



Annual Report 2005



***BASIC Bank Limited***  
*Serving people for progress*  
A STATE OWNED SCHEDULED BANK

**Annual Report 2005**



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*Serving people for progress*  
A STATE OWNED SCHEDULED BANK



*Mr. Md. Nurul Amin, Chairman and Mr. A. H. Ekbal Hossain, Managing Director of BASIC Bank Limited handing over dividend for the year 2004 to the Honorable Minister for Finance and Planning Mr. M. Saifur Rahman, MP.*

## Table of Contents

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Profile	4
Our Approach	5
Board of Directors	6
BASIC Bank's Address	8
Notice of the 17th Annual General Meeting	9
Seventeen Years of BASIC Bank	10
Chairman & Directors' Report	14
Management Review for 2005	28
Financial Statements	38
Auditors' Report to the Shareholders	39
Balance Sheet	40
Off Balance Sheet Items	41
Profit & Loss Account	42
Cash Flow Statement	43
Statement of Changes in Equity	44
Liquidity Statement	45
Notes to the Financial Statements	46
Branches of BASIC Bank	73
Executives of BASIC Bank	75
Our Branch Network	76



## Profile

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The BASIC Bank Limited (Bangladesh Small Industries and Commerce Bank Limited) established as a banking company under the Companies Act 1913 launched its operation in 1989. It is governed by the Banking Companies Act 1991.

The Bank started as a joint venture enterprise of the BCC Foundation with 70 percent shares and the Government of Bangladesh with 30 percent shares. The BCC Foundation being nonfunctional following the closure of the BCCI, the Government of Bangladesh took over 100 percent ownership of the Bank on 4th June 1992.

Adjudged as one of the soundest banks in Bangladesh, BASIC Bank is unique in its objectives. It is a blend of development and commercial banking functions.

Steady growth in client base and their high retention rate since Bank's inception testify to the immense confidence they repose on its services. Diversified products in both liability and assets sides particularly a wide range of lending products related to development of small industries and micro enterprises, and commercial and trading activities attract entrepreneurs from varied economic fields. Along with promotion of products special importance is given to individual clients through providing personalized services. In fact individuals matter in this Bank. This motto has been followed for development of clientele as well as human resources of the Bank.



## Our Approach

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As a blend of development and commercial banking we provide our clients with a full range of service to help them grow their assets and net worth. We place particular emphasis on small balance sheet size composed of quality assets and steady and sustainable growth. We offer term loans to clients, especially to develop small scale enterprises. We also provide full-fledged commercial banking services like collection of deposits, short term trade finance, working capital finance in processing and manufacturing units and financing and facilitating international trade.

We attach special importance to technical and advisory support to small scale industries in order to enabling them to run their enterprises successfully.

Micro Credit to the urban poor through linkage with NGOs with a view to facilitating their access to the formal financial market for the mobilization of resources is another diversification of our services.

We provide an environment in which our staff members feel they can exercise their initiative and judgement within a clearly established framework. Our Bank is the leader in offering excellent career opportunity in transparent and participative management culture.

Coping with the competitive and rapidly changing financial market of the country, BASIC Bank maintains close connections with its clients, the regulatory authorities, the shareholders (the Government of Bangladesh), other banks and financial institutions.



## Board of Directors

as on June 07, 2006

**Mr. Md. Nurul Amin**

Secretary  
Ministry of Industries  
Govt. of the People's Republic of Bangladesh

Chairman

**Dr. Mohammad Tareque**

Additional Secretary  
Ministry of Finance  
Govt. of the People's Republic of Bangladesh

Director

**Mr. S. R. Osmani**

Chairman  
Bangladesh Small and Cottage Industries Corporation (BSCIC)

Director

**Mr. Md. Mosharraf Hossain Bhuiyan**

Joint Secretary  
Ministry of Education  
Govt. of the People's Republic of Bangladesh

Director

**Mr. Md. Ehsanul Hoque**

Director General  
Prime Minister's Office

Director

**Mr. Md. Asaduzzaman Khan**

Executive Director  
Bangladesh Bank  
Head Office, Dhaka

Director

**Mr. A. H. Ekbal Hossain**

Managing Director

---

**Abdul Qayum Mohammad Kibriya**

Company Secretary

**Howladar, Yunus & Co.**

Chartered Accountants  
67 Dilkusha Commercial Area  
Dhaka-1000 Bangladesh

Auditors



## Audit Committee of the Board of Directors

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<b>Dr. Mohammad Tareque</b> Director	Convener
<b>Mr. Md. Mosharraf Hossain Bhuiyan</b> Director	Member
<b>Mr. Md. Asaduzzaman Khan</b> Director	Member

## Directors Retired during 2005

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<b>Mr. Ayub Quadri</b> Ex-Secretary Ministry of Industries	Chairman
<b>Mr. Syed Mushtaq</b> Ex-Secretary Ministry of Chittagong Hill Tracts Affairs	Director
<b>Mr. Md. Solaiman Khan</b> Ex-Chairman Bangladesh Small & Cottage Industries Corporation (BSCIC)	Director
<b>Mr. Md. Sikander Ali Mondal</b> Ex-Chairman Bangladesh Small & Cottage Industries Corporation (BSCIC)	Director
<b>Mr. A B M Kamarul Islam</b> Director & Ex-Chairman (C.C.) Bangladesh Small & Cottage Industries Corporation (BSCIC)	Director
<b>Mr. Mahmudul Karim</b> Economic Minister Permanent Mission to the United Nations	Director



# BASIC Bank Limited

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Bangladesh Small Industries and Commerce Bank Limited  
(A State Owned Scheduled Bank)

## REGISTERED OFFICE

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Bana Shilpa Bhaban  
73, Motijheel Commercial Area  
Dhaka-1000, Bangladesh

## HEAD OFFICE

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Sena Kalyan Bhaban (6th floor)  
195, Motijheel Commercial Area  
Dhaka-1000, Bangladesh



## INCORPORATION

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August 2, 1988

## COMMERCIAL OPERATION

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January 21, 1989

## CONTACTS

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Phone : 9564830, 9568190, 9556616, 7175691, 7175692 (Head Office)  
IT Division & Training Institute : 9562960, 9555087  
Fax : 880-2-9564829 SWIFT : BKSIBDDH  
E-mail : basicho@citechco.net Web-site : www.basicbanklimited.com

## Notice of the 17th Annual General Meeting

Notice is hereby given that the 17th Annual General Meeting of BASIC Bank Limited (Bangladesh Small Industries and Commerce Bank Limited) will be held on Sunday, June 25, 2006 at 12:00 noon at **Sena Kalyan Bhaban, 195 Motijheel C/A, Dhaka-1000** to transact the following business:

01. To receive, consider and adopt the Directors' Report and Audited Statements of Accounts along with the Auditor's Report thereon for the year ended December 31, 2005;
02. To declare dividend for the year ended December 31, 2005;
03. To elect Directors in place of those who will retire in accordance with the provisions of Articles 105, 106 and 107 of the Articles of Association of the Bank and the retiring Directors are eligible for re-election/re-nomination;
04. To appoint Auditors of the Bank as per Article 144 of the Articles of Association of the Bank for the term until the next Annual General Meeting and to fix their remuneration as per Article 145 of the Articles of Association of the Bank;

Any other business with the permission of the Chair.

By order of the Board of Directors



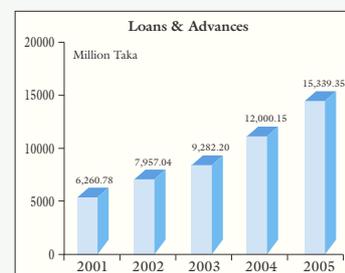
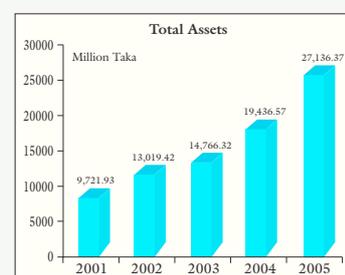
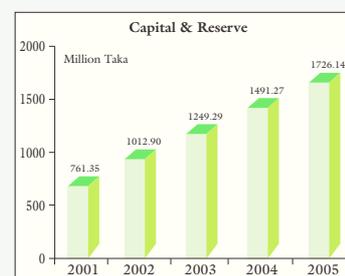
**Abdul Qayum Mohammad Kibriya**  
Company Secretary

Dated: Dhaka  
June 07, 2006



## Seventeen Years of BASIC Bank

Progress at a glance	2005	2004	2003	2002	2001
<b>From the Balance Sheet (Million Taka)</b>					
Authorized Capital	2,000.00	2,000.00	2,000.00	500.00	500.00
Paid-up Capital	810.00	675.00	450.00	300.00	300.00
Reserve and Surplus	916.14	816.23	799.29	712.90	461.39
Shareholders' Equity	1,726.14	1,491.23	1,249.29	1,012.90	761.35
Fixed Assets	135.78	101.41	73.49	76.68	65.73
Total Assets	27,136.37	19,436.57	14,766.32	13,019.42	9,721.93
Deposits	22,325.58	15,509.18	11,266.54	10,021.24	7,512.62
Long- term Debt	937.51	839.61	690.95	676.51	582.82
Loans and Advances	15,339.35	12,000.15	9,282.20	7,957.04	6,260.78
Placement & Investment	10,236.82	6,098.51	4,361.93	3,988.76	2,605.23
<b>From the Income Statement (Million Taka)</b>					
Gross Income	2,228.21	1,768.85	1,558.52	1,290.66	1,041.76
Gross Expenditure	1,599.77	1,241.63	1,004.85	856.15	685.64
Profit before Tax	628.44	527.22	553.67	434.51	356.12
Profit after Tax	285.49	291.48	236.39	251.55	213.67
Tax Paid (Cumulative)	1,777.70	1,434.76	1,199.02	881.73	698.76
<b>Others (Million Taka)</b>					
Import Business	14,094.96	12,508	9,882.80	8,645.00	7,542.80
Export Business	11,097.23	7,908	6,933.90	5,557.60	5,957.90
<b>Financial Ratios (Percentage)</b>					
Capital Adequacy Ratio	11.66	12.49	12.57	13.20	12.49
Capital Fund to Deposit Liabilities	10.36	10.47	10.65	10.11	10.13
Liquid Assets to Deposit Liabilities	58.01	50.36	51.05	54.80	51.47
Loan to Deposit Liabilities	69.74	77.37	82.39	79.40	83.34
Earning Assets to Deposit Liabilities	114.56	116.70	121.10	119.20	118.01
After Tax Return on Average Assets	1.23	1.70	1.70	2.20	2.45
Net Profit to Gross Income	12.81	16.48	15.17	19.35	20.51
Interest Margin Cover	214.56	205.07	210.87	187.00	173.91
After Tax Return on Equity	17.75	21.27	20.90	28.18	28.06
SMI/SSI Loan and					
Micro Credit to Total Loan	67.00	62.21	59.16	63.00	50.18
<b>Number of Branches</b>	<b>27</b>	<b>27</b>	<b>26</b>	<b>26</b>	<b>25</b>
<b>Number of Employees</b>	<b>601</b>	<b>578</b>	<b>523</b>	<b>510</b>	<b>497</b>



**AUTHORIZED  
CAPITAL  
TK. 2,000  
MILLION**

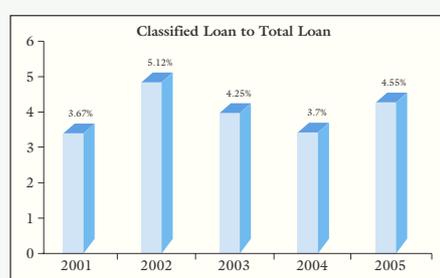


## Seventeen Years of BASIC Bank

Progress at a glance	2000	1999	1998	1997
<b>From the Balance Sheet (Million Taka)</b>				
Authorized Capital	500.00	500.00	500.00	500.00
Paid-up Capital	240.00	160.00	80.00	80.00
Reserve and Surplus	457.77	424.43	394.48	258.34
Shareholders' Equity	697.77	584.43	474.48	338.34
Fixed Assets	51.11	37.83	41.96	36.39
Total Assets	7730.67	7,173.17	5620.57	4350.14
Deposits	5,845.15	5,647.93	4,551.48	3,541.60
Long- term Debt	555.98	368.85	344.61	273.29
Loans and Advances	4,618.73	3,960.11	3,218.90	2,630.90
Placement & Investment	2,462.17	2,021.19	2,040.72	1,395.59
<b>From the Income Statement (Million Taka)</b>				
Gross Income	877.48	794.59	591.64	440.46
Gross Expenditure	573.30	528.01	364.73	268.83
Profit before Tax	304.18	266.58	226.91	171.63
Profit after Tax	173.34	159.95	136.15	94.61
Tax Paid (Cumulative)	556.31	425.47	318.84	228.08
<b>Others (Million Taka)</b>				
Import Business	7,948.00	7,391.10	7,208.20	7,017.56
Export Business	5,557.00	5,060.30	4,420.20	3,754.87
<b>Financial Ratios (Percentage)</b>				
Capital Adequacy Ratio	15.30	14.27	14.01	12.45
Capital Fund to Deposit Liabilities	11.94	10.34	10.42	9.55
Liquid Assets to Deposit Liabilities	59.52	59.09	62.29	59.58
Loan to Deposit Liabilities	79.02	66.71	66.81	69.86
Earning Assets to Deposit Liabilities	117.74	85.34	115.56	113.69
After Tax Return on Average Assets	2.33	2.50	2.73	2.28
Net Profit to Gross Income	19.75	20.45	23.01	21.48
Interest Margin Cover	150.67	112.67	192.07	194.64
After Tax Return on Equity	27.04	30.21	28.69	27.96
Small Scale Industries Loan and Micro Credit to Total Loan	46.96	40.09	42.21	35.83
<b>Number of Branches</b>	<b>25</b>	<b>23</b>	<b>22</b>	<b>21</b>
<b>Number of Employees</b>	<b>453</b>	<b>417</b>	<b>372</b>	<b>351</b>

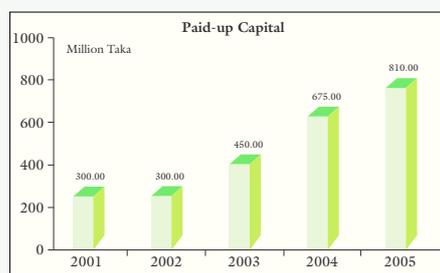


**PAID-UP CAPITAL**  
**TK. 810 MILLION**



## Seventeen Years of BASIC Bank

Progress at a glance	1996	1995	1994	1993
<b>From the Balance Sheet (Million Taka)</b>				
Authorized Capital	100.00	100.00	100	100
Paid-up Capital	80.00	80.00	80	80
Reserve and Surplus	163.73	105.96	53.49	27.81
Shareholders' Equity	243.73	185.96	133.49	107.81
Fixed Assets	25.45	21.27	21.37	20.82
Total Assets	3962.55	3280.16	2609.85	2321.13
Deposits	3,357.05	2,773.73	2241.33	1977.60
Long- term Debt	196.45	166.08	119.68	122.18
Loans and Advances	1,724.81	1,561.29	1112.24	986.61
Placement & Investment	1,320.43	995.57	483.9	672.29



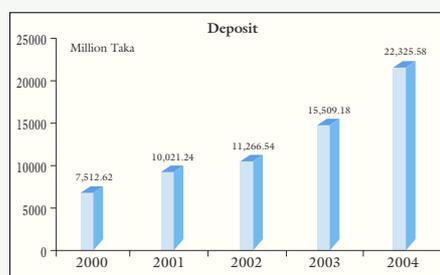
<b>From the Income Statement (Million Taka)</b>				
Gross Income	311.43	291.62	232.87	197.67
Gross Expenditure	207.41	191.66	81.51	163.01
Profit before Tax	104.02	99.96	51.36	34.66
Profit after Tax	57.77	52.48	25.68	17.33
Tax Paid (Cumulative)	151.06	104.81	57.33	31.65



<b>Others (Million Taka)</b>				
Import Business	4,986.10	4,657.86	2613.5	1851.13
Export Business	2,609.30	1,783.09	1227.08	718.63



<b>Financial Ratios (Percentage)</b>				
Capital Adequacy Ratio	12.39	Not Introduced		
Capital Fund to Deposit Liabilities	7.26	6.70	5.96	5.45
Liquid Assets to Deposit Liabilities	70.42	66.22	68.17	66.91
Loan to Deposit Liabilities	47.82	54.17	49.62	49.89
Earning Assets to Deposit Liabilities	99.57	97.52	74.04	83.69
After Tax Return on Average Assets	1.60	1.78	1.04	0.76
Net Profit to Gross Income	18.54	18.00	11.03	8.77
Interest Margin Cover	112.45	109.68	60.33	84.98
After Tax Return on Equity	23.70	28.22	21.28	17.48
Small Scale Industries Loan and Micro Credit to Total Loan	40.99	43.44	46.25	22.16

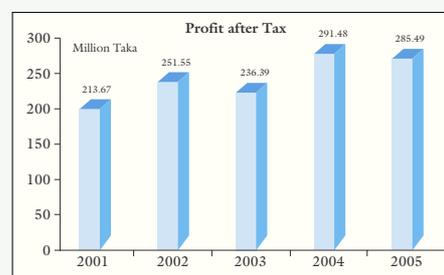
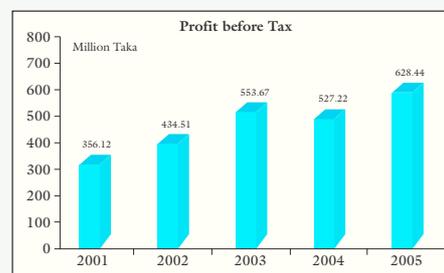
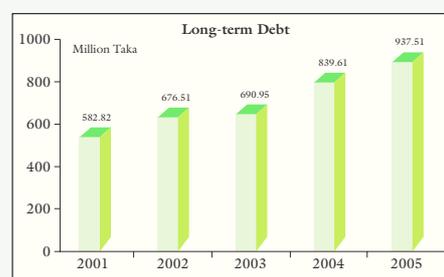
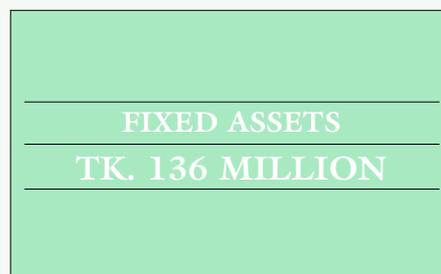


Number of Branches	19	18	17	16
Number of Employees	315	300	238	196



## Seventeen Years of BASIC Bank

Progress at a glance	1992	1991	1990	1989
<b>From the Balance Sheet (Million Taka)</b>				
Authorized Capital	100	100	100	100
Paid-up Capital	80	80	80	80
Reserve and Surplus	10.48	4.83	4.36	1.09
Shareholders' Equity	90.48	84.83	84.36	81.09
Fixed Assets	16.26	15.15	14.08	7.62
Total Assets	1646.95	991.37	661.91	406.73
Deposits	1367.36	843.79	529.19	317.72
Long- term Debt	125.8	30	30	0
Loans and Advances	715.75	432.80	200	66.45
Placement & Investment	553.61	404.60	341.11	287.52
<b>From the Income Statement (Million Taka)</b>				
Gross Income	126.70	98.80	61.11	28.42
Gross Expenditure	117.52	95.33	52.22	24.28
Profit before Tax	9.18	3.47	8.89	4.14
Profit after Tax	4.13	2.87	3.27	1.09
Tax Paid (Cumulative)	14.32	9.27	8.67	3.05
<b>Others (Million Taka)</b>				
Import Business	1656.70	1144.16	582.39	296.41
Export Business	365.50	115.64	36.76	0
<b>Financial Ratios (Percentage)</b>				
Capital Adequacy Ratio	Not Introduced			
Capital Fund to Deposit Liabilities	6.62	10.05	15.94	25.52
Liquid Assets to Deposit Liabilities	75.59	61.21	81.86	104.05
Loan to Deposit Liabilities	52.35	51.29	37.79	20.91
Earning Assets to Deposit Liabilities	92.70	101.48	102.99	111.41
After Tax Return on Average Assets	0.23	0.23	0.39	0.35
Net Profit to Gross Income	3.26	2.9	5.35	3.84
Interest Margin Cover	57.85	82.15	102.43	123.1
After Tax Return on Equity	4.71	3.39	3.95	1.34
Small Scale Industries Loan and Micro Credit to Total Loan	15.38	15.56	23.84	28.12
<b>Number of Branches</b>	<b>13</b>	<b>10</b>	<b>7</b>	<b>3</b>
<b>Number of Employees</b>	<b>159</b>	<b>124</b>	<b>100</b>	<b>48</b>



## Chairman and Directors' Report 2005

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*Board of Directors of BASIC Bank Limited*



# Chairman and Directors' Report 2005

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**Dear Shareholders,**

It gives me immense pleasure to welcome you on the 17th Annual General Meeting of the Shareholders of BASIC Bank Limited. I am pleased to present the Annual Report for the year 2005 of BASIC Bank Ltd. which is a clear manifestation of the progress made during the year and an optimistic outlook towards a brighter future of the Bank.

I will start by reviewing the most important features of the World economy during the past year 2005 and then briefly provide you with the features and forecasts of Bangladesh economy followed by the Bank's main activities and achievements during the reporting year and future strategies.

## **The World Economy**

Only a few years ago, the term 'the World economy' was used as shorthand for the economies of the developed world; China would at best rate a brief mention. But now her economy is too big to ignore. It was largely due to China's robust growth that the world as a whole escaped recession after America's stock market bubble burst in 2000-01.

## **Year 2005**

The year 2005 will be remembered for many appalling news. People mostly civilians continued to die in the Iraq quagmire. Terrorist attacks took place in many parts of the world, including Bangladesh. A devastating hurricane, Katrina, swept over the Louisiana state in the USA as well as earthquake in Pakistan and Indonesia, sending shockwaves to the world on the rampage. Considerable concern remained about nuclear proliferation, especially in Iran and North Korea, and the availability of weapons of mass destruction to rogue groups. Moreover, bombing at different places, including sub-way in London, Paris and other parts of the world also had negative impact on the world economy.

## ***Continued Strong World Economy***

Despite high prices for crude oil and raw materials the world economy expanded rapidly in 2005 and the rate of growth was broadly higher than expected with China and India as the engines of growth. Negative effects were offset by low interest rates in the capital markets, monetary policy which was geared towards expansion and the favorable results of operations in companies. The International Monetary Fund (IMF) in its recent publication, World Economic Outlook - Globalisation and Inflation, April 2006, stated 'The momentum and resilience of the global economy in 2005 continued to exceed expectations ... global GDP growth is estimated at 4.8 percent, 0.5 percentage point higher than projected last September'.

Most of the growth in the world economy in 2005 was again generated by the United States. With an economic growth rate above 4 percent, an overall GDP inflation rate below 3 percent for the year and an unemployment rate at 5 percent, the performance of the U.S. economy has understandably been the envy of the developed world.<sup>1</sup> According to the Department of Commerce report, the American economy grew by a robust 4.3% annual rate during the third-quarter, and for all of 2005, real GDP expanded by 3.7%. Exports increased substantially, while imports rose at a slower rate over the previous year. However, for the first time in two years, the import surplus in the US did not increase. The hurricanes off the coast of Florida, which caused great damage in 2005, have not had a lasting effect on economic growth.

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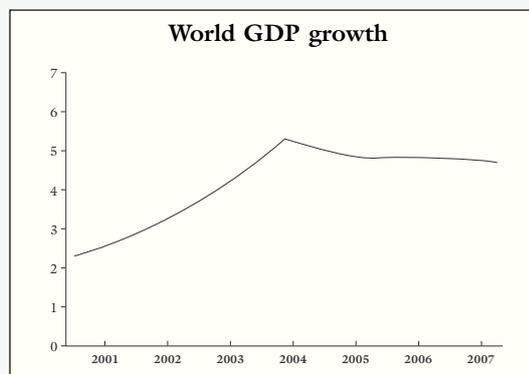
<sup>1</sup> China, US should adjust approach to economic growth, *The People's Daily Online*, Dec. 26th 2005: <http://english.people.com.cn>



## Chairman and Directors' Report 2005

The second major driving force behind the global economy is China. The economy there expanded last year at a rate of over 9 percent, once again approaching double-digit growth, but the signs of a slowdown have started to appear. Various administrative measures contributed towards cooling the overheated investment climate.

In Japan, there was an economic upturn after a temporary lull in economic growth. The oil-producing countries had substantial current account surpluses in 2005. Exports to oil-producing countries increased in the course of the year, as their purchasing power improved significantly, due to a considerable increase in revenue from oil sales. The economic growth of the oil-importing countries declined from 6.9 per cent to 6.1 per cent because of high oil prices, domestic capacity constraints and slower import demand from high-income countries.<sup>2</sup>



Once again, it was countries in the euro area that lagged behind. Despite low interest rates, weak consumption has put a damper on economic growth in the region. Business momentum here remained weak, with economic growth of 1.3 percent. A crucial factor was the increase in oil prices, which had a significant adverse effect on demand from private households. However, the mood in industry started to improve somewhat, due to a higher level of incoming orders and the depreciation of the euro. Fresh impetus was also created by EU enlargement.

### Year 2006

#### *Defiant World Economy Starts 2006 in Fine Form*

The vigor of the world economy in 2005, bolstered by strong growth in India and China, has convinced many economists at the World Economic Forum in Davos that output will continue to rise healthily this year and next.<sup>3</sup> Economists at Credit Suisse First Boston predicted, 'The coming year looks like being the third in a row in which it runs above the sort of rate that we would have previously thought of as trend. On that basis, it could be the strongest three-year period for 30 years'. But for Global Insight chief economist Nariman Behravesh, 'the big question out there in 2006 is about the nexus between the United States and Asia that has kept the global economy going'. Will this nexus remain firm or will it be broken because of economic and political issues?

#### *Asia to Lead World Economy in 2006*

Asian economies are growing at twice the worldwide rate. The United Nations said the global economy would continue to grow this year as it did in 2005, led by the major economies of Asia. It reported that the economies of East and South Asia would expand by 6.5 percent this year, supporting the

GDP Growth Rate 2005	
World Average	4.8%
Asia	8.6%
Bangladesh	5.4%

<sup>2</sup> The World and Bangladesh economy, *The Daily Star*, April 21, 2006.

<sup>3</sup> India and China take spotlight in Davos, *The Financial Times*, January 27, 2006.

## Chairman and Directors' Report 2005

continuation of a two-year worldwide economic recovery. Asia's strong showing is due in large part to projected growth rates of nine percent in China and eight percent in India. The economies of Malaysia, Thailand, Singapore and Taiwan are likely to be boosted by an improving economy in Japan, and by rising global demand for electronics, one of their major exports. The economies of India, Pakistan and Bangladesh are likely to be boosted by continued demand for textiles and growing investment in infrastructure, health and education.

### *The Global Outlook in Summary*

The International Monetary Fund expects global growth to run at a healthy 4.9 percent in 2006. The overview of the world economic outlook projections, as incorporated in the World Economic Outlook - Globalisation and Inflation, April 2006, is as follows:

(Annual percent change)

	Real GDP growth <sup>a</sup>		
	2005	2006 <sup>b</sup>	2007 <sup>b</sup>
World output	4.8	4.9	4.7
Advanced economies	2.7	3.0	2.8
United States	3.5	3.4	3.3
Euro Area	1.3	2.0	1.9
Japan	2.7	2.8	2.1
United Kingdom	1.8	2.5	2.7
Canada	2.9	3.1	3.0
Other advanced economies	3.7	4.1	3.7
Other emerging markets and developing countries	7.2	6.9	6.6
Central and eastern Europe	5.3	5.2	4.8
Developing Asia	8.6	8.2	8.0
Western Hemisphere	4.3	4.3	3.6
Middle East	5.9	5.7	5.4
Commonwealth of Independent States	6.5	6.0	6.1
Africa	5.2	5.7	5.5

a Real effective exchange rates are assumed to remain constant at the levels prevailing during February 9 - March 9, 2006.

b Current projections

### *The Risks Ahead for the World Economy*

Can the world economy sustain its continuing pace of growth? Well, history suggests that when things look so rosy, one should always ask, 'What might go wrong?' Although the future is an impossible place, every year the world's thinktankers have a go at forecasting it. Economists from around the world have identified seven major risks that threaten the world economy.<sup>4</sup> These are: (i) the US consumer will stop spending, (ii) inflation will keep rising and bonds will fall, (iii) global security situation, (iv) insatiable demand for energy and persistent increase in oil price,

<sup>4</sup> Seven key risks facing the global economy in 2006, *Money Week*, May 08, 2006: <http://www.moneyweek.com>

## Chairman and Directors' Report 2005

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(v) the dollar might collapse as the yen and Chinese yuan appreciate fast, (vi) the pound will tumble if Blair resigns this year and Brown will have to face 'a weakening economy, a widening budget deficit, and with none of the international goodwill Blair enjoys', and (vii) China, the emerging giant could see a 'sharp slowdown in bank-funded fixed asset investment', which could turn its boom into a 'breeding ground for excess capacity and deflation'. This could then, thanks to China's enormous size, lead to 'surprising drops in oil and other industrial commodity prices'.

### **The Bangladesh Economy<sup>5</sup>**

The economy of Bangladesh has experienced significant shifts in trade, fiscal, industrial, agricultural and financial policies over last two decades. Bangladesh is significantly dependent on external resources and at the behest of the World Bank and the International Monetary Fund, Bangladesh adopted a set of structural adjustment policies that impacted on all sectors of the economy and every aspect of the short- and medium-term economic management. The key sectors embodying the pace of reforms are agriculture, industry, external trade, finance and banking and foreign exchange.

### **Year 2005**

The economy of Bangladesh had gone through a crucial time in 2005. It had to face serious challenges, man-made and otherwise. The government initiated various measures to overcome the dampening effect of the devastating floods. In addition to persistent problems relating to law and order, governance, corruption, infrastructure, etc., the economy had to confront with soaring prices of basic consumer commodities and petroleum products in the international market.

### **An Overview of Macroeconomic Performance**

To cope with various challenges, the Government and the Bangladesh Bank adopted a series of policies to enhance the resilience of the economy, while maintaining macroeconomic stability. These policies significantly contributed toward maintaining real GDP growth at a satisfactory level of 5.4 percent in FY05 aided by continuing rebound in exports, imports and remittances. However, according to ADB, the GDP growth was 5.6 percent in FY05. An overview of performance of the Bangladesh economy in FY05 in respect of growth in GDP and its three major components - agriculture, industry and services is appended below:

### ***Economic Growth***

Based on provisional estimates of the Bangladesh Bureau of Statistics (BBS) Bangladesh Bank says that real GDP recorded a growth of 5.4 percent in FY05, somewhat lower than 6.3 percent recorded in FY04. Measured at current market prices, the GDP of Bangladesh in FY05 was estimated at Taka 3,684.8 billion representing a nominal growth of 10.7 percent in FY05 compared with 10.8 percent recorded in FY04. In FY05, the country's per capita GDP increased by about 4.0 percent in real terms and about 9.2 percent in nominal terms. Despite the setback of agricultural sector due to devastating floods, the 5.4 percent real GDP growth propelled mainly by the industry and services sectors reflected increased economic activity in all major sectors and sub-sectors. Spurred by a robust 8.6 percent growth in industry sector, GDP growth during the year was also supported by 6.6 percent growth in the services sector, while overall agricultural activities recorded a slower growth of 0.3 percent.

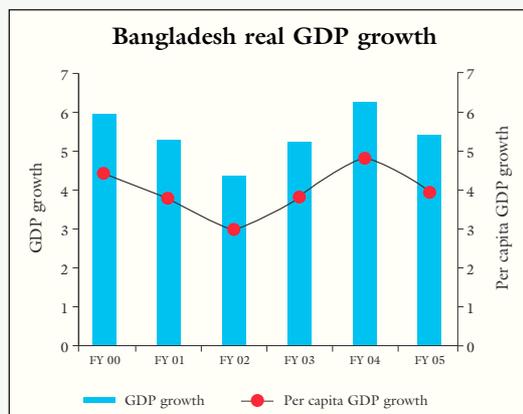
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<sup>5</sup> Sources: 1. *Annual Report 2004-2005*, Bangladesh Bank: <http://www.bangladesh-bank.org> 2. *Bangladesh Quarterly Economic Update*, Asian Development Bank, March 2006: <http://www.adb.org> 3. *Asian Development Outlook 2006*, Asian Development Bank

# Chairman and Directors' Report 2005

## *Agriculture*

The agriculture sector, mainly crops, was severely affected by the onset of floods in FY05. As a result, crops and horticulture sub-sector registered a negative growth of 3.3 percent in FY05 compared with a robust growth of 4.3 percent in FY04. Overall, output of foodgrains declined by 4.1 percent to 26.3 million ton in FY05, reflecting substantial production decline of Aus and Aman crops. However, according to ADB, FY06 was a period of strong recovery, with a good summer crop and expectations of an equally positive winter crop. Buoyant agriculture growth is expected to underpin overall strong economic performance in FY2006, thanks to an uptrend in Aman production.



## *Industry*

In the industry sector, which contributes about 28.4 percent of the GDP, growth rate picked up from 7.6 percent of FY04 to 8.6 percent in FY05. Driven by export-oriented manufacturing, the industrial sector continues to register robust performance. In the first seven months of FY06, output of medium and large-scale manufacturing expanded by a strong 13.2 percent compared with the same period of the preceding year.

## *Service Sector*

The services sector contributes about 50 percent of total GDP in Bangladesh. Overall activities in the services sector, registered 6.6 percent growth in FY05 compared to 5.7 percent in FY04 based mainly on strong growth in industry sector and foreign trade. There has been a strong and sustained expansion in the services sector in FY06, in line with rapid growth in agriculture and industry.

## **Inflation and Exchange Rates**

During FY05, consumer price inflation depicted an increasing trend. While 12-month point-to-point CPI inflation (base: FY96=100) increased from 5.6 percent in FY04 to 7.4 percent in FY05, average inflation measured by 12-month average movements in CPI index indicated an increase from 5.8 percent in FY04 to 6.5 percent in FY05. The increases in inflation rate were mainly due to increases in the prices of food and petroleum products in the international market. However, inflation, on a point-to-point basis, declined to 5.7% in February 2006 from 7.7% in July 2005. The decline was caused primarily by a fall in domestic food prices. Although decelerating, the rate of inflation remains high by historical standards.

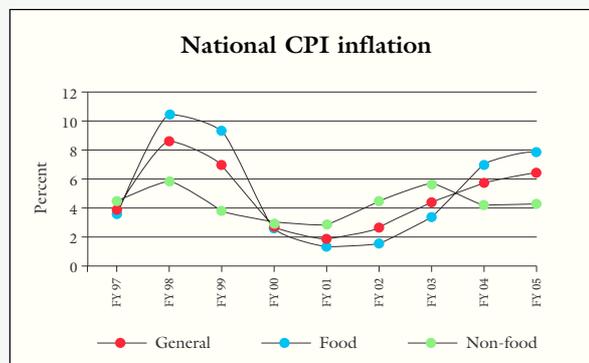
The Taka has been under pressure in the inter-bank foreign exchange market, depreciating from Taka 65.6 to a dollar on September 1, 2005 to Taka 67.8 on February 28, 2006. The Taka is under pressure due to increased import financing requirements for oil imports, the need to meet deferred payment obligations for past petroleum and capital goods imports, increased profit remittances by multinational companies and the rising demand for foreign exchange to repay short term loans and for trade finance.



# Chairman and Directors' Report 2005

## Fiscal Management

Despite some success in revenue administration reform, revenue collection continues to lag behind projections. Revenue collection under the National Board of Revenue (NBR) during July-March of FY2006 increased by 12.4% over the corresponding period of the preceding year. Collections in the first 9 months are just 64.6% of the target for the fiscal year. During the first three quarters, domestic indirect taxes exhibited a high growth (21.1%) compared with the relatively subdued growth performance (5.7%) for import-based taxes. Income taxes also showed reasonably high growth of 16.7%.



## Monetary Policy

In spite of a tight monetary policy stance, money and credit growth continues to be high. In FY05, broad money (M2) growth stood at 16.8 percent somewhat higher than the projection of 14.1 percent growth, higher than the 13.8 percent growth recorded in FY04. In the 12 months ending February 2006, aided by a 23.5% growth in reserve, broad money increased by 18.1% compared with 16.2% in the previous 12 months. Private sector credit also grew at a rate of 16.2%. Net credit to the Government also recorded high growth of 21% compared with 19% in the previous 12 months. Higher money and credit growth supported private sector activity but exerted pressure on the price level and exchange rate. Yield on treasury bills and bonds, and interest rates on repo and reverse repo were raised gradually.

## External Sector

Exports, imports, and remittances from workers abroad achieved strong growth in FY05. Exports (fob) increased by 14.7 percent to USD 8.6 billion in FY05 and imports (fob) increased by 21.4 percent to USD 11.9 billion in FY05; while remittances from workers abroad recorded 11.8 percent growth from USD 3.4 billion in FY04 to USD 3.8 billion in FY05. Growth in imports has decelerated during the year, mainly reflecting a fall in the imports of food and consumer items. Imports during July-February of FY06, (on a c&f basis) grew by 9.8 percent to USD 9,234 million. In the corresponding period of the preceding year, growth was substantially higher at 26.8%.

## Foreign Investment

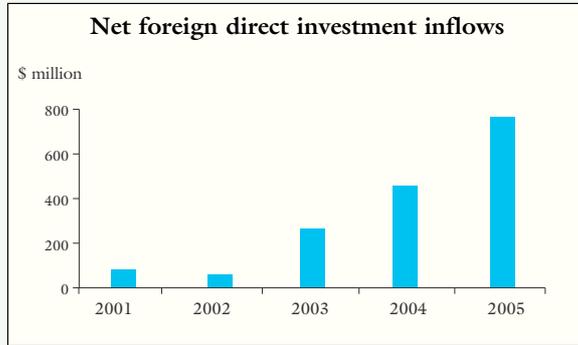
In FY05, FDI flows recorded a net growth of 70.18 percent, from USD 456.0 million in FY04 to USD 776.0 million in FY05. FDI is expected to maintain steady growth in FY2006 and FY2007, but could pick up significantly if ongoing negotiations over several large investment projects prove successful.

### Export, Import & Remittance in Bangladesh (Million)

	2005	2004	2003
Export	8,600	7,600	6,550
Import	11,900	10,900	9,650
Remittance	3,800	3,400	3,000



# Chairman and Directors' Report 2005



## The Impact of Globalization and Free Trade on Bangladesh

Many market pundits had portrayed a doomsday scenario for the Bangladesh's RMG following the phase-out of the Multi-fibre Arrangement (MFA) from the day one of 2005. But they were proved wrong. The withdrawal of quota system did not have any major impact on the RMG exports. Rather, export of knitwear increased substantially and that of woven garment marginally.<sup>6</sup>

## Year 2006

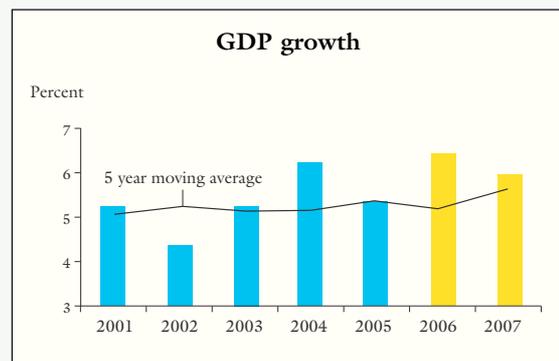
### Development Outlook Remains Broadly Positive

Despite the adverse impact of higher oil prices and the end of textile and clothing quota, the development outlook remains broadly positive, says the Asian Development Bank (ADB) in its *Asian Development Outlook 2006*. The report says GDP growth is expected to reach 6.5% in FY06, reflecting a steady increase in domestic and external demand. Private consumption will be the main driver, bolstered by strong remittances. The outlook for overall crop production is expected to rebound sharply and the performance of industry, driven by export-oriented manufacturing is projected to strengthen further. For FY2006, annual average inflation is forecasted to rise to 7.5%. The current account deficit in FY2006 and FY2007 is expected to remain modest at 0.8-1.0% of GDP, aided by a strong improvement in workers' remittances, and in spite of a rise in the trade deficit. Export growth is forecast to remain relatively strong at about 12-13%.

## The Bank

### A Dynamic Business with Excellent Momentum

Regardless of the market challenges, the modest interest rates and continuing heightened security concerns around the globe during 2005, the Bank has performed very well. In spite of the sustained weakness in equity markets the Bank succeeded in achieving acceptable profit growth, both in absolute terms and relative to its peers. The Bank's overall prudent strategy has led to a growth of 26.63 percent in net operating profits. During the year, the Bank also has strengthened its liquidity position and stability.



<sup>6</sup> The World and Bangladesh economy, *The Daily Star*, April 21, 2006

# Chairman and Directors' Report 2005

## *A Bird's Eye View*

Year 2005 was fairly a good year for the Bank in the face of severe competition in the banking industry and changing global and national economic scenario. The Board of Directors was happy with the overall performance of the Bank, particularly for maintaining quality of assets and improving shareholders' value.

The total assets of the Bank increased to Taka 27,136 million at the end 2005 from Taka 19,436 million in the previous year. The growth rate was 39.62 percent. Deposit rose from Taka 15,509 million in 2004 to Taka 22,325 million in 2005 showing a growth rate of 43.94 percent. Loans and advances stood at Taka 15,339 million as on December 31, 2005 against Taka 12,000 million at the end of 2004, recording a growth rate of 27.82 percent compared to 29.28 percent in the previous year. All out efforts were made to improve the recovery rate and control non-performing loans and advances. Although the recovery rate of project loans remained stable in the neighborhood of 88 percent the proportion of non-performing loans to total loans increased to 4.55 percent in 2005 from 3.70 percent in 2004. Emphasis on the maintenance of quality of assets remained the centerpiece of the Bank's business strategy.

Year 2005 was a period of high growth in loans and advances with 27.82 percent increase compared to 29.28 percent increase in 2004. Growth of industrial finance was moderate and loans to small and medium industries was 51.70 percent of total loans and advances. The industrial loan of Tk. 998.75 crore was distributed among 13 sectors. Textile sector registered the highest concentration being 36.24 percent of industrial loans and 23.59 percent of total loans. Textile sector is followed by: food & allied industries - 13.73 percent of industrial loans and 8.94 percent of total loans, chemical & allied industries - 12.97 percent of industrial loans and 8.44 percent of total loans and engineering - 11.44 percent of industrial loans and 7.45 percent of total loans.

Since starting of the micro-credit Scheme in 1994, the Bank has been providing funds to NGOs for on-lending to their members. Micro-credit of the bank increased by 19.08% to Tk. 33.83 crore during the reporting year. The Bank was quite successful to utilize its fund satisfying all conditionality and national priorities. The Bank also successfully utilized a soft term fund of a German financial institute KfW and special agro-based industrial development fund provided by the Government of Bangladesh.

The Bank's financing of import business increased from Taka 12,507 million in 2004 to Taka 14,095 million in 2005 registering growth of 12.69 percent. On the other hand, Bank's export finance increased to Taka 11,097 million in 2005 from Taka 7,908 million in 2004 registering growth of 40.33 percent.

Bank's income rose by 25.82 percent in 2005 compared to 13.49 percent increase in 2004 while its expenditure increased by 25.40 percent in 2005 compared to 14.59 percent in 2004. Profit before provision rose by 19.20 percent in 2005 against 11.80 percent in 2004. Profit after provision for loan loss and diminution in value of investment increased by 4.85 percent in 2005 against 4.78 percent decrease in 2004 in spite of 51.43 percent increase in loan loss provision. After tax net profit stood at Taka 285 million in 2005 compared to Taka 291 million in 2004.

Deposit, Loans & Advances and Profit (Million)			
	2005	2004	2003
Deposit	22,326	15,509	11,267
Loans & Advances	15,339	12,000	9,283
Profit*	872	689	616

\* Profit before Tax & Provision



## Chairman and Directors' Report 2005

### Capital Structure and Ratios

At the end of the year 2005 Bank's capitalization stood at 10.31 percent for tier 1 and 11.66 percent for total capital against the total risk weighted assets exceeding the required minimum levels of 4.50 percent and 9 percent respectively. Thus the Bank was able to maintain the confidence of investors and depositors while providing a lucrative return to the Government, the sole shareholder of the Bank. Details of the capital structure were as follows:

(Amount in million taka)

Year	2005	2004
<b>Core Capital (Tier 1)</b>		
Paid up capital	810.00	675.00
Statutory reserve	681.13	555.45
Other reserve and surplus	235.00	260.82
<b>Total of Tier 1 Capital</b>	<b>1726.13</b>	<b>1491.27</b>
<b>Supplementary Capital (Tier 2)</b>		
1% general provision on unclassified loans	218.98	125.58
Assets revaluation reserve	6.88	6.88
<b>Total of Tier 2 capital</b>	<b>225.86</b>	<b>132.46</b>
<b>Total Capital</b>	<b>1951.99</b>	<b>1623.73</b>
<b>Risk weighted assets</b>	<b>16739.20</b>	<b>13001.11</b>
<b>Capital Ratios to risk weighted assets</b>		
Tier 1 Capital	10.31%	11.47%
Tier 2 Capital	1.35%	1.01%
<b>Total Capital</b>	<b>11.66%</b>	<b>12.48%</b>

### Strategies for Growth

The Bank is ambitious for growth and can demonstrate its about one-and-a-half decade long track record of asset and profit expansion and exceptional returns to its shareholders. We have clear strategies in place to maintain this level of performance. We know the markets and segments in which growth can be achieved, we are confident in the skills that management and staff have developed and we know where they can be applied to good effect. These skills continue to deliver strong organic growth, ahead of natural market growth. Indeed, the quality and depth of the Bank's management has been a key differentiator and source of competitive advantage for the Bank.

In conformity with the aspiring objective of accelerating small-scale industrial growth and to attain a greater share of such industry in the country's GDP, the Bank in the reporting year has placed particular emphasis on financing projects under small scale and micro industry of cost up to Tk 1.00 crore. The Bank will continue to pursue this strategy so as to make a true difference in this respect and to keep on its image as one of country's most successful and profitable financial services companies.



# Chairman and Directors' Report 2005

## Technology

The Board attaches great importance to acquisition and use of appropriate information technology in the Bank. Computers are being used in the Bank for its day-to-day operation since inception. Both Windows and UNIX based Local Area Network (LAN) have been installed in the Head Office and different Branches. The Bank had its own Banking Software developed in 1991, and since then this software is being used for performing normal banking transactions. Besides, SWIFT is being used in the AD Branches and the Head Office of the Bank for trade finance-related operations like documentary credit, documentary collections, fund transfer, guarantee, etc with optimum security. Moneyline Telerate financial information provider is being used at the Head Office for offering the best exchange rates to its customers as well as for other treasury functions. To enhance the performance and to ease the day-to-day operations, the Bank is continuously pursuing its efforts in the development of different software by its own software development team. Some noteworthy software that the Bank has already developed and is successfully using are Personal Information Management System (PIMS), Foreign Exchange Return System, Loan Classification System, CIB System, CTR-STR System, Car Maintenance System, Payroll System, Sanchaya Patra System, Nostro Account and Inter-Branch Reconciliation System etc.

The Bank is always striving to meet the complex dynamic needs of its customers. To further enhance customer care and increase employee efficiency, the Bank, with the approval of the Board, has undertaken a project for introducing Centralized Online Banking System. The implementation of the project is now proceeding at full throttle. The System is expected to go live during the 2nd half of the current year. The new Online System which includes integrated Core Banking, Trade Finance, Treasury and Internet Banking solutions along with SWIFT, ATM, POST etc. interfaces will allow the Bank offer its customers new products and better services. Deposit/withdraw cash from any Branch of the Bank during office hours, transfer funds and pay utility bills any time through ATM and the Internet and query on account related information, existing products, services, tariffs etc. any time through the Internet and mobile phone are some of the benefits that the customers will enjoy after completion of the project. IVR (Interactive Voice Response) and other state-of-the-art Delivery Channels will also be introduced in phases.

## Dividend

As per Article no. 130 of the Memorandum and Articles of Association of the Bank, unless otherwise decided by the shareholders at least fifty percent (50%) of the net profit (after tax) to be reinvested in the capital of the Company and to that extent bonus shares to be issued to the shareholders in lieu of cash dividend. Also in maintaining the competitive edge and creating a strong financial base the Board of directors with a view to improving its equity by issuing bonus shares to its existing shareholders and accordingly, is pleased to propose to its sole shareholder, the Ministry of Finance, subject to approval of the Annual General Meeting, one bonus share against each 5 shares amounting to Tk. 162.00 million and 6.25% cash dividend amounting to Tk. 50.63 million.

### Dividend & Earning Per Share (EPS)

	2005	2004	2003
Cash Dividend (Million)	60.00	50.60	49.50
Stock Dividend (Million)	135.00	135.00	225.00
EPS	35.25	35.99	35.02



# Chairman and Directors' Report 2005

## The Board

I want to acknowledge the continued support of my fellow directors, who have devoted themselves diligently to their Board duties throughout the year. The increasing complexity of the corporate governance environment has added significantly to the responsibilities placed upon the directors. We are fortunate in the mix of skills, experience and achievement across the spectrum of industry, commerce and public affairs that is represented on the Board. These skills continue to be of great value to me and to the Bank management.

In addition to myself five other directors, Mr. Md. Sikander Ali Mondal, Dr. Mohammad Tareque, Mr. S. R. Osmani, Mr. Md. Ehsanul Hoque and Mr. A B M Kamarul Islam joined the Board during the year 2005. Out of them Mr. Md. Sikander Ali Mondal and Mr. A B M Kamarul Islam together with four other directors, Mr. Md. Solaiman Khan, Mr. Ayub Quadri, Mr. Syed Mushtaq and Mr. Mahmudul Karim, retired in the same year. The outgoing directors epitomized the best attributes of an effective non-executive director and brought wise counsel combined with a deep commitment to the development and welfare of the Bank. Conversely, the new directors have already proved to be a valuable addition. I thank all of them for their significant contribution.

## Audit Committee of the Board of Directors

The Audit Committee of the Board of Directors consists of three directors namely, Dr. Mohammad Tareque, Mr. Md. Mosharraf Hossain Bhuiyan and Mr. Md. Asaduzzaman Khan. The Committee reviewed the financial statements of the Bank from time to time and made a significant contribution to the development of internal control system for conducting banking operations efficiently and in a disciplined manner. The Committee met six times during the reporting year.

## Employees

The Bank's ongoing success speaks to the excellence of its team. BASIC Bank has a well-diversified pool of human resources with high academic background. There is also a positive demographic characteristic - most employees are comparatively young in age yet rich in experiences. BASIC value its employees' strong work ethic, deep loyalty to the Bank, and dedication to helping their customers, communities and each other. I thank them for their valuable contributions to the performance of the Bank.

In an increasingly competitive market for highly skilled staff, we are focusing on providing a stimulating corporate environment and attractive compensation packages. This facilitates challenging career opportunities and avenues for improvement.

The Bank attaches a great importance to the development of human resources and recruits regularly fresh graduates with outstanding academic achievements. At present the total employee strength is 615.

Deposit, Loans & Advances and Profit Per Employee (Million)			
	2005	2004	2003
Deposit	37.15	26.83	21.54
Loans & Advances	25.52	20.76	17.75
Profit	1.45	1.19	1.18

## Acknowledgement

The preceding discussions indicate that the Bank has continued to succeed in attaining satisfactory results in the face of an ever more competitive market, thanks to the collective efforts made by the Bank's management, employees, valued clients and well-wishers.



## Chairman and Directors' Report 2005

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The Board deeply appreciates the sense of commitment and enthusiasm of the employees and is confident that their relentless efforts will contribute to the progress of the Bank in the coming years.

The Board extends its gratitude to Bangladesh Bank, Ministry of Finance, Ministry of Industries, Bangladesh Small and Cottage Industries Corporation and Prime Minister's Office for their cooperation and support in making the 100 percent government owned Bank a success story. The Board also thanks the NGOs working with BASIC Bank in expanding the micro credit program in its efforts towards active participation in national poverty alleviation program.

On behalf of the Board



**Chairman**



*Mr. Md. Nurul Amin, Chairman, BASIC Bank Limited is signing the Audited Financial Statement of the Bank for the year 2005.*



*Dr. Salehuddin Ahmed, Governor, Bangladesh Bank is seen with Mr. Md. Nurul Amin, Chairman and Mr. A. H. Ekbal Hossain, Managing Director at a function of BASIC Bank Limited.*



*A scene of Milad Mahfil of BASIC Bank Limited held at Dhanmondi Branch.*



*Signing Ceremony of Remittance Agreement between BASIC Bank Limited and Placid NK Corporation, USA.*



*Exchange of minutes between Mr. A. H. Ekbal Hossain, Managing Director, BASIC Bank Limited and Prof. Dr. Peter Hartig, Consultant, KfW, a German development bank.*



*Mr. A. H. Ekbal Hossain, Managing Director, BASIC Bank Limited, and other high officials are seen with the participants in a Training Program held at BASIC Bank Training Institute.*



*The wives of the executives of BASIC Bank Limited present in the reception of 16th Annual General Meeting.*



## Management Review 2005

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*Senior Executives of BASIC Bank Limited*



## Management Review 2005

The year 2005 was another successful year for BASIC Bank. Its emphasis on credit quality and customer's services yielded the desired results: growth in profit, capital, assets and shareholders' value. We were fortunate to be able to muster adequate resources, both financial and human, and make such achievement. The years ahead will witness the Bank's growing commitment to maintaining the highest standards in all its spheres of activity.

### Financial Resources

#### Bank's Assets:

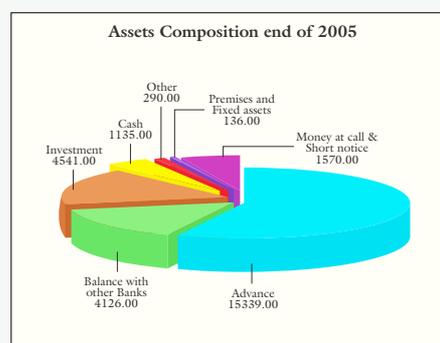
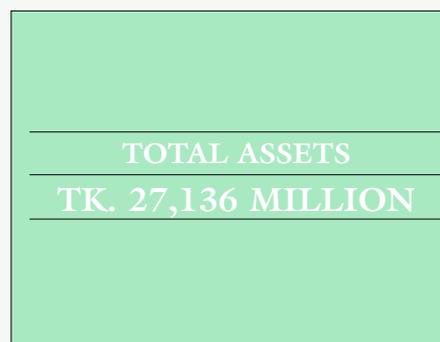
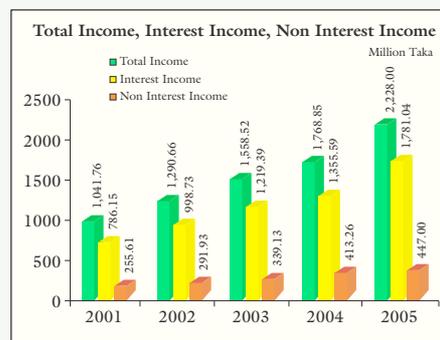
During the year 2005, total assets of the bank increased by 39.62 percent to Taka 27,136.37 million from Taka 19,436.57 million in 2004. As expected for a bank, loans and advances comprised the largest share in the assets portfolio of the Bank constituting 57.52 percent. Investment and balances with other banks and financial institutions were the second and the third largest constituents being 16.73 percent and 15.20 percent of the assets portfolio respectively. Money at call and short notice came next in size with 5.78 percent of total assets.

#### Loans and Advances:

Loans and advances consist of industrial loans, micro credit, commercial loans and bills increased by 27.82 percent to Taka 15339.35 million compared to Taka 12000.01 million in 2004.

#### Industrial Loans:

The industrial loan reflected a significant growth of 29.85 percent over the previous year. Total outstanding industrial loans including term and working capital stood at Taka 9,987.50 million at the end of 2005 compared to Taka 7,691.20 million of 2004. Total outstanding term loan stood at Taka 3,517.85 million as on December 31, 2005 compared to Taka 2,553.26 million in 2004 reflecting a growth of 37.78 percent. The outstanding working capital finance extended to industrial units stood at Taka 6,469.71 million at the end of the reporting period compared to Taka 5,137.95 million in 2004. Growth rate here was 25.92 percent. BASIC Bank's services are specially directed towards promotion and development of small industries. Its exposure to small and medium industries sector accounted for



## Management Review 2005

51.70 percent of the total loans and advances. During the year total of 175 projects were sanctioned term loan. Out of which 109 were new and the rest were under BMRE of the existing projects. As on 31 December, 569 projects were in the portfolio of the bank. The textile sector including garments being one of the major contributors to national economy dominated the loan portfolio of the Bank. Other sectors financed include engineering; food and allied industries; chemicals, pharmaceuticals and allied industries; paper, board, printing and packaging; glass; ceramic; and other non-metallic goods and jute products. Recovery rate of project loan was 89 percent.

### *Micro Credit:*

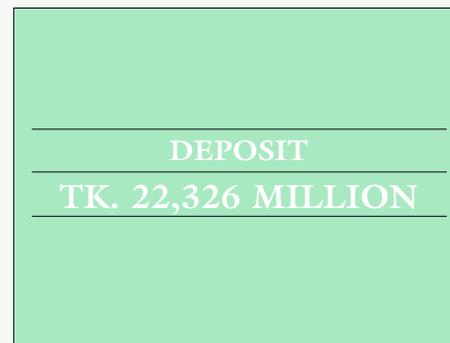
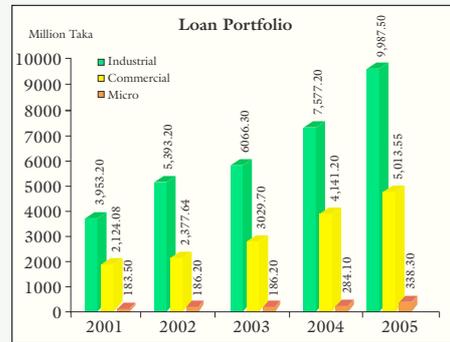
BASIC Bank also provides micro credit facilities for the poor for generation of employment and income on a sustainable basis, particularly in urban and suburban areas. At the end of 2005, total amount of Taka 338.30 million remained outstanding as against Taka 284.10 million in 2004. Recovery rate during this period remained at a satisfactory level of 100.00 percent.

### *Commercial Credit:*

The Bank also supports development of trade, business and other commercial activities in the country. It covers the full range of services to the exporters and importers extending various facilities such as cash credit, export cash credit, packing credit, short term loans, local and foreign bills purchase facilities. As on December 31, 2005 total outstanding commercial loans stood at Taka 5,013.55 million compared to Taka 4,024.70 million in 2004.

### *Non-performing Loan:*

Classified (non-performing) loans and advances was 4.55 percent at the end of the year under review from 3.70 percent in 2004. Only one loan account was responsible for this. But an exit program approved by the Board, if worked successfully, the non-performing loan will be reduced substantially by 2006. The group has already deposited Tk.50.00 million and is expecting to adjust the rest shortly. If this non-performing loans are adjusted the total non-performing loan will come down below 2.00 percent. In absolute term classified loans and advances stood at Taka 698.50 million in 2005 from Taka 443.85 million in 2004. Additional provision made in 2005 was Taka 242.30 million against classified (non-performing) and unclassified loans and advances. Total



## Management Review 2005

cumulative provision made for loans and advances amounted to Taka 493.83 million as on December 31, 2005. During the year 2005 total amount of Taka 53.85 million loans were written off under the guidelines of Bangladesh Bank and Taka 2.04 million was recovered against written-off loans.

### Export/Import:

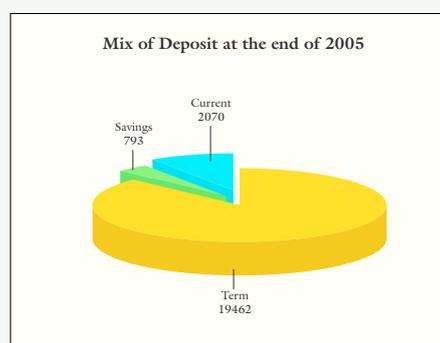
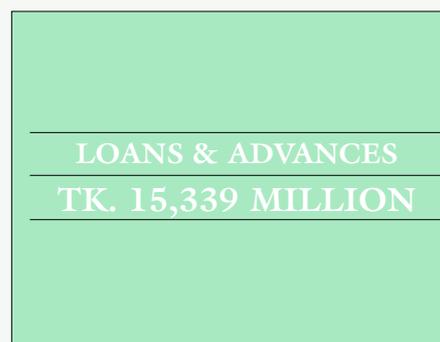
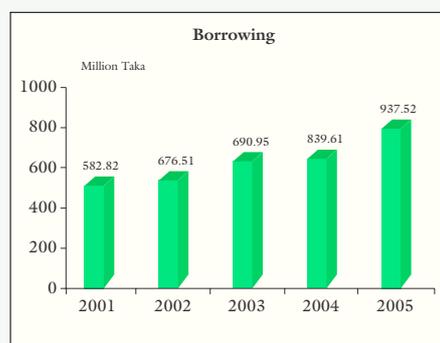
The bank achieved substantial growth in export in 2005 and the performance of the bank in import business was also satisfactory. The Bank handled total export business of Taka 11,097.23 million and import business of Taka 14,094.96 million in 2005. The export and import business grew by 40.33 percent and 12.69 percent respectively. Major items of exports were garments, jute products, textile, leather etc. Items of import included mainly industrial raw materials, garments accessories, capital machinery, food items and other essential commodities.

### Investment and Placements:

Investment at the end 2005 was Taka 4,540.55 million, compared to Taka 2,252.96 million in previous year. Investment was concentrated in approved securities such as Government Treasury Bills, Reverse repo and a few debentures and shares. During the year 2005, treasury bills including reverse repo had the largest share (98.24%) in the investment portfolio. Debentures, shares in listed and unlisted companies and prize bond altogether constituted 1.76 percent. BASIC's placement in different Banks in Bangladesh and outside Bangladesh was Taka 4,126.27 million in 2005 compared to Taka 3,765.55 million in 2004.

### Fixed Assets and Other Receivables:

At the end of 2005 the fixed assets increased by 33.90 percent to Taka 135.78 million from Taka 101.40 million in the 2004 and other assets increased by 44.10 percent to Taka 289.91 million from Taka 201.19 million in the previous year. Fixed assets included vehicles, equipment and computer, furniture and fixtures and leased assets. On the other hand, other assets included advance income tax, stock of stationery, security deposits, sundry debtors, and suspense account.



# Management Review 2005

## Liabilities and shareholders' equity

### Deposit:

Deposit constitutes the core of BASIC Bank's fund mobilization. Total deposit of the Bank at the end of 2005 stood at Taka 22,325.58 million (82.27% of Total liabilities) compared to Taka 15,509.18 million (79.79% of Total liabilities) in 2004. The growth was 43.95 percent compared to previous year's growth of 37.66%. During 2005, the fixed term deposit increased to Taka 19,461.78 million from Taka 12,984.12 million in 2004. Savings bank deposit increased to Taka 793.43 million in 2005 compared to Taka 724.80 million in 2004. Deposit in current and other accounts including bills payable increased to Taka 2,070.36 million in 2005 from Taka 1,800.25 million in 2004.

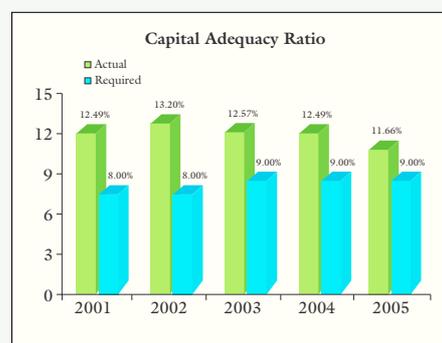
### Borrowing:

Borrowings were made from various sources for long term funding specially for financing development-banking activities. The Bank enjoys a credit line facility from KfW, a German development bank for financing micro-credit scheme and small-scale industries. It has also utilized an ADB credit line in financing small industries. Another source is Bangladesh Bank. Total outstanding borrowing against utilization of funds from the above sources in 2005 increased to Taka 937.52 million from Taka 839.61 million in 2004 representing a growth of 11.66 percent. An amount of Tk 250.00 million was allocated by the GOB and disbursed to BASIC Bank to finance Agro-based industry. BASIC was included in this scheme for its outstanding performance.

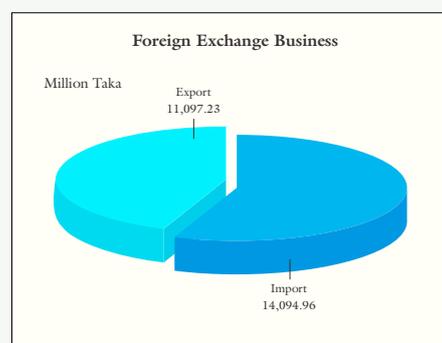
### Equity:

The bank started its journey with paid-up capital of Tk. 80.00 million in 1989 and the same had increased to Taka 810.00 million in 2005. The bank has decided to issue 1 bonus share for every 6 shares and the paid-up capital of the bank would thus be raised to Taka 945.00 million if the proposed bonus share is approved. Apart from stock dividend cash dividend of Tk. 355.63 million has so far been paid to the Government. Cash dividend of Tk. 60.00 million has been proposed for the year 2005.

**Statutory Reserve:** As per section 24 of the Bank Company Act-1991 20% of profit has to be transferred to Statutory Reserve. Accordingly, the statutory reserve of the bank will stand at Taka



**MICRO CREDIT**  
**TK. 338 MILLION**



## Management Review 2005

681.13 million after transfer of an amount of Taka 125.69 million from the profit of 2005.

**Shareholders' equity** of the Bank would increase by Taka 234.88 million to Taka 1,726.14 million in 2005 from Taka 1,491.27 million in 2004 registering a growth of 15.75 percent.

### Financial Results:

#### Income:

The Bank's total income was 25.82 percent higher than that of previous year. Interest income from loans and advances increased by 31.44 percent while non-interest income increased by 30.70 percent over 2004. Investment income rose by 22.78 percent over 2004 due to increase of investment and increase in yield on government securities. Commission income was higher by 20.20 percent. Other income decreased by 3.33 percent.

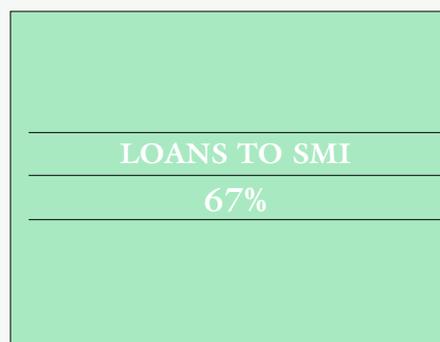
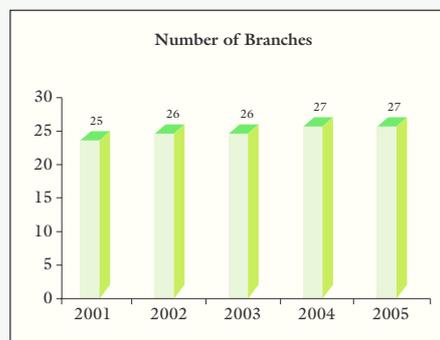
#### Expenses:

The total expenditure was 25.40 percent higher than that of 2004. **Salary and allowances to employees** increased by 48.60 percent mainly due to revision of pay structure, promotion of existing employees and fresh recruitment to handle the increased volume of business. In view of performance of the bank and considering the inflation, pay structure of private commercial banks, the pay structure of the bank was revised in 2005 and that salary increase mainly contributed to increase of salary and allowances.

**General and administrative expenses** (excluding salary and allowances) increased by 31.55 percent. Hiring of new space for IT and training cell mainly contributed to this increase.

#### Contribution to Exchequer:

From the very inception, BASIC Bank has been posting profit and paying income tax to the Government. The cumulative figure of contribution to the Government exchequer by way of corporate tax up to December 31, 2005 amounted to Taka 1,777.70 million, which is more than 22 times the amount of original paid-up capital of the Bank.



## Management Review 2005

### Economic Value Added (EVA) Statement for the Year Ended 31 December 2005:

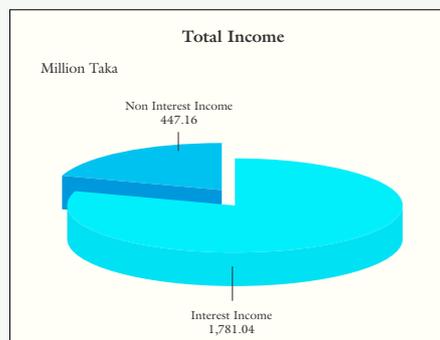
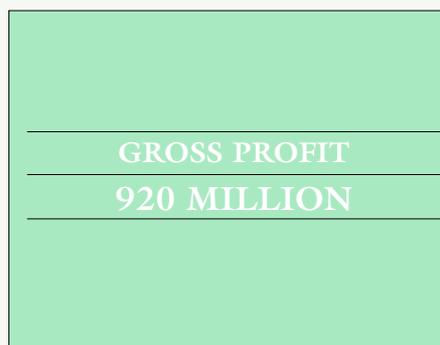
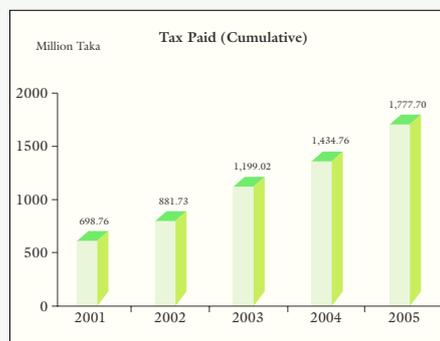
Economic Value Added (EVA) is the most recent innovation in measuring corporate performance. It is also the best measure of a firm's intrinsic value and the best tool of aligning Management and Owners' interest. The EVA is an estimate of the amount by which earnings exceed or fall short of the required minimum return for shareholders or lenders at comparable risk.

Particulars	2005 Taka	2004 Taka
Shareholders' equity	1,726,139,127	1,491,269,334
Add: Provision for loans and advances	493,833,768	305,385,228
	<b>2,219,972,895</b>	<b>1,796,654,562</b>
<b>Earnings:</b>		
Profit after tax	285,494,792	291,484,207
Add: Provision for loans and advances	242,300,000	160,000,000
	<b>527,794,792</b>	<b>451,484,207</b>
Average cost of equity (based on weighted average rate of sanchay patra issued by the Bangladesh Government) plus 2% risk factor	13.75%	12.50%
	<b>276,143,138</b>	<b>205,505,816</b>
<b>Economic Value Added</b>	<b>251,651,654</b>	<b>245,978,391</b>

For our Bank EVA of Tk.251.65 Million truly represents the net increase of the intrinsic value of the organization and, therefore, owners' interest during the accounting year 2005 and this is 2.31% higher than that of year 2004.

### Branch Network:

A great deal of investment for developing the physical resource base of the Bank has been made. BASIC Bank has its presence in all the major industrial and commercial centers of Bangladesh in order to cater to the need of industry and trade. At the end of 2005, there were twenty-seven conveniently located branches throughout Bangladesh-ten branches in the capital city of Dhaka, six in Chittagong and one each in Narayanganj, Narsingdi, Rajshahi, Saidpur, Bogra, Khulna, Jessore, Sylhet, Moulvibazar



## Management Review 2005

Comilla and Barisal. Besides these, the bank has three bill collection booths at Ramna, Sher-e-Bangla Nagar and Gulshan exchange Office of BTTB, Dhaka. A Foreign Exchange booth was opened at Osmani Int'l Airport, Shylhet in April '05 for mobilizing foreign exchange. This is one of the areas where BASIC Bank is relatively lagging behind. The Bank has already signed an agreement with Placid NK Corporation, USA for obtaining foreign currency remittances. Some similar agreement with companies located in Saudi Arabia and UAE are going to be finalized shortly.

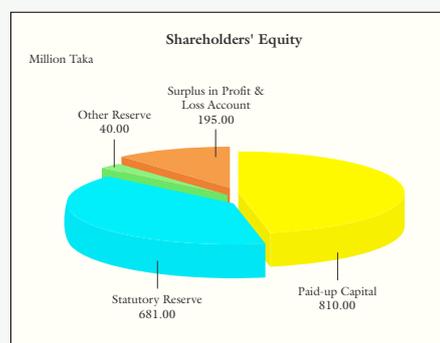
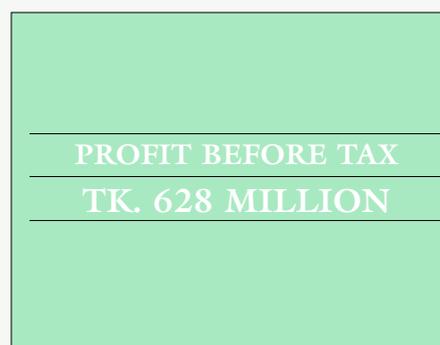
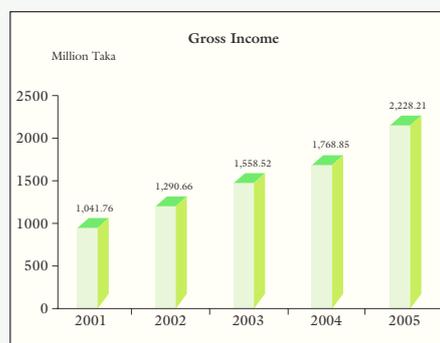
### Risk Management:

In banking environment no reward can be expected without risk. In this backdrop, the management has established a formal program for managing the business risk faced by the Bank. Considering the present non-performing loan position of the country, BASIC Bank is very much cautious about its investment. Every loan proposal is placed under careful scrutiny before approval. Proposals of large amount of loans need approval of the Board of Directors. Internal Audit team and Recovery team exercise close monitoring on every loan transaction.

Management regularly reviews the Bank's overall assets and liabilities position and makes necessary changes in its mix as and when required. The Bank also has a liquidity policy to ensure financial flexibility to cope with unexpected future cash demands.

### Head Office and Board of Directors:

The responsibility of making policies and operational guidelines is vested with the Board of Directors. The Board consists of the executives from the Government of Bangladesh and the Bangladesh Bank who are appointed by the Government. The Managing Director is the Chief Executive of the Bank who is an ex-officio member of the Board. Four General Managers acting under him and nine Divisional Heads are performing daily operational activities of the Bank. The Managers of the branches being responsible functionally to the Heads of Departments in the Head Office and report direct to the Managing Director.



# Management Review 2005

## Human Resources:

BASIC has a well-diversified pool of human resource, which is composed of personnel with high academic background. Also, there is a positive demographic characteristic. Most employees are comparatively young in age yet mature in experience. As at end 2005 the total employee strength was 601.

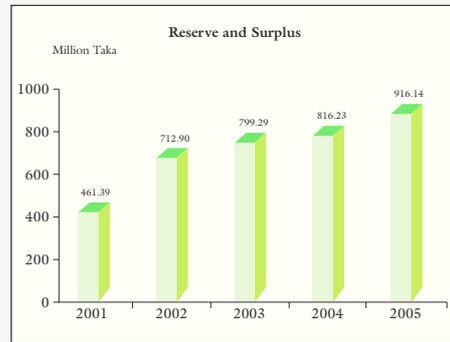
The Bank follows a strict recruitment policy in order to ensure that only the best people are recruited. The Bank, so far, has recruited four batches of entry-level management staff, all of whom have got excellent academic background.

Intensive training program, on a regular basis, is being imparted to employees of both management and non-management levels to meet the challenges in the banking industry and to help employees to adapt the changes and new working conditions. Human resource is the main driving force and quality human resources are the key sources for the success of today's banking business. Keeping this view in mind and recognizing the importance of training for professional excellence BASIC Bank Ltd. has established its own training institute in 2005 with modern facilities. In 2005 the institute arranged 9 training courses and provided training to as many as 158 employees of the bank. To cater to the needs of the employees and to keep pace with demand of the time it will continue to arrange regular training courses in the days ahead. During the year 2005, a total of 332 employees of the Bank were provided with training in various fields. Out of them 47 employees participated in training courses held abroad.

In 2005 total 113 employees of various stages were given promotion which is almost 19.00 percent of total employees of the bank.

## Automation:

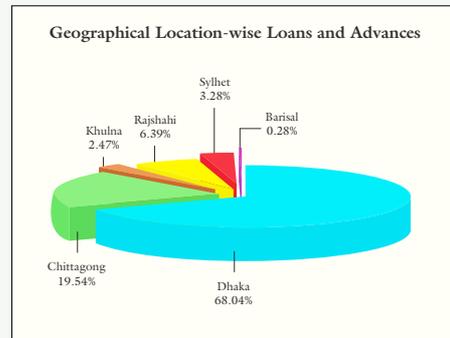
The Bank is providing off-line computerized banking service to all its customers since its inception. To accelerate the speedy and accurate account ledger and to make available all potential international banking products, the bank has finalized setting up centralized On-line Banking system. The preliminary works of on-line implementation including gap analysis has been almost completed. It is expected that within the second part of 2006 the



## LOANS TO SME

81%

Geographical Location-wise Loans and Advances



## Management Review 2005

bank will be able to start serving its customers through the new system including ATM and internet banking facilities.

### Outlook:

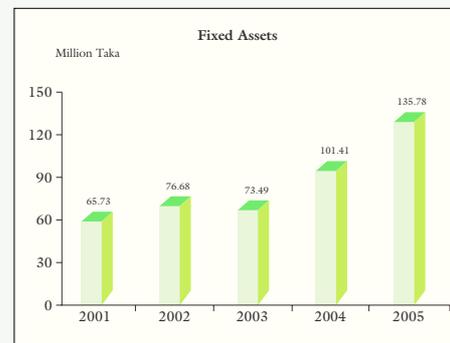
We expect to continue to maintain strong competitive edge in banking sector in Bangladesh in the years ahead. Through our specialization and integrated approach, we aim to build a strong position in the industrial development of Bangladesh. We also plan to maintain our focus on managing capital and costs to maximize shareholders' value. In this environment, we expect to make further gains in revenue, income and return on capital.

### Acknowledgement:

The management of the bank takes this opportunity to express its thanks and gratitude to the Board of Directors for their invaluable counsel. The management also places on record its appreciation for the employees of all levels for their efforts and devotion in carrying out their tasks and duties. Sincere thanks of the management also goes to the Government, the sole shareholder of the bank, the Ministry of Finance, valued clients, well wishers, stakeholders, Bangladesh Bank and all its patrons like KfW, ADB for their confidence, continued support and cooperation.

### Conclusion:

In view of overall performance we had a good year 2005. We are confident to excel towards excellent growth and expect further progress in operating performance and achievement of targets set for 2006.



RECOVERY RATE

97%



## Financial Statements

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Auditors' Report to the Shareholders

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Balance Sheet

---

Off Balance Sheet Items

---

Profit and Loss Account

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Cash Flows Statement

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Statement of Changes of Shareholders' Equity

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Liquidity Statement

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Notes to the Financial Statement

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## Auditors' Report to the Shareholders

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We have audited the accompanying Balance Sheet of the BASIC Bank Limited as of 31 December 2005 and the related Profit and Loss Account and the statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Subject to the consequential effect of note 15.05 and non provision for deferred tax required under BAS 12, in our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS) give a true and fair view of the state of the Bank's affairs as of 31 December 2005 and of the result of its operations and its Cash Flows for the year then ended and comply with the applicable sections of Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994 and other applicable laws and regulations. We also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the 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;
- (c) the Bank's Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account and returns;
- (d) the expenditure incurred was for the purpose of the Bank's business;
- (e) the financial position of the Bank at 31 December 2005 and the profit for the year then ended have been properly reflected in the financial statements & the financial statements have been prepared in accordance with the generally accepted accounting principles;
- (f) the financial statements have been drawn up in conformity with the Bank Companies Act 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank;
- (g) adequate provisions have been made for advances and other assets which are in our opinion, doubtful of recovery;
- (h) the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (i) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements; and
- (j) the information and explanations required by us have been received and found satisfactory.

Dated: Dhaka  
14 May, 2006

*Howladar Yunus & Co*

**Howladar Yunus & Co**  
Chartered Accountants



# Balance Sheet

as on 31st December 2005

	Notes	2005 Taka	2004 Taka
<b>Property &amp; Assets</b>			
<b>Cash</b>			
In hand (including foreign currency)	3	161,443,147	135,511,675
Balance with Bangladesh Bank and Sonali Bank (including foreign currency)	4	973,059,383	899,797,387
		<b>1,134,502,530</b>	<b>1,035,309,062</b>
<b>Balance with other banks and financial institutions</b>			
In Bangladesh	6	3,805,065,207	3,560,123,078
Outside Bangladesh		321,206,108	205,430,981
		<b>4,126,271,315</b>	<b>3,765,554,059</b>
<b>Money at call on short notice</b>	7	1,570,000,000	80,000,000
<b>Investments</b>			
Government	8	4,486,541,000	2,198,954,700
Others		54,009,760	54,009,760
		<b>4,540,550,760</b>	<b>2,252,964,460</b>
<b>Loans and advances</b>			
Loans ,cash credits, overdraft etc.	9	13,759,050,937	11,293,256,727
Bills purchased and discounted	10	1,580,299,910	706,888,396
		<b>15,339,350,847</b>	<b>12,000,145,123</b>
Fixed Assets including premises, furniture & fixture	11	135,781,666	101,406,036
Other assets	12	289,913,558	201,187,530
Non-banking assets		-	-
<b>Total Assets</b>		<b>27,136,370,676</b>	<b>19,436,566,270</b>
<b>Liabilities and Capital</b>			
<b>Liabilities</b>			
<b>Borrowings from other Banks, financial institutions &amp; agents</b>			
<b>Deposit and other accounts</b>	13	937,515,570	839,610,688
Current deposit and other accounts etc	14	1,890,614,702	1,651,359,867
Bills payable		179,750,613	148,892,743
Savings bank deposits		793,430,624	724,804,696
Fixed Deposit (Term deposits)		19,461,785,401	12,984,119,654
		<b>22,325,581,340</b>	<b>15,509,176,960</b>
Other liabilities	15	2,147,134,639	1,596,509,288
<b>Total Liabilities</b>		<b>25,410,231,549</b>	<b>17,945,296,936</b>
<b>Capital/Shareholders equity</b>			
Paid-up capital	16	810,000,000	675,000,000
Statutory reserve	17	681,132,608	555,444,916
Other reserve	18	40,000,000	40,000,000
Surplus in Profit and Loss Account	19	195,006,519	220,824,418
<b>Total shareholders' equity</b>		<b>1,726,139,127</b>	<b>1,491,269,334</b>
<b>Total liabilities and shareholders' equity</b>		<b>27,136,370,676</b>	<b>19,436,566,270</b>

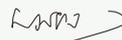
The accompanying notes form (1 to 43) an integral part of the Financial Statements



Managing Director



Director



Director



Chairman

Signed as per our annexed report of even date

  
**HOWLADAR YUNUS & CO.**  
 Chartered Accountants

Dated: Dhaka  
 14 May, 2006



## Off Balance Sheet Items

as on 31st December 2005

	Notes	2005 Taka	2004 Taka
<b>Contingent liabilities</b>	<b>20</b>		
Acceptances and endorsements		1,478,879,097	920,914,252
Letters of Guarantee		1,281,896,120	903,813,425
Irrevocable letters of credit		2,400,765,002	2,831,631,714
Bills for collection		876,424,173	885,622,309
Other contingent liabilities		64,541,200	38,973,000
<b>Total</b>		<b>6,102,505,592</b>	<b>5,580,954,700</b>
<b>Other commitments</b>			
Documentary credits and short term trade related transaction		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal stand by facilities, credit lines and other commitments		-	-
<b>Total commitments</b>		<b>-</b>	<b>-</b>
<b>Total off balance sheet items including contingent Liability</b>		<b>6,102,505,592</b>	<b>5,580,954,700</b>

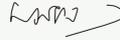
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Managing Director



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**HOWLADAR YUNUS & CO.**  
 Chartered Accountants

Dated: Dhaka  
 14 May, 2006



# Profit and Loss Account

for the year ended 31st December 2005

	Notes	2005 Taka	2004 Taka
Interest income	21	1,781,042,342	1,355,585,790
Interest on deposit and borrowings	22	(983,984,740)	(816,981,026)
<b>Net interest income</b>		<b>797,057,602</b>	<b>538,604,764</b>
Investment Income	23	162,531,620	132,356,456
Commission, exchange and brokerage	24	237,894,276	232,556,305
Other operating income	25	46,739,759	48,355,036
<b>Total operating income (A)</b>		<b>1,244,223,257</b>	<b>951,872,561</b>
Salaries and allowance	26	226,462,431	152,407,669
Rent, taxes, insurance, lighting etc.	27	41,231,700	35,505,911
Legal expenses	28	1,306,209	964,737
Postage, stamp, telegram, telephone	29	21,019,983	10,776,680
Auditors fee		150,000	100,000
Stationery, printing, advertising etc.	30	13,604,312	12,068,086
Managing Director's salaries		1,621,000	1,225,066
Directors' fee	31	324,500	520,500
Depreciation and repairs of fixed assets	32	33,371,997	26,418,055
Other expenses	33	32,392,668	22,661,276
<b>Total operating expenditure (B)</b>		<b>371,484,800</b>	<b>262,647,980</b>
<b>Profit before provision (C)=(A-B)</b>		<b>872,738,457</b>	<b>689,224,581</b>
Provision for Loan & Advances	15.01 & 15.02	242,300,000	160,000,000
Provision for diminution in value of investments		-	-
Interest Subsidy Adjustment		2,000,000	2,000,000
<b>Total provision (D)</b>		<b>244,300,000</b>	<b>162,000,000</b>
<b>Profit before tax (C-D)</b>		<b>628,438,457</b>	<b>527,224,581</b>
Provision for income tax	35	342,943,664	235,740,374
<b>Profit after tax for the year</b>		<b>285,494,793</b>	<b>291,484,207</b>
<b>Appropriation</b>		-	-
Statutory reserve	17	125,687,692	105,444,916
Retained earnings for the year carried forward	19	159,807,101	186,039,291
<b>Earning Per Share (EPS)</b>	<b>41</b>	<b>35.25</b>	<b>35.99</b>

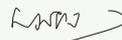
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Managing Director



Director



Director



Chairman

Signed as per our annexed report of even date



**HOWLADAR YUNUS & CO.**  
Chartered Accountants

Dated: Dhaka  
14 May, 2006



# Cash Flow Statement

for the year ended 31st December 2005

	Notes	2005 Taka	2004 Taka
<b>Cash flows from operating activities</b>			
Interest Received in Cash		1,797,554,901	1,388,696,405
Interest payments		(808,680,630)	(757,193,787)
Dividend received		5,314,400	6,238,647
Fees and Commission received in cash		237,894,276	232,573,585
Recovery of loans and advances in cash previously written off		2,041,269	774,800
Cash paid to employees		(209,092,495)	(147,147,948)
Cash paid to suppliers		(13,604,312)	(12,068,086)
Income Tax paid		(292,384,372)	(267,623,040)
Received from other operating activities	36	44,698,490	45,977,847
Paid for other operating activities	37	(104,961,379)	(77,310,227)
<b>Cash Flows before changes in operating assets and liabilities</b>		<b>658,780,148</b>	<b>412,918,196</b>
<b>Increase/Decrease in operating assets and liabilities</b>			
Statutory deposits		780,318,560	558,986,440
Purchase of Trading Securities		(2,290,000,000)	(370,000,000)
Loans and advances to other Banks		-	-
Loans and advances to Customers		(3,339,205,724)	(2,717,945,387)
Other assets	38	(13,828,169)	67,460,401
Deposits from other Banks		1,058,036	(196,964)
Deposits from customers		6,035,027,784	3,683,848,499
Trading Liabilities		-	-
Other Liabilities	39	126,966,940	(27,331,034)
<b>A Net cash from operating activities</b>		<b>1,959,117,575</b>	<b>1,607,740,151</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of securities		2,500,000	2,500,000
Cash payments for Purchase of securities		(86,300)	(2,039,660)
Purchase of fixed assets		(59,638,233)	(49,049,806)
Sales of fixed assets		737,801	2,683,075
<b>B Net cash from investing activities</b>		<b>(56,486,732)</b>	<b>(45,906,391)</b>
<b>Cash flows from financing activities</b>			
Increase/(decrease) of long term borrowing		97,904,882	148,658,454
Payment of dividend		(50,625,000)	(49,500,000)
<b>C Net cash from financing activities</b>		<b>47,279,882</b>	<b>99,158,454</b>
<b>Net Increase/Decrease in cash and cash equivalent (A+B+C)</b>		<b>1,949,910,725</b>	<b>1,660,992,214</b>
Effects of exchange rate changes on cash and cash equivalent		-	-
Opening cash and cash equivalent		4,880,863,120	3,219,870,906
<b>Closing cash and cash equivalent</b>	<b>40</b>	<b>6,830,773,845</b>	<b>4,880,863,120</b>

The accompanying notes form (1 to 43) an integral part of the Financial Statements

  
Managing Director

  
Director

  
Director

  
Chairman

Signed as per our annexed report of even date

  
**HOWLADAR YUNUS & CO.**  
Chartered Accountants

Dated: Dhaka  
14 May, 2006



## Statement of Changes in Equity

for the year ended 31st December 2005

	Paid-up capital	Statutory reserve	Other reserve	Profit and Loss	Total
	Taka	Taka	Taka	Taka	Taka
Balance at 1st January 2005	675,000,000	555,444,916	40,000,000	220,824,418	1,491,269,334
Restated balance		125,687,692	-	-	125,687,692
Retained surplus	-	-	-	159,807,101	159,807,101
Transferred to Other Reserve	-	-	-	-	-
Cash Dividend paid during the year	-	-	-	(50,625,000)	(50,625,000)
Issuance of bonus share	135,000,000	-	-	(135,000,000)	-
<b>Balance at 31 December 2005</b>	<b>810,000,000</b>	<b>681,132,608</b>	<b>40,000,000</b>	<b>195,006,519</b>	<b>1,726,139,127</b>

The accompanying notes form (1 to 43) an integral part of the Financial Statements



Managing Director



Director



Director



Chairman

Signed as per our annexed report of even date



**HOWLADAR YUNUS & CO.**  
Chartered Accountants

Dated: Dhaka  
14 May, 2006



## Liquidity Statement (Analysis on maturity of assets and liabilities)

as on 31st December 2005

Particulars	Not more than 1 month term	1-3 month term	3-12 month term	1-5 year term	Above 5 year term	Total
	Taka	Taka	Taka	Taka	Taka	Taka
<b>Assets :</b>						
Cash in hand	161,443,147	-	-	-	-	161,443,147
Balance with other banks and financial institutions	1,349,330,698	3,750,000,000	-	-	-	5,099,330,698
Money at call and short notice	1,570,000,000	-	-	-	-	1,570,000,000
Investments	1,801,533,700	-	340,000,000	2,374,009,760	25,007,300	4,540,550,760
Loans and advances	572,007,392	1,703,910,998	7,439,641,026	5,316,903,491	306,887,940	15,339,350,847
Fixed Assets including premises, furniture & fixture	2,304,873	-	1,990,410	116,942,086	14,544,297	135,781,666
Other assets	12,058,968	72,950,540	10,431,365	182,854,634	11,618,051	289,913,558
Non-banking assets		-	-		-	-
<b>Total Assets</b>	<b>5,468,678,778</b>	<b>5,526,861,538</b>	<b>7,792,062,801</b>	<b>7,990,709,971</b>	<b>358,057,588</b>	<b>27,136,370,676</b>
<b>Liabilities</b>						
Borrowings from Bangladesh Bank, Other banks, Financials Institutions and agents	-	-	-	6,389,000	931,126,570	937,515,570
Deposits and other accounts	7,177,643,835	2,934,587,086	6,964,268,096	5,249,082,323		22,325,581,340
Provision and Other liabilities	196,957,954	206,801,575	553,089,754	1,170,139,579	4,869	2,126,993,731
<b>Total Liabilities</b>	<b>7,374,601,789</b>	<b>3,141,388,661</b>	<b>7,517,357,850</b>	<b>6,425,610,902</b>	<b>931,131,439</b>	<b>25,390,090,641</b>
<b>Net Liquidity Gap</b>	<b>(1,905,923,011)</b>	<b>2,385,472,877</b>	<b>274,704,951</b>	<b>1,565,099,069</b>	<b>(573,073,851)</b>	<b>1,746,280,035</b>

The accompanying notes form (1 to 43) an integral part of the Financial Statements

  
Managing Director

  
Director

  
Director

  
Chairman

Dated: Dhaka  
14 May, 2006



## Notes to the Financial Statements

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### 1.00 Legal Status

1.01 BASIC Bank Limited was incorporated as a banking company under the Companies Act, 1913. In 2001 the Bank has changed its earlier name 'Bank of Small Industries and Commerce Bangladesh Limited' and registered the new name with the Registrar of Joint Stock Companies. Initially the bank started its operation as a joint venture enterprise of the BCC Foundation, a welfare trust in Bangladesh and the Government of People's Republic of Bangladesh. From June 4, 1992 the Government of Bangladesh took over the entire share of the Bank. BASIC Bank is a scheduled bank. It operates with 27 branches in Bangladesh

### 1.02 Objective

The objective of the BASIC Bank is unique in blending development financing and commercial banking. The Memorandum and Articles of Association of BASIC Bank stipulate that at least fifty percent of its loanable funds shall be used for financing Small and Medium Scale Industries.

### 2.00 Significant Accounting Policies

#### 2.01 Basis of Preparation of Financial Statements

The financial statements of the Bank are made up to December 31 each year and are prepared under the historical cost convention, on a going concern basis. These have been prepared in accordance with Bangladesh Accounting Standards and as per the format prescribed by the Bangladesh Bank vide BRPD circular No. 14 dated 25 June, 2003.

A separate set of records for consolidating the statements of affairs and income and expenditure statements of the Branches are maintained at the Head Office of the bank in Dhaka. Based on the said consolidated statement these financial statements have been prepared.

#### 2.02 Foreign Currencies Translation

Foreign currencies transactions are converted into equivalent taka using the ruling exchange rates on the date of transactions. Foreign currencies balances held in US Dollar at the year end are translated into taka currency at the weighted average rate of inter bank market as determined by Bangladesh Bank. Balances held in foreign currencies other than US Dollar are converted into Mid value of the selling and buying rate of the last transaction date of the year of the bank.

#### 2.03 Investment

Investments in Government Treasury Bills are stated at face value while investment in bonds and debentures are stated at cost. Investments in shares are accounted for at cost or market price which ever is lower.



## Notes to the Financial Statements

Income on Government Treasury Bills is recognized proportionately over the period of the instrument and unearned income on such Treasury Bills is shown in the Balance Sheet under the head 'Other Liabilities'.

Dividend income from shares is recognized in the period in which it is declared.

### 2.04 Loans and Advances and Interest Thereon

Loans and advances have been stated at gross value. Interest is calculated on a daily product basis and charged quarterly. Interest on classified loans and advances is not credited to income are kept in interest suspense account until it is realized. Besides, no interest is charged on classified loans and advances from the date of filing suits against the borrowers. Commission and fee income are generally accounted for on the date the transaction.

### 2.05 Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Rates and methods of charging depreciation are as follows :

Particulars of Assets	Rate of Dep.	Method of Depreciation
Furniture and Fixture	10%	Reducing balance method
Machinery and Equipment	20%	Reducing balance method
Computer and Copier	20%	Straight Line method
Vehicles	25%	Straight Line method
Leasehold buildings		Straight Line method over the lease hold period

Depreciation has been charged on fixed assets from the date of acquisition and suspended on the date of disposal.

### 2.06 Earning Per Share

Earning per share (EPS) has been calculated in accordance with BAS-33 which has been shown on the face of profit and loss account. This has been calculated by dividing the basic earning by the weighted average of the number of ordinary shares outstanding during the year. Previous year's EPS have also been adjusted considering 1,350,000 bonus shares issued for the year 2004.

### 2.07 Taxation

Provision for the Income Tax has been made at existing rate of 45% in respect of business income before considering expenses inadmissible as per income tax ordinance 1984.



## Notes to the Financial Statements

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### 2.08 Employees' Benefits Scheme

#### *(a) Provident Fund*

The Bank operates a contributory provident fund which benefits are given to the staff of the bank in accordance with the provident fund rules. The national board of revenues approved the provident fund as a recognized provident fund. The Fund is operated by a Board of Trustees consisting of six members (03 members from management and other 02 members from the Board of Directors) of the Bank. All confirmed employees of the Bank are contributing monthly to the fund a sum equal to 10% of the basic salary as a subscription of the fund. The bank also contributes equal amount of the employee's contribution to the fund. Interest earned from the investments is credited to the members' account on yearly basis after examined the fund by Auditors.

#### *(b) Gratuity Fund*

The bank made a provision of a gratuity fund at the discretion of the management to an employee on his ceasing to be the Bank's service or in the event of his death, to his legal heirs/nominees or successors. The bank contributes from the profit before tax every year a sum equal to 15% of total annual basic salaries of the employees of the bank.

#### *(c) Benevolent Fund*

The benevolent fund subscribed by monthly contribution of the employees. The bank also contributes to the fund @0.5% of profit before tax at the end of the year. The fund is established to cover the accidental coverage in the event of death or permanent disabilities of the employees.

#### *(d) Superannuation Fund*

The Bank operates a contributory superannuation fund to give benefit to the employees at the time of retirement and also cover group term life insurance. Employees are contributing to the fund monthly and the bank also contributes a lump sum amount from the gross profit at the end of the year.

### 2.09 Capital Expenditure Commitment

There was no capital expenditure contracted but incurred or provided for at December 31, 2005 besides, there was no material capital expenditure authorized by the board but not contracted for at December 31, 2005.

### 2.10 Subsequent Events

There is no other significant event occurred between the Balance Sheet date and the date when the financial statements were authorized for issue by the Board of Directors.



## Notes to the Financial Statements

### 2.11 Related Party Transaction

There are no related party transactions requiring disclosure under IAS- 24.

### 2.12 Audit Committee

*Members of the Audit Committee of the Board of Directors :*

Name	Status with the Bank	Status with the Committee	Educational Qualification
Dr. Mohammad Tareque	Director	Convener	Ph.D in Economics (Boston University)
Mr. Md. Mosharraf Hossain Bhuiyan	Director	Member	MA in Economics (University of Dhaka)
Mr. Md. Asaduzzaman Khan	Director	Member	BA (Hons), MA, (University of Dhaka) MA in Banking & Finance (UK)

*No. of Meetings held during the year 2005:*

10th Meeting of the audit Committee held on 27.01.2005

11th Meeting of the audit Committee held on 29.03.2005

12th Meeting of the audit Committee held on 12.06.2005

13th Meeting of the audit Committee held on 09.08.2005

14th Meeting of the audit Committee held on 12.10.2005

15th Meeting of the audit Committee held on 22.12.2005



## Notes to the Financial Statements

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### Steps Have Been Taken

As per guidelines enunciated in BRPD Circular No.12 dated December 23, 2002 of Bangladesh Bank the Audit Committee of the Board of Directors of the Bank has been playing an important role with regard to the process of publication of financial statements and development of internal control system for conducting banking operations efficiently and in a disciplined manner. Besides, pursuant to the instructions of the said Circular the Audit Committee is placing its report to the Board of Directors of the Bank on its findings and recommendations acknowledging the background and purpose of constitution of the Committee.

### General:

- (a) Figures of previous year have been rearranged wherever necessary to conform to current years presentation.
- (b) Figures appearing in these financial statements have been rounded off to the nearest Taka.



## Notes to the Financial Statements

	2005	2004
	Taka	Taka
<b>3.00 Cash in hand (Including foreign currencies)</b>		
In local currency	153,203,091	131,261,818
In foreign currency	8,420,056	4,249,857
<b>Total</b>	<b>161,443,147</b>	<b>135,511,675</b>
<b>4.00 Balance with Bangladesh Bank and Sonali Bank (Including foreign currencies)</b>		
<i>In local currency</i>		
Bangladesh Bank	857,687,182	744,733,608
Sonali Bank (acting as agent of Bangladesh Bank)	16,611,061	25,596,971
<b>Sub-total</b>	<b>874,298,243</b>	<b>770,330,579</b>
<i>In foreign currency</i>		
Bangladesh Bank -USD	98,238,828	128,841,709
Bangladesh Bank -GBP	197,882	314,121
Bangladesh Bank -EURO	324,430	310,978
<b>Sub-total</b>	<b>98,761,140</b>	<b>129,466,808</b>
<b>Grand Total</b>	<b>973,059,383</b>	<b>899,797,387</b>

### 5.00 Statutory Deposits

Cash Reserve ratio and Statutory Liquidity Ratio have been calculated and maintained as per Section 33 of the Bank companies Act 1991 and subsequent BCD Circular No.13 dated 24.05.1992, BRPD Circular No.12 dated 20.09.1999, BRPD Circular No.22 dated 06.11.2003 & BRPD Circular No.05 dated 21.07.2004 and BRPD Circular No.11 dated 25.08.2005.

### 5.1 Cash Reserve Ratio (CRR)

#### 5% of Average Demand and Time Liabilities

Required reserve	Amount	904,561,000	619,025,360
	%	5.00%	4.00%
Maintained Amount		953,284,000	744,733,608
	%	5.26%	4.81%
<b>Surplus (deficit)</b>		<b>48,723,000</b>	<b>125,708,248</b>

### 5.2 Statutory Liquidity ratio (SLR)

#### 13% of Average Demand & Time Liabilities

Required Reserve	Amount	2,351,859,000	1,857,076,080
	%	13.00%	12.00%
Maintained	Amount	2,478,596,830	2,354,018,479
	%	13.70%	15.21%
Surplus(deficit)		126,737,830	496,942,399
<b>Total surplus (deficit)</b>		<b>175,460,830</b>	<b>622,650,647</b>



## Notes to the Financial Statements

	2005	2004
	Taka	Taka
<b>6.00 Balance with other banks and financial institutions</b>		
In Bangladesh (Note-6.01)	3,805,065,207	3,560,123,078
Out Side Bangladesh (Note-6.02)	321,206,108	205,430,981
<b>Total</b>	<b>4,126,271,315</b>	<b>3,765,554,059</b>
<b>6.01 In Bangladesh</b>		
<b>Current account</b>		
Sonali Bank	540,833	42,603
Rupali Bank Ltd.	24,067,850	15,070,349
Janata Bank	5,000,455	3,138,457
Sub-total	29,609,138	18,251,409
<b>Short term Deposit</b>		
Sonali Bank	56,487	12,709,047
Bangladesh Krishi Bank	23,037	22,546
Rupali Bank Ltd.	21,554,051	18,617,582
Agrani Bank	3,822,494	522,494
Sub-total	25,456,069	31,871,669
<b>Fixed Deposit</b>		
Bangladesh Commerce Bank Ltd.	200,000,000	500,000,000
The Oriental Bank Ltd.	200,000,000	340,000,000
Social Investment Bank Ltd.	100,000,000	470,000,000
Premier Bank Ltd.	200,000,000	-
IFDC	800,000,000	700,000,000
NCC Bank Ltd.	200,000,000	-
Investment Corporation of Bangladesh	-	600,000,000
Southeast Bank Ltd.	300,000,000	50,000,000
Prime Bank Ltd.	100,000,000	-
Dhaka Bank Ltd.	300,000,000	-
Jamuna Bank Ltd.	200,000,000	-
Shajalal Islami Bank Ltd.	200,000,000	-
National Bank Ltd.	200,000,000	-
Eastern Bank Ltd.	200,000,000	200,000,000
Mercantile Bank Ltd.	350,000,000	200,000,000
Dutch-Bangla Bank Ltd.	-	200,000,000
Trust Bank Ltd.	200,000,000	250,000,000
Sub-total	3,750,000,000	3,510,000,000
<b>Grand -Total</b>	<b>3,805,065,207</b>	<b>3,560,123,078</b>

All fixed deposits are normally placed for short-term maturates up to a maximum of 3 moths at the approximate market rates.

## Notes to the Financial Statements

	2005	2004
	Taka	Taka
<b>6.02 Outside Bangladesh (Nostro Accounts)</b>		
AMEX Newyork	6,488,218	2,101,464
Bank of Tokyo-Mitsubishi London	1,803,399	4,507,786
Rupali Bank Karachi	446,997	411,171
Bank of Tokyo Mitsubishi Japan	4,170,137	1,259,743
Mashreq Bank PSC UAE	470,353	421,714
Mashreq Bank Newyork	1,901,080	6,791,698
CITI Bank Mumbai	3,172,617	698,599
Sonali Bank Calcutta	471,345	1,924,284
Bank of Ceylon	184,596	430,066
AMEX (Kolkata)	686,173	1,894,721
CITI Bank New york ( Import)	7,353,871	16,937,759
CITI Bank New york (Export)	235,518,569	107,622,984
State Bank of India	562,745	980,527
Standard Chartered Import Newyork	18,515,337	17,494,203
Standard Chartered Bank London	8,073,160	2,202,130
Standard Chartered Bank Mumbai	15,083,509	4,315,357
ICICI Bank Ltd	832,547	-
HSBC Bank Ltd	5,529,324	-
Dresdner Bank Frankfurt -Euro	3,633,456	4,616,916
Banque de Commerce, Geneva	163,784	325,725
AMEX Frankfurt	374,117	2,174,301
UNION Bank of California Newyork	5,770,774	28,319,833
<b>Total</b>	<b>321,206,108</b>	<b>205,430,981</b>
Annexure-A may kindly be seen for currency wise and exchange rate wise details.		
<b>6.03 Maturity grouping of balance with other banks and financial institutions</b>		
On demand	350,815,246	223,682,390
Upto 1 month	25,456,069	31,871,669
Over 1 month but not more than 3 months	3,750,000,000	3,510,000,000
Over 3 month but not more than 1 year	-	-
Over 1 year but not more than 5 years	-	-
Over 5 Years	-	-
<b>Total</b>	<b>4,126,271,315</b>	<b>3,765,554,059</b>
<b>7.00 Money at call on short notice</b>		
Trust Bank Ltd.	50,000,000	30,000,000
Dhaka Bank Ltd.	200,000,000	50,000,000
Sonali Bank	300,000,000	-
Prime Bank Ltd.	300,000,000	-
NCC Bank Ltd.	70,000,000	-



## Notes to the Financial Statements

	2005	2004	
	Taka	Taka	
IFIC Bank Ltd.	150,000,000	-	
Mercantile Bank Ltd.	300,000,000	-	
Eastern Bank Ltd.	200,000,000	-	
<b>Total</b>	<b>1,570,000,000</b>	<b>80,000,000</b>	
<b>8.00 Investments</b>			
<b>A Government Securities</b>			
<b>Treasury Bills (at face value)- Note 8.01</b>			
02 years Government Treasury Bills	520,000,000	370,000,000	
05 years Government Treasury Bills	1,800,000,000	1,800,000,000	
01 day Reserve Repo -Bangladesh Bank	1,800,000,000	-	
364 Days G.T. Bill -Reserve Repo	340,000,000	-	
	<u>4,460,000,000</u>	<u>2,170,000,000</u>	
<b>Debentures</b>			
20 years HBFC Debentures -5.5%	25,000,000	27,500,000	
<b>Others</b>			
Prize bond	1,541,000	1,454,700	
<b>Sub-Total</b>	<b>4,486,541,000</b>	<b>2,198,954,700</b>	
<b>B. Other Investments</b>			
Non-convertible Debentures-GSP Finance	25,000,000	25,000,000	
Shares in listed companies(Annexure-B)	12,808,000	12,808,000	
Share of Karmasangsthan Bank	10,000,000	10,000,000	
Equity of Grameen I.T. Park	4,201,760	4,201,760	
Share of CDBL	2,000,000	2,000,000	
<b>Sub Total</b>	<b>54,009,760</b>	<b>54,009,760</b>	
<b>Grand Total</b>	<b>4,540,550,760</b>	<b>2,252,964,460</b>	
<b>8.01 Treasury bills include unearned interest thereon and corresponding credit is shown in other liabilities</b>			
<b>8.02 Maturity grouping of investments</b>			
On demand	1,801,541,000	1,454,700	
Upto 1 month	-	-	
Over 1 month but not more than 3 months	-	-	
Over 3 months but not more than 1 year	340,000,000	12,808,000	
Over 1 year but not more than 5 year	2,374,009,760	2,222,500,000	
Over five years	25,000,000	16,201,760	
<b>Total</b>	<b>4,540,550,760</b>	<b>2,252,964,460</b>	
<b>8.03 Details of Share &amp; Debenture of Unquoted Company</b>			
<b>Name of the company</b>	<b>No. of share</b>	<b>Face value per share</b>	<b>Cost price</b>
Debenture GSP	05	5,000,000	25,000,000
Equity of Grameen IT park			4,201,760
Share of CDBL	2	1,000,000	2,000,000
Share of Karmashangstan Bank	100000	100	10,000,000

## Notes to the Financial Statements

	2005	2004
	Taka	Taka
<b>9.00 Loans and Advances</b>		
<b>9.01 Maturity wise distribution of loans and advances including bills purchased and discounted</b>		
Payable on demand	572,007,392	636,137,776
Not more than 3 months	1,703,910,997	1,445,805,822
Above 3 months but not more than 1 year	7,439,641,025	6,192,355,577
Above 1 year but not more than 5 years	5,316,903,493	3,388,500,023
More than 5 years	306,887,940	337,345,925
<b>Total</b>	<b><u>15,339,350,847</u></b>	<b><u>12,000,145,123</u></b>
<b>9.02 Loans and advances consist of the following Loans, cash credit, overdraft etc.</b>		
Inside Bangladesh (Note # 9.02.1)	13,759,050,937	11,293,256,727
Outside Bangladesh	-	-
	<u>13,759,050,937</u>	<u>11,293,256,727</u>
<b>9.02.01 In Bangladesh</b>		
Loans	5,389,803,056	4,202,294,447
Cash credit	4,136,471,136	3,266,993,635
Overdraft	1,925,801,657	1,773,926,220
Others	2,306,975,088	2,050,042,425
	<u>13,759,050,937</u>	<u>11,293,256,727</u>
Bills discounted & purchased		
In side Bangladesh	1,296,077,817	554,912,978
Out side Bangladesh	284,222,093	151,975,918
	<u>1,580,299,910</u>	<u>706,888,396</u>
<b>Total</b>	<b><u>15,339,350,847</u></b>	<b><u>12,000,145,123</u></b>
<b>9.03 Disclosure of Loans &amp; Advances according to significant concentration</b>		
i. Advances to directors	-	-
ii. Advances to Managing directors	-	-
iii. Advances to Customers group	5,351,800,000	4,308,900,000
iv. Advances to Industrial sector (Note-9.06)	9,987,500,000	7,691,200,000
<b>Total</b>	<b><u>15,339,300,000</u></b>	<b><u>12,000,100,000</u></b>
<b>9.04 Loans &amp; Advances allowed to each customer exceeding 15% of banks total capital Fund which is computed of Tk. 29.58 Lac of the Bank as at 31December 2005 (Note-16.01)</b>		
Number of the clients	7	6
Amount of outstanding advances	Tk. 37,916.00 Lac	Tk. 18,943.00 Lac
Amount of recovery	Tk. 48.35 Lac	Tk. 138 Lac
Amount of classified advances	Tk. 4,059.00 Lac	-



## Notes to the Financial Statements

Name of Clients/Group	Outstanding Funded Tk. in Lac	Outstanding Non-funded Tk. in Lac	2005	2004
			Taka	Taka
			Total Tk. in Lac	Total Tk. in Lac
R. M. Steel Mills Ltd.	4,381	225	4,606	3,972
Islam Trading Consortium	-	-	-	2,810
Mithun Group	6,363	955	7,318	
Shovon Woven Bag Mfg. Co. Ltd.	-	-	-	2,491
Doel Group	4,059	65	4,124	
Max Sweetener	2,769	614	3,383	3,212
Meghna Group	3,420	218	3,638	3,155
Sanji Group	4,308	4,678	8,986	3,303
Ananda Group	1,835	4,026	5,861	-
<b>Total</b>	<b>27,135</b>	<b>10,781</b>	<b>37,916</b>	<b>18,943</b>
<b>9.05 Geographical location-wise loans &amp; advances</b>				
<b>Inside Bangladesh</b>				
Dhaka Division			104,374	80,645
Chittagong Division			29,966	19,537
Khulna Division			3,787	8,119
Rajshahi Division			9,809	7,261
Sylhet Division			5,027	4,016
Barisal Division			430	423
<b>Total</b>			<b>153,393</b>	<b>120,001</b>
Out side Bangladesh				
			Nil	Nil
<b>9.06 Sector wise distribution of Loans &amp; Advances (Industrial term and working capital loans)</b>				
<b>Industrial sector</b>				
1. Food & Allied Ind.			13,710	14,228
2. Textile			36,191	25,940
3. Jute Prod. & Allied Ind.			6,334	3,072
4. Forest Prod. & Allied Ind.			227	214
5. Paper, Board, Printing, Pub. & Packaging			4,026	2,081
6. Tannery Leather & Rubber Prod.			1,404	1,077
7. Chem. Pharm. & Allied Ind.			12,950	10,609
8. Glass, Crmc. & Other non Metal. Pr.			712	627
9. Engineering			11,431	10,537
10. Electrical & Electronics Ind.			1,249	2,130
11. Service Ind.			6,271	4,807
12. Misc. Industries			4,537	908
13. Ind. Not Elsewhere Classified			832	682
<b>Total</b>			<b>99,875</b>	<b>76,912</b>

## Notes to the Financial Statements

			2005	2004
			Taka	Taka
<b>9.07</b>	<b>Distribution of loan and advances according to BCD circular by Bangladesh Bank:</b>			
	Total unclassified loan		14,640,907,725	11,556,290,530
	Total classified loan:			
	Sub-standard		71,335,984	161,202,961
	Doubtful		71,684,677	7,601,382
	Bad and loss		555,422,461	275,050,250
	Sub-total		698,443,122	443,854,593
	<b>Grand total</b>		<b>15,339,350,847</b>	<b>12,000,145,123</b>
<b>9.08</b>	<b>Particulars of required provision for loans and advance</b>			
<b>Status</b>	<b>Base for provision</b>	<b>Rate (%)</b>	<b>2005</b>	<b>2004</b>
			Taka	Taka
<b>Unclassified-General Provision</b>				
Agrobased & Micro Credit	353,056,408	5%	17,652,820	14,202,850
SMA	114,896,411	5%	5,945,988	
Other	14,168,931,547	1% & 2%	194,654,889	111,368,810
			<b>218,253,698</b>	<b>125,571,660</b>
<b>Classified specific provision</b>				
Sub-standard	61,425,448	20%	12,285,090	27,060,600
Doubtful	40,932,272	50%	20,458,450	3,081,500
Bad/Loss	242,102,384	100%	242,102,384	141,626,000
			274,845,923	171,768,100
	Required Provision for loans and advance		493,099,621	297,339,760
	Total Provision maintained (Note-15.01 & 15.02)		493,833,768	305,385,228
	Excess/(Short) provision at 31 December		734,147	8,045,468
<b>9.09</b>	<b>Particulars of loans and advances</b>			
	i) Debts considered good in respect of which the banking company is fully secured.		12,387,820,620	10,485,796,973
	ii) Debts considered good for which the banking company holds no other security other than debtor's personal security.		583,781,484	1,514,348,150
	iii) Debts considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtors.		2,114,417,707	-
	iv) Debts considered doubtful or bad not provided for.		253,331,036	-
			<b>15,339,350,847</b>	<b>12,000,145,123</b>
	v) Debts due by directors and officers of the banking company or any of them either severally or jointly with any other persons.		158,267,635	135,353,388
	vi) Debts due by companies or firms in which the directors of the banking company have interest as directors, partners or managing agents or in the case of private companies, as members.		-	-
	vii) Maximum total amount of advances including temporary advances made at any time during the year to the directors or		166,335,729	95,565,265



## Notes to the Financial Statements

	2005	2004
	Taka	Taka
managers or officers of the banking company or any of them either severally or jointly with any other person.		
viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the directors of the banking company have interest as directors, partners or managing agents or in the case of private companies as member.	-	-
ix) Due from banking companies.	-	-
x) Classified debts on which interest has not been credited to income*	698,443,122	275,050,250
xi) Cumulative amount of Classified Loans Which is Written off	282,826,000	203,510,573
xi) Classified Loans Which is Written off for current Year	59,468,182	134,521,132
<b>9.10 Listing of assets pledge as security/collaterals</b>		
<b>Nature of the secured assets</b>		
Fixed Assets	10,573,966,160	2,389,977,052
Cash & Quasi-cash	1,754,379,210	905,495,672
Others	1,432,461,855	237,808,761
<b>Total</b>	<b>13,760,807,225</b>	<b>3,533,281,485</b>
<b>10.00 Bills Purchased &amp; Discounted</b>		
Payable in Bangladesh	1,296,077,817	554,912,978
Payable outside Bangladesh	284,222,093	151,975,418
	<b>1,580,299,910</b>	<b>706,888,396</b>
<b>10.01 Maturity wise distribution of bills purchased and discounted</b>		
Payable within 01 months	261,767,128	359,844,118
Over 01 month but less than 03 months	929,862,536	182,166,072
Over 03 months but less than 06 months	331,293,538	164,878,206
06 months or more	57,376,706	-
	<b>1,580,299,910</b>	<b>706,888,396</b>
<b>11.00 Premises &amp; Fixed Assets</b>		
<b>Cost</b>		
Furniture & Fixture	71,508,936	63,026,986
Equipment & Computer	130,016,551	94,777,646
Vehicles	57,151,018	49,410,274
Leased Assets	4,000,000	4,000,000
Total Cost	262,676,505	211,214,906
Less: Accumulated depreciation	126,894,839	109,808,870
<b>Net book value at end of the year</b>	<b>135,781,666</b>	<b>101,406,036</b>
Annex-C may kindly be seen for details.		



## Notes to the Financial Statements

	2005	2004
	Taka	Taka
<b>12.00 Other assets</b>		
Investment in shares of Subsidiary Companies	-	-
Stationery and Stamp etc.	17,351,564	18,891,153
Advance rent	14,583,081	15,868,262
Income receivable	56,345,275	43,174,705
Advance Income tax	159,612,762	102,968,764
Security deposits (Note 12.01)	9,544,835	3,685,231
Suspense account (Note 12.02)	3,233,777	2,040,585
Other prepayments	624,069	1,332,004
Sundry debtors (Note 12.03)	25,072,451	11,371,345
Subs fees of Dun Breadstreet	3,545,746	1,855,481
<b>Total</b>	<b>289,913,558</b>	<b>201,187,530</b>
<b>12.01 Security deposits, rent and other prepayments made to statutory authorities, other institutions and individuals are considered good.</b>		
<b>12.02 Suspense account: consists of DD paid without advice, clearing, petty cash etc.</b>		
<b>12.03 Sundry debtors</b>		
Protested bill, Main branch	6,535,881	6,535,881
Protested bill, Khatungonj branch	244,800	244,800
Protested bill, Khulna branch	416,367	416,367
BCCI-Bombay	584,884	584,884
BCCI-London	326	326
	7,782,258	7,782,258
Others	17,290,193	3,589,087
<b>Total</b>	<b>25,072,451</b>	<b>11,371,345</b>
"Full provision for the protested bill of BCCI has been made in the account and others included encashment of Sanchaypatras amount which will be adjusted after receipt of Bangladesh Bank advice.		
<b>13.00 Borrowing from other bank companies and agents</b>		
In Bangladesh	660,071,024	575,679,340
Outside Bangladesh	277,444,546	263,931,348
<b>Total</b>	<b>937,515,570</b>	<b>839,610,688</b>
<b>13.01 Borrowing from other bank Companies and agents include the followings</b>		
Long term loan from Bangladesh Bank	364,130,145	427,503,430
Loan from Bangladesh Bank under ESP scheme	379,290	568,950
Small and Cottage Industries Project loan under ADB Loan No. 1070-BAN(SF)	31,512,752	47,387,614
Loan for Micro Credit and Small Scale Industries (KfW, Germany)	245,931,795	216,543,734



## Notes to the Financial Statements

	2005	2004
	Taka	Taka
Loan for JDPC-Ecompx-Sky Land Fam	6,389,000	6,389,000
Loan from Bangladesh Bank under EDF	27,488,560	14,759,627
Government Placement for Agro based Industries	261,684,028	126,458,333
<b>Total</b>	<b>937,515,570</b>	<b>839,610,688</b>
<b>14.00 Deposit and Other Accounts</b>		
<b>A. Deposit from Banks</b>		
Payable on demand	-	23,277
Less than 01 month	72,650,969	-
Above 01 month but not more than 6 months	-	-
Above 06 months but not more than 1 year	-	-
Above 01 year but not more than 05 years	-	-
Above 05 years but not more than 10 years	-	-
Above 10 years	-	2,860,588,437
<b>B. Other deposits</b>		
Payable on demand	1,909,495,641	-
Less than 01 month	5,195,497,226	1,063,296,755
Above 01 month but not more than 6 months	3,669,540,268	3,558,662,024
Above 06 month but not more than 01 year	6,229,314,913	4,722,444,865
Above 01 year but not more than 05 years	5,249,082,323	3,235,284,972
Above 05 years but not more than 10 years	-	68,876,630
Above 10 years	-	-
<b>Total</b>	<b>22,325,581,340</b>	<b>15,509,176,960</b>
<b>15.00 Other Liabilities</b>		
Interest payable on borrowing	93,374,375	100,089,101
Interest payable on term deposits	549,389,778	367,370,943
Privileged creditors	12,584,776	10,200,775
Benevolent fund	4,395,671	3,463,448
Gratuity fund	39,829,551	38,319,302
Bonus payable	35,503,069	18,954,585
Sundry creditors	15,855,209	4,857,653
Telephone and telex charges payable	956,920	646,045
Expenses payable	1,438,659	1,052,418
Provision for taxes (Note -35)	350,026,950	242,823,660
Clearing	153,200	3,470,099
Unearned interest on G.T. bill	232,189,841	359,723,931
Miscellaneous creditors	59,447	22,000
Exchange equalization fund	6,876,094	6,876,094
Provision for loan and advances (Note 15.01 & 15.02)	493,833,768	305,385,228
Provision for sundry debtors	7,782,258	7,782,258
Provision for investment	331,890	331,890



## Notes to the Financial Statements

	2005	2004
	Taka	Taka
Suspense interest (Note 15.03)	70,061,736	35,613,122
Excess Cash	2,000	15,195
Provision for Superannuation Fund	3,500,000	3,500,020
Provision for Adjustment of Interest Subsidy	2,000,000	2,000,000
Provision for Welfare fund	2,000,000	3,000,000
Ready Cash	-	14,440
Fax	16,800	
Electricity	657,406	
Branch Adjustment Account (15.04)	224,315,239	80,997,081
<b>Total</b>	<b>2,147,134,639</b>	<b>1,596,509,288</b>
<b>15.01 Provision for classified loan</b>		
Opening balance	179,798,406	152,266,545
Fully provided debt written off	(53,851,460)	(96,768,139)
Recovery from earlier written off loan	-	-
Special provision for current year	-	-
Provision not required	-	-
Charge against current year's profit	148,900,000	124,300,000
<b>Total</b>	<b>274,846,946</b>	<b>179,798,406</b>
<b>15.02 Provision for unclassified loan</b>		
Opening balance	125,586,822	89,886,822
Provision not required	-	-
Charge against current year's profit	93,400,000	35,700,000
<b>Closing balance</b>	<b>218,986,822</b>	<b>125,586,822</b>
<b>Total of 15.01 &amp; 15.02</b>	<b>493,833,768</b>	<b>305,385,228</b>
<b>15.03 Suspense Account</b>		
Opening balance	35,613,122	53,883,855
Transferred during the year	48,254,638	14,449,790
Recovery during the year	(8,189,302)	(5,144,516)
Suspense written off during the year	(5,616,722)	(27,576,007)
<b>Closing balance</b>	<b>70,061,736</b>	<b>35,613,122</b>
<b>15.04 Branch adjustments account represents outstanding inter-branch and Head Office transactions (Net) originated. The unrespondent entries of 31.12.2005 are given below</b>		
	No. of Unrespondent entries	Unrespondent entries (amount)
	Dr. Cr.	Dr. Cr.
Up to 3 months	151 448	264,005,193 522,538,749
Over 3 months but within 6 months	2 3	1,255,939 14,717
Over 6 months but within 1 year	1 4	15,284 6,056,929
Over 1 year but within 5 years	- -	- -
<b>Total</b>	<b>154 455</b>	<b>265,276,416 528,610,395</b>

\* By April 2006 all the entries were responded.



## Notes to the Financial Statements

15.05 As per gratuity rule the required provision of gratuity payable as of 31 December 2005 was Taka 50,002,641 of which Tk. 4,002,318 has been provided during the year leaving a shortfall of Tk. 46,000,323. The Board was informed by the Management that the shortfall would be built up gradually.

	2005	2004
	Taka	Taka
<b>16.00 Share Capital</b>		
<b>Authorized Capital</b>		
20,000,000 Ordinary shares of Tk. 100/- each.	2,000,000,000	2,000,000,000
<b>Issued and fully paid</b>		
<b>Ordinary shares of Tk. 100/- each</b>	<b>810,000,000</b>	<b>675,000,000</b>

The Government of People's Republic of Bangladesh is the sole owner shareholder of the Bank and all the ordinary shares are vested with the Ministry of Finance.

### 16.01 Capital Adequacy Ratio

Calculation as per BRPD circular No. 10 dated 25 November and subsequent amended circular No. 3 dated 09 May 2004 respectively issued by Bangladesh Bank.

	2005	2004
	Taka (000)	Taka (000)
<b>Core Capital (Tier-I)</b>		
Paid up Capital	810,000	675,000
Statutory Reserve	681,133	555,445
General Reserve/Capital Reserve	40,000	40,000
Retained Earnings	195,007	220,824
	<b>1,726,140</b>	<b>1,491,269</b>
<b>Supplementary Capital (Tier-II)</b>		
General Provision	218,986	125,587
Exchange Equalization	6,876	6,876
	<b>225,862</b>	<b>132,463</b>
<b>A. Total Capital (Tier-I+Tier-II)</b>	<b>1,952,002</b>	<b>1,623,732</b>
B. Total Risk Weighted Assets	16,739,203	13,001,113
C. Required Capital (9% of Total Risk Weighted Assets)	1,506,528	1,170,100
D. Surplus/(Deficiency)	445,474	453,632
<b>Capital Adequacy Ratio</b>	<b>11.66%</b>	<b>12.49%</b>

<u>Capital Requirement</u>	<u>Required</u>	<u>Held</u>	<u>Required</u>	<u>Held</u>
Tier-I	4.50%	10.31%	4.50%	11.48%
Tier-II	4.50%	1.35%	4.50%	1.01%
<b>Total</b>	<b>9.00%</b>	<b>11.66%</b>	<b>9.00%</b>	<b>12.49%</b>

### 17.00 Statutory Reserve

	2005	2004
	Taka	Taka
Balance at opening of the year	555,444,916	450,000,000
Transferred from profit of the year	125,687,692	105,444,916
Balance at closing of the year	<b>681,132,608</b>	<b>555,444,916</b>



## Notes to the Financial Statements

	2005	2004
	Taka	Taka
<b>18.00 Other Reserve</b>		
Balance at opening of the year	40,000,000	30,000,000
Transferred during of the year	-	10,000,000
Balance at closing of the year	<u>40,000,000</u>	<u>40,000,000</u>
<p>The Bank has been maintaining this reserve as venture capital fund since 1999 for equity support to innovative but risky project.</p>		
<b>19.00 Surplus in Profit and Loss Account</b>		
Balance as on 1st January 2005	220,824,418	319,285,127
Profit during the year	159,807,101	186,039,291
Transferred to other reserve	-	(10,000,000)
Cash dividend paid during the year	(50,625,000)	(45,000,000)
Dividend distribution tax	-	(4,500,000)
Issuance of bonus shares	(135,000,000)	(225,000,000)
	<u>195,006,519</u>	<u>220,824,418</u>
<b>19.01 Item wise profit and loss account</b>		
Interest discount and similar income	1,938,259,561	1,485,447,899
Dividend Income	5,314,400	2,494,347
Fees commission and brokerage	123,283,450	102,579,282
Gains less Losses arising from dealing securities	-	-
Gains less Losses arising from investment securities	-	-
Gains less Losses arising from dealing in foreign currencies	114,610,826	129,977,023
Income from non-banking assets	-	-
Other operating income	46,739,759	48,355,036
Profit less losses on interest rate changes	-	-
	<u>2,228,207,996</u>	<u>1,768,853,587</u>
Expenses		
Interest, fee and commission	983,984,740	816,981,026
Losses on loans and advances	-	-
Administrative expenses	273,853,753	153,632,735
Other operating expenses	120,389,435	88,962,310
Depreciation on banking assets	24,511,933	20,052,935
	<u>1,402,739,861</u>	<u>1,079,629,006</u>
<b>Profit before tax &amp; provision</b>	<u>825,468,135</u>	<u>689,224,581</u>
<b>20.00 Contingent Liabilities</b>		
Letters of guarantee (Note 20.01)	1,281,896,120	903,813,425
Local bills for collection'	499,499,286	451,500,010
Foreign bills for collection	376,924,886	434,122,300
Acceptances	1,478,879,097	920,914,252
Letters of credit	2,087,411,003	2,641,425,318
Back to Back L/C	313,354,000	184,749,000



## Notes to the Financial Statements

	2005	2004
	Taka	Taka
Travelers Checks Stock	20,943,700	5,457,395
Value of wage earners bond in hand	43,597,500	38,973,000
<b>Balance at closing of the year</b>	<b>6,102,505,592</b>	<b>5,580,954,700</b>
<b>20.01 Letters of Guarantee</b>		
A. Claim against the Bank which is not recognized as loan Money for which the Bank is contingently liable in respect of guarantees favoring.		
Directors	-	-
Government	598,782,987	407,584,425
Bank and Other financial institutions	19,518,380	2,526,520
Others	663,594,753	493,702,480
<b>Total</b>	<b>1,281,896,120</b>	<b>903,813,425</b>
<b>21.00 Interest Income</b>		
Interest from Clients	1,385,972,272	1,087,722,027
Interest from banks and financial institutions	387,904,125	264,010,202
Interest from foreign banks	7,165,945	3,853,561
<b>Total</b>	<b>1,781,042,342</b>	<b>1,355,585,790</b>
<b>22.00 Interest paid on deposits and borrowings etc</b>		
On fixed deposit	818,533,377	671,295,758
On short term deposit	94,468,914	88,013,262
On savings bank deposit	27,155,514	26,594,258
On borrowing from Bangladesh bank and other financial institution	43,826,935	31,077,749
<b>Total</b>	<b>983,984,740</b>	<b>816,981,026</b>
<b>23.00 Investment Income</b>		
On Government treasury bill	152,492,300	125,110,181
On shares	5,314,400	2,494,347
On other investment	4,724,920	4,751,928
<b>Total</b>	<b>162,531,620</b>	<b>132,356,456</b>
<b>24.00 Commission, exchange and brokerage</b>		
<b>Commission</b>		
Foreign bill purchased	360,461	460,581
Local bill purchased	4,485,557	3,833,860
Remittance	7,702,293	7,730,748
Letter of guarantee	21,397,445	14,160,897
Letter of credit	75,284,688	66,555,289
Bills for collection	4,078,047	2,846,448
Acceptances	7,048,898	5,195,369



## Notes to the Financial Statements

	2005	2004
	Taka	Taka
Export bill	538,912	442,527
Miscellaneous (includes commission on sale of PSP,TC)	2,387,148	1,353,563
<b>Sub-Total</b>	<b>123,283,450</b>	<b>102,579,282</b>
<b>Exchange Gain</b>		
Profit on exchange trading	114,610,826	129,977,023
<b>Total</b>	<b>237,894,276</b>	<b>232,556,305</b>
<b>25.00 Other operating income</b>		
Rent (Go-down and locker)	353,330	313,700
Postage charges	6,908,553	6,867,942
Telephone charge	426,360	364,188
Telex charges	12,963,709	17,357,156
Service charges	4,377,927	4,386,167
Recoveries and miscellaneous earnings	21,709,880	17,463,494
Profit on sale of fixed assets	-	1,602,389
<b>Total</b>	<b>46,739,759</b>	<b>48,355,036</b>
<b>26.00 Salaries &amp; Allowance</b>		
Salaries	79,396,369	53,425,792
Allowances	82,093,095	55,182,610
Provident fund	6,354,147	4,302,744
Pension fund	60,651	20,250
Benevolent fund	4,395,671	3,463,440
Gratuity fund	4,028,976	6,037,649
Bonus	46,633,523	26,475,184
Superannuation fund	3,500,000	3,500,000
<b>Total</b>	<b>226,462,431</b>	<b>152,407,669</b>
<b>27.00 Rent, taxes, insurance, lighting etc.</b>		
Rent	23,702,943	18,899,896
Rates taxes and VAT	1,530,354	2,224,165
Electricity and heating	6,896,659	6,057,851
Insurance	9,101,744	9,323,999
<b>Total</b>	<b>41,231,700</b>	<b>35,505,911</b>
<b>28.00 Legal expenses</b>		
Professional fees	1,110,851	762,428
Stamps and court fees	195,358	202,309
<b>Total</b>	<b>1,306,209</b>	<b>964,737</b>



## Notes to the Financial Statements

	<u>2005</u>	<u>2004</u>
	<u>Taka</u>	<u>Taka</u>
<b>29.00 Postage, Stamp, Telegram, Telephone</b>		
Postage	576,038	533,908
Telephone	7,106,834	3,506,895
Telex	681,136	695,478
Courier services	4,135,686	3,804,517
Swift Subscription Charges	4,507,778	1,497,622
Cables	371,305	-
Reuters Subscription Charges	3,641,206	738,260
<b>Total</b>	<b><u>21,019,983</u></b>	<b><u>10,776,680</u></b>
<b>30.00 Stationery, Printing, advertising etc.</b>		
Security stationery	900,218	957,661
Printed stationery	5,255,437	4,457,498
Other stationery	5,154,780	3,650,419
Publicity, advertisement and publication	2,293,877	3,002,508
<b>Total</b>	<b><u>13,604,312</u></b>	<b><u>12,068,086</u></b>
<b>31.00 Directors Fees</b>		
Participation fees @ Tk.2500.00 each member per meeting	324,500	520,500
Other benefits	-	-
<b>Total</b>	<b><u>324,500</u></b>	<b><u>520,500</u></b>
<b>32.00 Depreciation on and repairs to the banking company's property</b>		
Depreciation	24,511,934	20,052,935
Repairs, improvement and maintenance	8,860,063	6,365,120
<b>Total</b>	<b><u>33,371,997</u></b>	<b><u>26,418,055</u></b>
<b>32.01 Depreciation</b>		
Furniture and fixture	4,342,039	3,912,525
Machinery and equipment	12,386,318	9,007,794
Vehicles	7,737,600	7,086,639
Lease Equipment/Assets	45,977	45,977
<b>Total</b>	<b><u>24,511,934</u></b>	<b><u>20,052,935</u></b>
<b>32.02 Repairs, improvement and maintenance</b>		
Furniture and fixture	1,832,573	341,590
Machinery and equipment	2,287,270	2,101,945
Vehicles	2,580,562	1,881,081
Rented premises	2,159,659	2,040,504
<b>Total</b>	<b><u>8,860,063</u></b>	<b><u>6,365,120</u></b>



## Notes to the Financial Statements

	2005	2004
	Taka	Taka
<b>33.00 Other Expenditure</b>		
Discount	27,450	33,520
Commission and brokerage	2,078,146	1,053,700
Entertainment	10,507,505	7,685,576
Car expenses	6,059,187	5,768,871
Subscription	1,042,831	877,354
Travelling	4,069,459	2,991,966
Cartage and freight	62,446	38,626
Computer expenses	3,420,258	2,961,387
Staff training expenses	2,201,037	609,762
Donation	274,000	25,000
Management fees	6,000	-
Welfare fund	2,000,000	-
Loss on sale of non-banking assets	2,262	-
Loss on sale of other banking assets	10,607	-
Miscellaneous	631,480	614,515
<b>Total</b>	<b>32,392,668</b>	<b>22,661,276</b>

**33.01** No item of the miscellaneous expenses exceeds 1 percent of the total revenue expenses.

	2005	2004
	Taka	Taka
<b>34.00 Proposed Dividends</b>		
Proposed bonus share (One bonus share for every six shares)	135,000,000	135,000,000
Cash Dividend (@ 7.41%)	60,000,000	50,625,000
<b>Total</b>	<b>195,000,000</b>	<b>185,625,000</b>
<b>35.00 Provision for tax</b>		
Opening balance	7,083,286	7,083,286
Current Year's Tax	342,943,664	235,740,374
<b>Total</b>	<b>350,026,950</b>	<b>242,823,660</b>
<b>36.00 Received from other operating activities (item-wise)</b>		
Rent (Godown and locker)	353,330	313,700
Postage charges	6,908,553	6,867,942
Telephone charges	426,360	364,189
Telex Charges	12,963,709	17,357,155
Service Charges	4,377,927	4,386,167
Recoveries and miscellaneous earnings	19,668,611	16,688,694
<b>Total</b>	<b>44,698,490</b>	<b>45,977,847</b>



## Notes to the Financial Statements

	2005	2004
	Taka	Taka
<b>37.00 Paid for other operating activities (item-wise)</b>		
Rent, Taxes, insurance, lighting Postage	41,231,700	35,505,911
Legal expenses	1,306,209	964,737
Postages Telephone, Telex	20,709,108	11,192,683
Repairs	8,860,063	6,365,120
Other expenditure	32,379,799	22,661,276
Auditor fees	150,000	100,000
Directors fee	324,500	520,500
<b>Total</b>	<b>104,961,379</b>	<b>77,310,227</b>
<b>38.00 Increase/(Decrease) for change in other assets</b>		
<b>Closing other assets</b>		
Stationery, stamps etc.	17,351,564	18,891,153
Advance rent	14,983,081	15,868,262
Security deposits	9,544,835	3,685,231
Income Receivable	894,137	5,977,430
Suspense account	3,233,777	2,040,585
Superannuation Fund	-	-
Other prepayments	624,069	1,332,004
Branch adjustment account	-	-
Sundry debtors	28,618,197	13,226,826
<b>Total</b>	<b>74,849,660</b>	<b>61,021,491</b>
<b>Opening other assets</b>		
Stationery, stamps etc.	18,891,153	19,358,915
Advance rent	15,868,262	5,800,856
Security deposits	3,685,231	3,214,979
Income Receivable	5,977,430	6,000,000
Suspense account	2,040,585	496,500
Super annuation Fund	-	5,000,000
Other prepayments	1,332,004	1,384,260
Branch adjustment account	-	73,077,521
Sundry debtors	13,226,826	14,148,861
<b>Total</b>	<b>61,021,491</b>	<b>128,481,892</b>
<b>Increase/(decrease) for the year</b>	<b>13,828,169</b>	<b>(67,460,401)</b>
<b>39.00 Increase/(Decrease) for change in other liabilities</b>		
<b>Closing other liabilities</b>		
Privileged creditors	12,584,776	17,284,061
Sundry creditors	15,855,209	4,857,653
Expenses payable	1,438,659	1,052,418
Clearing	153,200	3,470,099



## Notes to the Financial Statements

	2005	2004
	Taka	Taka
Miscellaneous creditors	59,445	22,000
Suspense interest	70,061,736	35,613,123
Excess Cash	2,000	15,196
Branch adjustment account	224,315,239	80,997,081
Ready Cash	-	14,440
Fax	16,800	-
Electricity	657,407	-
	<u>325,144,471</u>	<u>143,326,071</u>
<b>Opening other liabilities</b>		
Privileged creditors	17,284,061	13,748,238
Sundry creditors	4,857,653	3,995,264
Expenses payable	1,052,418	1,519,007
Clearing	3,470,099	194,550
Miscellaneous creditors	22,000	35,806
Suspense interest	35,613,123	53,883,855
Excess Cash	15,196	12,246
Branch adjustment account	80,997,081	-
Ready Cash	14,440	-
	<u>143,326,071</u>	<u>73,388,966</u>
Provision adjusted	(54,851,460)	(97,268,139)
Increase/(Decrease) for the year	126,966,940	(27,331,034)
<b>40.00 Analysis of Closing Cash and Cash Equivalent</b>		
Cash in hand and balance with Bangladesh Bank and Sonali Bank	1,134,502,530	1,035,309,062
Cash with other banks	4,126,271,315	3,765,554,058
Money at call and short notice	1,570,000,000	80,000,000
	<u>6,830,773,845</u>	<u>4,880,863,120</u>
<b>41.00 Earning Per Share (EPS)</b>		
Net Profit after Tax (Numerator)	285,494,792	291,484,207
Number of ordinary share outstanding (Denominator)	8,100,000	8,100,000
<b>Earning per Share (EPS)</b>	<u>35.25</u>	<u>35.99</u>
<b>42.00 Litigation pending against Bank</b>		
There is no litigation pending against the Bank in the year 2005.		
<b>43.00 Coverage of External Audit</b>		
The external auditor has covered 80% of the risk -weighted assets and has spent around 6,000 hours to complete the audit as per Bangladesh Standards on Auditing (BSA). The external auditor has audited 9 branches and Head office of the Bank.		



## Notes to the Financial Statements

### 44.00 Highlight on the overall activities of the Bank for the year 2005 and 2004

Sl #	Particulars	2005 Taka	2004 Taka
01.	Paid up capital	810,000,000	675,000,000
02.	Total capital	1,952,002,043	1,623,732,250
03.	Capital surplus/(deficit)	445,474,000	453,632,080
04.	Total assets	27,136,370,676	19,436,566,270
05.	Total deposits	22,325,581,340	15,509,176,960
06.	Total loans and advances	15,339,350,847	12,000,145,123
07.	Total contingent liabilities and commitments	6,102,505,592	5,580,954,700
08.	Credit-deposit ratio	68.71%	77.37%
09.	Percentage of classified loans against total loans and advances	4.55%	3.70%
10.	Profit after tax and provision	285,494,792	291,484,207
11.	Amount of classified loans and advances	698,443,122	443,854,593
12.	Provision kept against classified loan	274,845,923	179,798,406
13.	Provision surplus/(deficit)	734,147	8,050,949
14.	Cost of fund	7.34%	6.86%
15.	Interest earning assets	24,437,566,814	17,449,378,068
16.	Non-interest bearing assets	2,698,803,862	1,987,188,202
17.	Return on investment (ROI)	6.59%	6.50%
18.	Return on assets (ROA)	1.23%	1.68%
19.	Incomes on Investment	162,531,619	132,356,456
20.	Earnings per share (EPS)	35.25	35.99
21.	Net Income per share	35.25	35.99
22.	Price earning ratio	N/A	N/A



Managing Director

Director

Director

Chairman

## Balance with Other Banks -Outside Bangladesh (Nostro Accounts)

### Annexure-A

Name of the Bank	A/C Type	Currency name	2005			2004		
			Amount in FC	Conv. Rate per unit FC	Amount in BDT	Amount in FC	Conv. Rate per unit FC	Amount in BDT
AMEX Newyork	CD	US\$	97,995	66.21	6,488,218	34,478	60.95	2,101,464
Bank of Tokyo-Mitsubishi London	CD	UKP	15,480	116.50	1,803,399	40,248	112.00	4,507,786
Rupali Bank Karachi	CD	ACUS	6,751	66.21	446,997	6,746	60.95	411,171
Bank of Tokyo Mitsubishi Japan	CD	JAPY	7,194,853	0.58	4,170,137	2,290,442	0.55	1,259,743
Mashreq Bank PSC UAE	CD	UAED	25,872	18.18	470,353	25,872	16.30	421,714
Mashreq Bank Newyork	CD	US\$	28,713	66.21	1,901,080	111,431	60.95	6,791,698
CITI Bank Mumbai	CD	ACUS	47,917	66.21	3,172,617	11,462	60.95	698,600
Sonali Bank Calcutta	CD	ACUS	7,119	66.21	471,345	31,572	60.95	1,924,284
Bank of Ceylon	CD	ACUS	2,788	66.21	184,596	7,056	60.95	430,066
AMEX-Kolkata	CD	ACUS	10,364	66.21	686,173	-	-	1,894,722
CITI Bank New york (Import)	CD	US\$	111,069	66.21	7,353,871	277,896	60.95	16,937,759
CITI Bank New york (Export)	CD	US\$	3,557,145	66.21	235,518,569	1,793,716	60.00	107,622,982
State Bank of India	CD	ACUS	8,499	66.21	562,745	16,087	60.95	980,527
Standard Chartered Import Newyork	CD	US\$	279,646	66.21	18,515,337	287,025	60.95	17,494,203
Standard Chartered Bank London	CD	EURO	100,412	80.40	8,073,160	27,527	80.00	2,202,130
Standard Chartered Bank Mumbai	CD	ACUS	227,813	66.21	15,083,509	70,802	60.95	4,315,357
Dresdner Bank Frankfurt -Euro	CD	EURO	45,192	80.40	3,633,456	57,711	80.00	4,616,916
Banque de Commerce, Geneva	CD	CHF	3,157	51.88	163,784	7,081	46.00	325,725
AMEX Frankfurt	CD	EURO	4,653	80.40	374,117	27,179	80.00	2,174,302
UNION Bank of California Newyork	CD	US\$	87,159	66.21	5,770,774	464,640	60.95	28,319,832
HSBC-Newyork	CD	US\$	83,512	66.21	5,529,324	-	-	-
ICIC Mumbai	CD	ACUS	12,574	66.21	832,547			
<b>Total</b>					<b>321,206,108</b>			<b>205,430,981</b>



## Investment (Shares in listed companies )

### Annexure-B

Particulars	Date of Purchase	No. of shares	Face Value (In Taka)	Cost Price (In Taka)	Market Value as at 31.12.04 (In Taka)	Provision exists in the accounts (In Taka)	Current market value as at 31.12.05	Dividend received in 2005 (In Taka)
1. Tamijuddin Textile Mills Ltd.	02-01-92	5,000	500,000	500,000	256,250	328,750	201,000	25,000
2. Eastern Bank Ltd.	27-04-93	123,000	12,300,000	12,300,000	99,722,250	-	148,645,500	5,289,000
3. Mithun Corporation Ltd.	25-08-94	80	8,000	8,000	7,200	3,140	6,840	400
<b>Total</b>		<b>128,080</b>	<b>12,808,000</b>	<b>12,808,000</b>	<b>99,985,700</b>	<b>331,890</b>	<b>148,853,340</b>	<b>5,314,400</b>

## Schedule of Fixed Assets & Leased Assets

as at 31.12.2005

### Annexure-C

	COST				RATE	DEPRECIATION			WRITTEN DOWN VALUE		
	Balance at January, 2005	Additions during the year	Disposal during the year	Balance at 31 Dec, 2005		Balance at January 2005 (Dep up to date)	Charged for the year	Adjustment/ disposal during the year	Balance at 31 Dec, 2005	At 31 December 2005	At 31 December 2004
	1	2	3	4		5	6	7	8	9	10
	Tk.	Tk.	Tk.	Tk.		Tk.	Tk.	Tk.	Tk.	Tk.	Tk.
Furniture and Fixtures	61,989,347	9,666,323	(146,734)	71,508,936	10%	23,125,549	4,342,039	(102,281)	27,365,308	44,143,628	38,863,798
Equipment and Computer	95,289,519	37,116,231	(2,389,199)	130,016,551	20%	54,448,718	12,386,318	(2,370,114)	64,464,923	65,551,628	40,840,801
Vehicles	46,598,020	12,855,679	(2,302,681)	57,151,018	25%	28,620,717	7,737,600	(1,615,549)	34,742,769	22,408,249	17,977,303
Leasehold Assets	4,000,000	-	-	4,000,000		275,862	45,977	-	321,839	3,678,161	3,724,138
<b>Total</b>	<b>207,876,886</b>	<b>59,638,233</b>	<b>(4,838,614)</b>	<b>262,676,505</b>		<b>106,470,846</b>	<b>24,511,934</b>	<b>(4,087,944)</b>	<b>126,894,839</b>	<b>135,781,666</b>	<b>101,406,040</b>



## Branches of BASIC Bank



### MAIN BRANCH

Bana Shilpa Bhaban (Ground floor)  
73 Motijheel C/A, Dhaka-1000  
Tel: 02-9553322, 9563068, 9569417, 9570713  
Fax: 9569417  
SWIFT: BKSIBDDH002



### SHANTINAGAR BRANCH

14 Kakrail (1st floor)  
Dhaka-1000  
Tel: 02-9337441, 8314057, 9332674  
Fax: 9332674  
SWIFT: BKSIBDDH009



### RAJSHAHI BRANCH

Anam Plaza (1st floor), Shaheb Bazar, Rajshahi-6100  
Tel: 0721-776278, 770976  
Fax: 770976



### MOULVIBAZAR BRANCH

Gulbadan Market (1st floor), 4 Moulvibazar, Dhaka-1211  
Tel: 02-7315356, 7316991



### KHATUNGANJ BRANCH

193 Khatunganj, Chittagong 4000  
Tel: 031-614200, 616280  
SWIFT: BKSIBDDH004



### CHOWMUHANA BRANCH

152 Shamsernagar Road, Chowmuhana  
Moulvibazar-3200  
Tel: 0861-53238



### KHULNA BRANCH

107 Sir Iqbal Road  
Khulna-9100  
Tel: 041-720361, 721672, 812255  
Fax: 812255



### BOGRA BRANCH

Bhabani Shachin Bhaban  
Hari Dashi Market, 120 Baragola, Bogra-5800  
Tel: 051-73793, 65672  
Fax: 65672/110



### BANGSHAL BRANCH

230 North South Road, Bangshal, Dhaka-1100  
Tel: 02-9563686, 9562615  
Fax: 9557141  
SWIFT: BKSIBDDH006



### JUBILEE ROAD BRANCH

G. R. Plaza, 5 Jubilee Road, Chittagong-4000  
Tel: 031-634879, 638305, 2851738  
Fax: 2851738  
SWIFT: BKSIBDDH013



### ZINDABAZAR BRANCH

Wahid View (1st floor), 5477 East Zindabazar  
Sylhet-3100  
Tel: 0821-718462, 712548  
Fax: 712548



### TANBAZAR BRANCH

55/21 S. M. Malch Road, Tanbazar, Narayanganj-1400  
Tel: 7631862, 7616233  
Fax: 7616233  
SWIFT: BKSIBDDH014



### AGRABAD BRANCH

Pine View (Ground floor)  
100 Agrabad C/A, Chittagong-4100  
Tel: 031-810080, 814041, 725527  
Fax: 031-714822  
SWIFT: BKSIBDDH008



### DILKUSHA BRANCH

13 Dilkusha C/A, Dhaka-1000  
Tel: 02-9563793, 9563794, 7169528  
Fax: 7169528  
SWIFT: BKSIBDDH015



## Branches of BASIC Bank



### ASADGANJ BRANCH

40/41 Ramjoy Mohajan Lane, Asadganj, Chittagong-4000  
Tel: 031-614942, 614569  
Fax: 614942  
SWIFT: BKSIBDDH016



### BABUBAZAR BRANCH

Hajee Yusuf Mansion (1st floor)  
56 Mitford Road, Babubazar, Dhaka-1100  
Tel: 02-7391335, 7393875  
Fax: 7391335



### COMILLA BRANCH

156/162 A. K. Faziul Haque Road  
Monohorpur, Comilla-3500  
Tel: 081-65886



### SHOLASHAHAR BRANCH

Proskov Bhaban (1st floor), 110 CDA Avenue, Nasirabad,  
Muradpur, Chittagong-4203  
Tel: 031-651066, 650885  
Fax: 655304



### JESSORE BRANCH

35 M. K. Road (1st floor)  
Jessore-7400  
Tel: 0421-68586, 64288  
Fax: 68586



### CEPZ BRANCH

Moon Tower (1st floor), EPZ Gate South Haliashahar  
Chittagong-4100  
Tel: 031-740094, 800512  
Fax: 800512



### NARSINGDI BRANCH

Sutapatty Road  
Narsingdi-1600  
Tel: 0628-63145  
Fax: 63145



### UTTARA BRANCH

Plot # 67/A (1st floor), Rabindra Sarani, Sector # 7  
Uttara, Dhaka-1230  
Tel: 8961031, 8961032  
Fax: 8961031



### SAIDPUR BRANCH

T. R. Road (Dinajpur Road), Saidpur-5310, Nilphamari  
Tel: 0552-2299, 688177  
Fax: 688177



### BARISAL BRANCH

102 Chawk Bazar Road  
Barisal  
Tel: 0431-65022, 61022



### GULSHAN BRANCH

112 Gulshan Avenue, Gulshan, Dhaka-1212  
Tel: 02-9883501, 9883502, 8857307  
Fax: 8857307  
SWIFT: BKSIBDDH021



### DHANMONDI BRANCH

House # 54 (Old 150A), Road # 4/A (Old 13/2)  
Dhanmondi Residential Area, Dhaka-1205  
Tel: 9676156, 9676157  
Fax: 9676156/101



### MIRPUR BRANCH

BSCIC Electronics Complex, Industrial Plot No. 1/1,  
Section # 7 Avenue # 4 Road # 3 Pallabi, Dhaka-1221  
Tel: 02-9006249, 9006250, 9011732  
SWIFT: BKSIBDDH022



### PROPOSED BRANCHES

- Karwan Bazar
- Sirajganj
- Dewanhat

### T & T BILLS COLLECTION BOOTHS

Sher-E-Bangla Nagar

Telephone Exchange Bhaban

Sher-E-Bangla Nagar, Dhaka-1215

Tel: 8154040

Gulshan Telephone Exchange Bhaban

Gulshan, Dhaka-1212

Tel: 8819907

Ramna Telephone Exchange Bhaban

Ramna, Dhaka-1000

Tel: 9566042

### FOREIGN EXCHANGE BOOTH

Osmani International Airport, Sylhet

## Executives of BASIC Bank

### MANAGING DIRECTOR

A.H. Ekbal Hossain

### DEPUTY GENERAL MANAGERS

Luthful Karim  
Abdul Hai Shaikh  
M.A. Kashem  
Sk. Monzur Morshed  
Md. Mahtab Uddin  
Md. Farid Uddin  
Shamsuddin Yousuf Khaled  
Md. Mesbahul Haque  
Mobarak Hossain Chowdhury  
Kazi Shamsul Huda  
Parban Choudhury  
Kanak Kumar Purkayastha  
Abdul Hadi Gholam Sanjari  
Abdul Qayum Mohammad Kibriya  
S. Ashif Ahmed  
Md. Shah Alam Bhuiyan  
Md. Shahabad Doza  
Fazlus Sobhan  
Md. Zainul Abedin Choudhury  
Shahadat Hossain  
Md. Wahidul Alam  
Hasan Tanvir

### GENERAL MANAGERS

Md. Mosaddiqur Rahman  
Md. Abdul Jabber  
Shaikh Ahmed  
Golam Moinuddin

### ASSISTANT GENERAL MANAGERS

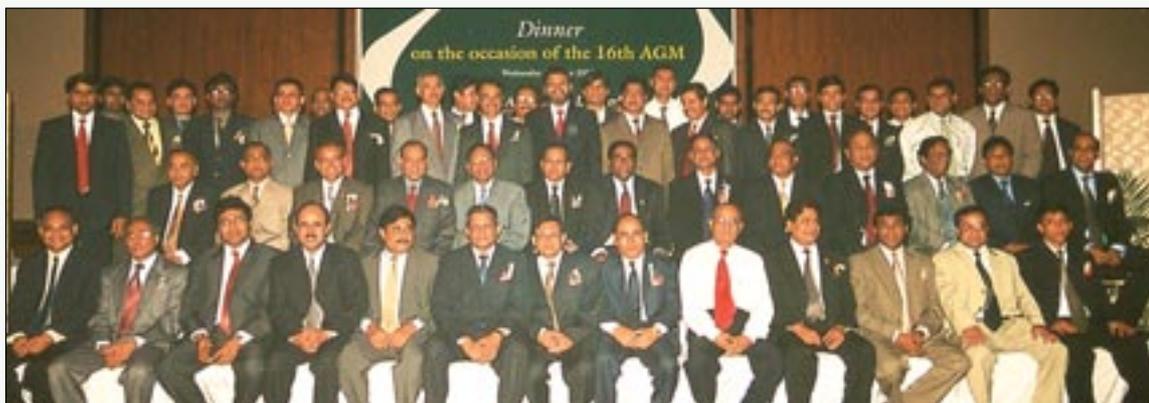
Habibur Rahman Chowdhury  
Kajjal Kanti Datta  
S.M.A. Razzaque  
Mohammad Mosharraf Hossain  
Syed Mushahid Ahmed  
Md. Abul Hashem  
S.A.K. Nazmul Huq  
F.R.M. Nayeem-Us-Safa  
Md. Mozammel Hossain  
Mohammad Moniruzzaman  
Md. Omar Faruque  
Kh. Shamim Hasan  
Md. Kabir Uddin  
Abdul Adud  
Abul Kalam Azad  
Emdadul Haque  
A.K.M. Masudur Rahman  
Md. Moktadir Hossain  
Khan Iqbal Hasan  
Md. Salim  
Md. Mahboobur Rahman  
Md. Ismail  
Mohammed Ali  
Ahmad Hossain  
Abu Md. Mofazzal

### EXECUTIVES ON CONTRACT

Abdul Mannan Miah  
Md. Majibur Rahman

### MANAGERS AS BRANCH IN-CHARGES

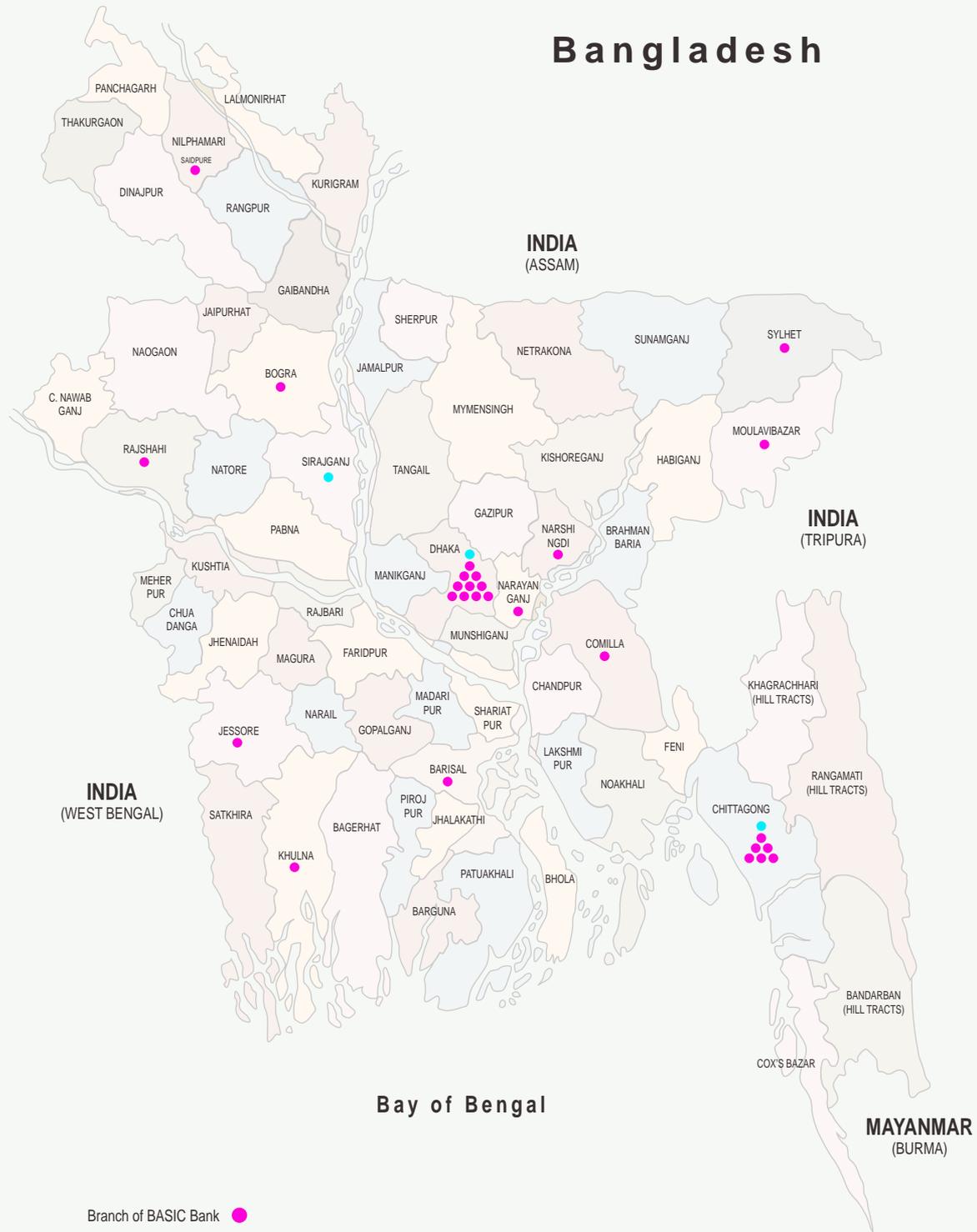
Anwar Hossain  
Momenul Haque



*Executives of BASIC Bank Limited present in the reception of 16th Annual General Meeting.*

# Our Branch Network

## Bangladesh



Branch of BASIC Bank ●  
Proposed Branches ●





***BASIC Bank Limited***  
*Serving people for progress*  
A STATE OWNED SCHEDULED BANK

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