

Auditors' Report and Financial Statements
of
Janata Bank Limited & its Subsidiaries
as at and for the year ended 31 December 2012

Submitted by

Rahman Rahman Huq
Chartered Accountants
9, Mohakhali C/A (11th & 12th Floors)
Dhaka-1212

Aziz Halim Khair Choudhury
Chartered Accountants
Building No. 2 (3rd & 4th Floors)
House No. 79, Road No. 12/A
Dhanmondi, Dhaka-1209

**Independent Auditors' Report
to the Shareholders
of
Janata Bank Limited and its Subsidiaries**

Report on the Consolidated and Separate Financial Statements

We have audited the accompanying consolidated financial statements of Janata Bank Limited and its subsidiaries ('the Group'), as well as the separate financial statements of Janata Bank Limited ('the Bank'), which comprise the consolidated and the separate balance sheet as at 31 December 2012, profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Separate Financial Statements

Management is responsible for the preparation of these consolidated financial statements of the Group and the separate financial statements of the Bank that give a true and fair view in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in Note 2.2 and for such internal control as management determines is necessary to enable the preparation of these consolidated financial statements of the Group and also the separate financial statements of the Bank 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 of the Group and the separate financial statements of the Bank based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements of the Group and the separate financial statements of the Bank are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements of the Group and the separate financial statements of the Bank. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements of the Group and the separate financial statements of the Bank, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements of the Group and the separate financial statements of the Bank that give a true and fair view 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 consolidated financial statements of the Group and the separate financial statements of the Bank.

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 consolidated financial statements of the Group and the separate financial statements of the Bank give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Bank as at 31 December 2012, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in Note 2.2.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, Securities and Exchange Rules 1987, the Banking Companies Act 1991 and the rules and regulations issued by Bangladesh Bank, we also report the following:

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

- x) we have reviewed over 90 percent of the risk weighted assets of the Bank and we have spent around 8,750 man hours for the audit of the books and accounts of the Bank;
- xi) as per Banking Companies Act, BRPD circular and guideline on RBCA the Bank has to maintain capital adequacy ratio of at least 10% of its risk weighted assets, whereas as at 31 December 2012 the Bank has capital adequacy ratio of only 3.70% due to shortfall of total capital requirement of Taka 20,117.67 million as detailed in Note 13.5; and
- xii) guidelines of Core Risk Management issued by Bangladesh Bank vide BRPD circular no. 17 dated 7 October 2003 were not fully complied with.

Rahman Rahman Huq
Chartered Accountants

Aziz Halim Khair Choudhury
Chartered Accountants

Dhaka, 30 June 2013

Janata Bank Limited and its Subsidiaries

**Consolidated Balance Sheet
as at 31 December 2012**

Particulars	Note	31 December 2012 Taka	31 December 2011 Taka Restated*	1 January 2011 Taka Restated*
PROPERTY AND ASSETS				
Cash	3	31,819,554,129	24,118,828,382	17,609,559,065
In hand (including foreign currencies)		5,845,317,572	5,753,075,369	4,138,804,956
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		25,974,236,557	18,365,753,013	13,470,754,109
Balance with other banks and financial institutions	4	12,812,667,541	9,027,076,289	6,289,028,472
In Bangladesh		1,379,847,096	933,742,707	2,005,393,176
Outside Bangladesh		11,432,820,445	8,093,333,582	4,283,635,296
Money at call on short notice	5	6,581,960,445	18,475,731,365	3,607,144,341
Investments	6	109,847,480,293	96,831,922,503	64,771,764,104
Government		92,488,866,007	81,082,828,429	52,365,407,137
Others		17,358,614,286	15,749,094,074	12,406,356,967
Loans and advances	7	305,807,489,360	258,140,019,620	226,777,857,820
Loans, cash credit, overdrafts etc.		278,276,369,061	230,175,777,867.0	203,037,842,689
Bills purchased and discounted		27,531,120,299	27,964,241,753.0	23,740,015,131
Fixed assets including land, building, furniture and fixtures	8	9,634,455,011	9,778,570,962	6,327,980,098
Other assets	9	34,865,765,540	29,827,673,549	28,757,038,189
Non - banking assets		-	-	-
Total property and assets		511,369,372,319	446,199,822,670	354,140,372,089
LIABILITIES AND CAPITAL				
Liabilities				
Borrowings from other banks, financial institutions and agents	10	11,310,479,315	167,521,480	50,488,931
Deposits and other accounts	11	409,859,558,868	361,702,032,137	286,525,464,763
Current accounts and other accounts etc.		59,916,096,429	60,307,270,597	51,535,113,639
Bills payable		3,407,937,088	3,069,468,094	3,238,018,927
Savings bank deposits		89,456,221,368	87,528,373,490	82,657,203,480
Fixed deposits		257,079,303,983	210,796,919,956	149,095,128,717
Bearer certificates of deposits		-	-	-
Other deposits		-	-	-
Other liabilities	12	73,639,498,393	50,757,753,271	40,934,127,917
Total liabilities		494,809,536,576	412,627,306,888	327,510,081,611
Shareholders' equity		16,559,835,744	33,572,515,782	26,630,290,478
Share capital-paid-up	13.2	11,000,000,000	8,125,000,000	5,000,000,000
Statutory reserve	14	5,968,200,039	5,965,140,846	4,187,614,331
Legal reserve	15	89,851,660	75,301,079	64,071,480
Assets revaluation reserve	16	7,054,351,004	7,150,898,779	4,251,013,927
Foreign currency translation reserve	17	268,483,276	263,144,220	138,446,832
Revaluation reserve for HTM	18	89,370,642	113,021,285	367,649,079
Revaluation reserve for HFT	19	207,660,369	587,748,684	1,238,393,681
Revaluation reserve for shares		3,205,826,740	3,605,099,988	6,208,402,564
Surplus/(deficit) in profit and loss account	20	(11,323,907,986)	7,687,160,902	5,174,698,583
Non-controlling interest		-	-	-
Total liabilities and shareholders' equity		511,369,372,319	446,199,822,670	354,140,372,089

Janata Bank Limited and its Subsidiaries
Off-Balance Sheet Items
as at 31 December 2012

Particulars	Note	31 December 2012 Taka	31 December 2011 Taka	1 January 2011 Taka
Contingent liabilities	21	112,558,953,654	151,206,834,709	106,227,864,323
Acceptances and endorsements		-	-	-
Letters of guarantee		16,213,462,653	13,613,342,757	6,870,546,666
Irrevocable letters of credit		89,938,759,817	128,787,104,408	92,790,973,849
Bills for collection		6,406,731,184	8,806,387,544	6,566,343,808
Other Contingent liabilities		-	-	-
Other commitments		-	-	-
Documentary credits and short term trade-related transactions		-	-	-
Forward assets purchased and forward deposits placed		-	-	-
Undrawn note issuance and revolving underwriting facilities		-	-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-	-
Total off-balance sheet items including contingent liabilities		<u>112,558,953,654</u>	<u>151,206,834,709</u>	<u>106,227,864,323</u>

* See Note 2.7

These financial statements should be read in conjunction with the annexed Note 1 to 51.

Sd/-
 Md. Iftikhar-uz-zaman
 Deputy Managing Director

Sd/-
 S.M. Aminur Rahman
 CEO & Managing Director

Sd/-
 Dr. Nitai Chandra Nag
 Director

Sd/-
 Dr. R.M. Debnath
 Director

Sd/-
 Nagibul Islam Dipu
 Director

Sd/-
 Dr. Jamaluddin Ahmed FCA
 Director

Sd/-
 Dr. Abul Barkat
 Chairman

See annexed auditors' report to the shareholders of date.

Sd/-
 Rahman Rahman Huq
 Chartered Accountants

Sd/-
 Aziz Halim Khair Choudhury
 Chartered Accountants

Dhaka, 30 June 2013

Janata Bank Limited and its Subsidiaries
Consolidated Profit and Loss Account
for the year ended 31 December 2012

Particulars	Note	2012 Taka	2011 Taka
Operating Income			
Interest income	22	34,219,016,925	26,335,634,343
Interest paid on deposits and borrowings etc.	23	(27,501,476,249)	(17,788,313,432)
Net interest income		6,717,540,676	8,547,320,911
Investment income	24	8,008,664,419	6,172,371,676
Commission, exchange and brokerage	25	5,358,028,266	6,252,541,158
Other operating income	26	2,180,097,144	2,111,979,501
		15,546,789,829	14,536,892,335
Total operating income (A)		22,264,330,505	23,084,213,246
Operating expenses			
Salary and allowances	27	5,350,723,764	5,305,460,296
Rent, taxes, insurance, electricity etc.	28	699,141,479	541,102,409
Legal expenses	29	5,249,514	7,071,766
Postage, stamp, telecommunication etc.	30	20,850,015	16,155,419
Stationery, printing, advertisements etc.	31	189,297,481	149,899,932
Chief Executive's salary and fees	32	11,425,340	11,135,621
Directors' fees	33	2,215,900	2,791,000
Auditors' fees	34	4,237,495	3,545,952
Depreciation, repairs and maintenance	35	439,199,781	298,362,160
Other expenses	36	850,539,812	888,663,604
Total operating expenses (B)		7,572,880,581	7,224,188,159
Profit/(loss) before amortisation, provision & tax (C) = (A-B)		14,691,449,924	15,860,025,087
Amortisation of valuation adjustment (D)	9.5	1,000,000,000	1,000,000,000
Profit/(loss) before provision & tax (E) = (C-D)		13,691,449,924	14,860,025,087
Provision for loans and advances	37	25,239,712,177	2,952,960,672
Provision for off-balance sheet items	38	(390,000,000)	450,000,000
Provision for other assets	39	9,400,000	100,000,000
Provision for SF & Gratuity	40	1,728,972,167	1,000,000,000
Provision for diminution in value of investments	41	52,204,534	308,796,670
Other provisions	42	805,000,000	1,363,006,000
Total provision (F)		27,445,288,878	6,174,763,342
Total profit/(loss) before tax G = (E-F)		(13,753,838,954)	8,685,261,745
Provision for taxation (including Ruler Tax) (H)		2,467,379,078	4,470,725,281
Current year	43	2,974,457,872	4,069,161,974
Deferred tax	43	(507,078,794)	401,563,307
Net profit/(loss) after tax I = (G-H)		(16,221,218,032)	4,214,536,464
Net profit attributable to:			
Equity holders of the Bank		(16,221,218,032)	4,214,536,464
Non-controlling interest		-	-
		(16,221,218,032)	4,214,536,464
		(16,221,218,032)	4,214,536,464

Janata Bank Limited and its Subsidiaries
Consolidated Profit and Loss Account
for the year ended 31 December 2012

Particulars	Note	2012 Taka	2011 Taka
Appropriations			
Statutory reserve		-	1,775,133,923
General reserve		-	-
Legal reserve		7,617,492	7,759,140
		7,617,492	1,782,893,063
Retained surplus carried forward		<u>(16,228,835,524)</u>	<u>2,431,643,401</u>
Earnings per share	13.4	<u>(147.47)</u>	<u>41.21</u>

These financial statements should be read in conjunction with the annexed Note 1 to 51.

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 Chairman

See annexed auditors' report to the shareholders of date.

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 Chartered Accountants

Sd/-
Aziz Halim Khair Choudhury
 Chartered Accountants

Dhaka, 30 June 2013

Janata Bank Limited and its Subsidiaries

**Consolidated Cash Flow Statement
for the year ended 31 December 2012**

Particulars	Note	2012 Taka	2011 Taka
A. Cash flows from operating activities			
Interest received		34,323,583,790	25,957,024,947
Interest paid		(26,954,744,000)	(15,489,365,940)
Dividend received		125,593,982	333,148,019
Fees and commission receipt in cash		5,365,204,753	6,275,207,643
Cash paid to employees		(5,362,149,104)	(5,316,595,917)
Cash paid to suppliers		(189,297,481)	(149,650,449)
Income from investment		7,883,070,437	5,837,724,031
Receipt from other operating activities		1,315,388,975	2,165,442,148
Paid for other operating activities		(1,157,799,173)	(1,716,510,826)
Recoveries of previously written-off loans & advances		883,100,934	485,598,908
Income tax paid		(3,306,249,879)	(331,102,216)
Cash flow from operating activities before changes in operating assets and liabilities		12,925,703,234	18,050,920,348
Increase/(decrease) in operating assets and liabilities			
Loans and advances to customers		(47,667,469,740)	(31,424,219,896)
Other assets		(1,514,823,931)	(495,923,234)
Balance with other banks		(3,785,591,252)	(2,634,024,481)
Other liabilities		(9,090,344,676)	(3,873,805,845)
Deposits from other banks		(20,902,490)	(9,733,869)
Deposits from customers		48,178,429,221	75,186,301,243
		(13,900,702,868)	36,748,593,918
Net cash flow from operating activities (A)		(974,999,634)	54,799,514,266
B. Cash flows from investing activities			
(Purchase)/sales of Securities and Bond (others)		(2,053,157,127)	(6,235,295,525)
(Purchase)/sale of securities (Government)		(12,107,266,847)	(29,622,694,084)
(Purchase)/sale of property and equipments		(190,579,400)	(691,677,529)
Net cash flow from investing activities (B)		(14,351,003,374)	(36,549,667,138)
C. Cash flows from financing activities			
Receipts from issue of ordinary shares (rights issue)		-	3,125,000,000
Dividend paid		(10,000,000)	(10,000,000)
(Payments)/receipt from borrowings		11,142,957,835	13,009,213
Net cash flow from financing activities (C)		11,132,957,835	3,128,009,213
D. Net increase/(decrease) in cash (A+B+C)		(4,193,045,173)	21,377,856,341
E. Cash and cash equivalents at the beginning of the year		42,594,559,747	21,216,703,406
F. Cash and cash equivalents at the end of the year		38,401,514,574	42,594,559,747
Cash and cash equivalents at end of the year represents			
Cash in hand (including foreign currencies)		5,845,317,572	5,753,075,369
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		25,974,236,557	18,365,753,013
Money at call and on short notice		6,581,960,445	18,475,731,365
		38,401,514,574	42,594,559,747

These financial statements should be read in conjunction with the annexed Note 1 to 51.

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Dr. Jamaluddin Ahmed FCA
Director

Sd/-
Dr. Abul Barkat
Chairman

Janata Bank Limited and its Subsidiaries
Consolidated Statement of Changes in Equity
for the year ended 31 December 2012

Amount in Taka

Particulars	Share Capital-paid-up	Statutory Reserve	Legal Reserve (Overseas)	Assets Revaluation Reserve	Foreign Currency Translation Reserve	Revaluation Reserve for HTM	Revaluation Reserve for HFT	Revaluation surplus on shares	Surplus/(deficit) in profit and loss account	Total
Balance as at 1 January before prior year adjustment	8,125,000,000	5,965,140,846	75,301,079	7,150,898,779	263,144,220	113,021,285	587,748,684	-	7,687,160,902	29,967,415,795
Prior year adjustment*	-	-	-	-	-	-	-	3,605,099,988	-	3,605,099,988
Restated balance as at 1 January 2012	8,125,000,000	5,965,140,846	75,301,079	7,150,898,779	263,144,220	113,021,285	587,748,684	3,605,099,988	7,687,160,902	33,572,515,783
Currency translation reserve		3,059,193	6,933,089	-	5,339,056	-	-	-	51,872,660	67,203,998
Issueance of Bonus shares in favour of Govt.	2,875,000,000	-	-	-	-	-	-	-	(2,875,000,000)	-
Decrease due to increase of interest rate of T.Bill & Bond	-	-	-	-	-	(41,131,552)	(660,097,717)	-	-	(701,229,269)
Statutory Reserve transferred from P/L A/c	-	-	7,617,492	-	-	-	-	-	-	7,617,492
Retained surplus for the year	-	-	-	-	-	-	-	-	(16,228,835,524)	(16,228,835,524)
Dividend paid	-	-	-	-	-	-	-	-	(10,000,000)	(10,000,000)
Revaluation gain/(loss) on shares	-	-	-	-	-	-	-	(443,636,942)	-	(443,636,942)
Transferred to retained earnings	-	-	-	(30,061,751)	-	17,480,909	280,009,402	-	50,893,976	318,322,536
Transferred (to)/from deferred tax liability	-	-	-	(66,486,024)	-	-	-	44,363,694	-	(22,122,330)
Balance as at 31 December 2012	11,000,000,000	5,968,200,039	89,851,660	7,054,351,004	268,483,276	89,370,642	207,660,369	3,205,826,740	(11,323,907,986)	16,559,835,744
Balance as at 31 December 2011	8,125,000,000	5,965,140,846	75,301,079	7,150,898,779	263,144,220	113,021,285	587,748,684	3,605,099,988	7,687,160,902	33,572,515,783

* Please see Note 2.7

These financial statements should be read in conjunction with the annexed Note 1 to 51.

Sd/-
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Deputy Managing Director

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Dr. Jamaluddin Ahmed FCA
Director

Sd/-
Dr. Abul Barkat
Chairman

Janata Bank Limited

**Balance Sheet
as at 31 December 2012**

Particulars	Note	31 December 2012 Taka	31 December 2011 Taka Restated*	1 January 2011 Taka Restated*
PROPERTY AND ASSETS				
Cash	3	31,814,345,845	24,115,279,336	17,597,592,643
Cash in hand (including foreign currencies)		5,840,109,288	5,749,526,323	4,126,838,534
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		25,974,236,557	18,365,753,013	13,470,754,109
Balance with other banks and financial institutions	4	12,776,743,294	8,992,384,669	6,167,291,516
In Bangladesh		1,379,847,096	933,742,707	1,955,393,175.95
Outside Bangladesh		11,396,896,198	8,058,641,962	4,211,898,340
Money at call on short notice	5	6,581,960,445	18,475,731,365	3,607,144,341
Investments	6	108,342,042,558	95,257,297,844	64,408,065,175
Government		92,488,866,007	81,082,828,429	52,365,407,137
Others*		15,853,176,551	14,174,469,415	12,042,658,038
Loans and advances	7	305,339,578,715	257,801,035,388	225,732,208,529
Loans, cash credit, overdrafts etc.		277,808,458,416	229,836,793,635	201,992,193,398
Bills purchased and discounted		27,531,120,299	27,964,241,753.00	23,740,015,131
Fixed assets including land, building, furniture and fixtures	8	9,462,691,893	9,683,336,579	6,299,906,482
Other assets	9	36,812,050,687	31,786,360,432	29,848,055,418
Non-banking assets		-	-	-
Total property and assets		<u>511,129,413,437</u>	<u>446,111,425,614</u>	<u>353,660,264,104</u>
LIABILITIES AND CAPITAL				
Liabilities				
Borrowings from other banks, financial institutions and agents	10	11,310,479,315	167,521,480	50,488,931
Deposits and other accounts	11	409,767,011,467	361,676,694,608	286,566,890,434
Current accounts and other accounts etc.		59,929,345,630	60,329,837,671	51,538,944,043
Bills payable		3,407,937,088	3,069,468,094	3,238,018,927
Savings bank deposits		89,456,221,368	87,528,373,490	82,657,203,480
Fixed deposits		256,973,507,381	210,749,015,353	149,132,723,984
Bearer certificates of deposits		-	-	-
Other deposits		-	-	-
Other liabilities	12	72,846,240,388	50,198,005,684	40,447,901,572
Total liabilities		<u>493,923,731,170</u>	<u>412,042,221,772</u>	<u>327,065,280,937</u>
Shareholders' equity		17,205,682,268	34,069,203,842	26,594,983,167
Share capital-paid-up	13.2	11,000,000,000	8,125,000,000	5,000,000,000
Statutory reserve	14	5,968,200,039	5,965,140,846	4,187,614,331
Legal reserve	15	89,813,933	75,301,079	62,678,337
Assets revaluation reserve	16	7,054,351,004	7,150,898,779	4,251,013,927
Foreign currency translation reserve	17	233,482,825	233,482,825	115,800,000
Revaluation reserve for HTM	18	89,370,642	113,021,285	367,649,079
Revaluation reserve for HFT	19	207,660,369	587,748,684	1,238,393,681
Revaluation reserve on shares*		3,730,635,818	3,916,289,021	6,204,656,185
Surplus/(deficit) in profit and loss account	20	(11,167,832,362)	7,902,321,323	5,167,177,627
Total liabilities and shareholders' equity		<u>511,129,413,437</u>	<u>446,111,425,614</u>	<u>353,660,264,104</u>

Janata Bank Limited
Off-Balance Sheet Items
as at 31 December 2012

Particulars	Note	31 December 2012 Taka	31 December 2011 Taka	1 January 2011 Taka
Contingent liabilities	21	112,558,953,654	151,206,834,709	106,227,864,323
Acceptances and endorsements		-	-	-
Letters of guarantee		16,213,462,653	13,613,342,757	6,870,546,666
Irrevocable letters of credit		89,938,759,817	128,787,104,408	92,790,973,849
Bills for collection		6,406,731,184	8,806,387,544	6,566,343,808
Other Contingent liabilities		-	-	-
Other commitments		-	-	-
Documentary credits and short term trade-related transactions		-	-	-
Forward assets purchased and forward deposits placed		-	-	-
Undrawn note issuance and revolving underwriting facilities		-	-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-	-
Total off-balance sheet items including contingent liabilities		112,558,953,654	151,206,834,709	106,227,864,323

* See Note 2.7

These financial statements should be read in conjunction with the annexed Note 1 to 51.

Sd/-
Md. Iftikhar- uz- zaman
Deputy Managing Director

Sd/-
S.M. Aminur Rahman
CEO & Managing Director

Sd/-
Dr.Nitai Chandra Nag
Director

Sd/-
Dr. R.M. Debnath
Director

Sd/-
Nagibul Islam Dipu
Director

Sd/-
Dr. Jamaluddin Ahmed FCA
Director

Sd/-
Dr. Abul Barkat
Chairman

See annexed auditors' report to the shareholders of date.

Sd/-
Rahman Rahman Huq
Chartered Accountants

Sd/-
Aziz Halim Khair Choudhury
Chartered Accountants

Dhaka, 30 June 2013

Janata Bank Limited
Profit and Loss Account
for the year ended 31 December 2012

Particulars	Note	2012 Taka	2011 Taka
Operating Income			
Interest income	22	34,239,122,687	26,266,118,212
Interest paid on deposits and borrowings etc.	23	(27,499,159,069)	(17,785,817,554)
Net interest income		6,739,963,618	8,480,300,658
Investment income	24	7,811,430,207	6,109,833,606
Commission, exchange and brokerage	25	5,286,358,760	6,171,726,091
Other operating income	26	2,178,718,333	2,087,859,101
Total operating income (A)		22,016,470,918	22,849,719,456
Operating expenses			
Salary and allowances	27	5,319,942,017	5,273,572,424
Rent, taxes, insurance and electricity etc.	28	694,181,830	538,696,612
Legal expenses	29	5,221,264	6,934,551
Postage, stamp, telecommunication etc.	30	20,456,211	15,869,189
Stationery, printings, advertisements etc.	31	188,111,052	149,132,895
Chief Executive's salary and fees	32	4,200,000	4,200,000
Directors' fees	33	1,755,000	2,440,000
Auditor's fees	34	4,157,495	3,470,952
Depreciation, repairs and maintenance	35	431,899,554	295,551,321
Other operating expenses	36	812,746,838	837,530,026
Total operating expenses (B)		7,482,671,261	7,127,397,970
Profit/(loss) before amortisation, provision & tax = (A-B)		14,533,799,657	15,722,321,486
Amortisation of valuation adjustment (D)	9.5	1,000,000,000	1,000,000,000
Profit/(loss) before provision & tax (E) = (C-D)		13,533,799,657	14,722,321,486
Provision for loans and advances	37	25,215,334,355	2,933,645,869
Provision for off balance sheet items	38	(390,000,000)	450,000,000
Provision for other assets	39	9,400,000	100,000,000
Provision for SF & Gratuity	40	1,728,972,167	1,000,000,000
Other provisions	42	805,000,000	1,363,006,000
Total provision (F)		27,368,706,522	5,846,651,869
Total profit/(loss) before income tax G = (E-F)		(13,834,906,865)	8,875,669,617
Provision for taxation (including ruler tax) (H)		2,445,433,691	4,430,760,816
Current year	43	2,952,512,485	##### #
Deferred tax	43	(507,078,794)	401,563,307
Net profit/(loss) after taxation I = (G-H)		(16,280,340,556)	4,444,908,801

Janata Bank Limited
Profit and Loss Account
for the year ended 31 December 2012

Particulars	Note	2012 Taka	2011 Taka
Appropriations			
Statutory reserve		-	1,775,133,923
General reserve		-	-
Legal reserve		7,579,765	7,759,140
		7,579,765	1,782,893,063
Retained surplus carried forward		(16,287,920,321)	2,662,015,738
Earnings per share	13.4	(148.00)	43.46

These financial statements should be read in conjunction with the annexed Note 1 to 51.

_____ Sd/-
Md. Iftikhar- uz- zaman
Deputy Managing Director

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CEO & Managing Director

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See annexed auditors' report to the shareholders of date.

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Chartered Accountants

_____ Sd/-
Aziz Halim Khair Choudhury
Chartered Accountants

Dhaka, 30 June 2013

Janata Bank Limited
Cash Flow Statement
for the year ended 31 December 2012

Particulars	Note	2012 Taka	2011 Taka
A. Cash flows from operating activities			
Interest received		34,343,689,552	25,805,805,983
Interest paid		(26,952,426,820)	(15,406,666,855)
Dividend received		125,593,982	333,148,019
Fees and commission receipt in cash		5,293,535,247	6,194,392,576
Cash paid to employees		(5,324,142,017)	(5,277,772,424)
Cash paid to suppliers		(188,111,052)	(149,132,895)
Income from investment		7,685,836,225	5,776,685,587
Receipt from other operating activities		1,314,010,164	2,141,321,748
Paid for other operating activities		(1,113,742,266)	(1,660,432,911)
Recoveries of previously written-off loans & advances		883,100,934	485,598,908
Income tax paid		(3,290,000,000)	(331,102,216)
Cash flow from operating activities before changes in operating assets and liabilities		<u>12,777,343,949</u>	<u>17,911,845,520</u>
Increase/(decrease) in operating assets and liabilities			
Loans and advances to customers		(47,538,543,327)	(32,068,826,859)
Other assets		(1,531,496,784)	(1,376,905,668)
Balance with other banks		(3,784,358,625)	(2,721,069,817)
Other liabilities		(9,241,577,230)	(3,676,673,220)
Deposits from other banks		(20,902,490)	(9,733,869)
Deposits from customers		48,111,219,349	75,119,538,043
		<u>(14,005,659,108)</u>	<u>35,266,328,610</u>
Net cash flow from operating activities (A)		<u>(1,228,315,158)</u>	<u>53,178,174,130</u>
B. Cash flows from investing activities			
(Purchase)/sales of Securities and Bond (others)		(1,884,988,472)	(4,674,441,560)
(Purchase)/sale of securities (Government)		(12,107,266,847)	(29,622,694,083)
(Purchase)/sale of property, plant and equipments		(107,091,768)	(622,773,983)
Net cash flow from investing activities (B)		<u>(14,099,347,087)</u>	<u>(34,919,909,626)</u>
C. Cash flows from financing activities			
Receipts from issue of ordinary shares (rights issue)		-	3,125,000,000.0
Dividend paid		(10,000,000)	(10,000,000)
(Payments)/receipt from borrowings		11,142,957,835	13,009,213
Net cash flow from financing activities (C)		<u>11,132,957,835</u>	<u>3,128,009,213</u>
D. Net increase/(decrease) in cash (A+B+C)		(4,194,704,411)	21,386,273,717
E. Cash and cash equivalents at the beginning of the year		<u>42,591,010,701</u>	<u>21,204,736,984</u>
F. Cash and cash equivalents at the end of the year		<u>38,396,306,290</u>	<u>42,591,010,701</u>
Cash and cash equivalents at end of the year represents			
Cash in hand (including foreign currencies)		5,840,109,288	5,749,526,323
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		25,974,236,557	18,365,753,013
Money at call and short notice		6,581,960,445	18,475,731,365
		<u>38,396,306,290</u>	<u>42,591,010,701</u>

These financial statements should be read in conjunction with the annexed Note 1 to 51.

<p>_____ Sd/- Md. Iftikhar- uz- zaman Deputy Managing Director</p>	<p>_____ Sd/- S.M. Aminur Rahman CEO & Managing Director</p>	<p>_____ Sd/- Dr. Nitai Chandra Nag Director</p>	<p>_____ Sd/- Dr. R.M. Debnath Director</p>
<p>_____ Sd/- Nagibul Islam Dipu Director</p>	<p>_____ Sd/- Dr. Jamaluddin Ahmed FCA Director</p>	<p>_____ Sd/- Dr. Abul Barkat Chairman</p>	

Janata Bank Limited
Statement of Changes in Equity
for the year ended 31 December 2012

Particulars	Share Capital-paid-up	Statutory reserve	Legal reserve (UAE branches)	Assets revaluation reserve	Foreign Currency Translation Reserve	Revaluation reserve for HTM	Revaluation reserve for HFT	Revaluation reserve on shares surplus on shares	Surplus/(deficit) in Profit and loss account	Total
Balance as at 1 January before prior year adjustment	8,125,000,000	5,965,140,846	75,301,079	7,150,898,779	233,482,825	113,021,285	587,748,684	-	7,902,321,323	30,152,914,821
Prior year adjustment*								3,916,289,021		
Restated balance as at 1 January 2012	8,125,000,000	5,965,140,846	75,301,079	7,150,898,779	233,482,825	113,021,285	587,748,684	3,916,289,021	7,902,321,323	34,069,203,842
Currency translation reserve		3,059,193	6,933,089	-	-	-	-	-	51,872,660	61,864,942
Issueance of Bonus shares in favour of Govt.	2,875,000,000	-	-	-	-	-	-	-	(2,875,000,000)	-
Decrease due to increase of interest rate of T.Bill & Bond	-	-	-	-	-	(41,131,552)	(660,097,717)	-	-	(701,229,269)
Legal Reserve transfer from P/L Account	-	-	7,579,765	-	-	-	-	-	-	7,579,765
Retained surplus for the year	-	-	-	-	-	-	-	-	(16,287,920,321)	(16,287,920,321)
Dividend paid	-	-	-	-	-	-	-	-	(10,000,000)	(10,000,000)
Revaluation gain on shares	-	-	-	-	-	-	-	(206,281,337)	-	(206,281,337)
Transferred to retained earnings	-	-	-	(30,061,751)	-	-	-	-	50,893,976	20,832,225
Transferred (to)/from deferred tax liability	-	-	-	(66,486,024)	-	17,480,909	280,009,402	20,628,134	-	251,632,421
Balance as at 31 December 2012	11,000,000,000	5,968,200,039	89,813,933	7,054,351,004	233,482,825	89,370,642	207,660,369	3,730,635,818	(11,167,832,362)	17,205,682,268
Balance as at 31 December 2011	8,125,000,000	5,965,140,846	75,301,079	7,150,898,779	233,482,825	113,021,285	587,748,684	3,916,289,021	7,902,321,323	34,069,203,842

* Please see note 2.7

These financial statements should be read in conjunction with the annexed Note 1 to 51.

Sd/-
Md. Iftikhar-uz-zaman
Deputy Managing Director

Sd/-
S.M. Aminur Rahman
CEO & Managing Director

Sd/-
Dr. Nitai Chandra Nag
Director

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Director

Sd/-
Dr. Jamaluddin Ahmed FCA
Director

Sd/-
Dr. Abul Barkat
Chairman

Janata Bank Limited
Liquidity Statement
Asset and Liability Maturity Analysis
as at 31 December 2012

Particulars	Not more than 1 month term	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Assets						
Cash in hand (including balance with Bangladesh Bank and its agents)	8,750,412,845	-	-	23,063,933,000	-	31,814,345,845
Balance with other banks and financial institutions	6,569,347,123	2,697,396,171	3,040,000,000	150,000,000	320,000,000	12,776,743,294
Money at call on short notice	6,581,960,445	-	-	-	-	6,581,960,445
Investment	15,853,921,527	3,958,908,483	7,501,291,116	37,886,071,480	43,141,849,952	108,342,042,558
Loans and advances	28,833,957,871	61,099,520,350	67,701,210,250	78,032,510,250	69,672,379,994	305,339,578,715
furniture and fixtures	27,510,500	49,025,000	216,024,500	1,204,210,250	7,965,921,643	9,462,691,893
Other assets	3,523,620,250	4,803,560,400	6,102,325,600	11,364,916,394	11,017,628,043	36,812,050,687
Non banking assets	-	-	-	-	-	-
Total property & assets	70,140,730,561	72,608,410,404	84,560,851,466	151,701,641,374	132,117,779,632	511,129,413,437
Liabilities						
Borrowing from Bangladesh Bank, other banks, financial institutions and agents	3,309,108,977	1,901,087,633	3,037,396,171	3,037,746,306	25,140,228	11,310,479,315
Deposits	54,121,025,400	61,702,536,250	64,025,302,800	110,104,613,950	94,592,784,616	384,546,263,016
Other accounts	5,521,025,360	5,862,536,240	5,533,526,250	5,102,635,240	3,201,025,360	25,220,748,450
Provision and other liabilities	5,941,025,360	2,105,625,340	6,042,536,210	22,701,616,859	36,055,436,619	72,846,240,388
Total liabilities	68,892,185,097	71,571,785,463	78,638,761,431	140,946,612,355	133,874,386,823	493,923,731,169
Net liquidity gap	1,248,545,464	1,036,624,941	5,922,090,035	10,755,029,019	(1,756,607,191)	17,205,682,268

These financial statements should be read in conjunction with the annexed Note 1 to 51.

Sd/-
Md. Iftikhar-uz-zaman
Deputy Managing Director

Sd/-
S.M. Aminur Rahman
CEO & Managing Director

Sd/-
Dr. Nitai Chandra Nag
Director

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Dr. R.M. Debnath
Director

Sd/-
Nagibul Islam Dipu
Director

Sd/-
Dr. Jamaluddin Ahmed FCA
Director

Sd/-
Dr. Abul Barkat
Chairman

Janata Bank Limited
Notes to the consolidated and separate financial statements
as at and for the year ended 31 December 2012

1 The bank and its activities

1.1 Reporting entity

Janata Bank Limited is a state owned commercial Bank incorporated on 21 May 2007 under the Companies Act 1994 as a public limited company and governed by the Banking Companies Act 1991. Janata Bank Limited took over the businesses, assets, liabilities, right, power, privilege and obligation of erstwhile Janata Bank through a vendor agreement signed between the People's Republic of Bangladesh and Janata Bank Limited on 15 November 2007 with a retrospective effect from 1 July 2007. The bank has 888 branches including four overseas branches and two 100% owned subsidiaries named as Janata Exchange Company Srl, Italy and Janata Capital and Investment Limited, Dhaka.

Bangladesh Bank issued license on 31 May 2007 in the name of Janata Bank Limited to conduct the banking business.

1.2 Nature of business

The Bank provides all kinds of commercial banking services to its customers including accepting deposits, extending loans & advances, discounting & purchasing bills, remittance, money transfer, foreign exchange transaction, guarantee, commitments etc. The principal activities of its subsidiary Janata Exchange Company Srl, Italy (JEC) is to carry on the remittance of hard-earned foreign currency to Bangladesh. Another subsidiary company Janata Capital and Investment Limited, Dhaka is to act as issue manager, share underwriter and portfolio manager. The Bank has opened an NRB branch at Motijheel, Dhaka to render exclusive service to non resident Bangladeshis.

1.3 Subsidiaries of the bank

Janata Bank Limited has two 100% owned subsidiaries named Janata Exchange Company Srl, Italy and Janata Capital and Investment Limited, Dhaka, Bangladesh.

(i) Janata Exchange Company Srl, Italy

Janata Exchange Company Srl, Italy was incorporated on 18 January 2002 vide Ministry of Finance letter # অম/অবি/ব্যাকিং/শা-৭/বিবিধ-১২(২) ২০০০ dated 3 January 2001 and letter # অম/অবি/ব্যাকিং/শা-৭/১২(২)২০০০/১৬৪ dated 27 June 2001 with 100% ownership of Janata Bank Limited having authorised capital of ITL 1.00 Billion and its paid-up capital is 600,000 EURO.

Apart from Rome Branch, JEC, Italy has another Branch in Milan, Italy, which was established vide MOF's approval Letter # অম/অবি/ব্যাকিং নীঃ/শা-১/১২/(২)/২০০/৩/৩৫২ dated 24 November 2002.

(ii) Janata Capital and Investment Limited, Dhaka

Janata Capital and Investment Limited Dhaka incorporated on 13 April 2010 vide incorporation certificate no. C-83898/10 issued by the Registrar of Joint Stock Companies and Firms (RJSC) with 100% ownership of Janata Bank Limited having Taka 5,000 million authorised capital and its paid-up capital is Taka 2,000 million. The company starts its operations from 26 September 2010 and its main functions are issue management, underwriting and portfolio management.

2 Basis of preparation and significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the financial statements of the Bank as at and for the year ended 31 December 2012 have been prepared under the historical cost convention except investments and in accordance with the "First Schedule" (section 38) of the Banking Companies Act 1991, as amended by Bangladesh Bank (the Central Bank of Bangladesh) through BRPD Circular No. 14 dated 25 June 2003, other Bangladesh Bank Circulars, Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other laws and rules applicable in Bangladesh. In case any requirement of provisions and circulars issued by Bangladesh Bank differs with those of other regulatory authorities, the provisions and circulars issued by Bangladesh Bank shall prevail.

2.2 Statement of Compliance

Considering Note 2.1, the Group and the Bank has departed from those contradictory requirements of BFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below:

i) Investments in shares and securities

BFRS:

As per requirements of BAS 39 '*Financial Instruments: Recognition and Measurement*' investments in shares and securities generally falls either under "at fair value through Profit and Loss Account" or under "available for sale" where any change in the fair value at the year end is taken to Profit and Loss Account or Revaluation Reserve Account respectively.

Bangladesh Bank:

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

ii) Revaluation gain/loss on Government securities

BFRS:

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

Bangladesh Bank:

According to DOS Circular no. 5 dated 26 May 2008 and subsequent clarification in DOS Circular no. 5 dated 28 January 2009, loss on revaluation of Government securities (T-bill / T-bond) which are categorised as held for trading should be charged through Profit and Loss Account, but any gain on such revaluation should be recorded under Revaluation Reserve Account. However, at the year end if there is any revaluation gain for any particular held for trading T-bills/T-bonds, such gain can be used to the extent of any revaluation loss for that particular held for trading T-bills/T-bonds.

T-bills designated as held to maturity are measured at amortised cost method but interest income / gain should be recognised through reserve.

iii) Provision on loans and advances

BFRS:

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

Bangladesh Bank:

As per BRPD Circular no. 14 dated 23 September 2012 a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loan, doubtful loans and bad losses has to be provided at 20%, 50% and 100% respectively for loans and advances whereby the classification of loans and advances depend on the duration of overdue period in months. Furthermore, a general provision at the rate of 1% should be provided for all off-balance sheet exposures. Provision will be on the total exposure and amount of cash margin or value of eligible collateral will not be deducted while computing off balance sheet exposure. Such provision policies are not specifically in line with those prescribed by BAS 39.

iv) Other comprehensive income**BFRS:**

As per BAS 1 '*Presentation of Financial Statements*', Other Comprehensive Income is a component of financial statements or the elements of Other Comprehensive Income are to be included in a Single Comprehensive Income (OCI) Statement.

Bangladesh Bank:

Bangladesh Bank has issued templates for financial statements which will strictly be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income; and the elements of Other Comprehensive Income are also not allowed to be included in a Single Comprehensive Income (OCI) Statement. As such the company does not prepare the Other Comprehensive Income statement. However elements of OCI, if any, are shown in the statement of changes in equity.

v) Financial instruments - presentation and disclosure

In several cases Bangladesh Bank guidelines categorise, recognise, measure and present financial instruments differently from those prescribed in BAS 39. As such some disclosure and presentation requirements of BFRS 7 '*Financial Instruments: Disclosures*' and BAS 32 '*Financial Instruments: Presentation*' cannot be made in the accounts.

vi) REPO transactions**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 or stock lending), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the entity's financial statements. This transaction will be treated as loan and the difference between selling price and repurchase price will be treated as interest expense.

Bangladesh Bank:

As per BRPD guidelines, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (REPO or stock lending), the arrangement is accounted for as a normal sales transactions and the financial assets are derecognised in the seller's book and recognised in the buyer's book.

vii) Financial guarantees**BFRS:**

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

Bangladesh Bank:

As per BRPD 14, financial guarantees such as L/C, L/G will be treated as off balance sheet items. No liability is recognised for the guarantee except the cash margin.

viii) Cash and cash equivalents

BFRS:

Cash and cash equivalents items should be reported as cash item as per BAS 7 '*Statement of Cash Flows*'.

Bangladesh Bank:

Some cash and cash equivalent items such as 'money at call and on short notice', Treasury bills, Prize bond are not shown as cash and cash equivalent. Money at call and on short notice is shown as face item in balance sheet, and Treasury bills, Prize bonds are shown in Investment.

ix) Non banking assets

BFRS:

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

Bangladesh Bank:

As per BRPD 14, there must exist a face item named Non-banking asset.

x) Cash flow statement

BFRS:

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

Bangladesh Bank:

As per BRPD 14, cash flow is a mixture of direct and indirect method.

xi) Balance with Bangladesh Bank (CRR):

BFRS:

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

Bangladesh Bank:

Balance with Bangladesh Bank is treated as cash and cash equivalents.

xii) Off balance sheet items

BFRS:

There is no concept of off balance sheet items in any BFRS; hence there is no requirement of disclosure of off balance sheet items.

Bangladesh Bank:

As per BRPD 14, off balance sheet items e.g. L/C, L/G must be disclosed separately in the face of the balance sheet.

xiii) Disclosure of appropriation of profit

BFRS:

There is no requirement to show appropriation of profit in the face of the statement of comprehensive income.

Bangladesh Bank:

As per BRPD 14, an appropriation of profit should be disclosed in the face of the Profit and Loss Account.

xiv) Loans and advance net of provision

BFRS:

Loans and advances should be presented net of provisions.

Bangladesh Bank:

As per BRPD 14, provision on loans and advances are presented separately as liability and cannot be netted off against loans and advances.

[Also refer to Note-2.37 Compliance of Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs)]

2.3 Basis of measurement

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

- Government Treasury Bills and Bonds designated as 'Held for Trading (HFT)' at present value using marking to market concept with gain crediting to revaluation reserve.
- Government Treasury Bills and Bonds designated as 'Held to Maturity (HTM)' and Re-measured Government Treasury Bond at present value using amortisation concept
- Zero Coupon Bond at present value using amortisation concept.
- Investment in shares of listed companies

2.4 Basis of consolidation

The consolidated financial statements include the financial statements of Janata Bank Limited and its two subsidiaries named Janata Capital and Investment Limited, Dhaka and Janata Exchange Company Srl. Italy made up to the end of the financial year. The Consolidated financial statements have been prepared in accordance with Bangladesh Accounting Standards BAS-27 '*Consolidated and Separate Financial Statements*'. These Consolidated financial statements are prepared to a common financial year ended 31 December 2012.

Subsidiaries

Subsidiaries are entities controlled by the group. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date the control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

2.5 Functional and presentation currency

These consolidated financial statements of the Group and the financial statements of the Bank are presented in Taka which is the Bank's functional currency. Except as otherwise indicated, financial information have been rounded off to the nearest Taka.

2.6 Use of estimates and judgments

The preparation of the consolidated financial statements of the Group and the financial statements of the Bank in conformity with Bangladesh Bank Circulars and BFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in Note 2.18.

2.7 Change in accounting policy

The bank changed its accounting policy for subsequent measurement of investment in quoted shares at fair value method (refer to Note 6.2.2).

Previously, the bank measured investment for quoted shares at lower of cost or market value and the loss was charged to profit and loss account, but unrealised gain was not recognised.

The following tables summarises the adjustments made to the balance sheet on implementation of the new accounting policy.

For the bank's financial statements

Particulars	Investments in quoted shares	Revaluation reserve for shares	Deferred tax (asset)/liability
	Taka	Taka	Taka
Balances at 1 January 2011, as previously reported	1,988,634,293	-	(1,532,273,521)
Impact of the change in accounting policy	6,894,062,428	6,204,656,185	689,406,243
Restated balances at 1 January 2011	8,882,696,721	6,204,656,185	(842,867,278)

Particulars	Investments in quoted shares	Revaluation reserve for shares	Deferred tax liability
	Taka	Taka	Taka
Balances at 31 December 2011, as previously reported	2,939,222,806	-	(788,581,122)
Impact of the change in accounting policy	4,351,432,245	3,916,289,021	435,143,225
Restated balances at 31 December 2011	7,290,655,051	3,916,289,021	(353,437,898)

For the consolidated financial statements

Particulars	Investments in quoted shares	Revaluation reserve for shares	Deferred tax liability
	Taka	Taka	Taka
Balances at 1 January 2011, as previously reported	2,319,946,266	-	(1,532,273,521)
Impact of the change in accounting policy	6,898,225,071	6,208,402,564	689,822,507
Restated balances at 1 January 2011¹	9,218,171,337	6,208,402,564	(842,451,014)

Particulars	Investments in quoted shares	Revaluation reserve for shares	Deferred tax liability
	Taka	Taka	Taka
Balances at 31 December 2011, as previously reported	4,766,478,429	-	(788,581,122)
Impact of the change in accounting policy	4,005,666,653	3,605,099,988	400,566,665
Restated balances at 31 December 2011	8,772,145,082	3,605,099,988	(388,014,457)

¹The restated balances of Investment in quoted shares and Deferred tax asset are included respectively in the balances of Other investments and Other liabilities.

The change in accounting policy had no impact on the profit and loss account since revaluation reserve related to investment in quoted shares is not recorded in the profit and loss account.

The change in accounting policy had no impact on earnings per share for the current and comparative period.

2.8 Books of accounts

The Company maintains its books of accounts for main business in electronic form through soft automation.

2.9 Foreign currency

Foreign currency transaction

Foreign currency transactions are translated as per Bangladesh Accounting Standards BAS-21: *The Effects of Changes in Foreign Exchange Rates*. Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operation

The assets & liabilities of foreign operations are translated to Bangladeshi Taka at exchange rate prevailing at the balance sheet date. The income & expenses of foreign operations are translated at average rate of exchange for the year. Foreign currency differences are recognised and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reactivated to non-controlling interest.

2.10 Reporting period

The accounting period of the bank has been determined to be from 1 January to 31 December each year and is followed consistently.

2.11 Cash Flow Statement

Cash Flow Statements has been prepared in accordance with Bangladesh Accounting Standards BAS-7: '*Statement of Cash Flows*' and under the guideline of Bangladesh Bank BRPD Circular No.14 dated 25 June 2003 issued by the Banking Regulation & Policy Department of Bangladesh Bank. The Statement shows the structure of changes in cash and cash equivalents during the financial year.

2.12 Statement of changes in equity

The statement of changes in equity reflects information about increase or decrease in net assets or wealth. Statement of changes in equity has been prepared in accordance with Bangladesh Accounting Standards BAS-1: '*Presentation of Financial Statements*' and relevant guidelines of Bangladesh Bank.

2.13 Liquidity statement (Asset and Liability Maturity Analysis)

The liquidity statement has been prepared in accordance with remaining maturity grouping of Assets and Liabilities as of the close of the year as per following bases;

- a) Balance with other banks and financial institutions, money at call and on short notice etc. on the basis of their maturity term;
- b) Investments on the basis of their residual maturity term;
- c) Loans and advances on the basis of their repayment/maturity schedule;
- d) Fixed assets on the basis of their useful lives;
- e) Other assets on the basis of their adjustment;
- f) Borrowings from other banks and financial institutions, as per their maturity/repayment term;
- g) Deposits and other accounts on the basis of their maturity term and behavioral past trend;
- h) Other long term liability on the basis of their maturity term;
- i) Provisions and other liabilities on the basis of their settlement;

2.14 Significant accounting policies

The accounting policy set out below have been applied consistently to all periods presented in this consolidated financial statements and those of the bank and have been applied consistently by the group entities excepts as explain in Note 2.2.

2.15 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bangladesh Bank and its agent bank, balance with other banks and financial institutions, money at call on short notice and prize bond.

2.16 Investments

All investments are initially recognised at cost, including acquisition charges associated with the investment. Premiums are amortised and discount accredited, using the effective or historical yield method. Accounting treatment of government treasury bills and bonds (categorised as HFT or/and HTM) is made following Bangladesh Bank DOS circular letter no. 5, dated 26 May 2008 and as amended on 28 January 2009.

(i) **Held to Maturity (HTM)**

Investments which are intended to be held to maturity are classified as 'Held to Maturity'. These are measured at amortised cost at each year end by taking into account any discount or premium in acquisition. Any increase or decrease in value of such investments is booked to equity.

(ii) **Held for Trading (HFT)**

Investment primarily held for selling or trading is classified in this category. After initial recognition, investments are marked to market weekly.

Investments are stated as per following bases:

Investment class	Initial recognition	Measurement after initial recognition	Recording of changes
Govt. T-bills/bonds(HFT)	Cost	Fair value	Loss to P&L, gain to Revaluation Reserve through P&L
Govt. T-bills/bonds(HTM)	Cost	Amortised cost	Increase or decrease in value to equity
Debenture/Bond	Face value	None	None
Shares	Cost	Fair value	Loss to P&L, gain to Revaluation reserve
Prize bond	Cost	None	None

(iii) **REPO and Reverse REPO**

Since 1 September 2010 transactions of REPO and Reverse REPO are recorded based on DOS Circular No. 6, dated 15 July 2010 of Bangladesh Bank. In case of REPO of both coupon and non-coupon bearing (Treasury bill) security, JBL adjusted the Revaluation Reserve Account for HFT securities and stopped the weekly revaluation (if the revaluation date falls within the REPO period) of the same security. For interest bearing security, JBL stopped the accrual of interest during REPO period.

- (ii) Depreciation is charged at the following rates on all fixed assets on the basis of estimated useful lives as determined by fixed asset policy of the Bank. In all cases depreciation is calculated on the reducing balance method except motor vehicles, bi-cycles and computer which are depreciated on straight line method. Depreciation is charged at the applicable rates proportionately on assets purchased in the first half of the year from the month of their acquisition. No depreciation is charged on addition of assets in the second half and disposal of assets in the first half of the year.
- (iii) Depreciation rates used for each type of fixed assets are as follows:

Category of fixed assets	Rate of depreciation
Buildings	2.50%
Furniture and fixtures	10.00%
Machineries and equipments	20.00%
Computers	20.00%
Vehicles	20.00%

- (iv) Repairs and maintenance are charged to profit and loss account as expense when incurred.
- (v) The fixed assets of the Bank has been revalued five times, in the year of 1998 by Taka. 371.52 million, in 2004 by Taka. 590.27 million and in the year 2007 following the instruction of vendor's agreement signed between Janata Bank Ltd. and Ministry of Finance revaluation of all assets except electrical equipment has done by taka 1,152.02 million, in 2010 by Taka 3,050.56 million and in 2011 land & building has been revalued by Taka. 3,043.37 million based on physical verification conducted by independent survey firm Geodetic Survey Corporation. The calculation is based on average sale and purchase price of last six months of respective localities. No revaluation has been made during the year 2012.

2.19 Other assets

Other assets include all other financial assets and include fees and other unrealised income receivable, advance for operating and capital expenditure and stocks of stationery and stamp. Details are shown in Note-9.

2.20 Receivables

Receivables are recognised when there is a contractual right to receive cash or another financial asset from another entity.

2.21 Borrowings from other banks, financial institutions and agents

Borrowings from other banks, financial institutions and agents includes borrowing from Bangladesh Bank and International Development Association (IDA) credit for 'Enterprise Growth and Bank Modernisation Project (EGBMP)'. These items are brought to financial statements at the gross value of the outstanding balance. Details are shown in Note 10.

2.22 Deposits and other accounts

Deposits and other accounts include non interest-bearing current deposit redeemable at call, interest bearing on demand and short-term deposits, savings deposit and fixed deposit.

2.23 Non-banking assets

Non-banking assets includes the assets acquired against the bad debt loans to adjust the loan. There are no assets acquired in exchange for loan during the period of financial statements.

2.24 Other liabilities

Other liabilities comprise items such as provision for loans and advances/investments/other assets, taxation, superannuation fund, gratuity fund and off balance sheet items and also includes interest payable, interest suspense, accrued expenses etc. Other liabilities are recognised in the balance sheet according to the guidelines of Bangladesh Bank, Income Tax Ordinance, 1984 and internal policy of the Bank.

2.25 Statutory reserve

As per the Banking Companies Act 1991 (Section-24) it is required for the bank to transfer 20% of its current year's profit before tax to reserve until such reserve equals to its paid up capital. Since the Bank has not earned any profit during the year ended 31 December 2012, no such transfer has been made.

2.26 Revaluation reserve

(i) Assets Revaluation Reserve

When an asset's carrying amount is increased as a result of a revaluation, the increase amount should be credited directly to equity under the heading of revaluation surplus/ reserve as per Bangladesh Accounting Standards BAS-16: '*Property, Plant and Equipment*'. The tax effects on revaluation gain are measured and recognised in the financial statements as per Bangladesh Accounting Standards BAS-12: '*Income Taxes*'.

(ii) Revaluation Reserve for HTM & HFT

All HTM securities are amortised at the year end and any increase or decrease of such investment is booked to equity. In case of HFT revaluation, decrease in the present value is recognised in the profit and loss account and any increase is booked to Revaluation Reserve Account through Profit and Loss Account as per Bangladesh Bank DOS circular no. 5, dated 28 January 2009.

2.27 Provision for taxation

(i) Current year tax

Provision for current income tax has been made @ 42.5% as prescribed in the Finance Act, 2012 of the profit made by the Bank considering major taxable allowances and disallowances.

(ii) Deferred tax

Deferred Tax is calculated on the taxable/deductible temporary differences between tax base and carrying value of assets and liabilities as required by Bangladesh Accounting Standards BAS-12: '*Income Taxes*'. Deferred tax is not recognised for the following temporary differences:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

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

2.28 Employee Benefits

2.28.1 Retirement Benefits

The bank operates two alternative retirement benefit schemes for its permanent employees, elements of which are as follows:

(a) Contributory Provident Fund (CPF) scheme

1. Employees' contribution 10%
2. Bank's contribution 10%
3. This fund is operated by a Board comprising twelve (12) trustees.
4. Gratuity: Employees enjoying contributory provident fund facilities are entitled gratuity for 2 months last basic pay drawn for each completed year of service subject to completion of minimum 10 years of service. The scheme is operated on cash basis.

(b) General pension fund scheme

i) Superannuation fund

The Bank operates Pension Scheme. The Bank was paying 40% of basic salary of each employee in each month w.e.f. 2004 to 30 June 2009 to the Superannuation Fund for payment of pension to the retiring employees. The paying rate has been reduced to 25% of basic salary of each employee in each month from 1 July 2009. Again the rate of contribution to Superannuation Fund has been increased to 40% with effect from 1 October 2012.

ii) General Provident Fund (GPF)

Employees opted for pensions are also contributing 10%-30% as per their desire to GPF which is also operated by the same Trustee Board as CPF. The Bank does not contribute any amount against these employees to GPF.

iii) Pension and Gratuity benefit

Pension and Gratuity benefit payable as at 31 December 2012 calculated by the management has been provided in the books of accounts.

2.28.2 Other employee benefits

(a) Leave encashment

The Officer/Staff who has opted for Pension and General Provident Fund, will be entitled to leave encashment facilities upto twelve months at the time of retirement as per letter No. MF/FD/Reg-2/leave-16/84/9 dated 21 January 1985 of Finance Division, Ministry of Finance, Govt. of Bangladesh. But if a staff (not officer) has enjoyed /will enjoy leave encashment facilities before retirement, he will be provided with the rest amount after deduction of the amount enjoyed earlier, as per letter No. MF/B & 1/Banking/2/1/80/101 dated 31 May 1980 of previous Banking & Investment Division, Ministry of Finance, and Government of Bangladesh. The leave encashment benefit is paid to the incumbent debiting 'Expenditure A/C Leave Encashment Code No.-1217'. Therefore, No fund is created for this scheme.

(b) Death relief grant scheme

The Bank operates a death relief scheme since 1 January 1991, which replaced the previous group insurance scheme. The scheme is applicable to all employees of the bank and payments out of this fund are made to the successors of the employees on their death as per rate prescribed in the scheme.

(c) Benevolent Fund

Benevolent fund was initiated in 1986 and is funded by the monthly subscription of executives/officer/staff, sale proceeds of old news papers, income from investment and grant from Bank's operating profit. Expenditures from these funds are scholarship, award to the children of employee for securing good result in the public examination and university levels, marriage assistance and contribution to family members when any employee expires.

2.29 Provision for Nostro Accounts

According to the guideline of Foreign Exchange Policy Department of Bangladesh Bank, Circular No. FEOD (FEMO)/01/2005-677 dated 13 September 2005, Bank has made adequate provision this year regarding the un-reconciled debit balance as at Balance Sheet date.

2.30 Provision for Off-Balance Sheet Items

In compliance with Bangladesh Bank guidelines Off-Balance Sheet items have been disclosed under contingent liabilities. As per BRPD Circular No.10; dated: 18 September 2007, the bank is required to maintain provision @ 1% against Off-Balance Sheet items.

2.31 Contingent liabilities and Contingent assets

A contingent liability is -

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

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

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

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

2.32 Revenue recognition

The revenue during the year has been recognised following all conditions of revenue recognitions as prescribed by Bangladesh Accounting Standards BAS-18: *Revenue*.

(i) Interest income

Interest on loans and advances is calculated on daily product basis and accrued at the end of each month, but charged to customers' accounts on quarterly basis. In terms of the provisions of the Bangladesh Accounting Standards BAS-18: *Revenue*, the interest income is recognised on accrual basis. Up to 30 September 2012 interest on unclassified [excluding Special Mentioned Account (SMA)] loans and advances have been accounted for as income on accrual basis, interest on classified loans and advances (including SMA) has been credited to interest suspense account with actual receipt of interest therefrom having credited to income as and when received as per instruction of Bangladesh Bank. However, as per BRPD circular no: 14 dated 23 September 2012 interest on SMA loans are recorded as interest income on accrual basis from 1 October 2012 and all other things remained the same.

(ii) Fees and commission income

Fees and commission income arises on services provided by the Bank and recognised on a cash receipt basis. Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of effecting the transactions.

(iii) Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex dividend date for equity securities. Dividends are presented in investment income.

(iv) Interest paid on borrowings and deposits

Interest paid on Borrowings and Deposits are calculated on 360 days in a year and recognised on accrual basis.

(v) Interest income from investments

Income on investments is recognised on accrual basis. Investment income includes discount on treasury bills, interest on treasury bonds and fixed deposit with other banks. Capital gain on investments in shares is also included in investment income. Capital gain is recognised when it is realised.

(vi) Management and other expenses

Expenses incurred by the Bank are recognised on actual and accrual basis.

2.33 Earnings per share

Earnings per share (EPS) has been computed by dividing the profit after tax (PAT) by the weighted average number of ordinary shares outstanding as at 31 December 2012 as per Bangladesh Accounting Standards (BAS)-33: 'Earnings per Share'.

2.34 Reconciliation of books and account

Books of account in regard to inter-bank (in Bangladesh and outside Bangladesh) as well as inter-branches are reconciled at regular intervals to keep the unreconciled balances within non material level.

Details of un-reconciled entries of Inter Branch Transaction Accounts (IBTA) as at 31 December 2012 are given in Note 12.2.

2.35 Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or realise asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under BFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

2.36 Credit Rating of the Bank

As per the BRPD circular no. 6 dated 5 July 2006, the Bank has done its credit rating by Credit Rating Information and Services Limited (CRISL) based on the financial statements of Janata Bank Limited dated 31 December 2011. The following ratings had been awarded:

Particulars	Bases of information (as on or period)	Long term	Short term	On the basis Govt. support
Entity Rating	31 December 2011	A+	ST-2	AAA in long run & ST1 in short run
Entity Rating	31 December 2010	A+	ST-2	AAA in long run & ST1 in short run

2.37 Compliance of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS)

The Institute of Chartered Accountants of Bangladesh (ICAB) is the sole authority for adoption of Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs). While preparing the financial statements, Janata Bank Limited applied most of BAS and BFRS as adopted by ICAB. Details are given below:

Name of Bangladesh Accounting Standards (BAS)	BAS	Status
Presentation of Financial Statements	1	*Applied
Inventories	2	N/A
Statement of Cash Flows	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events After the Balance Sheet Date	10	Applied
Construction Contracts	11	N/A
Income Taxes	12	Applied
Property, Plant and Equipments	16	Applied
Leases	17	N/A
Revenue	18	Applied
Employee Benefits	19	Partly applied
Accounting for Govt. Grants and Disclosure of Government Assistance	20	N/A
The Effects of Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	N/A
Related Party Disclosures	24	Applied
Accounting & Reporting by Retirement Benefit Plans	26	Partly applied
Consolidated and Separate Financial Statements	27	Applied
Investments in Associates	28	N/A
Interest in Joint Ventures	31	N/A
Financial Instruments: Presentation	32	*Applied
Earnings per Share	33	Applied
Interim Financial Reporting	34	N/A
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	*Applied
Intangible Assets	38	N/A
Financial Instruments: Recognition and Measurement	39	*Applied
Investment Property	40	N/A
Agriculture	41	N/A

Name of Bangladesh Financial Reporting Standards (BFRS)	BFRS No.	Status
First-time Adoption of 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 Resource	6	N/A
Financial Instruments: Disclosures	7	*Applied
Operating Segments	8	Partly Applied

* Subject to departure described in Note 2.2 - Statement of compliance

2.38 Risk Management

The possibility of losses, financial or otherwise is defined as risk. The risks are inherent in banking business in the context of recovery of credit, maintaining liquidity market and operational affect. It is responsibility of the management to identify measure and mitigate the risks. The risk management of the Bank covers 6 (six) core risk areas in the banking business and issued necessary guidelines as under to control and minimise the affected loss:-

- (i) Credit Risk Management
- (ii) Foreign Exchange Risk Management
- (iii) Assets- Liability Risk Management
- (iv) Money Laundering Prevention Risk Management
- (v) Internal Control and Compliance Risk Management
- (vi) Guidelines on Information and Communication Technology

Janata Bank Limited has developed separate guidelines for each of above risk oriented areas to manage its own core risks.

(i) Credit Risk Management

Credit risk is the risk to a financial institution's earning and capital when an obligor or a third party does not comply with the terms and conditions of the loan and fail to meet its obligations to the bank. It is a potential loss arising from the failure of a counter party to perform as per contractual agreement with the bank, basically failure in repayment. Managing Credit risk of the Bank in an efficient manner has become one of the most crucial tasks for the management. Given the fast changing, dynamic global economy, implementation of Basel-II and the increasing pressure of globalization and liberalization it is essential that banks have robust credit risk management policies and procedures that are sensitive and responsive to this changes.

The Bank ensures to adopt the following risk assessment procedures before approving sanction of any credit facility. The risk assessment procedures include borrower risk analysis, financial analysis, industrial appraisal, historical performance of the customer, security against credit facility etc. The assessment initiated from the branch level, counter checking & cross checking done by the controlling office in accordance with business and sanctioning power.

The proposals belongs to the authority of head office, are reviewed by the concerned credit department in term of credit policies, risk grading, business and management quality and then reviewed by the credit committee. Thereafter placed to board with their recommendation or otherwise rejected of deemed not to be feasible.

Apart from customer department, a separate risk management department has been created to mitigate the various types of credit risk in determining single borrower/large loan limit; the instructions of regulatory bodies are strictly followed.

(ii) Foreign Exchange Risk Management

Foreign exchange risk is a risk that a bank may suffer losses as a result of adverse movements in foreign exchange rates. This risk is associated with the transactions involved in import, export, remittance and foreign currency in hand and bank.

To mitigate the risk involved in foreign exchange business, the foreign exchange dealing operation in Janata Bank limited is performed through Dealing Room (Front Office), Mid Office and Back Office. The dealers manage market risks, avoid adverse exchange fluctuation, look for better investment of funds, maintain sound liquidity and protect the Bank from any unforeseen loss in the situation of any market volatility .The Mid Office and Back Office are assigned the responsibility of related support functions. Dealing room is restricted for all excepting dealers and authorised executives.

The dealing room is equipped with modern facilities i.e. Reuters's information, SWIFT, receptors monitor, telephone, voice recorder etc. Moreover stop/loss limit, trading limit, over night limit is given by the concerned authorities. The daily blotter and mark to market revaluation report is placed to management for their review.

(iii) Asset-Liability Risk Management

Asset- Liability Risk is comprised of two components, (i) Liquidity Risk, and (ii) Interest Rate Risk.

(a) Liquidity Risk

Liquidity risk is defined as a potential loss arising from the Bank's inability to meet its contractual obligations & financial commitments, whenever due.

Liquidity risk is managed in accordance with a framework of asset liability management guideline, liquidity policies, contracts, and limits approved by ALCO of the Bank. These policies are established to control, limit and to ensure that the Bank maintains well diversified sources of funding as well as sufficient liquidity to meet all of its contractual obligations when due. The Bank meet the liquidity crisis by taking call loan, short term deposit from other banks & financial institutions and sale of securities on repurchase agreement (REPO).

(b) Interest Rate Risk

Interest rate risk is the risk of loss in the Bank's interest margin or net equity value arising from changes in interest rates and their implied volatility. Janata Bank Limited has established an Asset Liabilities Committee (ALCO) to screen out and determine the maximum risk exposure regarding liquidity requirement of the Bank, mismatch in the maturity of assets and liabilities, deposit lending ratio and growth, capital adequacy, pricing strategy and the way to meet the liquidity crisis in any adverse situation.

(iv) Money Laundering Risk Management

Money Laundering means any offence under the law which is set out in section no. 2 of the Money Laundering Prevention Act, 2009 (Act no. 8 of 2009). The offences are as under:

- (i) Properties acquired or earned directly or indirectly through illegal means;
- (ii) Illegal transfer, conversion, concealment of location or assistance in the above act of the properties acquired or earned directly or indirectly through legal or illegal means."

The Bank has formulated the polices and procedures under the provision of Money Laundering Act and in consideration of all control points suggested by Bangladesh Bank to control laundering of money earned illegally which is harmful for the economy of the country. The Board and the management are fully committed to prevent money laundering and terrorist financing.

To mitigate the money laundering risk, monthly CTR/ STR reports are provided to Bangladesh Bank, introduced KYC report mentioning the transaction profile, proper address, valid source of income etc. which are verified at the time of opening any kind of Account. Employees are provided training regularly on how to identify a suspicious transaction and what is the role of bank management to report in this regard.

(v) Internal Control and Compliance Risk Management

Internal control is a process to control overall activities of the Bank through establishing policies, procedures, observance of instructions of regulatory authorities with a view to avoid any possible loss from the lack of corporate governance.

To mitigate the operational risk, the Bank ensured effective internal control systems for all of its operational activities by intensifying the internal audit function, comprehensive and risk based inspection in all branches and Head Office. The Compliance Division ensures the settlement of objections or irregularities mentioned in the audit reports under a strong monitoring process of the Management Committee (MANCOM). Besides there is a division named Vigilance Department under the direct supervision of CEO and MD to act at any sudden occurrence of loss or irregularities.

The Bank with the support of an Expert Team, has undertaken a program for up grading its Standard Operating Procedures (SOP) in the area of credit, audit, information technology and accounts as per international best practices.

(vi) Guidelines on Information and Communication Technology

Janata Bank Limited follows the guideline stated in BRPD circular no. 14 dated 23 October 2005 regarding 'Guidelines on Information and Communication Technology' for scheduled Banks. IT management deals with IT policy documentation, internal IT audit, training etc. The objective of IT management is to achieve the highest levels of technology service quality by minimum operational risk. Physical security involves providing environmental safeguards as well as controlling physical access to equipment and data. IT department has controls over Password, User ID maintenance, input control, network security, virus protection, internet and e-mail. Data centre has been set up and disaster recovery plan has been formulated as part of Business Continuity Planning (BCP).

2.39 Related party disclosures

As per Bangladesh Accounting Standards BAS-24: 'Related Party Disclosures', parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with its related parties. Related party disclosures have been given in Note 50.

2.40 Audit Committee Disclosures

As per policy directives as well as compliance with the BRPD Circular No. 12 dated 23 December 2002 of Bangladesh Bank, an audit committee of the board of Janata Bank Limited was constituted by the Board of Directors in its 773rd meeting held on 30 December 2002 and thereafter lastly reconstituted in the 246th board meeting of Janata Bank Limited held on 24 December 2012. The audit committee comprises of four members including chairman who are competent and professionally skilled and also the director of the board. The company secretary act as a secretary of the audit committee. The name and status of the member of the audit committee are stated as follows:

Sl. no.	Name	Status with the committee
i)	Dr. Jamaluddin Ahmed FCA	Chairman
ii)	Dr. R M Debnath	Member
iii)	Mr. Nagibul Islam Dipu	Member
iv)	Mr. Md. Abu Naser	Member

During the year 2012, the Audit Committee of the Board conducted 11 (Eleven) meetings in which the following important issues were reviewed/discussed among with others:

- * Reviewed Annual audit plan of internal audit 2012.
- * Reviewed External Audit plan 2012.
- * Reviewed the liquidity position of the bank in monthly basis.
- * Reviewed the overall performance of audit conducted by different departments and compliance thereof and advised the management to take effective means to improve audit performance.
- * Reviewed the reconciliation position of Inter branch transaction accounts and advised the bank management to take necessary steps to reconcile the unreconciled entries immediately.
- * Reviewed the draft audit report and financial statements for the year ended 31 December 2011 of the bank prior to submission to the board for approval under the guideline of Basel-II and other regulatory requirements with necessary amendments.
- * Reviewed revised budget of 2012 and proposed budget of 2013 and recommended the same to be placed before the board with suggested amendments.
- * Reviewed management report 2011 conducted by external auditors and suggested some amendments and then place before the the board for approval.

- * Introduced quarterly certification of loan documentation to the audit committee by the respective controlling heads as an additional preventive measure towards reduction of fraud forgery, defalcation and any other irregularities.
- * Reviewed previous year's performance of External Auditors Rahman Rahman Huq and Aziz Halim Khair Choudhury (Chartered Accountants) and recommended for further appointment for conducting audit of financial statements for the year ending 31 December 2012.
- * Reviewed the audit report and financial statements for the year ended 31 December 2011 and recommended to place to the board for approval and then to submit to the Annual General Meeting.

2.41 Corporate Social Responsibility (CSR)

With industrialisation, the impacts of business on society and the environment assumed an entirely new dimension. For this, Corporate Social Responsibility has become a criterion of socially lawful business endeavour and the acceptance of it, is growing day by day. Countries of developed economy have taken the idea of "Social Responsibility" with that of "Achieving Highest Profit". Being one of the famous state owned commercial banks in Bangladesh, Janata Bank Limited has also realised its responsibilities to the society and contributed to the amelioration of the social life of the destitute people, infra-structure, environment etc. For making its entrepreneurship a success, Janata Bank Limited allocated budget of Tk.150.00 million in 2012. Following the way, in 2012, it has devoted Tk.113.38 million for conducting its CSR activities. Here is a break-down of the categories in which Janata Bank Limited has allocated substantial amount of money for the purpose of CSR activities in 2012.

Sl. No.	Description	Amount in million (Tk.)
1	Agriculture related	5.00
2	Education and Research	28.32
3	Environment	0.07
4	Health and Treatment	34.78
5	Poverty reduction and rehabilitation	13.06
6	History, Culture and Art	12.86
7	Information Technology	14.58
8	Miscellaneous	4.71
Total		113.38

2.42 Events after the balance sheet date

Events After the balance sheet date that provide additional information about the company's position at the balance sheet date are reflected in the financial statements in Note no. 44 as per Bangladesh Accounting Standards BAS-10: 'Events After the Balance Sheet Date'.

2.43 Directors' responsibility on financial statements

The board of directors takes the responsibility for the preparation and presentation of these financial statements.

2.44 Operating segments

The Bank has five reportable segments, as described below, which are the Bank's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Bank's management and internal reporting structure. For each of the strategic business units, the Bank Management Committee reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Bank's reportable segments: Details shown in note no. 48.

i. Loans & Advances	Includes loans, deposits and other transactions and balances with corporate customers & retail customers.
ii. Treasury	Undertakes the Bank's funding and maintenance of SLR, Asset-liability management through borrowings and placement, currency swap and investing in liquid assets such as short-term placements and corporate and government debt securities.
iii. Overseas Branches (UAE)	Four (4) overseas branches of Janata Bank Limited are situated in UAE & operating banking business, money remittance etc. as per the head office instructions and other activities as permitted under the banking law of UAE.
iv. Janata Exchange Company Srl, Italy	Janata Exchange Company Srl., Italy, subsidiary company of Janata Bank Limited operates its business in Italy. It performs the activities of money remittance, issue cheques, payment instruments and traveler's cheque and other activities as permitted under the banking law of Italy.
v. Janata Capital and Investments Limited	Established to do all kinds of merchant banking activities including issue management, underwriting, portfolio management and other transactions.

2.45 Approval of financial statements

2.46 General

- a) Figures appearing in these Financial Statements have been rounded off to the nearest Taka.
- b) Previous year's figures have been rearranged, where necessary, in order to conform to current year's presentation.