all types of Islamic Shariah Compliant finance like lease, hire purchase shirkatul melk (HPSM), bai muazzal, household scheme etc. and different types of deposit like mudaraba /manarah savings deposits, mudaraba /manarah term deposits, al-wadeeah current deposits, monthly /quarterly profit paying scheme etc.

1.1.3 Off-shore Banking Unit

The Bank obtained the Off-shore Banking Unit permission vide letter no .BRPD(P-3)744(101)/2010-4129 dated 10 November 2009. The Off-shore Banking Unit operates its activities as per terms and conditions imposed by Bangladesh Bank vide their said letter. Separate Financial Statements of Offshore Banking Unit are shown in Annexure G and G(I).

1.2 Significant accounting policies and basis of preparation of financial statements

1.2.1 Basis of preparation

The financial statements of the Bank are made for the year 1 January 2012 to 31 December 2012 and are prepared under the historical cost convention and in accordance with the "First Schedule (Sec-38) of the Bank Companies Act, 1991, BRPD Circular # 14 dated 25 June 2003, other Bangladesh Bank Circulars, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted by the Institute of Chartered Accountants of Bangladesh, Companies Act, 1994, the Securities and Exchange Rules 1987, Dhaka & Chittagong Stock Exchanges' listing regulations and other laws and rules applicable in Bangladesh.

In addition to foregoing directives and standards, the operation of Islamic Banking Branch is accounted for in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, Bahrain and accordingly a separate set of books and records are being maintained. A separate balance sheet, income statement and a statement of profit paid on deposits are shown in Annexure-F and F(I) and the figures appearing in the annexure have been incorporated in the related heads of these financial statements as recommended by the Central Shariah Board for Islamic Banks in Bangladesh.

1.2.2 Basis of consolidation

The Consolidated Financial Statements include the Financial Statements of The City Bank Limited and its Subsidiaries, City Brokerage Limited and City Bank Capital Resources Limited made up to end of the reporting year. The consolidated financial Statements have been prepared in accordance with Bangladesh Accounting Standard 27: Consolidated Financial Statements and Accounting for Investment in Subsidiaries. The Consolidated Financial Statements are prepared to a common reporting year ending 31 December 2012.

1.2.3 Subsidiary

The Bank has power to govern the financial and operating policies generally accompanying a shareholding 99.99% of the voting rights. A parent of Subsidiary should present consolidated Financial Statements according to Bangladesh Accounting Standard 27: Consolidated Financial Statements and Accounting for investment in Subsidiaries. The Financial Statements of subsidiary are included in the consolidated Financial Statements from the date that control effectively commence until the date that the control effective ceases. Inter Company transaction and balances are eliminated.

The Bank launched its brokerage business on August 4, 2009 through its Brokerage Division and this division was subsequently separated from The City Bank Limited through incorporating a private limited company named City Brokerage Limited with Registrar of Joint Stock Company and getting consent from Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. for operating as a separate company. The City Brokerage Limited was incorporated in Bangladesh as a Private Limited Company on March 31, 2010 vide registration no. C-83616/10 under The Companies Act, 1994. The City Brokerage Limited separated from The City Bank Limited as on 15 November 2010 and made its operation separately.

City Bank Capital Resources Limited was incorporated in Bangladesh as a Private Limited Company on August 17, 2009

vide registration no. C-79186/09 under The Companies Act, 1994. The registered office of the Company is at 10 Dilkusha Commercial Area, Jibon Bima Tower, Dhaka-1000.

1.2.4 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.

1.2.5 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. The most significant areas where estimates and judgments have been made are on provision for loans and advances. 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 year in which the estimate is revised and in any future years affected.

1.2.6 Materiality of financial statements

Each material item as considered by management significant, have been presented separately in the financial statements wherever applicable.

1.2.7 Foreign currencies translation

The Financial Statements of Banks are presented in Bangladesh Taka (BDT), which is the Banks functional and presentation currency. According to BAS-21 "The Effects of Changes in Foreign Exchange Rates" transactions in foreign currencies recorded in the functional currencies at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the end of the month. Any resulting exchange difference are included in the profit and loss account.

1.2.8 Cash Flow Statement

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' as recommended in the BRPD Circular No.14, dated June 25, 2003.

Government Investment was revalued as per DOS circular letter no. 05 dated May 26, 2008 and the revalued amount is reflected in the Balance Sheet while the corresponding cost amount is reflected in the Cash Flow Statement. The difference amount is not been reflected in the Cash Flow Statement since the same remained unrealized on the Balance Sheet date as a non cash item.

1.2.9 Statement of Changes in Equity

Statement of Changes in Equity is prepared principally in accordance with BAS-1 "Presentation of Financial Statements" and under the guidelines of Bangladesh Bank's BRPD Circular No.14 dated June 25, 2003.

1.2.10 Liquidity statements

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

a) balance with other banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity.

b) investments are on the basis of their respective maturity.

c) loans and advances are on the basis of their repayment maturity.

d) fixed assets are on the basis of their useful lives.

e) other assets are on the basis of their realization/amortization

f) borrowing from other banks, financial institutions and agents, etc. are as per their maturity/repayments.

g) deposits and other accounts are on the basis of their maturity term.

i) provision and other liability on the basis of their repayment/ adjustments schedule.

1.2.11 Financial Statements for Offshore Banking Unit

Reporting currency of Offshore Banking Unit is US Dollar. However, foreign currency transactions are converted into equivalent Taka using the rulling 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 Inter Bank market as determined by Bangladesh Bank on the closing date of every month.

1.3 Assets and basis of their valuation

1.3.1 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bangladesh Bank and highly liquid financial assets which are subject to insignificant risk of changes in their fair value and are used by the Bank management for its short-term commitments.

1.3.2 Loans and advances / investments

a) Loans and advances of conventional Banking or investments of Islamic Banking branches are stated in the balance sheet on gross basis.

b) Interest/profit is calculated on a daily product basis but charged and accounted for on accrual basis. Interest/profit on classified loans and advances/investments is kept in suspense account as per Bangladesh Bank instructions and such interest/profit is not accounted for as income until realized from borrowers [(note-7.a.10(x)] Interest/profit is not charged on bad and loss loans/ investments as per guidelines of Bangladesh. Records of such interest amounts are kept in separate memorandum accounts.

c) Provision for loans and advances or investments is made on the basis of quarter-end review by the management following instructions contained in Bangladesh Bank BCD Circular no. 34 dated 16

November 1989, BCD Circular no. 20 dated 27 December 1994, BCD Circular no. 12 dated 4 September 1995, BRPD Circular no. 16 dated 6 December 1998, BRPD Circular no. 9 dated 14 May 2001, BRPD Circular no.02 of February 2005, BRPD Circular no. 09 of August 2005 and BRPD Circular no. 17 dated 06 December 2005, BRPD Circular no.5 dated 19 of April 2008. BRPD Circular no. 14 dated 23 September 2012, BRPD Circular no.19 dated December 27, 2012, BRPD Circular no.5 (5 June 2006) also provides scope for further provisioning based on qualitative judgment. The classification rates are given below:

General provision on loans and advances:	
On unclassified loans and advances / investments	1%
On unclassified small & medium enterprise financing	0.25%
On unclassified loans / investments for housing finance and on loans for professionals	2%
On unclassified consumer financing other than housing finance and loans for professionals	5%
On special mention account	5%

Specific provision on loans and advances:

On substandard loans and advances / investments	20%
On doubtful loans and advances / investments	50%
On bad / loss loans and advances / investments	100%

d) Loans and advances / investments are written off to the extent that (i) there is no realistic prospect of recovery, and (ii) against which legal cases are pending for more than five years as per guidelines of Bangladesh Bank. 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.

1.3.3 Investments

All investment securities are initially recognized at cost, being fair value of the consideration given, including acquisition charges associated with the investment. Premiums are amortized and discounts accredited, using the effective yield method and are taken to discount income. The valuation method of investments used are:

Held to maturity

Investments which have 'fixed or determinable payments', and are intended to be 'held to maturity', other than those that meet the definition of 'held at amortized cost-others' are classified as held to maturity. These investments are subsequently measured at present value as per Bangladesh Bank Guideline. Investments in securities have been revalued as mark to market as at December 31, 2012 and the gain of revaluation from held to maturity securities has been shown in the statement in changes in equity for December 31, 2012.

Held for trading

Investments 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, investments are measured at fair value and any change in the fair value is recognized in the statement of income for the year in which it arises. These investments are subsequently measured at present value as per Bangladesh Bank's Guideline.

Value of investments has been enumerated as follows :

Items	Applicable accounting value
Government treasury bills	Present value (as per DOS Circular no. 5 dated 26 May 2008)
T & T bonds and Bangladesh treasury bonds	Present value (as per DOS Circular no. 5 dated 26 May 2008)
Prize bond	At cost
BHBFC-debenture	At redeemable value

Investment in listed securities

These securities are bought and held primarily for the purpose of selling them in future or held for dividend income. These are valued and reported at market price as per Bangladesh Bank's Guidelines. Booking of provision for Investment in securities are made as per DOS Circular Letter No.4 dated November 14, 2011.

Investment in unlisted securities

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

Investment in Subsidiaries

Investment in subsidiaries is accounted for under the cost method of accounting in the Bank's Financial Statements in accordance with Bangladesh Accounting Statndard no-28. Accordingly, investment in subsidiaries are stated in the Bank's balance sheet at cost less impairment losses if any.

1.3.4 Fixed assets and depreciation

a) All fixed assets are stated at cost less accumulated depreciation as per BAS-16 " Property, Plant and Equipment". The cost of acquisition of an asset comprise its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive inward freight, duties and non-refundable taxes.

b) The bank recognizes the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the bank and the cost of the items can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance is normally charged off as revenue expenditure in the year in which it is incurred.

c) Depreciation is charged for the year at the following rates on straight line method on all fixed assets and no depreciation on land is charged:

Category of fixed assets	Rate
Land	Nil
Building	2.50%
Furniture and fixtures	10%
Office equipment	20%
Software	5%
Vehicles	20%

d) Depreciation for assets, addition during the year, is charged from the month of addition. Whole month depreciation is charged for the month of addition.

e) On the month of disposal of fixed assets, no depreciation is charged. The cost and accumulated depreciation of disposed assets are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement.

f) Land and building were revalued in the year 2011 Detail information regarding revaluation has been shown in the notes to the accounts.

1.3.5 Non-Banking Assets

The Bank awarded absolute ownership on 15 mortgage properties through verdict of honorable court under section 33(7) of Artha Rin Adalat Ain, 2003. Bank also acquired some lien shares as settlement of loan. These have been recorded as Non-Banking Assets. Bank has recognised the Non-Banking Assets equivalent to the final liability receivable from the client. No reserve has been created for excess of market value over adjusted liabilities.

1.3.6 Other assets

Other assets include all balance sheet accounts not covered specifically in other areas of the supervisory activity and such accounts may be quite insignificant in the overall financial condition of the Bank.

1.3.6.1 Intangible assets and its amortization

Intangible assets comprise separately identifiable intangible items arising from use of franchise of AMEX and the use finacle from Infosys. Intangible assets were recognized at cost. Intangible assets with a definite useful life are amortized using the straight line method over their estimated useful economic life.

1.3.7 Leasing

Leases are classified as finance leases whenever the 'terms of the lease' transfer substantially all the risks and rewards of ownership to the lessee as per BAS-17 " Leases". All other leases are classified as operating leases as per BAS-17 "Leases".

The Bank as lessor

Amount due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases (note-7.a.3). Finance lease income is allocated to accounting years so as to reflect a constant yearic rate of return on the bank's net investment outstanding in respect of the leases.

The Bank as lessee

Assets held under finance leases are recognized as assets of the Bank at their fair value at the date of acquisition or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

1.3.8 Reconciliation of inter-bank and inter-branch account

Account with regard to inter-bank (in Bangladesh and outside Bangladesh) are reconciled regularly and there are no material differences which may affect the financial statements significantly. Un-reconciled entries/balances in the case of inter-branch transactions on the reporting date are not material.

1.3.9 Off balance sheet exposures

Under general banking transactions, liabilities against acceptance and endorsements, Letters of guarantee, Irrevocable letters of credit, Bills for collection and other obligations have been given and claims exist there against, have been shown as off balance sheet items.

1.4 Share capital

1.4.1 Authorized Share capital

Authorized Capital is the maximum amount of Share Capital that the Bank is authorized by its Memorandum and Article of Association to issue to shareholders.

1.4.2 Paid up Capital

Paid up capital represents total amount of shareholders' capital that has been paid in fully 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 meeting.

1.4.3 Share Premium

Share premium is the capital that the Bank raises upon issuing shares that is the excess of the nominal value of shares. The Share premium shall be utilized in accordance with provision of section 57 of the Companies Act 1994 and as directed by Securities and Exchange Commission in this respect.

1.5 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 the following objectives:

- To comply with the capital requirements set by the regulators;
- To safeguard the bank's ability to continue as going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business.

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

[illegible]

[illegible]

[illegible]

[illegible]

Name of the BAS	BAS No.	Status
Construction Contracts	11	N/A
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Leases	17	Applied
Revenue	18	Applied
Employee Benefits	19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	20	N/A
The Effects of Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Accounting and Reporting by Retirement Benefit Plans	26	N/A **
Consolidated and Separate Financial Statements	27	Applied
Investment in Associates	28	N/A
Interests in Joint Ventures	31	N/A
Financial Instruments: Presentation	32	Applied *
Earnings per share	33	Applied
Interim Financial Reporting	34	Applied ***
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition and Measurement	39	Applied *
Investment Property	40	Applied
Agriculture	41	N/A
Name of the BFRS	**BFRS No.**	**Status**
Bangladesh Financial Reporting Standards	1	N/A
Share Based Payment	2	N/A
Business Combinations	3	N/A
Insurance Contracts	4	N/A
Non-current Assets Held for Sale and Discontinued Operations	5	N/A
Exploration for and Evaluation of Mineral Resources	6	N/A
Financial Instruments Disclosures	7	Applied
Operation segment	8	Applied

N/A - Not applicable

* In order to comply with certain specific rules and regulations of local Central Bank (Bangladesh Bank) which are different to BAS/BFRS, some of the requirements specified in these BAS/BFRSs are not applied. Refer below for such recognition and measurement difference that are most relevant and material to the Bank and the Group.

** This Standard regards a retirement benefit plan as a reporting entity separate from the employees of the participants in the plan. Therefore, it is not applicable for the Bank's annual report as it is the employer and not the retirement benefit plan itself.

*** The objective of BAS 34 is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for as interim period and hence it is not applicable for annual financial statements. However, the Bank being a listed entity in Dhaka and Cittagong Stock Exchanges regularly publishes Interim Financial report complying with BAS 34.

New and amended standards adopted by the Bank and the Group

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.

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

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.

Key differences between BAS and BFRS and various requirements of the Bangladesh Bank

As mentioned above, Bangladesh Bank (the Central Bank) being the prime regulator of the banking industry in Bangladesh has issued a number of rules, regulations and directives that are not consistent with the relevant BAS and BFRS requirements. Some of the material differences are stated below:

Provision for loans and advances

"BAS/BFRS: As per BAS 39 an entity should start the impairment assessment of loans and advances by considering whether objective evidence of impairment exists for those loans that are individually significant. For loans and advances which are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis. Such provision shall be netted off against loans and advances.

Bangladesh Bank: As per BRPD Circular no. 14 & 15 dated 23 September 2012 and BRPD Circular no. 19 dated 27 December 2012, a general provision at 0.25% to 5% under different categories of unclassified loans (standard/ SMA loans) should be maintained regardless of objective evidence of impairment. And, specific provision for sub-standard loans, doubtful loans and bad losses should be provided at 20%, 50% and 100% respectively 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. Also for disclosure such provision shall be shown as liability as opposed to netting off against loans and advances."

Repo and reverse repo transaction of Government securities (i.e. treasury bills and bonds)

"BAS/BFRS: 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), the arrangement is accounted for as a deposit as opposed to a sale, and the underlying asset continues to be recognised in the entity's financial statements. Such transaction do not satisfy derecognition criteria specified in BAS 39. Same rule applies to the opposite side of the transaction (Reverse REPO).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), the arrangement is accounted for as a normal sales transactions and the financial assets should be derecognised in the seller's book and recognised in the buyer's book."

Cash and cash equivalent

BAS/BFRS: As per BAS 7 cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Therefore, some items like Balance with Bangladesh Bank on account of CRR/SLR are not part of cash and cash equivalent as those are not readily available.

Bangladesh Bank: As per BB circulars/guidelines, balance with Bangladesh Bank is part of cash and cash equivalent regardless of any restriction.

Investments in quoted shares

BAS/BFRS: As per BAS 39 investments in quoted shares should ideally be either held for trading or available for sale financial assets and depending on classification movement in fair value should be taken either to the profit and loss or to other comprehensive income (if an impairment then it should be charged to Profit and loss for AFS as well).

Bangladesh Bank: As per BB circulars/guidelines, no such classification is prescribed. Although it specifically requires to recognise shortfall if fair value is lower than cost on portfolio basis, but no specific guidance is available in case if fair value is more than cost.

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

c) Figures of previous year have been rearranged whenever necessary to conform to current year presentation.

Figures in Taka

		2012	2011
3	CASH		
3.1	Consolidated Cash in hand		
	The City Bank Limited (note-3.a)	2,387,327,965	1,445,971,750
	City Brokerage Limited	77,500	37,884,047
	City Bank Capital Resources Limited	2,105	-
		2,387,407,570	1,483,855,797
3.a	Cash in hand -The City Bank Limited		
	In local currency	2,054,135,267	1,351,108,652
	In foreign currency	333,192,698	94,863,099
		2,387,327,965	1,445,971,750
3.a.1	Balance with Bangladesh Bank and its agent bank(s)		
	In local currency	5,495,357,200	5,214,416,622
	In foreign currency	52,067,926	213,017,487
		5,547,425,126	5,427,434,109
	Sonali Bank Ltd. as agent of Bangladesh Bank (Local currency)	402,485,527	521,434,847
	Sonali Bank Ltd. other than agent of Bangladesh Bank (Local currency)	99,508,663	97,389,152
		501,994,190	618,823,999
		6,049,419,316	6,046,258,108

3.a.2 Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR)

Cash Reserve Requirement and Statutory Liquidity Ratio have been calculated and maintained in accordance with section 33 of Bank Companies Act, 1991, BRPD circular no.11 and 12, dated August 25, 2005 and MPD circular no.116/2010-1713 dated December 1, 2010.

The minimum Cash Reserve Requirement on the Bank's time and demand liabilities at the rate of 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 maintained by the Bank are in excess of the statutory requirements, as shown below:

		2012	2011
a)	Cash Reserve Requirement		
	Required reserve	5,286,733,860	4,502,962,890
	Actual reserve maintained	5,560,945,131	5,196,734,704
	Surplus / (deficit)	274,211,271	693,771,814
b)	Statutory Liquidity Ratio		
	Required reserve (including CRR)	16,538,738,093	14,172,147,290
	Actual reserve maintained (including CRR)	23,152,326,336	16,891,194,840
	Surplus / (deficit)	6,613,588,243	2,719,047,550
	Total required reserve	16,538,738,093	14,172,147,290
	Actual reserve held	23,152,326,336	16,891,194,840
	Total surplus	6,613,588,243	2,719,047,550

		2012	2011
3.a.3	Held for Statutory Liquidity Ratio		
	Cash in hand	2,043,318,775	1,351,108,652
	Balance with Bangladesh Bank and its agent bank(s)	5,411,733,739	5,735,851,469
	Government securities and bonds	15,697,273,822	9,804,234,720
		23,152,326,336	16,891,194,840

Figures in Taka

		2012	2011
4	BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS		
4.1	Consolidated balance with other banks and financial institutions		
	The City Bank Limited (note-4.a)	2,842,474,795	1,105,983,284
	City Brokerage Limited	8,591,597	-
	City Bank Capital Resources Limited	-	-
		2,851,066,391	1,105,983,284
4.a	Balance with other banks and financial institutions-The City Bank Ltd.		
	In Bangladesh (note 4.a.1)	2,484,676,094	904,615,517
	Outside Bangladesh (note 4.a.2)	357,798,700	201,367,767
		2,842,474,795	1,105,983,284
4.a.1	In Bangladesh		
	Current account		
	Janata Bank Ltd.	16,134,428	28,526,624
	Agrani Bank Ltd.	114,413,105	47,177,305
	United Commercial Bank Ltd.	2,368,170	2,374,320
	Rupali Bank Ltd	5,289,595	5,288,387
	Islami Bank Bangladesh Ltd.	2,762	4,505,912
	Pubali Bank Ltd.	1,833	9,901,174
	Bangladesh Krishi Bank	3,416	10,833
		138,213,309	97,784,555
	Short notice deposit accounts		
	Social Islami Bank Ltd.	30,180	32,480
	Standard Bank Ltd.	-	495
	Dutch-Bangla Bank Ltd	4,960,378	9,030,721
	Standard Chartered Bank	22,648,269	65,242,602
	Rupali Bank Ltd	68,309,556	110,782,322
	AB Bank Ltd	1,602,458	590,000
	Trust Bank Ltd.	12,613,406	9,103,850
		110,164,247	194,782,471
	Savings accounts		
	Social Islami Bank Ltd.	718,954	693,492
	South East Bank Ltd.	335,579,585	-
		336,298,539	693,492
	Fixed deposit receipts		
	Bangladesh Industrial Finance Company Ltd.	150,000,000	110,000,000
	Export Import Bank of Bangladesh Ltd.	550,000,000	300,900,000
	Social Islami Bank Ltd.	200,000,000	200,455,000
	Jamuna Bank Ltd.	200,000,000	-
	South East Bank Ltd.	400,000,000	-
	AB Bank Ltd.	400,000,000	-
		1,900,000,000	611,355,000
		2,484,676,094	904,615,517

Figures in Taka

		2012	2011
4.a.2	Outside Bangladesh (NOSTRO Accounts)		
	Current account		
	Mashreq Bank, New York, USA	50,075,378	13,379,840
	Habib American Bank, New York, USA	4,451,156	7,225,146
	HSBC, London, UK	523,805	9,340,147
	Citibank N.A., New York, USA	(137,908,329)	(6,644,656)
	Citibank N.A.,Australia	2,302,256	10,479,031
	HSBC, New York, USA	282,696,581	28,501,001
	Standard Chartered Bank, New York, USA	95,352,096	27,291,144
	Standard Chartered Bank,Frankfurt	4,414,026	1,901,780
	Deutschebank, Frankfurt, Germany	(522,633)	1,456,619
	Arab National Bank, Riyadh	347,477	356,643
	Bank of Tokyo Mitsubishi Ltd., Japan	77,346	23,138
	Deutschebank Bank Trust Comp. USA	(6,050,169)	4,427,287
	Standard Chartered Bank, Kolkata, India	7,470,625	3,330,775
	Bank of Tokyo Mitsubishi Ltd., Kolkata, India	653,937	665,340
	HSBC, Mumbai, India	4,467,606	154,394
	AB Bank Ltd., Mumbai, India	3,020,766	(488,244)
	Sonali Bank Ltd., Kolkata, India	3,268,156	2,961,502
	NIB Bank Limited, Karachi, Pakistan	479,448	492,076
	Nepal Grindlays Bank Limited, Katmondu	15,123,818	83,460
	Commerz Bank AG. Frankfurt, Germany	19,301	72,872
	Commercial Bank of Ceylon, Colombo, Srilanka	1,384,943	1,263,216
	Bank of Bhutan, Bhutan	1,974,031	2,026,022
	HSBC, Karachi, Pakistan	1,019,124	4,887,929
	Commerz Bank AG. Frankfurt, Germany	(3,546,507)	50,217,917

Figures in Taka

		2012	2011
5	Money at call and short notice		
	Banking company		
	ICB Islamic Bank Ltd.	99,179,167	99,379,167
	National Bank Ltd.	-	500,000,000
	Uttara Bank Ltd.	200,000,000	250,000,000
	Mutual Trust Bank Ltd.	-	250,000,000
	Prime Bank Ltd.	60,000,000	-
	National Bank of Pakistan	50,000,000	-
	Eastern Bank Ltd.	760,000,000	-
	Mercantile Bank Ltd.	500,000,000	-
	Citibank NA	200,000,000	-
	Bangladesh Small Industries and Commerce Bank Ltd.	100,000,000	-
	Southeast Bank Ltd.	50,000,000	-
		2,019,179,167	1,099,379,167
	Non-banking financial institutions		
	International Leasing and Financial Services Ltd.	100,000,000	100,000,000
	LankaBangla Finance Ltd.	300,000,000	500,000,000
	Prime Finance and Investment Ltd.	180,000,000	500,000,000
	Investment corporation of Bangladesh	700,000,000	300,000,000
	Union Capital Ltd.	230,000,000	-
	Delta Brac Housing Finance Corporation Ltd.	20,000,000	-
		1,530,000,000	1,400,000,000
		3,549,179,167	2,499,379,167

The Bank has a Call loan with "The Oriental Bank Ltd" since 2007, presently renamed as "ICB Islamic Bank Limited". It is mentioned here that Bangladesh Bank has issued a notification dated August 2, 2007- BRPD(R-1)651/991002007-447 and

		2012	2011
			Figures in Taka
24.a	Interest / profit paid on deposits, borrowings etc.-The City Bank Limited		
	a) Interest / profit paid on deposits:		
	Savings bank deposits	454,318,006	259,587,581
	Mudaraba/Manarah savings deposits	96,458,422	7,408,962
	Short term deposits	470,766,121	315,015,655
	Mudaraba short notice deposits	11,735,352	798,983
	Fixed deposits	5,555,791,145	3,058,758,170
	Mudaraba term deposits	303,644,920	89,827,979
	Deposits under scheme	425,342,234	1,089,290,396
	Mudaraba monthly benefit scheme	485,268	194,390
	Repurchase agreement (REPO)	-	417,651
	Others	-	30,707
	b) Interest / profit paid on local bank accounts	241,227,859	134,636,257
	c) Interest / profit paid on borrowing from Bangladesh Bank	96,508,603	41,366,732
	d) Interest paid on borrowings from Outside Bangladesh for Off Shore Banking	16,609,165	-
		7,672,887,094	4,997,333,463
25	Consolidated Investment income		
	The City Bank Limited (note-25.a)	1,819,365,941	1,327,007,467
	City Brokerage Limited	47,580,550	7,105,665
		1,866,946,491	1,334,113,132
25.a	Investment income-The City Bank Limited		
	Interest on treasury bills / Reverse repo / bonds	1,239,171,842	847,087,290
	Interest on debentures	829,000	1,122,100
	Dividend on shares	75,688,911	144,823,191
	Gain on Government securities	499,329,736	324,911,270
	Gain on sale of shares and debentures	4,346,452	9,063,616
		1,819,365,941	1,327,007,467
26	Consolidated Commission, exchange and brokerage		
	The City Bank Limited (note-26.a)	1,249,074,628	1,265,885,691
	City Brokerage Limited	128,235,390	178,854,341
	City Bank Capital Resources Ltd.	10,810,890	-
		1,388,120,908	1,444,740,032

		2012	2011
			Figures in Taka
26.a	Commission, exchange and brokerage -The City Bank Limited		
	Commission on L/Cs	262,874,777	158,182,520
	Commission on L/Gs	40,745,639	62,821,026
	Commission on export bills	11,532,071	12,346,219
	Commission on bills purchased	65,341	188,654
	Commission on accepted bills	142,130,042	66,196,648
	Commission on OBC, IBC etc.	1,019,001	1,852,072
	Commission on PO, DD, TT, TC, etc.	4,470,171	5,164,844
	Commission on NRB operation	23,493,384	20,877,494
	Other Fees and charges (note-26.a.1)	350,139,978	305,910,396
	Other commission	2,561,965	767,029
		839,032,368	634,306,901
	Exchange gain (note - 26.a.2) - including gain from Foreign Currency dealings	410,042,260	631,578,790
	Brokerage	-	-
		410,042,260	631,578,790
		1,249,074,628	1,265,885,691
26.a.1	Other fees and charges		
	Service and other charges	270,978,622	260,601,110
	Structured finance fee	65,813,075	37,534,911
	Management Fee	13,348,281	7,774,375
		350,139,978	305,910,396
26.a.2	Exchange gain		
	Exchange gain	423,967,432	634,767,873
	Less: Exchange loss	(13,925,172)	(3,189,083)
		410,042,260	631,578,790
27	Other operating income		
	The City Bank Limited (note-27.a)	721,605,043	745,471,737
	City Brokerage Limited	6,450,717	8,200,515
	City Bank Capital Resources Limited	-	2,331,121
		728,055,760	756,003,373
27.a	Other operating income		
	Rental Income	792,700	1,464,911
	SWIFT recoveries	10,440,494	6,083,898
	Profit from sale of fixed assets	1,157,872	13,614,496
	Credit card income (Note-27.a.1)	507,215,729	519,073,259
	Rebate received from foreign banks	16,059,352	10,681,914
	Miscellaneous earnings	185,938,896	194,553,259
		721,605,043	745,471,737

		2012	2011
			Figures in Taka
27.a.1	Credit card income		
	Card issue fees	60,126,545	170,065,319
	Late payment fees	81,581,942	79,550,599
	Merchant Commission	257,542,701	199,170,892
	Interchange fees	17,394,587	-
	Mark-up, excess limit, cash advance fees etc.	90,569,954	70,286,450
		507,215,729	519,073,259
28	Consolidated Salaries and allowances		
	The City Bank Limited	2,027,332,040	1,785,458,682
	City Brokerage Limited	38,157,006	40,776,855
	City Bank Capital Resources Limited	14,792,996	4,496,694
		2,080,282,042	1,830,732,231
29	Consolidated Rent, taxes, insurance, electricity etc.		
	The City Bank Limited (note-29.a)	438,739,311	360,503,632
	City Brokerage Limited (note-29.b)	28,049,584	11,777,073
	City Bank Capital Resources Limited	1,562,684	380,467
		468,351,579	372,661,172
29.a	Rent, taxes, insurance, electricity etc. -The City Bank Limited		
	Rent	239,030,509	196,678,713
	Rates and taxes	44,609,687	28,967,450
	Insurance	90,989,107	85,257,536
	Power and electricity	64,110,007	49,599,933
		438,739,311	360,503,632
29.b	Rent, taxes, insurance, electricity etc. -City Brokerage Limited		
	Rent, rates and taxes	26,859,698	10,734,618
	Power, electricity and other	1,189,886	1,042,455
		28,049,584	11,777,073
30	Consolidated Legal expenses		
	The City Bank Limited (note-30.a)	24,718,198	10,635,276
	City Brokerage Limited	128,663	1,450,950
	City Bank Capital Resources Limited	302,321	48,625
		25,149,182	12,134,851
30.a	Legal expenses-The City Bank Limited		
	Legal expenses	24,656,305	10,612,351
	Others	61,893	22,925
		24,718,198	10,635,276
31	Consolidated Postage, stamps, telecommunication etc.		
	The City Bank Limited (note-31.a)	56,256,858	54,839,586
	City Brokerage Limited (note-31.b)	943,831	2,291,582
	City Bank Capital Resources Limited	41,057	273,772
		57,241,746	57,404,940

		2012	2011
			Figures in Taka
31.a	Postage, stamps, telecommunication etc. -The City Bank Limited		
	Postage	17,125,489	17,067,787
	Telegram, telex, fax and e-mail	9,818,705	10,325,042
	Telephone - office	24,285,758	22,854,858
	Telephone - residence	5,026,905	4,591,898
		56,256,858	54,839,586
31.b	Postage, stamps, telecommunication etc. -City Brokerage Limited		
	Postage	6,643	25,411
	Telegram, telex, fax and e-mail	937,188	2,266,171
		943,831	2,291,582
32	Consolidated Stationery, printing and advertisements etc.		
	The City Bank Limited (note-32.a)	219,303,117	272,479,618
	City Brokerage Limited	1,587,952	1,963,260
	City Bank Capital Resources Limited	357,458	60,662
		221,248,527	274,503,540
32.a	Stationery, printing and advertisements etc.		
	Office and security stationery (note-32.a.1)	59,062,159	64,403,363
	Computer consumable stationery	15,808,566	10,830,819
	Publicity and advertisement (note-32.a.2)	144,432,392	197,245,436
		219,303,117	272,479,618
32.a.1	Office and security stationery		
	Office stationery	44,308,177	47,870,930
	Security stationery	14,753,983	16,532,433
		59,062,159	64,403,363
32.a.2	Publicity and advertisement		
	Newspaper and magazine	21,357,049	26,039,399
	Television and radio	17,263,635	46,543,804
	Miscellaneous	105,811,707	124,662,233
		144,432,392	197,245,436
33	Chief Executive's salary and fees		
	Basic salary	11,797,836	10,541,520
	Festival bonus and other allowances	4,140,000	3,896,920
		15,937,836	14,438,440
34	Consolidated Directors' fees		
	The City Bank Limited (note-34.a)	890,000	1,073,000
	City Brokerage Limited	180,000	126,593
		1,070,000	1,199,593
34.a	Directors' fees -The City Bank Limited		
	Meeting fees	890,000	1,073,000

Each Director is paid Tk.5,000/- per meeting per attendance.

		2012	2011
			Figures in Taka
35	Consolidated Depreciation and repair of Bank's assets		
	The City Bank Limited (note-35.a)	507,138,743	439,182,630
	City Brokerage Limited (note-35.b)	10,508,459	7,860,889
	City Bank Capital Resources Limited	683,596	40,250
		518,330,798	447,083,770
35.a	Depreciation and repair of Bank's assets-The City Bank Limited		
	Depreciation - (see annexure C for detail)		
	Fixed assets	323,585,708	276,874,394
	Leased assets	-	289,002
		323,585,708	277,163,396
	Repairs		
	Premises	15,960,374	16,298,074
	Furniture and fixtures	750,291	645,255
	Office equipment	38,943,423	24,375,057
	Vehicle	111,218,926	107,033,498
	Others	16,680,021	13,667,351
		183,553,034	162,019,234
		507,138,743	439,182,630
35.b	Depreciation and repair of Bank's assets- City Brokerage Limited		
	Furniture and fixtures	2,822,617	1,642,480
	Office equipment	4,687,430	4,181,021
	Vehicle	957,895	638,597
	Software	132,223	87,492
		8,600,166	6,549,589
	Repairs		
	Furniture and fixtures	-	500
	Office equipment	1,515,174	1,031,396
	Vehicle	393,119	279,405
		1,908,293	1,311,300
		10,508,459	7,860,889
36	Other expenses		
	The City Bank Limited (note-36.a)	701,792,998	620,699,666
	City Brokerage Limited (note-36.b)	6,363,937	42,271,037
	City Bank Capital Resources Limited (note-36.c)	632,061	161,191
		708,788,996	663,131,894

		2012	2011
			Figures in Taka
36.a	Other expenses		
	Entertainment	20,391,250	15,698,916
	Books, magazines and newspapers, etc.	426,996	862,812
	Medical expenses	1,725,594	2,079,768
	Cash carrying charges	1,669,351	1,549,840
	Subscription to institutions	3,370,424	2,648,916
	Donations	5,275,361	1,644,050
	Professional fees	10,142,450	6,440,719
	Travelling expenses	21,891,993	18,460,489
	Local conveyance, labour etc.	7,761,173	5,338,592
	Business development	65,315,775	42,680,841
	On line communication Expenses	38,376,399	35,221,969
	Vehicle rental expenses	3,877,422	1,352,601
	Staff training expenses	49,698,519	29,553,617
	Washing and cleaning	8,405,581	8,070,127
	Credit card expenses (note-36.a.1)	178,616,458	238,156,605
	Branch up keep	-	726,043
	Annual technical service fee	39,796,922	29,385,000
	Amortization expenses	35,615,244	38,603,350
	CIB Charges	2,635,840	540,600
	Remittance charge	237,645	5,332,064
	Loss on sale of stationery	1,329,456	-
	Miscellaneous expenses	205,233,143	136,352,748
		701,792,998	620,699,666
36.a.1	Credit card expenses		
	Processing and personalization fees	3,510,056	178,912,259
	VISA International fees	45,596,039	24,547,811
	ATM service charge	11,448,077	9,539,135
	Miscellaneous expenses	118,062,286	25,157,400
		178,616,458	238,156,605
37	Provision for loans and advances / investments		
	Provision for classified loans and advances / investments	2,644,021,721	380,000,000
	Provision for unclassified loans and advances / investments	-	330,000,000
		2,644,021,721	710,000,000
38	Provision for Taxation		
	Provision made for Current tax	951,772,424	1,272,913,471
	Provision made for Deferred tax	48,227,576	63,131,228
	Paid for previous Year Tax	-	113,955,301
		1,000,000,000	1,450,000,000
39	Receipts from other operating activities		
	The City Bank Limited (note-39.a)	2,465,282,073	1,927,656,012
	City Brokerage Limited	52,841,072	11,614,888
	City Bank Capital Resources Limited	-	5,954,053
		2,518,123,145	1,945,224,953

		2012	2011
			Figures in Taka
39.a	Receipts from other operating activities-The City Bank Limited		
	Interest on bonds, debentures and treasury bills	1,743,677,030	1,182,184,276
	Rent recovered	792,700	1,464,911
	Postage / Telex / Fax / Swift charge recoveries	10,440,494	6,083,898
	Income from sale of bank's property	1,157,872	13,614,496
	Credit card income	507,215,729	519,073,259
	Rebate received from foreign banks	16,059,352	10,681,914
	Miscellaneous earnings	185,938,896	194,553,259
		2,465,282,073	1,927,656,012
40	Consolidated Payments for other operating activities		
	The City Bank Limited (note-40.a)	1,551,139,540	1,407,519,829
	City Brokerage Limited	37,666,107	59,325,772
	City Bank Capital Resources Limited	2,982,961	5,671,011
		1,591,788,608	1,472,516,612
40.a	Payments for other operating activities-The City Bank Limited		
	Rent, taxes, insurance, electricity, etc.	438,739,311	360,503,632
	Legal expenses	24,718,198	10,635,276
	Postage, stamp, telecommunication, etc.	56,256,858	54,839,586
	Advertisement expenses	144,432,392	197,245,436

		2012	2011
			Figures in Taka
42	Increase / (decrease) of other liabilities		
	The City Bank Limited (note-42.a)	(900,565,667)	(254,762,129)
	City Brokerage Limited	(70,475,225)	124,421,707
	City Bank Capital Resources Limited	23,871,405	(4,292,016)
		(947,169,487)	(134,632,439)
42.a	Increase / (decrease) of other liabilities - The City Bank Limited		
	Loans written off and waived	(702,550,869)	(348,097,052)
	Interest suspense account	547,364,442	91,202,524
	Other provision	(129,811,654)	(91,664,566)
	Provision for gratuity	(494,875,798)	(57,646,368)
	Lease obligation payable	-	(561)
	Others	(120,691,788)	151,443,893
		(900,565,667)	(254,762,129)
43	Consolidated Earnings per share (EPS)		
	Net profit after tax (Numerator)	794,450,642	2,056,133,243
	Weighted Average Number of Shares	631,888,912	631,888,912
	Weighted Average/ Adjusted Earnings per share (EPS)	1.26	3.25

35th Committee Meeting held on 22.02.2012
36th Committee Meeting held on 08.05.2012
37th Committee Meeting held on 07.08.2012
38th Committee Meeting held on 06.12.2012

c. Steps taken for implementation of an effective internal control procedure of the Bank :

Through circular the committee placed its report regularly to the Board of Directors of the Bank mentioning its review results and recommendations on internal control system, compliance of rules and regulations and establishment of good governance within stipulated time.

46 Related Party Disclosures

i) Particulars of Directors of the Bank as on December 31, 2012

Sl. no.	Name of the persons	Designation	Present Address	Percentage (%) of shares as on 31.12.12
1	Mr. Rubel Aziz	Chairman	House no.9, Road no.55 Gulshan-2, Dhaka-1212	2.49%
2	Ms.Meherun Haque	Vice Chairman	House no.3, Road no. 58/59 Gulshan-2, Dhaka-1212	2.01%
3	Mr. Aziz Al Kaiser	Director	Bloomingdale 24 Dutabas Road, Baridhara, Dhaka	2.91%
4	Mr. Hossain Mehmood (Representative of A-One Polymer Limited)	Director	Managing Director A-One Polymer Limited Baitul Hossain Building, 27 Dilkusha C/A, Dhaka-1000	2.00%
5	Ms. Evana Fahmida Mohammad	Director	23/A, Shyamoli Dhaka-1207	2.01%
6	Mr. Hossain Khaled	Director	Anwar Group of Industries Baitul Hossain Building 27, Dilkusha C/A, Dhaka-1000.	2.00%
7	Mr.Rajibul Huq Chowdhury	Director	688/3, Baro Mogh Bazar Dhaka	2.00%
8	Mr. Deen Mohammad	Director	23 Shymoli, Mohammadpur Dhaka-1207	4.97%
9	Ms.Tabassum Kaiser	Director	Bloomingdale 24 Dutabas Road, Baridhara, Dhaka	2.00%
10	Mr. Rafiqul Islam Khan	Director	House no.97, Road no.11/A Dhanmondi, Dhaka	2.01%
11	Mr. Mohammad Shoeb	Director	23 Shymoli, Mohammadpur Dhaka-1207	2.50%
12	Mr. Aziz Al Mahmood	Director	House no.12, Road no.1 Baridhara, Dhaka.	2.00%
13	Mrs. Syeda Shaireen Aziz	Director	House no.9, Road no.55 Gulshan-2, Dhaka-1212	2.01%

* For directors interest in different entities please refer to Disclosure to Annexure-E

			the Bank	Institution		31.12.2012		
1	Mr. Rubel Aziz	Chairman	Self	Credit Card	5.95	Unclassified	Marked as lien of $ 25 thousand in RFCD A/C
2	Ms. Meherun Haque	Vice-Chairman	Self	Do	0.01	Do	-
3	Mr. Aziz-Al-Kaiser	Director	Self	Do	6.70	Do	Marked as lien of $ 10 thousand in RFCD A/C
4	Mr. Deen Mohammad	Do	Self	Do	0.05	Do	Marked as lien of $ 5 thousand in RFCD A/C
5	Mr. Hossain Mehmood	Do	Self	Do	2.76	Do	-
6	Ms. Evana Fahmida Mohammad	Do	Self	Do	0.23	Do	-
7	Mr. Hossain Khaled	Do	Self	Do	0.43	Do	-
8	Mr. Mohammad Shoeb	Do	Self	Do	5.68	Do	Marked as lien of $ 4 thousand in RFCD A/C
9	Mrs. Syeda Shaireen Aziz	Do	Self	Do	2.62	Do	-
10	Ms. Tabassum Kaiser	Do	Self	Do	2.71	Do	Marked as lien of $ 5 thousand in RFCD A/C

B) Statement of other funded debts due by the Directors of the banking company as on 31-12-2012

Sl. No.	Name of Director	Present Status with the Bank	Name of the Institution	Types of Facility	Outstanding as on 31-12-2012	Classification Status	Value of Eligible Security
1	Mrs. Evana Fahmida Mrs. Mehrun Haque Mr. Mohammad Shoeb Mr. Deen Mohammad	Director	Rupayan Housing Estate Ltd.	STL	2,645.00	Unclassified	Registered mortgage of 49.85 katha land at Siddeshwary Dhaka value Tk.9,970.00 Lac.

C) Statement of non-funded debts due by the companies or firms in which the Directors of the banking company have interests as on 31-12-2012

Sl. No.	Name of Director	Present Status with the Bank	Name of the Institution	Types of Facility	Outstanding as on 31-12-2012	Classification Status	Value of Eligible Security
1	Mr. Hossain Khaled & Mr. Hossain Mehmood	Director	Monowar Industries (Pvt) Ltd.	BG	0.12	Unclassified	Margin 0.01 lac
2	Mr. Hossain Khaled & Mr. Hossain Mehmood	Director	Eulon Plastic Private Ltd.	BG	5.62	Do	Margin 0.56 lac
3	Mr. Rajibul Huq Chowdhury	Director	Shahida Trading Corporation	BG	4.11	Do	100% margin

D) Statement of funded debts due by the companies or firms in which the ex-Director of the banking company have interests as on 31-12-2012

fig. in lac

Sl.	Name of Ex-Director	Present Status with the Bank	Name of the Institution	Types of Facility	Outstanding as on 31-12-2012	Amount of Provision Created	Status of Classification	Amount of Share Holding	Nature of Security with value	Remarks
1	Mr. Zakaria.Hossain Choudhury and Mrs. Hosne Ara Begum	Ex. Director	A M Traders	CC(Pledge)	Tk. 120.28 lac	-	BL	-	-	Money Suit No. 60/2006. Stayed as per order of High Court Division. Account has been written off.
			Ahsan Traders	CC (Pledge)	Tk. 35.04 lac	-	BL	-	-	Artha Rin Exe. No. 152/05. The proceeding of the execution suit is stayed by the order of High Court. Bank has filed F.A.T No. 239/05, which is pending for hearing till date.
2	Mr. A.B.M. Feroj	Ex. Director	M/s R.P Electrical Industries	Term Loan	Tk. 46.24	-	BL	-	20 post dated Cheque	Artha Exe. No. 93/05. Stay U/S 44 of Artha Rin Adalat Ain, 2003. Account has been written off
3	Mr.Saleh Ahmed Chowdhury	Ex. Director	Saleh Fashion Ltd.	CC(Hypo)	Tk.39.70 lac	-	BL	-	a) Hypo. of machineries installed in the factory worth 24.00 Lac. b) Mortgage of Land & factory worth Tk. 26.80 lac. c) Mortgage of 5 katha land with 2-storied building worth Tk.1.00 crore d) 1st charge created with RJSC	"Artha Ex. No. 07/2009. Court vested ownership of property U/S 33(7) certified copy received on 15.12.2010 Then Court has re-called, the Certificate from S.R. Office as per Order of High Court in a writ petition no 7977/10. Rule discharged on 15.10.11 in favour of bank. Then they have filed a CPLA in the Appellate Division. We have appointed an Advocate-on-Record."
			M/s Hasan Enterprise	LIM	Tk. 530.23 lac	Tk. 530.23 lac	BL	-	-	Artha Exe. No. 196/04. Next date on January 23, 2013 for return of warrant of arrest

fig. in lac

Sl.	Name of Ex-Director	Present Status with the Bank	Name of the Institution	Types of Facility	Outstanding as on 31-12-2012	Amount of Provision Created	Status of Classification	Amount of Share Holding	Nature of Security with value	Remarks
	Mr. Mobarak Ali	Ex. Director	Md. Haider Ali	City Solution	Tk. 7.81 Lac	-	UC	-	-	-
	Mr. Azizul Haque Chowdhury	Ex. Director	M/s Shahida Trading Corporation	BG	-	-	UC	-	100% margin	-
6	Mr. Anwar Hossain & Mr. Monowar Hossain	Ex. Director	Monowar Industries (Pvt) Ltd and related Business	BG	-	-	UC	-	Margin Tk. 0.57 lac	-
7	Mr. M.A Hasem	Ex. Director	M/s Mukta Metal Industries (guarantor Mr. Abul Khair is the brother of concern director)	LIM	Tk. 5.80 lac	-	BL	-	Goods are not available	Exe. Case No. 101/03. The Court has postponed to issue next date until return of W/A written off.
			M/s Kamal Store (guarantor Mr. Abul Khair is brother of concern director)	LIM	Tk. 38.06 lac	Tk. 38.06 lac	BL	-	Do	Exe Case No. 33/98, New Exe No. 19/2003. Court has passed an order for 6 months jail from the date of arrest. Account has been written off.
			Do	Do	Tk. 42.65 lac	Tk. 42.65 lac	BL	-	Do	Exe Case No. 33/98, New Exe No. 19/2003. Court has passed an order for 6 months jail from the date of arrest. Account has been written off.
			M/s Salma Enterprise (guarantor Mr. Mafiz Ahammed is the brother of concern director)	Do	Tk. 68.91 lac	Tk. 68.91 lac	BL	-	Do	Execution case filed on March 4, 2012, M. Ex.09/2012. Next date fixed on January 20, 2013 return of W/A

The Board of Directors in its 436th meeting decided to recommend 10% (ten percent) stock dividend, i.e. 1(one) bonus share against 10(ten) shares held for the year 2012. The total amount of dividend is Tk. 631,888,912 (Taka Sixty three crore eighteen lac eighty eight thousand nine hundred and twelve) only subject to approval of the shareholders.

BALANCE WITH OTHER BANKS-OUTSIDE BANGLADESH (NOSTRO ACCOUNT) AS AT 31 DECEMBER 2012

Annexure-A

Name of the Bank	Account type	Currency type	31-12-2012 FC amount	Exchange rate	Equivalent Taka	31-12-2011 FC amount	Exchange rate	Equivalent Taka
Mashreq Bank, New York, USA	CD	US$	627,885.53	79.7524	50,075,378	163,462.02	81.8529	13,379,840
Habib American Bank, New York, USA	CD	US$	55,812.19	79.7524	4,451,156	88,269.88	81.8529	7,225,146
HSBC, London, UK	CD	GBP	4,061.90	128.9556	523,805	73,844.96	126.4832	9,340,147
Citibank N.A., New York, USA	CD	US$	(1,729,206.01)	79.7524	(137,908,329)	(81,178.02)	81.8529	(6,644,656)
Citibank N.A.,Australia	CD	AUD	27,841.57	82.6913	2,302,256	145,509.55	72.0161	10,479,031
HSBC, New York, USA	CD	US$	3,544,678.04	79.7524	282,696,581	348,197.82	81.8529	28,501,001
Standard Chartered Bank, New York, USA	CD	US$	1,195,601.59	79.7524	95,352,096	333,416.95	81.8529	27,291,144
Standard Chartered Bank, Frankfurt	CD	EURO	41,861.09	105.4446	4,414,026	17,964.98	105.8604	1,901,780
Deutschebank, Frankfurt, Germany	CD	EURO	(4,956.47)	105.4446	(522,633)	13,759.81	105.8604	1,456,619
Arab National Bank, Ryadh	CD	SAR	16,339.63	21.2659	347,477	16,339.63	21.8269	356,643
Bank of Tokyo Mitsubishi Ltd., Japan	CD	JPY	83,455.00	0.9268	77,346	21,989.99	1.0522	23,138
Deutschebank Bank Trust Comp. USA	CD	US$	(75,862)	79.7524	(6,050,169)	54,088.33	81.8529	4,427,287
Standard Chartered Bank, Kolkata, India	CD	ACUD	93,672.73	79.7524	7,470,625	40,692.20	81.8529	3,330,775
Bank of Tokyo Mitsubishi Ltd., Kolkata, India	CD	ACUD	8,199.59	79.7524	653,937	8,128.48	81.8529	665,340
HSBC, Mumbai, India	CD	ACUD	56,018.45	79.7524	4,467,606	1,886.24	81.8529	154,394
AB Bank Ltd., Mumbai, India	CD	ACUD	37,876.80	79.7524	3,020,766	(5,964.90)	81.8529	(488,244)
Sonali Bank Ltd., Kolkata, India	CD	ACUD	40,978.78	79.7524	3,268,156	36,180.78	81.8529	2,961,502
NIB Bank Limited, Karachi, Pakistan	CD	ACUD	6,011.71	79.7524	479,448	6,011.71	81.8529	492,076
Nepal Grindlays bank limited Katmondu	CD	ACUD	189,634.64	79.7524	15,123,818	1,019.64	81.8529	83,460
Commerz Bank AG. Frankfurt, Germany	CD	US$	242.01	79.7524	19,301	890.28	81.8529	72,872
Commercial Bank of Ceylon, Colombo, Srilanka	CD	ACUD	17,365.54	79.7524	1,384,943	15,432.76	81.8529	1,263,216
Bank of Bhutan, Bhutan	CD	ACUD	24,751.99	79.7524	1,974,031	24,751.99	81.8529	2,026,022
HSBC, Karachi, Pakistan	CD	ACUD	12,778.60	79.7524	1,019,124	59,716.01	81.8529	4,887,929
Commerz Bank AG. Frankfurt, Germany	CD	EURO	(33,633.84)	105.4446	(3,546,507)	474,378.68	105.8604	50,217,917
Commerz Bank AG. Frankfurt, Germany	CD	CHF	51,652.53	87.3425	4,511,461	11,541.39	86.8604	1,002,490
WACHOVIA Bank N.A , New York, USA	CD	US$	(504,731.27)	79.7524	(40,253,530)	23,613.04	81.8529	1,932,796
Mashreq Bank, Mumbai, India	CD	ACUD	173,199.01	79.7524	13,813,053	(178,642.12)	81.8529	(14,622,376)
Mashreq Bank, Mumbai, India	CD	EURO	3,318.71	105.4446	349,940	-	-	-
HDFC Bank Ltd, Mumbai, India	CD	ACUD	82,713.99	79.7524	6,596,639	-	-	-
Mashreq Bank, New York, USA (For OBU Operation)	CD	ACUD	14,824.21	79.7524	1,182,266	98,701.98	81.8529	8,079,043
Mashreq Bank, New York, USA	TD	US$	500,000.00	79.7524	39,876,200	500,000.00	81.8529	40,926,450
Sonali Bank, Kolkata, India	TD	ACUD	7,879.82	79.7524	628,435	7,879.82	81.8529	644,986
					357,798,700			201,367,767

INVESTMENT IN SHARES

AS AT 31 DECEMBER 2012

Annexure-B

Annexure-F

BALANCE SHEET OF ISLAMIC BANKING BRANCH
AS AT 31 DECEMBER 2012

Figures in Taka

	Notes	2012	2011
PROPERTY AND ASSETS			
Cash			
Cash in hand (including foreign currencies)	1	4,084,992	2,287,845
Balance with Bangladesh Bank and its agent bank(s)		295,859,158	101,134,703
(Including foreign currencies)		299,944,150	103,422,549
Balance with other banks and financial institutions	2		
In Bangladesh		2,087,900,997	502,638,492
Outside Bangladesh		-	-
		2,087,900,997	502,638,492
Placement with banks & other financial institutions		-	-
Investments in shares & securities	3		
Government		96,000,000	60,000,000
Others		-	-
		96,000,000	60,000,000
Investments (Including bills)	4		
General investments etc.		3,211,412,328	3,242,120,668
Bills purchased and discounted		-	201,140
		3,211,412,328	3,242,321,808
Fixed assets including premises, furniture and fixtures	5	18,925,523	22,825,225
Other assets	6	122,425,577	194,088,816
Non - banking assets		-	-
Total assets		5,836,608,575	4,125,296,889
LIABILITIES AND CAPITAL			
Liabilities:			
Borrowings from other banks, financial institutions and agents	7	1,200,000,000	500,000,000
Deposits and other Accounts			
Mudaraba and Manarah savings deposits		287,570,539	1,428,479,689
Mudaraba term deposits		3,830,195,096	1,904,960,243
Al-wahdia and Manarah current deposits and other accounts		107,444,851	67,078,075
Bills payable		3,326,841	4,083,938
		4,228,537,327	3,404,601,945
Other liabilities	8	408,071,248	220,694,944
Total liabilities		5,836,608,575	4,125,296,889
Capital / Shareholders' equity			
Paid up capital		-	-
Statutory reserve		-	-
Share Premium		-	-
Other reserve		-	-
Surplus in profit and loss account / Retained earnings		-	-
Total Shareholders' equity		-	-
Total liabilities and Shareholders' equity		5,836,608,575	4,125,296,889

Figures in Taka

	Notes	2012	2011
OFF BALANCE SHEET ITEMS			
Contingent liabilities			
Acceptances and endorsements		43,950,101	-
Letters of guarantee		45,641,925	283,195
Irrevocable letters of credit		554,063,836	296,871,078
Bills for collection		7,227,255	2,920,905
Other contingent liabilities		-	-
		650,883,117	300,075,178
Other commitments:		-	-
Total Off-Balance Sheet items including contingent liabilities		650,883,117	300,075,178

Annexure-F(I)

PROFIT AND LOSS ACCOUNT OF ISLAMIC BANKING BRANCH
FOR THE YEAR ENDED 31 DECEMBER 2012

Figures in Taka

	Notes	2012	2011
Profit and Investment income		635,855,202	94,763,095
Profit paid on deposits and borrowings etc.		(465,461,139)	(98,924,758)
Net investment income		170,394,063	(4,161,664)
Commission, exchange and brokerage	9	7,311,984	11,254,986
Other operating income	10	919,279	4,190,186
Total operating income		178,625,325	11,283,508
Salaries and allowances		19,295,732	12,354,918
Rent, taxes, insurance, electricity etc.		12,944,167	11,466,084
Legal expenses		-	231,525
Postage, stamp, telecommunication etc.		124,532	135,283
Stationery, printing, advertisement etc.		998,047	653,779
Depreciation and repair of Bank's assets		6,435,399	2,891,905
Other expenses	11	900,091	1,148,991
Total operating expenses		40,697,968	28,882,485
Net operating profit		137,927,358	(17,598,977)
Provision for loans and advances / investments		(10,416,951)	(36,821,170)
Provision for Off-Balance Sheet exposures		(6,804,484)	-
Total provision		(17,221,435)	(36,821,170)
Total profit / (loss) before taxes		120,705,923	(54,420,147)
Provision for Income Tax		-	-
Net profit after taxation		120,705,923	(54,420,147)

Figures in Taka

		2012	2011
1.	Cash		
1.1	Cash in hand		
	In local currency	4,084,992	2,287,845
	In foreign currency	-	-
		4,084,992	2,287,845
1.2	Balance with Bangladesh Bank and its agent bank(s)		
	In local currency	295,859,158	101,134,703
	In foreign currency	-	-
		295,859,158	101,134,703
2.	Balance with other banks and financial institutions		
	In Bangladesh (note 2.1)	2,087,900,997	502,638,492
	Outside Bangladesh	-	-
		2,087,900,997	502,638,492
2.1	In Bangladesh		
	Mudaraba savings deposit accounts		
	Social Islami Bank Ltd.	718,954	693,492
	South East Bank Ltd.	335,579,585	-
		336,298,539	693,492
	Mudaraba Short Notice Deposits		
	AB Bank Ltd.	1,602,458	590,000
	Mudaraba term deposit accounts		
	Social Islami Bank Ltd.	200,000,000	200,455,000
	Export Import Bank of Bangladesh Ltd.	550,000,000	300,900,000
	South East Bank Ltd.	400,000,000	-
	AB Bank limited	400,000,000	-
	Jamuna Bank Ltd	200,000,000	-
		1,750,000,000	501,355,000
		2,087,900,997	502,638,492
3	Investments in shares & securities		
	i) Investment classified as per Bangladesh Bank Circular		
	Held to Maturity (HTM)	96,000,000	60,000,000
		96,000,000	60,000,000
	ii) Investment securities are classified as follows		
	a) Government bond		
	6 month Islami bond	-	60,000,000
	1 year Islamic bond	86,000,000	-
	2 years Islamic bond	10,000,000	-
	b) Other investments	-	-
		96,000,000	60,000,000

Figures in Taka

		2012	2011
4	Investments		
	i) Investments		
	Inside Bangladesh		
	Bai-muazzal	63,184,035	35,697,154
	Bai-salam	-	181,712
	Murabaha	1,148,906,584	1,538,467,216
	Hire purchase shirkatul melk (HPSM)	1,994,933,708	1,660,385,086
	Quard	4,388,000	7,389,500
		3,211,412,328	3,242,120,668
	Outside Bangladesh	-	-
		3,211,412,328	3,242,120,668
	ii) Bills purchased and discounted		
	Payable Inside Bangladesh		
	Inland bills purchased	-	201,140
	Payable Outside Bangladesh		
	Foreign bills purchased and discounted	-	-
		-	201,140
		3,211,412,328	3,242,321,808
5	Fixed assets including premises, furniture and fixtures		
	Cost		
	Furniture and fixtures	14,610,099	14,597,296
	Office equipment and machinery	16,624,095	16,403,603
		31,234,193	31,000,898
	Less: Accumulated depreciation	(12,308,671)	(8,175,673)
		18,925,523	22,825,225
6	Other assets		
	Stationery and stamps	364,433	31,478
	Advance deposits and advance rent	29,047,703	32,740,883
	Advance tax	3,211,985	3,032,356
	Loss for the year to be born by HO	-	17,598,977
	Profit receivable from Investment	89,680,000	-
	Account receivable (note -6.1)	121,457	1,553
	Branch adjustment account	-	140,683,568
		122,425,577	194,088,816

6.1 Suspense account includes amount outstanding against sundry debtors.

		2012	2011
7	Borrowings from other banks, financial institutions and agents		
	In Bangladesh (Note-7.1)	1,200,000,000	500,000,000
	Outside Bangladesh	-	-
		1,200,000,000	500,000,000
7.1	In Bangladesh		
	Bangladesh Bank for 3 Months	-	200,000,000
	Bangladesh Bank for 100 Days	200,000,000	-
	Bangladesh Bank for 5 Months	400,000,000	-
	Bangladesh Bank for 6 Months	600,000,000	300,000,000
		1,200,000,000	500,000,000

Figures in Taka

		2012	2011
8	Other liabilities		
	Profit suspense account	350,777	386,804
	Expense payable	204,080	1,649,188
	Profit payable account	121,891,017	39,852,455
	Provision for investment	48,388,121	37,971,170
	Provision for Off Balance Sheet Exposures	6,804,484	-
	Profit Payable to Head Office	120,705,923	-
	Profit mark up account	78,656,301	126,428,631
	Unrealized Compensation	8,301,300	6,485,853
	Realized Compensation	3,958,440	236,996
	Branch adjustment account	13,943,594	-
	Others	4,867,210	7,683,847
		408,071,248	220,694,944
9	Commission, exchange and brokerage		
	Commission on L/Cs	4,105,371	1,645,000
	Commission on L/Gs	80,720	20,220
	Commission on export bills	26,572	48,096
	Commission on bills purchased	63,537	182,740
	Commission on accepted bills	144,615	198,098
	Commission on OBC, IBC etc.	1,504	8,165
	Commission on PO, DD, TT, TC, etc.	30,600	57,045
	Other Fees and charges (note-9.1)	2,858,065	9,040,222
	Other commission	1,000	55,400
		7,311,984	11,254,986
	Exchange gain	-	-
	Brokerage	-	-
		-	-
		7,311,984	11,254,986
9.1	Other Fees and charges		
	Service charges on Deposits	770,336	669,444
	Cheque book fees	157,925	70,950
	Investment processing fees	1,888,304	8,287,678
	Clearing return	38,400	9,200
	Charges on account closing and transfer	3,100	2,950
		2,858,065	9,040,222
10	Other operating income		
	Postage / telex / SWIFT/ fax recoveries	386,981	1,137,500
	Locker rent	31,250	31,000
	Miscellaneous earnings (Note-10.1)	501,048	3,021,686
		919,279	4,190,186

10.1 Miscellaneous earnings includes earning for issuing various certificate and bank statements on demand of customers.

		2012	2011
11	Other expenses		
	Washing and cleaning	4,873	9,218
	Branch up keep	-	19,179
	Entertainment	71,645	51,653
	Conveyance	34,995	25,630
	Newspapers	2,313	-
	Miscellaneous expenses	786,265	1,043,311
		900,091	1,148,991

Annexure-G

BALANCE SHEET OF OFF-SHORE BANKING UNITS
AS AT 31 DECEMBER 2012

	Notes	2012		2011
		USD	Taka	Taka
PROPERTY AND ASSETS				
Cash				
Cash in hand (including foreign currencies)		-	-	-
Balance with Bangladesh Bank and its agent bank(s)		-	-	-
(Including foreign currencies)		-	-	-
Balance with other banks and financial institutions				
In Bangladesh		-	-	-
Outside Bangladesh	1	14,824	1,182,266	8,079,043
		14,824	1,182,266	8,079,043
Investments in shares & securities				
Government		-	-	-
Others		-	-	-
		-	-	-
Loans and advances / Investments	2			
Loans, cash credits, overdrafts, etc./ general investments		9,039,181	720,896,359	605,171,380
Bills purchased and discounted		23,884,861	1,904,874,991	127,711,985
		32,924,042	2,625,771,350	732,883,365
Fixed assets including premises, furniture and fixtures		-	-	-
Other assets		500,860	39,944,774	-
Non - banking assets		-	-	-
Total assets		33,439,726	2,666,898,389	740,962,408
LIABILITIES AND CAPITAL				
Liabilities:				
Borrowings from other banks, financial institutions and agents	3	30,000,000	2,392,572,000	572,970,300
Deposits and other Accounts		-	-	-
Other liabilities	4	3,439,726	274,326,389	167,992,108
Total liabilities		33,439,726	2,666,898,389	740,962,408
Capital / Shareholders' equity				
Paid up capital		-	-	-
Statutory reserve		-	-	-
Share Premium		-	-	-
Other reserve		-	-	-
Surplus in profit and loss account / Retained earnings		-	-	-
		-	-	-
Total liabilities and Shareholders' equity		33,439,726	2,666,898,389	740,962,408
OFF BALANCE SHEET ITEMS				
Contingent liabilities				
Acceptances and endorsements		-	-	-
Letters of guarantee		-	-	-
Irrevocable letters of credit		-	-	-
Bills for collection		-	-	-
Other contingent liabilities		-	-	-
		-	-	-
Other commitments:		-	-	-
Total Off-Balance Sheet items including contingent liabilities		-	-	-

Annexure-G(I)

PROFIT AND LOSS ACCOUNT OF OFF-SHORE BANKING UNITS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012		2011
		USD	Taka	Taka
Interest income	5	661,984	52,794,793	81,785,845
Interest / paid on borrowings		(518,046)	(41,315,413)	(18,681,166)
Net investment income		143,938	11,479,379	63,104,679
Commission and exchange		32,310	2,576,782	-
Other operating income	6	879	70,102	10,232
Total operating income		177,127	14,126,264	63,114,911
Other expenses		-	-	-
Total operating expenses		-	-	-
Net operating profit		177,127	14,126,264	63,114,911
Provision for loans and advances / investments		-	-	-
Provision for Off-Balance Sheet exposures		-	-	-
Provision for gratuity		-	-	-
Provision for diminution in value of investments		-	-	-
Other provision		-	-	-
Total provision		-	-	-
Total profit / (loss) before taxes		177,127	14,126,264	63,114,911
Provision for Income Tax		-	-	-
Net profit after taxation		177,127	14,126,264	63,114,911

		2012		2011
		USD	Taka	Taka
1	Balance with other banks and financial institutions			
	In Bangladesh	-	-	-
	Outside Bangladesh	14,824	1,182,266	8,079,043
		14,824	1,182,266	8,079,043

OBU maintain its own account relating Offshore Banking business separately in Mashreq Bank, New York, USA .

		2012		2011
		USD	Taka	Taka
2	Loans and advances / Investments			
	Loans, cash credits, overdrafts, etc./ general investments			
	Term Loan	9,039,181	720,896,359	605,171,380
	Short Term Loan	-	-	
		9,039,181	720,896,359	605,171,380
	Bills purchased and discounted	23,884,861	1,904,874,991	127,711,985
	Loans and advances / Investments	32,924,042	2,625,771,350	732,883,365
3	Borrowings from other banks, financial institutions and agents			
	In Bangladesh	2,000,000	159,504,800	572,970,300
	Outside Bangladesh	28,000,000	2,233,067,200	-
		30,000,000	2,392,572,000	572,970,300
4	Other liabilities			
	VAT Payable	8,165	651,196	294,670
	Payable to Main operation	2,889,141	230,415,898	130,712,830
	Provision for loans and advances	462,832	36,912,000	36,912,000
	Interest payable account	79,588	6,347,295	72,608
		3,439,726	274,326,389	167,992,108
5	Interest income			
	Interest Income from Loan and Advances	314,440	25,077,349	71,886,369
	Interest Income from bills purchased and discounted	347,544	27,717,443	9,899,476
		661,984	52,794,793	81,785,845
6	Other operating income			
	Management Fees	-	-	-
	Rebate from Letter of Credit (Note- 6.1)	879	70,102	10,232
		879	70,102	10,232

6.1 Income received through getting rebate for settlement of Usance Letter of Credit at Sight.

AUDITORS' REPORT TO THE SHAREHOLDERS OF CITY BROKERAGE LTD

We have audited the accompanying financial statements of City Brokerage Ltd (the Company), which comprises the statement of Financial Position (Balance Sheet) as at 31 December 2012, statement of comprehensive Income (profit and loss statement), statement of cash flows and statement of changes in equity for the year ended on that date, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards the Companies Act, 1994 and other applicable laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

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 a 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 the auditors' 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 circumstance, 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, prepared in accordance with Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards, give a true and fair view of the state of the Company's affairs as at 31 December 2012 and the results of its operations and its cash flows for the year then ended and comply with requirements of Companies Act, 1994 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 Company so far as it appeared from our examination of those books;

(c) the statement of financial position (balance sheet) and statement of comprehensive income (profit and loss statement) dealt with by the report are in agreement with the books of account and returns.

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 06 February 2013

S. F. AHMED & CO
Chartered Accountants

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AT 31 DECEMBER 2012

Figures in Taka

	Notes	2012	2011
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	30,905,829	38,350,300
Intangible assets	4	2,567,917	2,250,140
Membership fees	5	600,000,000	600,000,000
Investment in securities	6	536,760,488	231,789,322
		1,170,234,234	872,389,763
Current Assets			
Advance payment of corporate income tax	7	46,033,840	32,393,591
Accounts receivable	8	2,823,746,068	3,027,634,547
Other receivable		-	48,714,855
Advances, deposits and prepayments	9	19,341,257	21,081,426
Cash and cash equivalents	10	361,485,649	116,161,316
		3,250,606,814	3,245,985,735
Total Assets		4,420,841,048	4,118,375,498
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	11	600,000,000	600,000,000
Retained earnings		89,000,025	58,521,516
		689,000,025	658,521,516
Current Liabilities			
Short term loan	12	3,477,707,429	3,216,102,983
Payable to clients	13	198,899,252	115,570,600
Accounts payable	14	1,231,287	91,593,055
Accrued expenses		69,000	57,500
Provision against employees provident fund		842,162	-
Withholding tax		-	6
Provision for corporate income tax	15	53,091,894	36,529,838
		3,731,841,024	3,459,853,982
Total Shareholders' Equity and Liabilities		4,420,841,048	4,118,375,498

See annexed notes

for City Brokerage Ltd

Managing Director & CEO — Director — Chairman/Director

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 06 February 2013

S. F. AHMED & CO
Chartered Accountants

STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS STATEMENT)
FOR THE YEAR ENDED 31 DECEMBER 2012

Figures in Taka

	Notes	2012	2011
Revenue			
Brokerage commission	16	128,235,390	178,854,341
Capital gain on investment		46,390,355	10,747,096
Dividend Income		1,190,195	68,360
Other operating income	17	6,450,717	8,200,515
Total operating income		182,266,657	197,870,312
Less: Operating expenses			
Direct cost	18	6,385,231	10,690,506
Other operating expenses	19	79,594,201	97,877,733
		85,979,432	108,568,240
Operating profit		96,287,225	89,302,073
Fair value adjustments for fall in values of investment in securities		-	(3,709,791)
Finance income - interest on margin loan		442,529,081	411,425,867
Finance cost - interest on borrowed fund		(487,625,838)	(422,954,592)
Net finance income		(45,096,757)	(11,528,724)
Profit before corporate income tax		51,190,468	74,063,557
Provision for corporate income tax	15.1	(20,711,959)	(36,529,838)
Profit after tax		30,478,509	37,533,719
Other comprehensive income		-	-
Total comprehensive income for the year		30,478,509	37,533,719

See annexed notes

for City Brokerage Ltd

Managing Director & CEO — Director — Chairman/Director

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 06 February 2013

S. F. AHMED & CO
Chartered Accountants

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

Figures in Taka

	2012	2011
Cash Flows from Operating Activities		
Profit before tax	51,190,468	74,063,558
Adjustment for non-cash item:		
Depreciation and amortisation	8,600,166	6,549,589
	59,790,634	80,613,147
Changes in working capital components:		
Increase in accounts receivable	(3,720,158)	530,752,792
Decrease in margin loan to clients	256,323,491	(100,557,769)
Decrease in advances, deposits and prepayments	1,740,169	(2,185,008)
Increase in advance income tax	(13,640,249)	(25,275,115)
Increase in short term loan	261,604,446	448,142,251
Decrease in accounts payable	(17,308,528)	(1,169,001,087)
Provision for expenses	(3,836,291)	3,767,291
	481,162,881	(314,356,644)
Net cash from/(used in) operating activities	540,953,515	(233,743,497)
Cash Flows from Investing Activities		
Investment in shares	(294,155,710)	(240,351,554)
Acquisition of property, plant and equipment	(1,023,472)	(23,167,971)
Payment for intangible assets	(450,000)	(2,049,450)
Net cash used in investing activities	(295,629,182)	(265,568,975)
Cash Flows from Financing Activities		
Issue of share capital	-	-
Net cash from financing activities	-	-
Net changes in cash and cash equivalents	245,324,333	(499,312,473)
Opening cash and cash equivalents	116,161,316	615,473,789
Closing cash and cash equivalents	361,485,649	116,161,316

for City Brokerage Ltd

Managing Director & CEO — Director — Chairman/Director

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 06 February 2013

S. F. AHMED & CO
Chartered Accountants

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

Figures in Taka

Particulars	Share capital	Retained earnings	Total
Year ended 31 December 2011:			
Balance at 01 January 2011	600,000,000	20,987,798	620,987,798
Net profit for the year	-	37,533,719	37,533,719
Balance at 31 December 2011	600,000,000	58,521,517	658,521,517
Year ended 31 December 2012:			
Balance at 01 January 2012	600,000,000	58,521,517	658,521,517
Net profit for the year	-	30,478,509	30,478,509
Balance at 31 December 2012	600,000,000	89,000,026	689,000,026

for City Brokerage Ltd

Managing Director & CEO — Director — Chairman/Director

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 06 February 2013

S. F. AHMED & CO
Chartered Accountants

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. Company and its activities

1.1 Status of the Company

City Brokerage Ltd (the Company) was incorporated in Bangladesh on 31 March 2010 as a private limited company under the Companies Act, 1994 vide certificate of incorporation no. C-83616/10. It is a subsidiary company of The City Bank Limited, a banking company incorporated in Bangladesh under Banking Companies Act, 1991. Though the Company was incorporated on 31 March 2010 but it started its operation from 15 November 2010. The registered office of the Company is situated at Jiban Bima Tower, 10 Dilkusha Commercial Area, Dhaka 1000. The Company has three branches each located at Gulshan, Dhanmondi and Nikunja, Dhaka and two other branches at Chittagong and Sylhet. The legal status of the Company has been converted into public limited company from private limited company in June 2012 in compliance with Bangladesh Securities and Exchange Commission (Stock Dealer, Stock Broker and Authorized Representatives) Rules 2000.

1.2 Nature of business

The main objectives of the Company for which it was incorporated are to carry on the business of stockbroker/stock dealers and other related business in connection with securities dealing. Other objectives of the Company are to buy, sell, hold or otherwise acquire or invest the capital of the Company in shares, stocks and fixed income securities.

2. Significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BAS), under historical cost convention on a going concern basis and the requirements of Companies Act, 1994 and Securities and Exchange Rules, 1987.

2.2 Property, plant and equipment and depreciation

These are stated at cost less accumulated depreciation. Depreciation is charged on the items of property, plant and equipment using straight-line method in accordance with BAS 16. Full month's depreciation is charged on additions irrespective of date of their acquisition and no depreciation is charged in the month of disposal. The rates of depreciation on various classes of property, plant and equipment are as under:

Category of asset	Rate
Furniture and fixtures	10%
Office equipment	20%
Motor vehicle	20%

2.3 Intangible assets and amortisation

Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of asset can be measured reliably in accordance with BAS 38 "Intangible Assets". Accordingly, these are stated in the Statement of Financial Position at cost less amortisation.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances, cheques awaiting for collection and fixed deposits which are held and are available for use by the Company without any restriction.

2.5 Events after reporting period

No events were occurred after the date of statement of financial position that could affect the financial position of the Company or required disclosure.

2.6 Accrual

The expenses, irrespective of capital or revenue nature, accrued/ due but not paid have been provided in the books of account of the Company.

2.7 Provision against employees provident fund

Provident fund benefits are given to the permanent employees of the Company in accordance with the Provident Fund Rules which are yet to recognize by National Board of Revenue (NBR). The fund is operated by a Board of Trustees consisting of four members (all members are from management of the Company). All confirmed employees of the company are contributing 10% of their basic salary as subscription to the Fund. The Company also contributes equal amount of the employees' contribution.

Figures in Taka

		2012	2011
3.	Property, plant and equipment		
	Cost	46,492,443	45,468,971
	Less: Accumulated depreciation	15,586,614	7,118,670
	Net book value	30,905,829	38,350,300
	Details are in Annex A.		
4.	Intangible assets		
	Cost of software	2,802,800	2,352,800
	Less: Accumulated amortisation	234,883	102,660
	Net book value	2,567,917	2,250,140
5.	Membership fees		
	Dhaka Stock Exchange Ltd (DSE)	580,999,000	580,999,000
	Chittagong Stock Exchange Ltd (CSE)	19,001,000	19,001,000
		600,000,000	600,000,000
6.	Investment in securities	536,760,488	231,789,322

This represents investment made by the Company in purchase of shares of various listed companies by Dhaka Stock Exchange Ltd (DSE) and Chittagong Stock Exchange Ltd (CSE) through its dealer account. The market value of the investment is Taka 543,002,441.50 as at 31 December 2012.

		2012	2011
7.	Advance payment of corporate income tax	46,033,840	32,393,591

The above amount represents income tax withheld from the transactions of traded securities @ 0.05% which is the final tax liability of the Company under section 82C of the IT Ordinance 1984.

		2012	2011
8.	Accounts receivable		
	Receivable from		
	DSE	(31,858,723)	(83,575,034)
	CSE	26,462,198	25,743,497
	Clients (note 8.1)	2,829,099,848	3,085,423,339
	Receivable against expenses	42,745	42,745
		2,823,746,068	3,027,634,547

8.1 Receivable from clients

The above amount is receivable from 1,327 individual and institutional clients against margin loan for investing in securities through the Company.

		2012	2011
9.	Advances, deposits and prepayments		
	Advance to/against		
	Office rent	13,193,314	15,995,293
	Insurance	51,710	33,333
	Corporate guarantee fee (note 9.1)	5,731,433	2,300,000
	Employees	111,800	179,800
	Supplies	210,000	1,520,000
	Management expenses	-	1,010,000
	Deposit to Grameen Phone	36,000	36,000
	Deposits	7,000	7,000
		19,341,257	21,081,426

Figures in Taka

9.1 Corporate guarantee fee

This represents amount of fee payable to the City Bank Ltd, the parent company of City Brokerage Ltd, as corporate guarantee fee.

10. Cash and cash equivalents

Cash and cash equivalents consist of the bank balances with Principal Office of The City Bank Ltd, cheque deposited with bank for clearing and petty cash held at head office and branches. Account-wise outstanding balance at 31 December 2012 is given below:

	2012	2011
Bank balances with The City Bank Ltd account nos:		
1101132314001	279,063,426	75,624,140
1101132315001	46,623,216	401,821
1101132310001	243,763	2,251,308
SCB-01111058801	2,332,594	10,398,200
HSBC-001-061985-011	6,257,003	-
MTBL-00220210005086	2,000	72,000
	334,522,001	88,747,469
Cheques awaiting for collection	26,886,148	27,356,347
Petty cash	77,500	57,500
	361,485,649	116,161,316

		2012	2011
11.	Share capital		
	Authorised capital		
	500,000,000 shares of Taka 10 each	5,000,000,000	2,000,000,000
	Issued, subscribed and paid-up capital		
	The City Bank Ltd		
	59,994,000 shares of Taka 10 each fully paid-up	599,940,000	599,940,000
	Individual		
	6,000 shares of Taka 10 each fully paid-up	60,000	60,000
		600,000,000	600,000,000
12.	Short term loan	3,477,707,429	3,216,102,983

The City Bank Ltd:

This loan was taken from The City Bank Ltd in the form of overdraft where the overdraft facility limit is Taka 275 crore for margin financing and prefunding support for foreign trade of foreign clients bearing interest @ 14.50% per annum subject to revision by bank management from time to time.

Mutual Trast Bank Ltd (MTBL):

This loan was taken from MTBL in the form of overdraft (general) for margin financing and prefunding support for foreign trade of foreign clients bearing interest @ 18.00% per annum subject to revision by bank management from time to time.

		2012	2011
13.	Payable to clients	198,899,252	115,570,600

This represents sale proceeds of clients' securities which is being held for buy of marketable securities or refund to the clients as per their instructions.

		2012	2011
14.	Accounts payable		
	The City Bank Ltd (note 14.1)	553,377	58,309,786
	Guarantee fee	-	1,169,167
	Interest expenses	-	9,902,778
	Diminution in value of investment	-	3,709,791
	Central Depository Bangladesh Ltd	677,910	5,771,631
	Commission payable	-	12,729,902
		1,231,287	91,593,055

Figures in Taka

		2012	2011
14.1	Payable to The City Bank Ltd		
	Opening balance	58,309,786	987,530,676
	Less: Paid during the year	57,756,409	929,220,890
	Closing balance	553,377	58,309,786
15.	Provision for corporate income tax		
	Opening balance	36,529,838	
	Add: Provision made during the year (note 15.1)	20,711,959	
		57,241,797	
	Less: Paid during the year	4,149,903	
	Closing balance	53,091,894	

15.1 Provision made during the year

Provision for corporate income tax is made on various sources of income following applicable tax rates on those income as computed below::

Nature of income	Source of income/Taka	Applicable tax rate (%)	Provision/ Taka
Brokerage Commission	128,235,390	(**)	13,420,865
Business Income			
Dividend income	1,190,195	20.00	233,039
Other operating income	6,450,717	37.50	2,419,019
Capital gains on sale of shares	46,390,355	10.00	4,639,036
	182,266,657		20,711,959

(**) The above amount represents income tax withheld from the transactions of traded securities @ 0.05% which is the final tax liability of the Company under section 82C of the IT Ordinance 1984.

		2012	2011
16.	Brokerage commission from		
	Dhaka Stock Exchange Ltd	123,591,828	165,625,132
	Chittagong Stock Exchange Ltd	4,643,562	13,229,209
		128,235,390	178,854,341
17.	Other operating income		
	Account opening fee	279,200	202,750
	BO account maintenance fee	366,800	297,525
	Others	5,804,717	7,700,240
		6,450,717	8,200,515
18.	Direct cost		
	Hawla charges	1,045,314	1,252,128
	Laga charges	5,339,917	9,438,378
		6,385,231	10,690,506
19.	Operating expenses		
	Salary and allowances	38,157,006	40,776,855
	Office rent	10,872,990	10,667,952
	Depreciation	8,467,943	6,462,097
	Corporate guarantee fee	6,899,999	18,419,167
	Third party service fee	3,663,503	3,240,434
	Business development	3,116,000	5,080,253

Figures in Taka

	2012	2011
Internet expenses	2,547,700	1,588,555
Printing and stationery	1,532,637	1,637,111
Office maintenance	1,515,174	1,031,896
Traveling and conveyance	1,289,768	1,501,838
Utilities	1,135,590	1,042,455
Telephone and mobile	937,188	677,616
Entertainment	901,877	1,027,893
Training expenses	540,078	2,039,050
Subscription and fees	479,007	186,156
Car maintenance	393,119	346,072
Board meeting fees	180,000	70,000
Insurance premium	136,753	-
Amortisation of software	132,223	87,492
Legal and professional fees	128,663	1,450,950
Bank charges	71,323	5,060
Audit fee	60,000	50,000
Newspaper and periodicals	57,903	80,682
Board meeting expenses	49,107	56,593
Advertisement and publicity	31,800	326,149
Postage and courier	6,643	25,411
Unrealized loss on investment	(3,709,791)	-
	79,594,201	97,877,733

20. Contingent liability and commitments

The Company has given bank guarantees to DSE and CSE against the requirements of Member's Margin Rule 2000 of DSE and CSE. Details of which are given below:

Bank guarantee no. and date	In favour of	Amounts in Taka
101SD0002310 dated 15 November 2012	Dhaka Stock Exchange Ltd	500,000,000
101SD0002410 dated 15 November 2012	Chittagong Stock Exchange Ltd	100,000,000

21. Others

21.1 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

21.2 Figures in these notes and annexed financial statements have been rounded off to the nearest Taka

for City Brokerage Ltd

Managing Director & CEO — Director — Chairman/Director

Dhaka, Bangladesh
Dated, 06 February, 2013

Annex A

DETAIL OF PROPERTY, PLANT AND EQUIPMENT
AT 31 DECEMBER 2012

Figures in Taka

Particulars	Cost: Balance at 01 Jan 2012	Cost: Additions	Cost: Sale/ disposal	Cost: Total at 31 Dec. 2012	Rate (%)	Depreciation: Balance at 01 Jan 2012	Depreciation: Charged for the year	Depreciation: Adjustment	Depreciation: Total at 31 Dec. 2012	Net book value at 31 Dec 2012
1	2	3	4	5 = 2+5-4		6	7	8	9=6+7-8	10=5-9
Furniture and Fixtures	19,307,594	24,722	-	19,332,316	10	1,796,811	2,822,617	-	4,619,428	14,712,888
Office equipment	21,371,901	998,750	-	22,370,651	20	4,683,263	4,687,430	-	9,370,693	12,999,958
Motor Vehicle	4,789,476	-	-	4,789,476	20	638,597	957,895	-	1,596,492	3,192,984
Total at 31 Dec 2012	45,468,971	1,023,472	-	46,492,443		7,118,671	8,467,943	-	15,586,614	30,905,829
Total at 31 Dec 2011	24,327,101	21,141,870	-	45,468,971		656,573	6,462,097	-	7,118,671	38,350,300

AUDITORS' REPORT TO THE SHAREHOLDERS OF CITY BANK CAPITAL RESOURCES LIMITED

We have audited the accompanying financial statements of City Bank Capital Resources Limited (the company), which comprises the statement of financial position (balance sheet) as at 31 December 2012, statement of comprehensive income (profit and loss statement) and statement of cash flows for the year ended on that date, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards, the Companies Act, 1994 and other applicable laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 relevant 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 the auditors' judgement, 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, prepared in accordance with Bangladesh Accounting Standards/ Bangladesh Financial Reporting Standards, give a true and fair view of the state of the company's affairs and its group as at 31 December 2012 and of the results of their operations and their cash flows for the year then ended and comply with the requirements of Companies Act, 1994 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 company so far as it appeared from our examination of those books; and

(c) the statement of financial position (balance sheet) and statement of comprehensive income (profit and loss statement) dealt with by the report are in agreement with the books of account and returns.

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 04 February 2012

S. F. AHMED & CO
Chartered Accountants

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AT 31 DECEMBER 2012

Figures in Taka

	Notes	2012	2011
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	858,781	409,115
Intangible assets	4	2,080,829	2,190,833
		2,939,610	2,599,948
Current Assets			
Advances, deposits and prepayments	5	1,734,507	493,929
Margin loan		21,911,428	-
Accounts receivable	6	8,795,616	3,081,896
Cash and cash equivalents	7	117,693,399	104,904,486
		150,134,950	108,480,311
Total Assets`		153,074,560	111,080,259
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	8	100,000,000	100,000,000
Retained earnings	9	1,518,329	278,180
		101,518,329	100,278,180
Current Liabilities			
Accounts payable	10	31,092,781	10,339,255
Customer deposit		19,467,422	102,212
Provision for expenses	11	69,076	177,750
Provision for corporate income tax	12	926,952	182,862
		51,556,231	10,802,079
Total shareholders' equity and liability		153,074,560	111,080,259

See annexed note

for City Bank Capital Resources Limited

Chairman — Managing Director & CEO

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 04 February 2013

S. F. AHMED & CO
Chartered Accountants

STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS STATEMENT)
FOR THE YEAR ENDED 31 DECEMBER 2012

Figures in Taka

	Notes	2012	2011
REVENUE			
Fees from corporate advisory services	13.1	5,372,396	2,305,557
Fees and commission from portfolio management services	13.2	5,438,494	25,564
Total operating income		10,810,890	2,331,121
Less:Operating expenses	14	18,418,173	5,466,421
Net operating income/(loss)		(7,607,283)	(3,135,300)
Finance income	15	9,591,522	3,622,932
Profit before income tax		1,984,239	487,632
Income tax expenses		744,090	182,862
Profit after tax		1,240,149	304,770
Other comprehensive income		-	-
Total comprehensive income for the year		1,240,149	304,770

for City Bank Capital Resources Limited

Chairman — Managing Director & CEO

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 04 February 2013

S. F. AHMED & CO
Chartered Accountants

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

Figures in Taka

		2012	2011
A.	Cash Flows from Operating Activities		
	Profit before tax	1,984,239	487,632
	Adjustments for non-cash item:		
	Depreciation and amortisation	284,758	27,150
		2,268,997	514,782
	Changes in working capital components:		
	Increase in accounts receivable	(5,713,720)	(3,081,896)
	Increase in advances, deposits and prepayments	(1,240,578)	(493,929)
	Increase in margin loan	(21,911,428)	-
	Increase in accounts payable	20,753,526	10,339,255
	Increase in customer deposit	19,365,210	102,212
	Decrease in provision for expenses	(108,674)	156,850
		11,144,336	7,022,492
	Net cash from operating activities	13,413,333	7,537,274
B.	Cash Flows from Investing Activities		
	Acquisition of property, plant and equipment	(624,420)	(427,098)
	Acquisition of intangible assets	-	(2,200,000)
	Net cash used in investing activities	(624,420)	(2,627,098)
C.	Cash Flows from Financing Activities		
	Issue of share capital	-	-
	Net cash from financing activities	-	-
D.	Net changes in cash and cash equivalents (A+B+C)	12,788,913	4,910,176
E.	Opening cash and cash equivalents	104,904,486	99,994,310
F	Closing cash and cash equivalents(D+E)	117,693,399	104,904,486

for City Bank Capital Resources Limited

Chairman — Managing Director & CEO

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 04 February 2013

S. F. AHMED & CO
Chartered Accountants

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

Figures in Taka

Particulars	Share capital	Retained earnings	Total
Year ended 31 December 2011:			
Balance at 01 January 2011	100,000,000	(26,590)	99,973,410
Net profit for the year	-	304,770	304,770
Balance at 31 December 2011	100,000,000	278,180	100,278,180
Year ended 31 December 2012:			
Balance at 01 January 2012	100,000,000	278,180	100,278,180
Net profit for the year	-	1,240,149	1,240,149
Balance at 31 December 2012	100,000,000	1,518,329	101,518,329

for City Bank Capital Resources Limited

Chairman — Managing Director & CEO

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 04 February 2013

S. F. AHMED & CO
Chartered Accountants

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. Reporting entity

City Bank Capital Resources Limited (the Company), a fully owned subsidiary of The City Bank Limited is a private company limited by shares was incorporated in Bangladesh on 17 August 2009 vide registration no. C-79186/09 under the Companies Act 1994. The registered office of the Company is situated at Jiban Bima Tower, 10 Dilkusha Commercial Area, Dhaka 1000.

Nature of business

City Bank Capital Resources Limited delivers a whole range of investment banking services including merchant banking activities such as issue management, underwriting, portfolio management and corporate advisory.

2. Significant accounting policies

2.1 Basis of preparation of financial statement

The financial statements of City Bank Capital Resources Limited include the Statement of Financial Position (Balance Sheet), Statement of Comprehensive Income (Profit and Loss Statement), Statement of Cash Flows, Statement of Changes in Equity and notes to the accounts. These financial statements have been prepared under historical cost convention on a going concern basis in accordance with Bangladesh Accounting Standards (BAS) / Bangladesh Financial Reporting Standards (BFRS), the Companies Act, 1994 and Bangladesh Securities and Exchange Rules, 1987.

2.2 Property, plant and equipment

These are stated at cost less accumulated depreciation. Depreciation is charged on the items of property, plant and equipment using straight-line method in accordance with BAS-16 "Property, Plant and Equipment". Full month's depreciation is charged on additions irrespective of date of acquisition of asset and no depreciation is charged in the month of disposal. The rates of depreciation on various classes of property, plant and equipment are as under:

Category of asset	Rate
Office equipment	20%
Furniture and fittings	10%
Software	5%

2.3 Intangible assets and amortisation

Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of asset can be measured reliable in accordance with BAS-38 "Intangible Assets". Accordingly these are stated in the Statements of Financial Position at cost less amortisation. Currently the Company has a software "Mbank" which is considered as an intangible asset and is therefore amortised at the rate of 5% per annum.

2.4 Provision for expenses

Provision for expenses is recognised when the Company 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 reliable estimate of the amount can be measured.

2.5 Provision for taxation

Provision for current income tax is made at the rate of 37.5% on accounting profit of the company without considering taxable allowances and disallowances.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and fixed deposits which are held and are available for use by the Company.

2.7 Currency

The amounts in the Financial Statements have been rounded off to the nearest Taka.

2.8 Events after reporting period

Events after the reporting period that provide additional information about the Company's position at the reporting period are reflected in the financial statements. Events after the reporting period that are not adjusting event are disclosed in the note when material.

No material event had occurred after the reporting period, which could substantially effect the values reported in the financial statements.

Figures in Taka

		2012	2011
3.	Property, plant and equipment		
3.1	Office equipment		
	Cost	427,098	427,098
	Add: Addition during the year	564,220	-
		991,318	427,098
	Less: Accumulated depreciation	191,606	17,983
	Carrying value	799,712	409,115
	Details are shown in Annex A.		
3.2	Furniture and fittings		
	Cost	-	-
	Add: Adddition during the year	60,200	-
		60,200	-
	Less: Accumulated depreciation	1,131	-
	Carrying value	59,069	-
	Details are shown in Annex A.		
4.	Intangible assets		
	Cost of software	2,200,000	2,200,000
	Less: Accumulated amortisation	119,171	9,167
	Carrying value	2,080,829	2,190,833
5.	Advances, deposits and prepayments		
	Central Depository Bangladesh Ltd (CDBL)	200,000	200,000
	Interior Design (Ms. Tania Karim)	187,500	-
	Advance income tax withheld from interest on fixed deposits	1,347,007	293,929
		1,734,507	493,929
6.	Accounts receivable		
	Receivable from:		
	City Brokerage Ltd	4,668,599	1,817,704
	Best Holdings Ltd	2,012,500	580,556
	Apex Hotels Ltd	150,000	-
	Summit Purbanchal	533,320	-
	Wilson Food & Beverage Ltd	500,000	-
	Desney Propertise Ltd	500,000	-
	Argaon	131,250	-
	Interest receivable	299,947	683,636
		8,795,616	3,081,896
7.	Cash and cash equivalents		
	"Cash and cash equivalents include various deposits accounts maintained with The City Bank Ltd as stated below:"		
	Cash in Hand	2,105	-
	Stamp in Hand	8,500	-
	Fixed deposits receipt account nos.		
	4101215019001	-	102,545,367
	4101215019006	71,987,263	-

Figures in Taka

		2012	2011
	Bank balances with The City Bank Ltd, account nos:		
	1101215019001	11,561,395	2,101,465
	1101340451001	28,910,180	175,909
	1101340450001	2,012,900	78,781
	1101340446001	792	1,482
	1101340442001	792	1,482
	1101363680	3,010,062	-
	1101363686	122,935	-
	1101363683	76,475	-
		117,693,399	104,904,486
8.	Share capital		
	Authorised capital		
	5,000,000 shares of Taka 100 each	500,000,000	500,000,000
	Issued, subscribed and paid up capital		
	The City Bank Limited		
	999,900 shares of Taka 100 each fully paid-up	99,990,000	99,990,000
	Individual		
	100 shares of Taka 100 each fully paid-up	10,000	10,000
		100,000,000	100,000,000
9.	Retained earnings		
	Opening balance	278,180	(26,590)
	Add: Net comprehensive income for the year	1,240,149	304,770
	Closing balance	1,518,329	278,180
10.	Accounts payable		
	Payable to/against:		
	The City Bank Limited	25,421,540	6,348,101
	BMBA	100,000	-
	Audit fee	31,350	-
	Khondoker Ehetesham Haider	9,257	-
	Mr. Mohammed Gias Uddin	21,000	-
	City Brokerage Limited	1,124,264	1,858,545
	Banglalion	6,000	-
	Leads Corporation Limited	-	1,760,000
	Clients	3,854,370	85,109
	VAT payable	525,000	287,500
		31,092,781	10,339,255
11.	Provision for expenses		
	Audit fee	46,000	31,350
	Legal expenses	-	20,000
	CDBL	9,457	2,479
	Utility charges	13,280	123,921
	Others	339	-
		69,076	177,750

Figures in Taka

		2012	2011
12.	Provision for corporate income tax		
	Opening balance	182,862	-
	Add: Provision made during the year	744,090	182,862
		926,952	182,862
	Less: Paid during the year	-	-
	Closing balance	926,952	182,862
13.	Fees and commission income		
13.1	Fees from corporate advisory services		
	Underwriting commission	789,570	-
	Issue management fees	1,082,826	-
	Corporate advisory fees	3,400,000	2,305,557
	Capital raising service fees	100,000	-
		5,372,396	2,305,557
13.2	Fees and commission from portfolio management services		
	Interest on portflio loan MCDA	2,789,187	-
	Management fees	569,739	3,106
	Settlement fees	2,054,520	19,958
	Documentation charge	24,500	2,500
	Others	548	-
		5,438,494	25,564
14.	Operating expenses		
	Salary and allowances (note 14.1)	14,780,496	4,499,194
	Membership fees	150,000	150,000
	Online charges	442,689	135,091
	Mobile set	-	129,000
	Utility charges	173,711	102,050
	Rent	645,118	69,113
	Fuel charges	272,658	58,554
	CDBL charges	247,377	55,480
	Legal expenses	302,321	48,625
	Office stationery	351,859	52,241
	Repairs and maintenance	126,180	42,426
	Entertainment	114,932	31,424
	Audit fee	46,000	31,350
	Depreciation and amortisation	284,758	27,150
	Renewal fee	29,825	13,505
	Bank charges	94,846	9,417
	Office staff	12,500	5,564
	Conveyance	142,190	4,060
	Books and periodicals	5,599	2,177
	Miscellaneous	195,114	-
		18,418,173	5,466,421

Figures in Taka

		2012 Year Ended	2011 Year Ended
14.1	Salary and allowances		
	Basic salary	7,044,497	2,416,879
	Allowances	7,735,999	2,082,315
		14,780,496	4,499,194
15.	Finance income	9,591,522	3,622,932

The above amount represents interest on fixed deposit at the rate of 12% per annum maintained with The City Bank Ltd from September 2011.

16. Figures in these notes and the accompanying financial statements have been rounded off to the nearest Taka.

17. Previous year's figure have been rearranged, wherever considered necessary, to conform to current year's presentation without creating any impact on the operational results and value of assets and liabilities as reported in the financial statements.

for City Bank Capital Resources Limited

Chairman — Managing Director & CEO

Dhaka, Bangladesh
Dated, 04 February 2013

Annex A

DETAILS OF PROPERTY, PLANT AND EQUIPMENT
AT 31 DECEMBER 2012

Particulars	Cost: Balance at 1 Jan 2012	Cost: Addition during the year	Cost: Sale/ disposal	Cost: Total at 31 Dec. 2012	Rate (%)	Depreciation: Balance at 1 Jan 2012	Depreciation: Charged for the year	Depreciation: Adjustment during the year	Depreciation: Total at 31 Dec. 2012	Net book value at 31 Dec 2012
1	2	3	4	5		6	7	8	9=6+7-8	10=5-9
Office equipment	427,098	564,220	-	991,318	20%	17,983	173,623	-	191,606	799,712
Furniture and fittings	-	60,200	-	60,200	10%	-	1,131	-	1,131	59,069
Total at 31st Dec 2012	427,098	624,420	-	1,051,518		17,983	174,754	-	192,737	858,781
Total at 31st Dec 2011	-	427,098	-	427,098		-	17,983	-	17,983	409,115

Table DF-3	CAPITAL ADEQUACY Qualitative Disclosures

Bangladesh has entered into the regime of Basel II implementation from Jan 01, 2010 after 1 year parallel run period in 2009. According to BRPD Circular # 10, dated March 10, 2010, Minimum Capital Requirement (MCR) has been fixed at 8% upto June 30, 2010, 9% upto June 30, 2011 and 10% from July 01, 2011. CBL remained fully capital compliant throughout 2012. Also as per BB directive, CBL is following Standardized approach (SA) for credit risk, Standardized Approach (SDA) for market risk and Basic Indicator Approach (BIA) for operational risk and is maintaining capital for credit, market and operational risks.

Risk Weighted Asset (RWA) for credit risk generates the maximum capital requirement of the bank. CBL is pursuing for external credit rating of its client base for the purposes of risk weighting its exposure. At the end of 2012, 14.84% of funded clientele and 4.59% of the non-funded clientele have come under external rating while it was 5.58% and 5.81% in 2011.

Particulars	% of Total RWA
RWA for Credit Risk	84.10%
RWA for Market Risk	6.95%
RWA for Operational Risk	8.95%

Minimum Capital Requirement (MCR) requirement for the banks in Bangladesh is currently 10% of its total RWA as per Basel II guideline. CBL is well ahead of this minimum target both in Consolidated and in Solo basis as of Dec'12. CBL has Capital Adequacy Ratio (CAR) 11.70% in Consolidated basis and 11.70% in Solo basis as against the minimum regulatory requirement of 10%. Core capital is maintained on the high side. Tier-1 Capital Adequacy Ratio (CAR) is 9% in Consolidated basis against the minimum regulatory requirement of 5%.

The surplus capital maintained by CBL will act as buffer to absorb all material risks and to support the future activities. To ensure the adequacy of capital to support the future activities, the bank draws assessment of capital requirements periodically considering future business growth.

Quantitative Disclosures

		2012 *(Tk. in crore)*
1	**Capital requirements for Credit Risk:**	1,133.38
	1.1a Portfolios subject to standardized approach-Funded	896.66
	1.1b Portfolios subject to standardized approach-Non-Funded	236.72
2	**Capital requirements for Market Risk**	93.60
	(Standardized Approach)	
	2.1 Interest rate risk	0.15
	2.2 Foreign exchange risk (including gold)	1.08
	2.3 Equity risk	92.36
3	**Capital requirements for Operational Risk**	120.62
	(Basic Indicator Approach)	
	Total Capital Required	**1,347.61**
	Total Capital maintained	**1,577.23**
4	**Total and Tier-1 Capital Ratio:**	
	For Consolidated Group:	
	4.1 Total CAR	11.70%
	4.2 Tier- I CAR	9.00%
	For Stand Alone:	
	4.3 Total CAR	11.70%
	4.4 Tier- I CAR	8.98%

Table DF-4	CREDIT RISK: GENERAL DISCLOSURE Qualitative Disclosures

Credit risk is defined as the probability of failure of counterparty to meet its obligation as per agreed terms. Banks are very much prone to credit risk due to its core activities i.e. lending to corporate, SME, individual, another bank/FI or to another country. The main objective of credit risk management is to minimize the negative impact through adopting proper mitigants and also limiting credit risk exposures within acceptable limit.

Credit Risk Management at CBL

CBL has a well-structured Credit Risk Management Policy known as Credit Policy Manual (CPM) initiated and approved by the Board of Directors in 2008 and reviewed and amended in 2012. The Policy document defines organization structure, role and responsibilities and, the processes whereby the Credit Risks carried by the Bank can be identified, quantified and managed within the framework that the Bank considers consistent with its mandate and risk tolerance.

Besides the CPM, CBL also frames several Credit Instruction Manuals (CIMs) as and when necessary to address any regulatory issues or establish control points. Bank also has a system of identifying and monitoring problem accounts at the early stages of their delinquency through implementation of Sales Routine so that timely corrective measures are initiated. Retail and SME-S segment offer some customized products and there are separate PPGs approved by the Board for each type of customized products.

The Bank manages its credit risk through continuous measuring and monitoring of risks at each obligor (borrower) and portfolio level. The Bank is following the Bangladesh Bank prescribed Credit Risk Grading Model (CRGM) and has internally developed well-established credit appraisal/approval processes. The CRGM capture quantitative and qualitative issues relating to management risk, business risk, industry risk, financial risk and project risk. CBL is also at final stage to implement eleven (11) scales CRGM.

Besides, such ratings consider transaction specific credit features while assessing the overall rating of a borrower. CBL is also considering credit ratings of the client assessed by External Credit Assessment Institutions (ECAIs) while initiating any credit decision.

A well structured Delegation and Sub-delegation of Credit Approval Authority is prevailing at CBL for ensuring good governance and better control in credit approval. The Board of Directors and its Executive Committee hold the supreme authority for any credit approval.

Board has delegated lending authority to the Managing Director with further authority for sub-delegation. Eventually, MD has sub-delegated credit approval authority to other Executives as per requirement. The concerned persons are responsible for ensuring that they exercise their authority in conformity with the approved guideline.

Loan Classification Criterion

Loan products are broadly divided in the following types – continuous loan, demand loan, STL and Term loan. CBL is following the BB guideline for classification of its loans products. Presently, we have 5 categories of classification on objective criterion, they are - Standard (STD), Special Mention Account (SMA), Sub-standard (SS), Doubtful (DF) and Bad-loss (BL). The objective criterion for classification is different for different types of loan products. Amongst these 5 categories, Impaired loan encompasses the loans classified as SS, DF and BL.

Guidelines for Loan Loss Provisions

Loan loss provisions are made as per BB guideline. General provision is made for STD and SMA clients @ 0.25% -5% (differs for Home loan, loan to Stock dealers, credit cards and personal loan products) and 5% respectively. Specific provision is made for SS, DF and BL accounts @ 20%, 50% and 100% on calculated base for provision.

Quantitative Disclosures

(Tk. in crore)

Total gross credit risk exposures broken down by major types of credit exposure

1.	**1.1 Fund Based**	
	Corporate	5,121.29
	SME (Medium)	787.57
	SME (Small)	496.42
	Retail	1,108.29
	Card	367.90
	Staff loan	130.65
	Islami Banking	321.15
	Total	**8,333.27**

2. Geographic distribution of exposures, broken down in significant areas by major types of credit exposures (only funded exposure)

2.1 Overseas:	-
2.2 Domestic:	
Urban	**8,119.20**
Dhaka	5,595.18
Chittagong	1,993.87
Sylhet	41.48
Bogra	193.44
Khulna	295.23
Rural	214.07
Dhaka	113.77
Chittagong	75.03
Sylhet	8.70
Bogra	16.56
Khulna	Nil

3. Residual maturity grouping of loans and advances/investments including bills purchased and discounted

	2012
Repayable on Demand	485.59
Over 1 month but not more than 3 months	2,324.20
Over 3 months but not more than 1 year	2,912.55
Over 1 year but not more than 5 years	2252.72
over 5 years	358.20
TOTAL	**8,333.27**

4 Sectoral exposure of impaired loans, general and specific provisions (Amount in Tk. Crore)

Sector	STD	SMA	Classified	Total Outstanding	% of Tota OS	Required General Provision	Required Specific Provision
Agri	98.59	0.34	1.12	100.05	1.20%	4.80	0.17
Assembling	89.09	0.00	0.04	89.13	1.07%	0.89	0.01
Brick	14.20	0.00	12.31	26.51	0.32%	0.14	1.85
Cement	31.01	0.00	0.00	31.01	0.37%	0.31	0.00
Ceramic	84.25	0.00	0.00	84.25	1.01%	0.84	0.00
Chemical	63.57	0.00	0.05	63.62	0.76%	0.64	0.01
Cold Storage	9.61	0.00	4.31	13.92	0.17%	0.10	0.65
Construction	298.94	0.00	15.02	313.96	3.77%	1.55	0.91
Edible Oil	34.34	0.00	52.04	86.38	1.04%	0.34	44.58
Fertilizer	36.95	24.99	2.08	64.02	0.77%	0.62	0.36
Food Processing	205.24	0.00	4.85	210.10	2.52%	2.05	0.73
Glass	2.00	0.00	1.34	3.34	0.04%	0.02	0.20
Hopitals	18.05	0.00	13.91	31.96	0.38%	0.18	2.09
Hotel and Restaurant	43.20	0.00	0.36	43.56	0.52%	0.43	0.14
IT	50.93	0.00	0.09	51.02	0.61%	0.51	0.06
Leasing and Securities	18.51	0.00	0.00	18.51	0.22%	0.19	0.00
Leather	140.21	0.02	0.89	141.12	1.69%	1.40	0.86
Manufacturing	3.26	6.30	0.09	9.65	0.12%	0.35	0.01
NBFI	103.60	0.00	0.00	103.60	1.24%	1.04	0.00
Others Business	583.47	0.89	33.15	617.51	7.41%	9.77	11.76
Paper and Publishing	28.24	0.00	0.52	28.76	0.35%	0.28	0.17
Personal Service	1,324.89	77.74	126.34	1528.98	18.35%	33.79	48.50
Pharma	261.97	0.00	0.00	261.97	3.14%	1.87	0.00
Power	152.90	0.00	0.00	152.90	1.83%	1.53	0.00
Real State	230.91	0.00	0.00	230.91	2.77%	2.31	0.00
Retail Business	80.41	0.78	24.81	106.01	1.27%	0.94	12.86
RMG	373.83	11.89	208.21	593.93	7.13%	11.83	130.66
Rubber	9.18	0.04	0.62	9.84	0.12%	0.09	0.06
Salt	0.42	0.00	0.00	0.42	0.00%	0.00	0.00
Service Industry	5.03	0.49	1.08	6.59	0.08%	0.09	0.24
Spinning	356.88	0.00	5.07	361.95	4.34%	3.65	0.15
Steel	254.81	0.01	3.57	258.39	3.10%	2.52	0.59
Steel (Ship Breaking)	530.51	59.35	0.00	589.87	7.08%	8.27	0.00
Steel (Ship Building)	66.65	0.00	0.00	66.65	0.80%	0.67	0.00
Telecom	206.86	105.27	7.53	319.66	3.84%	7.33	1.49
Textile	92.11	4.50	37.35	133.95	1.61%	1.15	21.67
Traders	1,296.01	41.82	65.61	1,403.44	16.84%	12.36	29.48
Transport	168.17	5.48	0.67	174.32	2.09%	1.48	0.10
Wood Manufacturing	1.45	0.00	0.05	1.50	0.02%	0.01	0.04
Grand Total	**7,370.28**	**339.91**	**623.08**	**8,333.27**	**100.00%**	**116.35**	**310.37**

***Against required general provision of Tk. 116.35 crore, actual provision maintained is Tk. 117.0 crore, i.e. Tk. 0.65 crore excess general provisions maintained for on balance sheet exposure. Similarly, Tk. 340.96 crore specific provisions maintained against requirement of Tk. 310.37 crore.*

29th ANNUAL GENERAL MEETING

The 29th Annual General Meeting of City Bank was held on May 6, 2012. Rubel Aziz, Chairman of the bank presided over the meeting. Directors of the bank Aziz Al Kaiser, Deen Mohammad, Hossain Mehmood, Hossain Khaled, Rajibul Huq Chowdhury, Rafiqul Islam Khan, Mobarak Ali, Aziz Al Mahmood and Managing Director & CEO K Mahmood Sattar and senior executives and large number of shareholders attended the meeting.

BANGLADESH INVESTMENT SUMMIT

FinanceAsia and AsianInvestor hosted the inaugural Bangladesh Investment Summit that took place on 4th December 2012 at the Marina Bay Sands Convention Centre in Singapore sponsored by Standard Chartered Bangladesh, City Bank and Deutsche Bank Group. Delegates representing over 215 companies from 12 different countries across Asia, Europe, and North America convened at the Marina Bay Sands in Singapore on 4 December. The high profile presentations, Q&A sessions, and panels covered investment and trade opportunities, as well as the role of foreign capital in Bangladesh's capital markets. The sessions of the Summit included the welcome remarks by Jim McCabe and K Mahmood Sattar; opening keynote address by Finance Secretary Fazle Kabir on unlocking Bangladesh's potential and the plenary address by Dr. Hassan Zaman on Bangladesh's economy and growth sectors. The summit showcased the vast opportunities available in Bangladesh to a powerful audience of Asian investors.

CELEBRATING "BEST BANK AWARD 2012"

City Bank held an informal celebration of winning the FinanceAsia's "Best Bank in Bangladesh 2012" award in the sideline of one of its Board of Directors meeting by cutting a cake.

LAUNCHES CITYMAXX AMERICAN EXPRESS CARD

Rubel Aziz, Chairman of City Bank introduced the CityMaxx American Express Card to the media in a press conference. Also present were Aziz Al Mahmood, Director, K Mahmood Sattar, MD & CEO, Sohail Hussain and Faruq M. Ahmed, AMDs, Mashrur Arefin, DMD & CCO and Zahed Amin, Head of Retail Banking of City Bank among others.

FLAG-OFF CEREMONY FOR WASFIA NAZREEN'S EVEREST EXPEDITION

City Bank being the platinum sponsor for Bangladeshi female mountaineer Wasfia Nazreen's 2012 Everest Expedition held the flag-off ceremony at its head office marking the commencement of her journey to the summit. At the ceremony Chairman Rubel Aziz handed over a flag of Bangladesh to Wasfia Nazreen.

RETAIL BANKING CONFERENCE – 2012

City Bank held its Retail Conference for 2012 at its head office. The bank holds this annual conference each year for all its Branch Managers, senior staff members, Cards Division personnel in order to roll out the current year's business and operational strategies and so on. The theme of this year's conference was "In Focus: Maximizing Branch Profitability".

CITY BANK AND IFC JOIN HANDS

City Bank has signed agreements with International Finance Corporation (IFC) for participation in Global Trade Finance Program and Short Term Rollover Loan Facilities. This will enable City Bank to extend USD based short term funding to eligible companies and strengthen its trade finance services. The agreements were signed by K Mahmood Sattar, Managing Director & CEO of City Bank and by Kyle F Kelhofer on behalf of IFC.

CITY BANK AND FMO SIGN BUSINESS DEAL

Signing Ceremony between City Bank and FMO (Netherlands Development Bank) was held on 21 October 2012 whereby FMO will provide City Bank a Term Finance facility for its Offshore Banking units. In presence of Ambassador of Kingdom of the Netherlands the Agreement was signed by K Mahmood Sattar, Managing Director & CEO of City Bank and by Roger Henneken, Investment Officer, Financial Institutions, Asia and Corine Pannekoek, Senior Portfolio Analyst, Asia of FMO.

CITY BANK AND PWC SIGN AGREEMENT

Sohail R.K. Hussain, Additional Managing Director of City Bank and Pradip Bhowmick, Executive Director of PricewaterhouseCoopers Private Limited, India handed over document after signing an agreement for business process improvement at City Bank Head office. Among others, K Mahmood Sattar, Managing Director & CEO, Faruq M. Ahmed, Additional Managing Director, Mashrur Arefin, Deputy Managing Director, Badrud-doza Choudhury, Deputy Managing Director of City Bank and Sekhar Mukherji, Project Director for PwC are seen in the picture.

CITY BANK & SIEMENS SIGN AGREEMENT

City Bank has signed an agreement with Siemens Bangladesh Limited. Additional Managing Director of City Bank Sohail R. K. Hussain and Managing Director of Siemens Showvik Bhattacharya signed the agreement. As per the agreement City Bank American Express Corporate Cards automates the official expense management process of a organization that drive down the processing cost and free up the valuable time of the employees.

CITY BANK AND PLATINUM SUITES SIGN STRATEGIC AGREEMENT

City Bank has signed a strategic partnership agreement with Platinum Suites, one of the popular boutique hotels of the country. The agreement was signed by City Bank's Deputy Managing Director & CCO Mashrur Arefin and Mohammad Ali, Head of Corporate Affairs, The Executive Suites Ltd (Platinum Suites).

CITY BANK & QUBEE SIGN AGREEMENT

Sohail R. K. Hussain, Additional Managing Director of City Bank and D.S. Faisal Haider, CEO of QUBEE handed over document after signing an agreement for collecting the bills of QUBEE. Under this agreement, City Bank will collect the bills of Qubee from its subscribers / distributors throughout Bangladesh through fund transfer, internet banking system, bill collection over the counter of the branches, bills payment machines etc. of City Bank.

CITY BANK & HAAB SIGN MoU

City Bank signed a MoU with Hajj Agencies Association of Bangladesh (HAAB). Under this understanding, the HAAB members would be able to withdraw the deposited money from Saudi Arabia for making payment of house rent and other approved costs & also will get the card facilities from City Bank. The understanding was signed and handed over by Sohail R.K. Hussain, Additional Managing Director of City Bank and Alhaj Jamal Uddin Ahmed, President of HAAB.

CITY BANK ARRANGES ROADSHOW

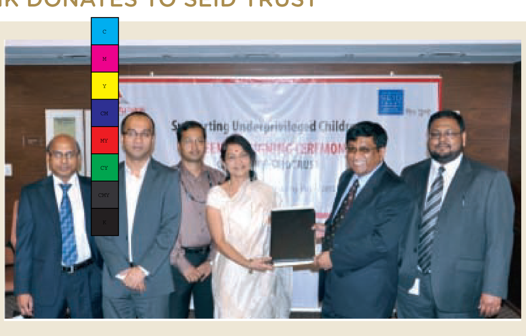
The roadshow on Regent Energy and Power Limited (REPL) was held at the Banquet Hall of City Bank at City Bank Centre. The roadshow was attended by representatives from Bangladesh Bank, Participating Financing Institutions (PFIs), Infrastructure Development Company Limited (IDCOL), Islami Bank Bangladesh Limited and members from Habib Group. Salman Habib, DMD and Mashrur Habib, Director of REPL and Sheikh Mohammad Maroof, DMD and Head of Wholesale Banking of City Bank were present.

CSR PROJECT – LIVELIHOOD PROGRAM FOR WOMEN

With the support of City Bank, the poor women in Basatpur village of Jessore are now trained to sew their way out of poverty. The Bank funded the project called "livelihood program for women in Jessore" for three years.The project was inaugurated in the presence of Shirin Sharmin Chaudhury, the state minister for women and children affairs, Dr. Atiur Rahman, Governor of Bangladesh Bank, Mr. K Mahmood Sattar, Managing Director and CEO of City Bank along with local members of the parliament.

CITY BANK DONATES TO SEID TRUST

City Bank signed a contract for Tk.25 lacs aimed at helping SEID Trust, a voluntary organization that support the intellectually disabled and autistic children through therapeutic and educational intervention, bear the expenses of education and medical treatment as part of its Corporate Social Responsibility. Sohail R.K. Hussain, Additional Managing Director of City Bank handed over the cheque to Dilara Sattar Mitu, Director of SEID Trust.



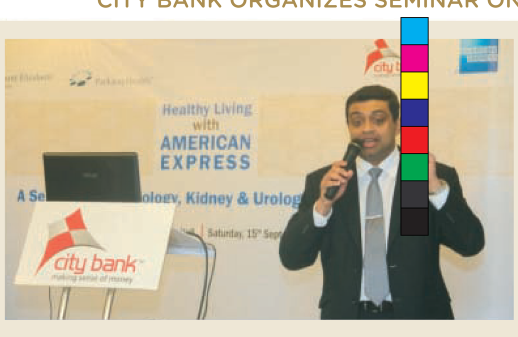
CITY BANK SPONSORS CULTURAL & SPORTS PROGRAM FOR KORAIL SLUM AREA

To build a healthy and positive society inside the slum area in the metropolitan area of Dhaka, City Bank along with Bangladesh Police partnered together to arrange annual cultural and sports program for the people of Korail Slum area in Dhaka metropolitan area. It was a wonderful effort of Bangladesh Police to arrange a three day long sports and cultural event during the first week of January 2012.

INAUGURAL CEREMONY OF BARIDHARA LAKESIDE PARK

Baridhara Lakeside Park started a new journey after the completion of its full renovation and Development. Ex-President and current M.P. and prominent resident of Baridhara Hussain Muhammad Ershad was the Chief Guest at the inauguration event. Also present were City Bank Chairman Rubel Aziz, Directors Aziz Al Kaiser, Deen Mohammad, Evana Fahmida Mohammad, Additional Managing Directors of the bank Sohail R. K. Hussain, Faruq Mainuddin and DMD of the bank Mashrur Arefin.

CITY BANK ORGANIZES SEMINAR ON 'HEALTHY LIVING'



City Bank organized a seminar titled "Healthy Living with American Express" for its valued cardmembers in association with the world-renowned healthcare services provider 'ParkwayHealth' at the City Bank Banquet Hall. Eminent doctors from Mount Elizabeth Hospital in Singapore conducted the event.

CITY BANK SPONSORS BTTF FAIR 2012

City Bank and American Express sponsored a three-day Bangladesh Travel and Tourism Fair at Bangabandhu International Conference Centre. The program was inaugurated by Dr. Dipu Moni, MP, Foreign Minister of Bangladesh.

CITY BANK SPONSORS DHAKA ART SUMMIT

1st edition of Dhaka Art Summit was held from 12-15 April 2012 in collaboration with Bangladesh Shilpakala Academy and The Bangladesh National Museum. The Dhaka Art Summit is being organized by Samdani Art Foundation and sponsored by American Express, City Bank. This is the first time in the history of Bangladesh that 249 artists and 19 galleries exhibited their artworks under one roof.

AMERICAN EXPRESS BANGLADESH OPEN GOLF TOURNAMENT-2012

The American Express Bangladesh Open Golf Tournament was held at the Kurmitola Golf Club, Dhaka on 17th - 20th January, 2012. City Bank was the title sponsor for this tournament.

CITY BANK AT THE US TRADE SHOW 2012

City Bank participated at the 21st annual U.S. Trade Show 2012 co-sponsored by American Chamber of Commerce and U.S Embassy in Bangladesh. The Trade Show was held in Dhaka for three days from February 16th - 18th, 2012 at Ruposhi Bangla Hotel. The stall was a representation of US-based products such as American Express Credit Cards, American Express Corporate Cards, MoneyGram, Visa Debit and Credit Cards of City Bank.

CITY BANK PRESENTS "BETWEEN THE LINES"

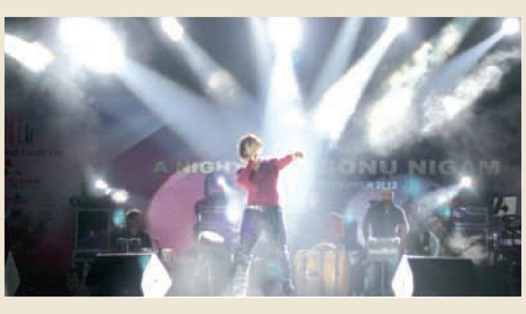
City Bank was the title sponsor of the drama 'Between the Lines'. This was the first of a kind contemporary drama that has been staged by renowned and acclaimed Indian actor Nandita Das and Subodh Maskara. Nandita Das, a talented professional actor visited and performed in her directorial debut for the first time in Bangladesh along with her co-stars and team.

CITY BANK PRESENTS "ETERNAL ASHA – LIVE IN DHAKA"

Legendary musical maestro Asha Bhosle performed for the first time in Bangladesh. City Bank was the Platinum Sponsor of the event and the program was titled "Eternal Asha – Live in Dhaka".

CITY BANK SPONSORS - "A NIGHT WITH SONU NIGAM"

City Bank sponsored Mega cultural event "A Night with Sonu Nigam" on 9th November 2012 at Gulshan Club Ltd. Gulshan Club members, high profile guests from Gulshan area and other parts of the city attended the event. Renowned singer Sonu Nigam performed at the event and won the hearts of the audience present at the musical evening.



city bank

THE CITY BANK LIMITED
Head Office: City Bank Center, 136 Bir Uttam Mir Shawkat Sarak, Gulshan-2, Dhaka-1212, Bangladesh
Share Department: 11 Dilkusha C/A, Dhaka-1000, Bangladesh

NOTICE OF THE 30th ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of The City Bank Limited will be held on 16th June, 2013 at 3-00 pm at BRAC CDM, Rajendrapur, Gazipur to transact the following business:

AGENDA

1. To receive, consider and adopt the Accounts of the Bank for the year ended 31 December, 2012 alongwith the Auditors' Report and the Directors' Report thereon.
2. Approval of 10% Stock Dividend recommended by the Board of Directors.
3. To appoint Auditors and to fix their remuneration.
4. To elect Directors.
5. To consider any other relevant business with the permission of the Chair.

By order of the Board,

Md. Kafi Khan
Company Secretary

Dated : Dhaka
April 18, 2013

NOTES :

1. **Record date for the meeting scheduled on 29-04-2013.**
2. Votes may be given either personally or by an attorney or by a proxy or, in the case of a corporation by a representative duly authorized. As per Article 88 of the Company Proxy must be a member of the company.
3. Shareholders whose names appeared in the CDS/Register of Members on Record date i.e. on **29-04-2013** shall be eligible to attend and vote at the Annual General Meeting and will be entitled for the declared dividend, if any.
4. Entrance into the Meeting Hall is restricted only to the entitled honorable Shareholders and Proxy/Attorney holder. At the time of entrance into the Meeting Hall, Attendance Slip has to be deposited to the registration counter duly signed. Registration counter shall remain open from 8.00. A.M. to 3-00 P.M.
5. M/s. Hoda Vasi Chowdhury & Co. Chartered Accountants the existing auditor will retire from office in the 30th AGM. As they have already audited the financials of the company for three consecutive years, so the said audit firm is not eligible for re-appointment as per the circular of Bangladesh Bank. Therefore, new auditors will appoint in the ensuing AGM.

উল্লেখ্য, আসন্ন বার্ষিক সাধারণ সভায় উপস্থিতির জন্য কোনরূপ গিফ্‌ট/ নগদ সুবিধা প্রদানের ব্যাবস্থা থাকবে না।

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PROXY FORM

I/We ______________________________

of ______________________________

____

______________________ being member of The City Bank Limited do hereby appoint

Mr./Mrs./Ms. ______________________________

of ______________________ (or failing him/her)

Mr./Mrs./Ms ______________________________

of ______________________________

______________________ as my/our Proxy to attend and vote for me/us and on my/our behalf at the 30th Annual General Meeting of the Company to be held on June 16, 2013 at 3:00 P.M and at any adjournment thereof.

As witness I/we put my/our hand (s) this day of ______________ 2013.

Revenue stamp Tk. 20/-

Witnesses:

1. ______________ Signature of Member ______________
Folio/BO A/c. No. ______________

2. ______________ Signature of Proxy ______________
Folio/BO A/c. No. ______________

Important:

1. This Form of Proxy duly completed must be deposited at the Company's Registered Office at least 48 (forty eight) hours before the meeting. The proxy will not be valid if it is not duly stamped and signed. Signature of the Shareholder(s) and the Proxy must agree with the respective specimen signatures recorded with the Company.
2. A member of the Company may only be appointed as a Proxy.

city bank

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Share Department: 11 Dilkusha C/A, Dhaka-1000, Bangladesh

ATTENDANCE SLIP

I/We ______________________ (Folio/BO A/c.No.) ______________
hereby record my/our attendance at the 30th Annual General Meeting of The City Bank Limited will be held on June 16, 2013 at 3-00 pm at BRAC CDM, Rajendrapur, Gazipur.

Signature
of Shareholder/ Proxy

N.B. Please present this slip duly signed at the entrance of the meeting hall.

GLOSSARY

ACCRUAL BASIS
Recognizing the effects of transactions and other events when they occur without waiting for the receipt or payment of cash or its equivalent.

BILLS FOR COLLECTION
A bill of exchange drawn by an exporter usually at a term, on an importer overseas and brought by the exporter to his bank with a request to collect the proceeds.

BONUS ISSUE
The issue of new shares existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) into Stated Capital and hence does not involve all infusion of cash.

CAPITAL ADEQUACY RATIO
A measure of a bank's capital. It is expressed as a percentage of a bank's risk weighted asset exposures.

COMMITMENTS
Credit facilities approved but not yet utilized by the client as at the Balance Sheet date.

CONTINGENCIES
A condition or situation existing at Balance Sheet date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

COST TO INCOME RATIO
Operating expenses as a percentage of total income.

CORPORATE GOVERNANCE
Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered or controlled.

EARNINGS PER SHARE
Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

ECONOMIC VALUE ADDED (EVA)
EVA is a profitability measure designed to recognize the requirement to generate a satisfactory return on the economic capital invested in the business. If the business produces profit in excess of its cost of capital then value is created for shareholders.

FAIR VALUE
Fair value, also called fair price, is a concept used in finance and economics, defined as a rational and unbiased estimate of the potential market price of a good, service, or asset.

FINANCE LEASE
A contract whereby a lessor conveys to the lessee the right to use all asset for rent over an agreed period of time which is sufficient to amortize the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

FOREIGN EXCHANGE EARNINGS
Profit earned on foreign currency transactions arising from the difference in foreign exchange rates between the transaction/last Balance Sheet date and the settlement/ Balance Sheet date. Also arises from trading in foreign currencies.

GENERAL PROVISION
General provision in made on outstanding loan and advance without considering the quality of loans and advances according to the prescribed rate of Bangladesh Bank.

GUARANTEE
Three party agreement involving a promise by one party (the guarantor) to fulfill the obligation of a personal owing a debt if that person fails to perform.

HELD FOR TRADING (HFT)
Investment classified in this category are acquired principally for the purpose of selling or repurchasing in short trading or if designated as such by the management.

HELD TO MATURITY (HTM)
Investments which have "fixed or determinable payments" and are intended to be "Held to Maturity", other than those that meet the definition of "Held at amortized cost others' are classified as held to maturity.

INTANGIBLE ASSETS
An intangible asset is as identifiable non-monetary asset without physical substance.

INTEREST SUSPENSE
Classified loans and advances of the banks are categorized as sub-standard, doubtful and bad/loss as per guidelines of the Bangladesh Bank. Interest accrued on sub-standard, doubtful and bad/loss loans is recorded as 'interest suspense' and not taken to income. This interest is recognized as income as and when it is realized in cash by the bank.

LOAN LOSSES & PROVISION
Amount set aside against possible losses on loans, advances and other credit facilities as a result of such facilities becoming partly or wholly uncollectible.

MARKET CAPITALIZATION
Number of ordinary shares in issue multiplied by the market value of a share as at the year end.

MARKED-TO-MARKET
The valuation of certain financial instruments at fair value as of the balance sheet date.

MATERIALITY
The relative significance of a transaction or all events the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

NET INTEREST MARGIN
Net interest income, on a taxable equivalent basis, expressed as a percentage of average total assets.

NET ASSET VALUE PER SHARE
Shareholders' funds excluding Preference Shares if any, divided by the number of ordinary shares in issue.

NET INTEREST INCOME
The difference between what a bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and inter bank borrowings.

NON PERFORMING LOANS
All loans are classified as non-performing when a payment is 3 months in arrears.

OFF-BALANCE SHEET TRANSACTION
Transactions that are not recognized as assets or liabilities in the Balance Sheet but which give rise to contingencies and commitments.

PRICE EARNINGS RATIO (P/E RATIO)
Market price of a share divided by earnings per share.

RELATED PARTIES
Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly as per Bangladesh Accounting Standard (BAS)-24 on "Related Party Disclosures".

RETURN ON ASSETS (ROA)
Profit after tax divided by the average assets.

RETURN ON EQUITY (ROE)
Profit after tax divided by the average shareholders' equity.

RISK WEIGHTED ASSETS (RWA)
On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors. Trading book multiplied by the relevant risk factor and 15% of operating income.

REVALUATION RESERVE
Revaluation reserve in made on HFT & HTM securities using marked to market concept according to Bangladesh Bank guideline.

STATUTORY RESERVE
A capital reserve created as per provisions of section 24 of the Bank Companies Act, 1991.

TIER-I CAPITAL
Core capital representing permanent shareholders' equity and reserves created or' increased by appropriations of retained earnings or other surpluses.

TIER-II CAPITAL
Supplementary capital representing general provisions, preference share, exchange equalization fund and other capital instruments which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

VALUE ADDED
Value added statement shows the total wealth created how it was distributed to meet certain obligations and reward those responsible for its creation and the portion retained for the continued operation and expansion.

Protect the environment

THE CITY BANK LIMITED
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CBL/adideas/may' 2013