

## Auditors' Report to the Shareholders of Mutual Trust Bank Limited

We have audited the accompanying Balance Sheet of the Mutual Trust Bank Limited as of December 31, 2007 and the related Profit and Loss Account, the statement of Cash Flows and Changes in Equity for the year then ended. The preparation of the financial statements is the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### Scope:

Except as discussed in the following paragraphs, 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:

1. There exists stuck up loans and advances aggregating to Taka 985,646,650/- against M/S. Nurun Nobi and its related parties of Khatungonj branch. The said loans and advances have not been classified by the bank as there is a stay order dated 28-11-2007 from the honorable High Court Division of Bangladesh Supreme Court. As on April 17, 2008 Taka 200,000,000/- has been recovered against the above outstanding.
2. There exists stuck up loans and advances aggregating to Taka 301,451,494/- against Saima Apparels Industries and Share Sweaters Limited in Agrabad Branch. The entire loans and advances were classified by Bangladesh Bank as Doubtful of recovery (DF) based on the status as of September 30, 2007. The Executive Committee of the bank extended the repayment period till March 30, 2008 in its meeting held on December 19, 2007 which was ratified by the Board of Directors in its meeting held on January 17, 2008. Based on the board decision Bangladesh Bank vide their letter no DBI-2(VG:)103/2008-1045 dated 31.03.2008 allowed rescheduling of such loan after completing all formalities. Thus the branch did not classify the said loan on December 31, 2007 and Taka 18,262,714/- has been taken into profit of the Bank as of December 31, 2007.

3. Specific provision amounting to Taka 81,300,000/- required against some overdue advances has been shown under General Provision.
4. Income tax in respect of the year 2007 has been provided for without considering income tax on inadmissible provision for classified advances though required under Income Tax Ordinance 1984.
5. Direct confirmations against the balances held with Bangladesh Bank and the balances with other Banks and financial institutions aggregating to Taka 3,461,589,599/- have not been received by us although request letter have been sent to all of them.

**Opinion:**

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraphs, the financial statements, prepared in accordance with Bangladesh Accounting Standards except BAS 19, give a true and fair view of the state of the company's affairs as of December 31, 2007 and of the results of its operations and its cash flows for the year then ended and comply with the applicable sections of Bank Company Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- (1) 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;
- (2) 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.
- (3) the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns,
- (4) the expenditure incurred was for the purposes of the company's business;
- (5) the financial position of the bank at December 31, 2007 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;

- (6) the financial statements have been drawn up in conformity with the Bank Company Act 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank;
- (7) Adequate provisions have been made for advances which are in our opinion, doubtful of recovery.
- (8) 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;
- (9) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (10) The information and explanations required by us have been received and found satisfactory.

*Howladar Yunus & Co.*

**HOWLADAR YUNUS & CO**  
Chartered Accountants.

Dhaka, Bangladesh  
Dated: April 20, 2008

## Balance Sheet

As at December 31, 2007

<b>Property and Assets</b>	<b>Notes</b>	<b>2007 Taka</b>	<b>2006 Taka</b>
<b>Cash:</b>		<b>2,229,610,768</b>	<b>1,646,850,653</b>
In hand (Including Foreign Currency)	3.00	282,768,190	233,425,245
With Bangladesh Bank and its agent Bank (including Foreign Currency)	4.00	1,946,842,578	1,413,425,408
<b>Balance with other Banks &amp; Financial Institutions :</b>	<b>5.00</b>	<b>1,832,356,768</b>	<b>959,529,891</b>
In Bangladesh		1,439,820,992	783,960,394
Outside Bangladesh		392,535,776	175,569,497
<b>Money at Call and Short Notice</b>	<b>6.00</b>	-	<b>970,000,000</b>
<b>Investments:</b>	<b>7.00</b>	<b>3,956,528,943</b>	<b>2,821,618,030</b>
Government		3,896,852,621	2,757,594,256
Others		59,676,322	64,023,774
<b>Loans and Advances:</b>	<b>8.00</b>	<b>22,683,227,657</b>	<b>18,591,520,631</b>
Loans, Cash Credit, Overdrafts etc.		19,842,731,679	16,356,416,377
Bills Purchased and Discounted		2,840,495,978	2,235,104,254
<b>Fixed Assets including premises, furniture &amp; fixtures</b>	<b>9.00</b>	<b>301,871,321</b>	<b>276,186,202</b>
<b>Other Assets</b>	<b>10.00</b>	<b>1,178,300,763</b>	<b>718,210,820</b>
<b>Non-banking assets</b>		-	-
<b>Total Property and Assets</b>		<b>32,181,896,220</b>	<b>25,983,916,227</b>
<b>Liabilities and Capital</b>			
<b>Borrowings from other Banks, Financial Institutions &amp; agents</b>	<b>11.00</b>	3,100,000,000	-
<b>Deposits and other accounts:</b>	<b>12.00</b>	<b>24,776,924,968</b>	<b>22,264,045,989</b>
Current Deposits & Other Accounts		3,933,377,877	2,804,119,941
Bills Payable		525,372,428	196,727,245
Savings Deposits		2,147,296,683	1,439,402,890
Fixed Deposits		16,334,144,998	16,519,124,214
Deposit-Products		1,836,732,982	1,304,671,699
<b>Other Liabilities</b>	<b>13.00</b>	<b>2,260,674,080</b>	<b>1,815,066,017</b>
<b>Total Liabilities</b>		<b>30,137,599,048</b>	<b>24,079,112,006</b>
<b>Capital/Shareholders' Equity:</b>			
Paid up Capital	14.00	997,920,000	950,400,000
Share Premium	15.00	100,000,000	100,000,000
Statutory reserve	16.00	590,235,286	511,124,778
Revaluation Gain on Investments in HTM Securities		118,770,834	-
General reserve	17.00	105,679,443	39,894,467
Retained Earnings	18.00	131,691,609	303,384,976
<b>Total Shareholders' Equity</b>		<b>2,044,297,172</b>	<b>1,904,804,221</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>32,181,896,220</b>	<b>25,983,916,227</b>

## Balance Sheet

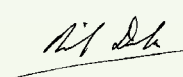
As at December 31, 2007

Notes	2007 Taka	2006 Taka
<b>Off-Balance Sheet items</b>		
<b>Contingent Liabilities:</b>		
19.00		
Letter of Guarantee	3,273,141,620	3,044,696,931
Irrevocable Letter of Credit	4,209,198,800	3,882,172,100
Bills for Collection	414,794,688	125,492,382
Other Contingent Liabilities	3,019,004,650	2,619,029,500
	<b>10,916,139,758</b>	<b>9,671,390,913</b>
<b>Other Commitments</b>		
Documentary credits and short term trade related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn note issuance and revolving underwriting facilities	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-
Claim against the bank not acknowledged as debt	-	-
Litigation pending against Bank	-	-
<b>Other memorandum items</b>		
Value of Travellers' cheque on hand	-	-
Value of Bangladesh Sanchay Patra on hand	-	-
<b>Total Off Balance Sheet Items including contingent liabilities</b>	<b>10,916,139,758</b>	<b>9,671,390,913</b>

The annexed notes form an integral part of these accounts



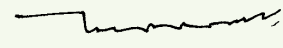
Samson H Chowdhury  
Chairman



Dr. Arif Dowla  
Vice Chairman

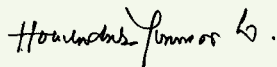


Syed Manzur Elahi  
Director



Kazi Md. Shafiqur Rahman  
Managing Director

Signed as per annexed report on even date



HOWLADAR YUNUS & CO.  
Chartered Accountants

Dated: Dhaka  
April 20, 2008

## Profit and Loss Account

For the year ended December 31, 2007

<u>Particulars</u>	<u>Notes</u>	<u>2007 Taka</u>	<u>2006 Taka</u>
Interest Income	<b>20.00</b>	2,846,923,194	2,340,970,021
Less: Interest Paid on Deposits & Borrowings etc.	<b>22.00</b>	2,292,357,531	1,708,636,136
<b>Net Interest Income</b>		<b>554,565,663</b>	<b>632,333,885</b>
Income from Investments	<b>23.00</b>	162,414,761	184,398,535
Commission, Exchange & Brokerage	<b>24.00</b>	384,923,249	401,448,414
Other operating Income	<b>25.00</b>	86,433,422	66,684,925
		<b>633,771,432</b>	<b>652,531,874</b>
<b>Total Operating Income</b>		<b>1,188,337,095</b>	<b>1,284,865,759</b>
<b>Less: Operating Expenditure:</b>			
Salary & Allowances	<b>26.00</b>	200,707,950	158,532,358
Managing Director's Remuneration		3,600,000	2,400,000
Directors' fees	<b>27.00</b>	620,000	425,000
Rent, Tax, Insurance, Electricity etc.	<b>28.00</b>	55,774,763	40,192,847
Legal Expenses		1,803,966	525,939
Postage, Stamps, Telegram & Telephone	<b>29.00</b>	17,467,763	12,665,039
Audit Fee		100,000	60,000
Printing, Stationery, Advertisement etc.	<b>30.00</b>	16,486,886	13,126,422
Depreciation on & repairs to Bank's property	<b>31.00</b>	36,830,497	28,336,491
Other Expenditures	<b>32.00</b>	91,092,730	59,129,548
<b>Total Operating Expenditure</b>		<b>424,484,555</b>	<b>315,393,644</b>
<b>Profit Before Provision</b>		<b>763,852,540</b>	<b>969,472,115</b>
Less: Provision against Loans & Advances including Off Balance Sheet Items	<b>33.00</b>	368,300,000	95,000,000
Provision against Other assets		-	-
		368,300,000	95,000,000
<b>Profit Before Tax</b>		<b>395,552,540</b>	<b>874,472,115</b>
<b>Less: Provision for Tax</b>	<b>34.00</b>	<b>184,750,423</b>	<b>396,192,716</b>
Current Tax		187,264,238	393,512,452
Deferred Tax		(2,513,815)	2,680,264
<b>Net Profit After Tax</b>		<b>210,802,117</b>	<b>478,279,399</b>
<b>Retained Surplus brought forward</b>		303,384,976	211,305,448
		<b>514,187,093</b>	<b>689,584,847</b>

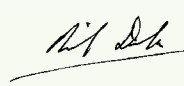
## Profit and Loss Account

For the year ended December 31, 2007


	Notes	2007 Taka	2006 Taka
<b>Appropriations:</b>			
Bonus Share Issued during the year		47,520,000	86,400,000
Cash dividend paid during the year		190,080,000	120,960,000
Transferred to General Reserve		65,784,976	3,945,448
Statutory Reserve		79,110,508	174,894,423
		382,495,484	386,199,871
Retained Surplus, Carried forward		<b>131,691,609</b>	<b>303,384,976</b>
Earnings per Share	<b>35.00</b>	<b>21.12</b>	<b>47.93</b>

The annexed notes form an integral part of these accounts


  
Samson H Chowdhury  
Chairman

  
Dr. Arif Dowla  
Vice Chairman

  
Syed Manzur Elahi  
Director

  
Kazi Md. Shafiqur Rahman  
Managing Director

Signed as per annexed report on even date

  
HOWLADAR YUNUS & CO.  
Chartered Accountants

Dated: Dhaka  
April 20, 2008

# Cash Flow Statement

For the year ended December 31, 2007

	Note	2007 Taka	2006 Taka
<b>A) Cash flow from operating activities:</b>			
Interest received		3,005,694,755	2,522,608,556
Interest paid on deposits & borrowings etc.		(2,292,357,531)	(1,708,636,136)
Dividend income		1,987,200	-
Fees & commission income		218,908,089	227,704,662
Cash paid to employees as salaries and allowances		(204,307,950)	(160,932,358)
Advance income tax paid		(408,387,511)	(319,343,714)
Cash received from other operational income	36.00	240,241,517	239,746,777
Cash paid for other operational expenses	37.00	(188,219,258)	(129,114,077)
Cash flow from operating activities before changes in net current assets		<b>373,559,311</b>	<b>672,033,710</b>
<b>Changes in net current assets :</b>			
Investments in Treasury bills		293,269,267	(620,000,000)
Investment in treasury bond		(1,313,514,398)	-
Loans & Advances		(4,091,707,026)	(4,218,282,020)
Other Assets	10.00	(51,702,432)	(206,690,514)
Customers' Deposits		2,122,881,479	6,265,504,566
Bank Deposits		389,997,500	(100,000,000)
Borrowings from other banks, financial institutions & agents	11.00	3,100,000,000	-
Other liabilities	13.00	(107,442,360)	366,726,704
		<b>341,782,030</b>	<b>1,487,258,736</b>
		<b>715,341,341</b>	<b>2,159,292,446</b>
<b>Net Cash flow from operating activities</b>			
<b>B) Cash flow from investing activities:</b>			
Investments in Shares & bonds		6,003,452	63,202,000
Purchase of Premises & Fixed assets ( net )		(57,642,466)	(64,973,733)
<b>Net cash flow from investing activities</b>		<b>(51,639,014)</b>	<b>(1,771,733)</b>
<b>C) Cash flow from financing activities:</b>			
Dividend paid		(190,080,000)	(120,960,000)
<b>Net cash flow from financing activities</b>		<b>(190,080,000)</b>	<b>(120,960,000)</b>
<b>D) Net increase in cash and cash equivalents</b>			
E) Effect of changes of Exchange rates on cash and cash equivalents		12,207,065	681,900
F) Opening cash and cash equivalents		3,577,289,944	1,540,047,331
<b>Closing cash and cash equivalents (D+E+F)</b>		<b>4,063,119,336</b>	<b>3,577,289,944</b>
<b>The above closing cash and cash equivalents include:</b>			
Cash in hand		282,768,190	233,425,245
Balance with Bangladesh Bank and its agent bank		1,946,842,578	1,413,425,408
Balance with other Banks & Financial Institutions		1,832,356,768	959,529,891
Money at Call and Short Notice		-	970,000,000
Prize bonds		1,151,800	909,400
		<b>4,063,119,336</b>	<b>3,577,289,944</b>

The annexed notes form an integral part of these accounts

Samson H Chowdhury  
Chairman

Dr. Arif Dowla  
Vice Chairman

Syed Manzur Elahi  
Director

Kazi Md. Shafiqur Rahman  
Managing Director

Signed as per annexed report on even date

HOWLADAR YUNUS & CO.  
Chartered Accountants

Dated: Dhaka  
April 20, 2008



## Statement of Changes in Equity

For the year ended December 31, 2007

Particulars	Paid up Capital Share premium		Statutory Reserve	General Reserve	Revaluation Surplus on Investments	Profit & Loss Account	Total
	Taka	Taka					
Balance as on 01 January 2007	950,400,000	100,000,000	511,124,778	39,894,467	-	303,384,976	1,904,804,221
Bonus share issued during the year	47,520,000	-	-	-	-	(47,520,000)	-
Cash dividend paid during the year	-	-	-	-	-	(190,080,000)	(190,080,000)
Transferred to General Reserve	-	-	-	65,784,976	-	(65,784,976)	-
Revaluation gain during the year	-	-	-	-	118,770,834	-	118,770,834
Net profit for the year after tax	-	-	-	-	-	210,802,117	210,802,117
Appropriations made during the year	-	-	79,110,508	-	-	(79,110,508)	-
<b>Balance as on 31 December 2007</b>	<b>997,920,000</b>	<b>100,000,000</b>	<b>590,235,286</b>	<b>105,679,443</b>	<b>118,770,834</b>	<b>131,691,609</b>	<b>2,044,297,172</b>

The annexed notes form an integral part of these accounts



Dr. Arif Dowla  
Vice Chairman



Syed Manzur Elahi  
Director



Kazi Md. Shafiqur Rahman  
Managing Director

Signed as per annexed report on even date



HOWLADAR YUNUS & CO.  
Chartered Accountants

Dated: Dhaka  
April 20, 2008

## Liquidity Statement

As on December 31, 2007

Particulars	Less than 1 month		1 to 3 months		3 to 12 months		1 to 5 years		Above 5 years		Total	
	Taka		Taka		Taka		Taka		Taka		Taka	
<b>ASSETS:</b>												
Cash	2,229,610,768		-		-		-		-		-	2,229,610,768
Balance with other Banks and financial Institutions	404,523,725		1,013,229,176		414,603,867		-		-		-	1,832,356,768
Money at Call & Short notice	-		-		-		-		-		-	-
Investments	1,151,800		941,169,655		1,612,362,291		1,061,509,206		340,335,991		-	3,956,528,943
Loans and advances	4,934,180,297		4,673,587,191		9,246,738,662		3,067,872,094		760,849,413		-	22,683,227,657
Premises and fixed assets	3,000,000		6,000,000		27,000,000		265,871,321		-		-	301,871,321
Other assets	-		271,511,602		50,125,366		-		856,663,795		-	1,178,300,763
Non-banking assets	-		-		-		-		-		-	-
<b>Total assets</b>	<b>7,572,466,590</b>		<b>6,905,497,624</b>		<b>11,350,830,186</b>		<b>4,395,252,621</b>		<b>1,957,849,199</b>			<b>32,181,896,220</b>
<b>LIABILITIES:</b>												
Borrowings from other banks, financial institutions & agents	3,100,000,000		-		-		-		-		-	3,100,000,000
Deposits and other accounts	7,296,609,742		5,596,490,372		9,328,756,006		1,538,995,491		1,016,073,357		-	24,776,924,968
Provision & other liabilities	654,247,959		91,508,785		71,408,952		1,165,121		1,442,343,263		-	2,260,674,080
<b>Total Liabilities</b>	<b>11,050,857,701</b>		<b>5,687,999,157</b>		<b>9,400,164,958</b>		<b>1,540,160,612</b>		<b>2,458,416,620</b>			<b>30,137,599,048</b>
<b>Net Liquidity</b>	<b>(3,478,391,111)</b>		<b>1,217,498,467</b>		<b>1,950,665,228</b>		<b>2,855,092,009</b>		<b>(500,567,421)</b>			<b>2,044,297,172</b>

The annexed notes form an integral part of these accounts



Dr. Arif Dowla  
Vice Chairman



Samson H Chowdhury  
Chairman



Syed Manzur Elahi  
Director



Kazi Md. Shafiqur Rahman  
Managing Director

Signed as per annexed report on even date



HOWLADAR YUNUS & CO.  
Chartered Accountants

Dated: Dhaka  
April 20, 2008

# Notes to the Accounts

## For the year ended December 31, 2007

### 1.0 Legal status and nature of the bank

Mutual Trust Bank Limited was incorporated in Bangladesh in the year 1999 as a banking Company under the Companies Act, 1994. All types of commercial banking services are provided by the bank within the stipulations laid down by the Bank Companies Act 1991 and directive as received from Bangladesh Bank from time to time. The bank started its commercial business from October 24, 1999. The shares of the bank are listed with the Dhaka and Chittagong Stock Exchange as a publicly quoted company for its general class of shares. The bank has 30 branches, with no overseas branch as on December 31, 2007.

### 1.1 Principal Activities

The principal activities of the bank are to provide all kinds of commercial banking services to its customers through its branches in Bangladesh.

### 2.0 Significant accounting policies and basis of preparation of financial statements

#### 2.1 Basis of accounting

The financial statements of the Bank are made up to December 31, 2007 and are prepared under the historical cost convention, on a going concern basis and in accordance with the "first schedule (Sec-38) of the Bank Companies Act, 1991 as amended by the Bangladesh Bank vide BRPD circular No. 14 dated 25 June, 2003 and other Bangladesh Bank circulars, International Financial Reporting Standards (IFRS) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and other laws and rules applicable in Bangladesh. All inter-branch account balances and transactions among the head office and the branch have been taken into accounts.

#### 2.2 Consolidation

A separate set of records for consolidating the statement of Affairs and Income and Expenditure Statements of the Branches are maintained at Head Office of the Bank from which these financial statements have been prepared.

#### 2.3 Revenue Recognition

The accounting policies adopted for the recognition of revenue are as follows:

- i) Interest is calculated on daily product on unclassified loans and advances.
- ii) Dividend income is recognized at the time when it is realized.
- iii) Commission and discounts on bills discounted and purchased are recognized at the time of realization.

# Notes to the Accounts

## For the year ended December 31, 2007

### 2.4 Provision for taxes

#### a. Current tax

Provision for Income Tax has been made @ 45% as prescribed in the Finance Ordinance, 2007 of accounting profit made by the bank after considering some of the taxable add backs of income and disallowance of expenditures.

#### b. Deferred tax

The company has adopted deferred tax in compliance with the provision of Bangladesh Accounting Standard (BAS-12) "Income Tax".

### 2.5 Investments

Investment in Treasury bill and Treasury bond have been shown at present value in 2007 and in 2006 it was shown at face value. During the year Revaluation surplus on investments in HTM securities has shown in equity. All other Investments except Shares have been shown at face value. Investment in Share of Dhaka Stock Exchange Ltd. has been shown at cost. Investment in shares of IIDFC and CDBL has been shown at face value.

### 2.6 Fixed Assets & Depreciation

- i) Fixed assets have been shown at written down value.
- ii) Depreciation is charged at the following rates on reducing balance method on all fixed assets other than motor vehicles, which are depreciated on straight line basis:

<u>Name of Assets</u>	<u>Rate of Depreciation</u>
Immovable Property	2.50%
Furniture	10%
Interior Decoration	10%
Office Equipments	20%
Motor Vehicles	20%
Books & Periodicals	10%

- iii) Assets purchased during the year are depreciated from the date of acquisition.

### 2.7 Leasing

Lease are classified as finance lease whenever the "Terms of the Lease" transfer substantially all the risks and rewards of ownership to the lessee as per BAS-17: Lease. Amount due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investments in the leases. Lease rental income is allocated to accounting periods so as to reflect a constant periodic rate of return on the bank's net investment outstanding in respect of the leases.

# Notes to the Accounts

## For the year ended December 31, 2007

### 2.8 Loans and Advances

- i) Loans and advances have been stated at gross value as per requirements of Bank Companies Act, 1991.
- ii) Interest is calculated in a daily product basis but charged quarterly.
- iii) Interests on good loans and advances have been accounted for as income on accrual basis.
- iv) Provision for loans and advances and Off Balance Sheet items are made on the basis of information furnished by the branches and instructions contained in Bangladesh Bank. BCD Circular No. 12 dated 4 September 1995, BRPD Circular No.16 dated 6 December 1998, BRPD Circular No.9 dated 14 May 2001, BRPD Circular No.20 dated 20 December 2005 and BRPD circular No. 5 dated 05 June 2006 and BRPD Circular no. 10 dated 18 September 2007 at the following rates:

<b>Classification Criteria</b>	<b>Rates of provision</b>
General Provision on unclassified loans and advances	1%
Small enterprise financing for good loan	2%
Special Mention Account	5%
Provision on substandard loans and advances	20%
Provision on doubtful loans and advances	50%
Provision on bad/ loss loans and advances	100%
Off Balance Sheet Items	0.50%

- v) Security against loans:
  - i) Project loan:

Land and building are taken as security in the form of mortgage and plant & machinery are taken in the form of hypothecation.
  - ii) Working Capital and taking loan:

Goods are taken as security in the form of hypothecation along with land and building mortgage.
- vi) Bills purchased and discounted
  - a) Bills purchased and discounted have not included Government Treasury bills and have been classified into two sub-heads viz.,
    - (i) Payable in Bangladesh and
    - (ii) Payable outside Bangladesh.
  - b) The bills purchased and discounted have been analyzed as per the maturity grouping.

### 2.9 Foreign Currency Transaction

- i) Assets and liabilities denominated in foreign currency are translated into Taka at the closing rates at the balance sheet date.

# Notes to the Accounts

## For the year ended December 31, 2007

- ii) Foreign currency transactions are converted into equivalent taka currency at the ruling exchange rates on the date of such transactions. Gains and losses from transactions are dealt with through exchange account.

### 2.10 Risk Management

Risk is inherent in all the core business areas of a bank. Managing risks properly is one of the main pillars of banking business. To ensure sustainable growth and performance, proper and sound risk management practice is of vital importance. As a commercial bank Mutual Trust Bank (MTB) attaches full importance to manage the risk involved in its business. The risk management of the bank covers a wide spectrum of risk issues but the 5 (five) core risk areas of banking are; Credit Risk, Foreign Exchange Risk, Internal Control and Compliance Risk, Money Laundering Risk and Asset Liability Management Risk. The principal objective of risk management is to safeguard the bank's capital, financial resources, profitability and market reputation. To this effect, the bank took the following steps under the guidelines of Bangladesh Bank:

#### (a) Credit Risk Management

Credit risk is the possibility that a borrower or counter party will fail to meet its obligations in accordance with agreed terms. The failure may result from unwillingness of the counter party or decline in his/her financial condition. Credit risk, therefore, arises from the bank's dealing with or lending to corporate, individuals, other banks or financial institutions.

A separate Credit Division has been formed at Head Office since the inception of the bank, which is assigned with the duties of marketing and assessment of credit products, maintaining effective relationship with the customer and exploring new business opportunities. In line with Bangladesh Bank guidelines the bank has segregated marketing, approval and monitoring/recovery functions.

The credit risk management includes borrower risk analysis, financial statement analysis, industrial analysis, historical performance of the customer, security of the proposed credit facility and market reputation of the borrower etc. MTB takes its lending decision based on the credit risk assessment report by Appraisal Team. In determining Single Borrowing/Large Loan limit, the instructions of Bangladesh Bank are strictly followed.

#### (b) Foreign Exchange Risk Management

Foreign Exchange Risk is defined as the potential change in earnings arising due to change in market prices. The market directly affects each country's bond, equities, private property, manufacturing and all assets that are available to foreign investors. Foreign exchange rates also play a major role in determining who finances government deficits, who buys equities in companies and literally affects and influences the economic scenario. Due to high risk market the role of treasury operations is crucial.

As per Bangladesh Bank's guidelines the bank has segregated the Front and Back office for Treasury Operations. Front Office independently conducts the transactions and the Back Office is responsible

# Notes to the Accounts

## For the year ended December 31, 2007

for verification of the deals and passing of their entries in books of accounts. All Nostro accounts are reconciled on monthly basis and all foreign exchange transactions are revalued at Mark-to-Market rate as determined by Bangladesh Bank.

### (c) Internal Control and Compliance Risk Management

Internal Control and Compliance (ICC) is a critical component of Bank management and foundation for the safe and sound operation of banking organization. A system of strong internal control and compliance can help to ensure that the goals and objectives of a banking organization will be met, that the bank will achieve long-term profitability targets, and maintain reliable financial and managerial reporting. Operational loss may arise from error and fraud due to lack of strong internal control and compliance culture.

Effective Internal Control & Compliance system can help to ensure that the bank will comply with laws and regulations as well policies, plans, internal rules and procedures, and decrease the risk of unexpected losses or damage to the bank's reputation.

To this effect, the bank has formed an ICC Division headed by Senior Executive. The ICC Division has been segregated to three departments, which are Audit & Inspection Dept, compliance Dept and Monitoring Dept. The Bank has also developed an Internal Control & Compliance Policy duly approved by the Board of Directors. To ensure effective control DCFCL, Loan Documentation Check list and Quarterly Operations Report have been developed and implemented. The Audit and Inspection Team undertakes periodic and special audit. The Audit Committee of the Board of Directors plays an effective role in providing bridge between the board and management. The committee reviews the financial reporting process, the system of internal control, the audit process and the bank's process for compliance with laws, regulations and code of conduct.

### (d) Money Laundering Prevention

Money laundering has been identified as a major threat to the financial services community, It is important that the management of Banks and other Financial Institutions view prevention of money laundering as part of their risk management strategies and not simply as a stand-alone requirement that is being imposed by the legislation. The management of MTB is fully aware that the financial system shall not be and cannot be used as a channel for criminal activities. Therefore, co-ordination and co-operation between the concerned parties are essential for its success. The bank has designated Chief Anti Money Laundering Compliance Officer (CAMLCO) at Head Office and compliance officers at branches to review the transactions of the accounts to identify suspicious transaction. Transaction Profile (TP) has been incorporated in the Account Opening Form (AOF) along with other KYC related issues. Regular trainings are conducted to build awareness among the staff.

# Notes to the Accounts

## For the year ended December 31, 2007

### (e) Asset Liability Management

Asset / liability management has become an almost universally accepted approach to risk management. Since capital and profitability are intimately linked, Mutual Trust Bank Ltd. is managing its asset / liability in order to ensure sustained profitability so that the bank can maintain and arrange its capital resources. The asset/liability, management committee (ALCO) usually makes decisions, which is responsible for the financial direction of the bank. The ALCO's goal is to manage the sources and uses of funds, identify balance sheet management issues like balance sheet gaps, interest rate gap etc. ALCO also reviews liquidity contingency plan and implements liability pricing strategy for the bank.

### 2.11 Retirement Benefit

#### (a) Provident Fund

The Bank operates a contributory provident fund for its eligible employees. The fund is administered by a Board of Trustees and funded by contributions from the employees as well as from the bank equally. The fund is recognized by the National Board of Revenue, GOB. The contributions are invested in compliance with the Provident Fund Trust Rule.

#### (b) Gratuity

The bank has a gratuity scheme, which covers all of its permanent employees. The gratuity would be payable equivalent to 02 month's last drawn basic salary for each completed year of service to the employees who have been in the service of the Bank for minimum period of 10 years without break. The company made provision for gratuity during the year on lump sum basis and not in compliance with Bangladesh Accounting Standard (BAS) 19 "Employee Benefits".

### 2.12 Post Balance Sheet events

No material events after the Balance Sheet date came to our notice, which could affect the values, reported in the financial statements.



# Notes to the Accounts

## For the year ended December 31, 2007

### 2.13 Audit committee

In compliance to Bangladesh Bank's circular, the Board of Directors has formed an Audit Committee comprising of the following 3 (Three) Directors of the Board:

SL. NO.	Name of the Director	Status With the Bank	Status With the Committee	Educational Qualification
01.	Mr. Syed Manzur Elahi	Director	Chairman	MA in Economics From DU
02.	Mr. Rashed Ahmed Chowdhury	Director	Member	Post Graduate in Business Management from Kingston University. England
03.	Mr. Md. Abdul Malek	Director	Member	B.SC Engineering From BUET

During the year 4 (Four) meetings of the Audit Committee were held.

Audit committee reviewed various audit / inspection reports at regular intervals. Upon scrutiny of the audit objections and compliance, the committee advised the management to remain within the policy guidelines and directives of the regulatory authorities.

As per circular the committee is placing their report regularly to the board meeting of the Bank mentioning their activities & recommendations of the internal control system, compliance of rules and regulations and establishment of good governance within the organization.

### 2.14 Earning per Share

Earning per share has been calculated in accordance with BAS 33: Earning per Share (EPS), which has been shown on the face of profit and loss account. This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year. Previous year's figures have been adjusted for the issue of 4, 75,200 Bonus shares (for 2006) during the year.

### 2.15 General

Figures have been rounded off to the nearest taka. Previous year's figures have been rearranged, where necessary, to conform to current year's presentation.

# Notes to the Accounts

## For the year ended December 31, 2007

		2007 Taka	2006 Taka
<b>3.00</b>	<b>Cash in hand:</b>		
	Local Currency	277,030,446	226,859,341
	Foreign Currency	5,737,744	6,565,904
		<b>282,768,190</b>	<b>233,425,245</b>
<b>4.00</b>	<b>Balance with Bangladesh Bank and its agent Bank:</b>		
	<b>With Bangladesh Bank</b>		
	Local Currency	1,295,015,256	941,587,388
	Foreign Currency	628,177,398	452,934,090
	With Sonali Bank (as agent of Bangladesh Bank-Local currency)	23,649,924	18,903,930
		<b>1,946,842,578</b>	<b>1,413,425,408</b>
<b>4.01</b>	<b>CRR ( Cash Reserve Requirement ) &amp; SLR ( Statutory Liquidity Ratio )</b>		
	<b>CRR :</b>		
	Required Amount ( Taka in crore )	114.02	101.06
	Maintained Amount ( Taka in crore )	134.58	104.77
	<b>SLR (including CRR ) :</b>		
	Required Amount ( Taka in crore )	410.46	363.81
	Maintained Amount ( Taka in crore )	551.39	392.88
<b>4.02</b>	<b>Components of SLR (Taka in Crore):</b>		
	Cash in hand	28.28	23.35
	Balance with Bangladesh Bank (as per bank statement)	134.58	94.16
	Balance with Sonali Bank	2.36	1.89
	Treasury Bills	255.35	271.30
	Treasury Bonds	130	0.00
	Agrani Bank Industrial Development Bond	0.7	2.09
	Prize Bonds	0.12	0.09
		<b>551.39</b>	<b>392.88</b>
<b>5.00</b>	<b>Balance with other Banks &amp; Financial Institutions:</b>		
	<b>In Bangladesh :</b>		
	<b>In FDR accounts-</b>		
	BRAC Bank Ltd.	Taka 313,276,043	-
	Mercantile Bank Ltd.	Taka 203,325,000	-
	National Bank of Pakistan	Taka 203,058,333	-
	Bank Al Falah	Taka 102,075,000	-
	Lanka Bangla Finance Co Ltd.	Taka 56,314,000	-
	IIDFC	Taka 414,603,867	87,565,000
	IDLC	Taka 103,165,550	-
	Shahjalal Bank Ltd.	Taka -	100,000,000
	Arab Bangladesh Bank Ltd.	Taka -	100,000,000
	Phoenix Leasing Co. Ltd.	Taka -	50,000,000
	Dutch Bangla Bank Ltd.	Taka -	300,000,000
	International Leasing & Financial Service Ltd.	Taka -	100,000,000
	<b>In STD accounts-</b>		
	Dutch Bangla Bank Ltd.	Taka 5,373,654	60,450
	BASIC Bank Ltd.	Taka 4,936,999	30,133,491
	Sonali Bank	Taka 31,578,677	13,722,495
	Agrani Bank	Taka 475,085	421,400
	Janata Bank	Taka 295,739	282,679
	<b>In CD account-</b>		
	Standard Chartered Bank	Taka 1,114,013	1,000,000
	Arab Bangladesh Bank Ltd.	Taka 200,000	200,000
	Agrani Bank	Taka 29,032	574,879
	<b>Sub total</b>	<b>1,439,820,992</b>	<b>783,960,394</b>

## Notes to the Accounts

For the year ended December 31, 2007

	<b>Currency</b>	<b>2007 Taka</b>	<b>2006 Taka</b>
<b>Outside Bangladesh in current accounts :</b>			
Mashreqbank, New York	US\$	97,460,291	29,968,751
AMEX, New York	US\$	29,524,570	13,266,404
Habib American Bank	US\$	25,577,232	501,083
Mashreqbank, London	US\$	67,350,449	297,073
National Commercial Bank, Jeddha	US\$	9,150,268	1,802,345
Standard Chartered Bank, Singapore	SGD	358,834	680,961
Mashreqbank, London	GBP	2,782,487	2,852,845
Standard Chartered Bank, London	GBP	10,892,125	6,114,334
AMEX, Germany	EUR	2,804,962	12,990,041
Standard Chartered Bank, London	EUR	8,985,798	33,438,087
Hypo Vereins Bank	EUR	2,709,000	2,569,424
Commerze Bank	EUR	2,910,933	9,041,356
AMEX, Kolkata	ACU	2,071,933	1,978,908
Standard Chartered Bank, Kolkata	ACU	4,591,697	4,059,965
Standard Chartered Bank, Pakistan	ACU	6,024,294	661,883
Citibank NA, Mumbai	ACU	5,979,897	5,552,952
Rupali, Pakistan	ACU	10	10
HSBC, Mumbai	ACU	50,939	1,487,482
Nepal Bangladesh Bank	ACU	61,965	596,728
HSBC, New York	US\$	66,804,016	-
JP Morgan New York	US\$	8,515,810	-
Mashreqbank, Mumbai	ACU	5,913,016	-
Mashreqbank, London	EUR	-	79,483
AMEX, Tokyo	JPY	-	31,875,106
AB Bank, Mumbai	ACU	-	7,594,780
ICICI, Mumbai	ACU	-	8,159,496
		<b>360,520,526</b>	<b>175,569,497</b>
		<b>32,015,250</b>	-
		<b>392,535,776</b>	<b>175,569,497</b>
<b>Outside Bangladesh in Term Deposit</b>			
<b>Sub total</b>		<b>1,832,356,768</b>	<b>959,529,891</b>
<b>Total</b>		<b>1,832,356,768</b>	<b>959,529,891</b>
<b>5.01 Maturity grouping of Balance with other Banks and Financial Institutions</b>			
On Demand		404,523,725	221,964,891
Less than three months		1,013,229,176	500,000,000
More than three months but less than one year		414,603,867	237,565,000
More than one year but less than five years		-	-
More than five years		-	-
		<b>1,832,356,768</b>	<b>959,529,891</b>

**5.02** Currency wise position and Exchange rate applied for conversion of Balance with other banks in foreign currency into Local currency as on December 31, 2007 are as follows :

Name of the Bank	Currency	Amount in Foreign Currency	Exchange Rate	Amount in Taka
Mashreqbank, New York	US\$	1,415,545.26	68.85	97,460,291.15
AMEX, New York	US\$	428,824.54	68.85	29,524,569.58
Habib American Bank	US\$	371,492.12	68.85	25,577,232.46
JP Morgan New York	US\$	123,686.42	68.85	8,515,810.02
Mashreqbank, London	US\$	978,220.02	68.85	67,350,448.38
HSBC, New York	US\$	970,283.46	68.85	66,804,016.22
National Commercial Bank, Jeddha	US\$	132,901.50	68.85	9,150,268.28
Standard Chartered Bank, Singapore	SGD	7,800.74	46.00	358,834.04
Mashreqbank, London	GBP	19,924.72	139.65	2,782,487.15
Standard Chartered Bank, London	GBP	77,995.88	139.65	10,892,124.64
AMEX, Germany	EUR	27,298.90	102.75	2,804,961.98
Standard Chartered Bank, London	EUR	87,453.02	102.75	8,985,797.81

## Notes to the Accounts

For the year ended December 31, 2007

Hypo Vereins Bank	EUR	26,364.96	102.75	2,708,999.64
Commerze Bank	EUR	28,330.25	102.75	2,910,933.19
AMEX, Kolkata	ACU	30,093.44	68.85	2,071,933.34
Standard Chartered Bank, Kolkata	ACU	66,691.32	68.85	4,591,697.38
Standard Chartered Bank, Pakistan	ACU	87,498.82	68.85	6,024,293.76
Citibank NA, Mumbai	ACU	86,853.99	68.85	5,979,897.21
Rupali, Pakistan	ACU	0.15	68.85	10.33
Mashreqbank, Mumbai	ACU	85,882.58	68.85	5,913,015.63
HSBC, Mumbai	ACU	739.85	68.85	50,938.67
Nepal Bangladesh Bank	ACU	900.00	68.85	61,965.00
				<b>360,520,526</b>

### 6.00 Money at Call and Short Notice:

	2007 Taka	2006 Taka
AB Bank Ltd.	-	250,000,000
Dhaka Bank Ltd.	-	150,000,000
Jamuna Bank Ltd.	-	50,000,000
Bangladesh Krishi Bank	-	200,000,000
Brac Bank Ltd.	-	50,000,000
Bank Asia Ltd.	-	70,000,000
Premier Leasing Int'l Ltd.	-	20,000,000
Phoenix Leasing Co. Ltd.	-	30,000,000
International Leasing & Financial Services Ltd.	-	150,000,000
	-	<b>970,000,000</b>

### 7.00 Investments :

#### Government Securities:

##### Treasury Bills ( at present value ) :

91 days Treasury Bills	-	200,000,000
182 days Treasury Bills	98,970,274	-
364 days Treasury Bills	1,060,508,989	550,000,000
2 Years Treasury Bills	998,128,506	1,390,000,000
5 Years Treasury Bills	395,924,176	850,000,000
	2,553,531,945	2,990,000,000
Less: Unearned Interest on Treasury Bills	-	233,315,144
	<b>2,553,531,945</b>	<b>2,756,684,856</b>

##### Treasury Bonds

5 Years Treasury Bonds	622,161,304	-
10 Years Treasury Bonds	720,007,572	-
	<b>1,342,168,876</b>	-

##### Prize Bonds ( at face value )

	<b>1,151,800</b>	<b>909,400</b>
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##### Sub Total

	<b>3,896,852,621</b>	<b>2,757,594,256</b>
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##### Other Investments:

<b>Shares in quoted companies by Merchant Banking (Annexure-A)</b>	<b>12,751,280</b>	-
<b>Shares in unquoted companies ( at face value ) :</b>		
Industrial & Infrastructure Dev. Finance Co. Ltd.	18,216,000	16,560,000
Central Depository (BD) Ltd.	10,000,000	10,000,000
	<b>28,216,000</b>	<b>26,560,000</b>

##### Bonds ( at face value ) :

5 Years Agrani Bank Industrial Development Bond	7,000,000	20,000,000
1 Years - 5 years IPDC Zero Coupon Bond	3,981,000	10,218,000
Less: Unearned Interest on IPDC Zero Coupon Bonds	271,958	754,226
	<b>3,709,042</b>	<b>9,463,774</b>

Share of Dhaka Stock Exchange Ltd	8,000,000	8,000,000
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<b>Sub Total</b>	<b>59,676,322</b>	<b>64,023,774</b>
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<b>Total</b>	<b>3,956,528,943</b>	<b>2,821,618,030</b>
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Valuation of investments in Shares of quoted companies are shown in Annexure-A.

# Notes to the Accounts

For the year ended December 31, 2007

	2007 Taka	2006 Taka
<b>7.01 Grouping of Investments:</b>		
Held To Maturity (HTM)	2,493,942,249	
Held For Trading (HFT)	1,409,910,372	
Other investemnts	52,676,322	
	<b>3,956,528,943</b>	
<b>7.02 Maturity grouping of Investments as follows:</b>		
On Demand	1,151,800	909,400
Less than three months	941,169,655	281,175,530
More than three months but less than one year	1,612,362,291	1,197,213,412
More than one year but less than five years	1,061,509,206	1,307,759,688
More than five years	340,335,991	34,560,000
	<b>3,956,528,943</b>	<b>2,821,618,030</b>
<b>8.00 Loans and Advances</b>		
<b>Loans, Cash Credit, Overdrafts:</b>		
In Bangladesh:		
<b>Loans:</b>		
Term Loan	3,660,648,929	2,342,475,778
General Loans	262,132,992	235,153,841
Demand Loan	54,063,824	22,373,597
House Building Loan	603,583,759	419,204,852
PAD	1,602,292,013	873,267,418
Trust Receipts	6,465,685,849	6,209,069,130
Product	36,713,281	48,538,576
Lease Finance (8.01)	251,069,493	178,320,110
Staff loan against P.Fund	7,470,054	3,514,728
Consumer Financing	121,257,251	15,453,476
Export Development Fund	1,165,121	11,425,785
Home Loan Refinance	504,139	-
Car Loan (Employee)	21,340,750	-
Small Enterprise Financing	59,233,495	-
	<b>13,147,160,950</b>	<b>10,358,797,291</b>
<b>Cash Credit</b>	<b>3,749,196,127</b>	<b>2,976,013,794</b>
<b>Secured Overdraft</b>	<b>2,946,374,602</b>	<b>3,021,605,292</b>
	19,842,731,679	16,356,416,377
<b>Outside Bangladesh</b>	-	-
	<b>19,842,731,679</b>	<b>16,356,416,377</b>
<b>Bills Purchased and Discounted ( excluding Treasury bills ) :</b>		
Payable in Bangladesh	2,088,290,649	1,669,698,894
Payable outside Bangladesh	752,205,329	565,405,360
	<b>2,840,495,978</b>	<b>2,235,104,254</b>
<b>Total Loans and Advances</b>	<b>22,683,227,657</b>	<b>18,591,520,631</b>
<b>8.01 Gross Lease Rental Receivable:</b>		
Gross lease rental receivable within 1 year	145,934,480	
Gross lease rental receivable within 5 years	147,716,435	
Gross lease rental receivable after 5 years	-	
	293,650,915	
Less: Unearned Lease Rental	42,581,422	
	<b>251,069,493</b>	
<b>8.02 Maturity grouping of Loans and Advances</b>		
On Demand	4,934,180,297	2,146,748,912
Not more than three months	4,673,587,191	2,203,495,100
More than three months but less than one year	9,245,814,119	11,461,490,316
More than one year but less than five years	3,068,796,637	1,913,439,743
More than five years	760,849,413	866,346,560
	<b>22,683,227,657</b>	<b>18,591,520,631</b>

## Notes to the Accounts

For the year ended December 31, 2007

		2007 Taka	2006 Taka
<b>8.03</b>	<b>Concentration of Loans and Advances:</b>		
a)	Loans and Advances to Institutions in which the Directors of the Bank have interest	29,867,976	36,912,996
b)	Advances to Managing Director & other Senior Executives	31,655,397	13,151,596
	<b>Advances to Industries-</b>		
	Food	166,730,000	351,521,000
	RMG & Textile	3,073,475,000	1,590,047,000
	Jute & Jute products	103,249,000	191,611,000
	Leather and Leather products	18,357,000	8,139,000
	Paper, paper products & printing	625,289,000	270,320,000
	Wood and wood products	238,000	-
	Pharmaceuticals	64,147,000	156,524,000
	Plastic & Rubber	300,543,000	328,756,000
	Petroleum & Edible Oil	92,097,000	483,093,000
	Chemical & Chemical Products	715,883,000	453,758,000
	Glass & Glass products	64,316,000	84,952,000
	Assembling	399,171,000	182,696,000
	Metal & Metal products	634,155,000	603,515,000
	Non-metallic mineral products	29,439,000	261,063,000
	Electricity & Gas Industry	175,510,000	733,717,000
	Service Industries	147,720,000	172,847,000
	Small Scale	309,422,000	203,576,000
	Others	546,470,000	307,291,000
		<u>7,466,211,000</u>	<u>6,383,426,000</u>

No. of borrowers to whom credit facilities of more than 15% of the capital of the bank have been given is 17. Outstanding credit facilities of these borrowers as on December 31, 2007 is Taka 698.78 Crore.

Name of the clients	Outstanding (Taka in Core)		Total (Taka in Core)	Classification Status
	Funded	Non - Funded		
Jamuna Denims Ltd.	20.99	19.04	40.03	UC
Appollo Ispat Complex Ltd.	28.97	9.61	38.58	UC
Tanveer Dal Mills & Flour Mills Ltd.	31.67	10.28	41.95	UC
City Seed Crushing Ind. Ltd.	1.76	30.85	32.61	UC
MSA Spinning Mills Ltd.	31.98	11.02	43.00	UC
The Asia Pacific Refineries Ltd.	23.59	8.98	32.57	UC
Chittagong Denim Mills Ltd.	28.61	19.14	47.75	UC
Bulk Trade International.	-	61.37	61.37	UC
AJI Apparels Industry Ltd.	1.03	20.00	21.03	UC
Polo Composite Knit Industry Ltd.	13.2	19.87	33.07	UC
A.K. Corporation Ltd.	21.36	17.54	38.90	UC
PHP Corporation	15.98	36.80	52.78	UC
T.K. Chemical Complex Ltd.	31.57	18.02	49.59	UC
M.M. Steel Galvanizing Plant Ltd.	20.9	17.09	37.99	UC
Modern Poly Industries Ltd.	24.97	7.03	32.00	UC
Akter Enterprise	62.61	0.00	62.61	UC
kollol Enterprise	32.95	0.00	32.95	UC
<b>Total</b>	<b>392.14</b>	<b>306.64</b>	<b>698.78</b>	

#### 8.04 Classification of Loans and Advances:

Standard	21,669,395,657	18,223,306,631
SMA	472,189,000	176,590,000
Substandard	251,245,000	183,966,000
Doubtful	75,274,000	3,600,000
Bad & Loss	215,124,000	4,058,000
	<u>22,683,227,657</u>	<u>18,591,520,631</u>

## Notes to the Accounts

For the year ended December 31, 2007

	2007 Taka	2006 Taka
<b>8.05 Geographical Location wise Loans and Advances</b>		
Dhaka	15,358,345,307	12,266,189,826
Chittagong	7,174,814,542	6,295,372,865
Rajshahi	62,733,655	26,208,328
Sylhet	87,334,153	3,749,612
Khulna	-	-
Barishal	-	-
	<b>22,683,227,657</b>	<b>18,591,520,631</b>
<b>8.06 Particulars of Loans and Advances:</b>		
I) Debts considered good in respect of which the bank company is fully secured.	22,161,831,508	17,335,448,911
II) Debts considered good for which the bank holds no other security than the debtor's personal security.	265,485,199	52,399,379
III) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors.	255,910,950	1,203,672,341
IV) Debts considered doubtful or bad, not provided for.	-	-
	<b>22,683,227,657</b>	<b>18,591,520,631</b>
V) Debts due by directors or officers of the bank or any of them either severally or jointly with any other person.	33,698,801	16,258,482
VI) Debts due by companies or firms in which the Directors of the bank are interested as partners or managing agents or in case of private companies, as members.	27,824,572	33,806,110
VII) Maximum total amount of advances, including temporary advances, made at any time during the year to Directors or Managers or Officers of the bank or any of them either severally or jointly with any other person.	41,145,369	25,057,004
VIII) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors of the bank are interested as partners or managing agents or in case of private companies, as member.	34,186,918	39,107,091
IX) Due from other banking companies	-	-
X) Classified loans on which no interest/profit charged	215,124,000	4,040,303
XI) Provisions maintained against classified loans and advances	217,429,923	30,282,078
xii) Interest credited to Suspense account during the year (net)	99,413,165	24,005,728
xiii) Cumulative amount of loans written off	-	-
xiv) Amount of loans written off during the year	-	-

# Notes to the Accounts

For the year ended December 31, 2007

	2007 Taka	2006 Taka	
<b>8.07 Maturity grouping of Bills purchased and Discounted</b>			
Payable within one month	1,236,640,969	917,259,731	
More than one month but less than three months	1,185,424,592	573,039,696	
More than three months but less than six months	418,430,417	744,804,827	
More than or equal to six months	-	-	
	<b>2,840,495,978</b>	<b>2,235,104,254</b>	
<b>9.00 Fixed Assets including premises, furniture &amp; fixtures</b>			
Land	104,253,000	104,253,000	
Immovable Property	10,275,149	10,538,616	
Furniture & fixtures	23,835,096	21,731,469	
Interior decoration	56,928,395	46,023,356	
Office equipments	82,521,407	75,628,312	
Motor vehicles	23,782,714	17,890,304	
Books & Periodicals	275,560	121,145	
	<b>301,871,321</b>	<b>276,186,202</b>	
<b>Details are shown in Annexure-B</b>			
<b>10.00 Other Assets</b>			
Stamps on hand	361,525	352,043	
Stock of stationery	3,227,368	4,330,468	
Advance Office Rent	44,877,443	38,328,066	
Advance Deposit	2,020,555	1,553,450	
Prepaid Promotional Expenses	3,611,500	-	
Suspense Account (10.01)	32,444,451	12,493,491	
Advance Income Tax (10.02)	850,399,411	442,011,900	
Interest receivables (figure of 2007 included in Loans and Advances)	-	86,390,524	
Adjusting Account-Debit	9,381,371	10,736,382	
Clearing house adjustment	3,850	1,473,695	
Payment Against Construction of Head office	2,652,884	-	
Branch adjustment net (10.03)	229,320,405	120,540,801	
	<b>1,178,300,763</b>	<b>718,210,820</b>	
<b>10.01</b> Suspense account represents DD paid without advice, advance against expenses for advertisement, opening of new branch, traveling expenses etc.			
<b>10.02 Advance Income Tax</b>			
Balance as on 1 January 2007	442,011,900	592,398,618	
Add: Payment made during the year	408,387,511	319,343,714	
	850,399,411	911,742,332	
Less: Adjustment made during the year (Note-13.04)	-	469,730,432	
Balance as on 31 December 2007	<b>850,399,411</b>	<b>442,011,900</b>	
<b>10.03 Branch Adjustment (net)</b>			
Entries	No. of entries outstanding as on 31- 12-2007	Amount in Taka	Amount in Taka
Debit entries	123	268,330,530	151,130,343
Credit entries	113	39,010,125	30,589,542
	<b>236</b>	<b>229,320,405</b>	<b>120,540,801</b>



# Notes to the Accounts

## For the year ended December 31, 2007

**2007**  
**Taka**

**2006**  
**Taka**

Period wise details of Unreconciled Inter Branch Transaction are as follows :

Period of Unreconciliation	Debit Entry		Credit Entry	
	No. of Entry	Amount(Tk.)	No. of Entry	Amount(Tk.)
Less than 3 months	123	268,330,530	113	39,010,125
3 months to Less than 6 months	-	-	-	-
6 months to Less than 9 months	-	-	-	-
9 months to Less than 12 months	-	-	-	-
12 months and more	-	-	-	-
<b>Total</b>	<b>123</b>	<b>268,330,530</b>	<b>113</b>	<b>39,010,125</b>

All the above outstanding entries have subsequently been responded and properly reconciled.

### 10.04 Classification of Other Assets

Unclassified	1,178,300,763	718,210,820
Doubtful	-	-
Bad/Loss	-	-
	<b>1,178,300,763</b>	<b>718,210,820</b>

### 11.00 Borrowings from other Banks, Financial Institutions & Agents

#### In Bangladesh

Southeast Bank Ltd.	200,000,000	-
Mercantile Bank Ltd.	300,000,000	-
Agrani Bank	150,000,000	-
Janata Bank	200,000,000	-
Eastern Bank Ltd.	250,000,000	-
Dutch Bangla Bank Ltd.	600,000,000	-
The City Bank Ltd.	300,000,000	-
Bank Alfalah	100,000,000	-
National Bank Ltd.	400,000,000	-
Premier Bbank Ltd.	200,000,000	-
Rupali Bank Ltd.	200,000,000	-
BASIC Bank Ltd.	200,000,000	-
	<b>3,100,000,000</b>	-

### 12.00 Deposits and other accounts:

#### Current Deposits & Other Accounts :

Current Deposits	1,633,622,680	930,039,508
Short Term Deposits	588,583,491	428,876,389
Foreign Currency Deposits	44,518,807	36,394,658
Non-resident taka account	98,849,392	49,584,577
Sundry Deposits	1,567,803,507	1,359,224,809
	<b>3,933,377,877</b>	<b>2,804,119,941</b>

#### Bills Payable :

PO Issued	393,134,590	184,631,128
PS Issued	119,703,746	909,573
DD Payable	12,534,092	11,186,544
	<b>525,372,428</b>	<b>196,727,245</b>
	<b>2,147,296,683</b>	<b>1,439,402,890</b>

#### Savings Deposits

#### Fixed Deposits :

From Banks	489,997,500	100,000,000
From other than Banks	15,844,147,498	16,419,124,214
	<b>16,334,144,998</b>	<b>16,519,124,214</b>

# Notes to the Accounts

## For the year ended December 31, 2007

	<b>2007 Taka</b>	<b>2006 Taka</b>
<b>Deposit-Products :</b>		
Brick by Brick	852,123,825	602,868,814
Save Everyday Deposits	2,286,665	2,654,625
Festival Savings Plan	9,295,378	8,111,425
Children Education	9,592,720	7,739,699
Best invest Deposits	99,937,133	92,822,041
Unique Savings Plan	5,591,820	13,480,897
MTB Double Saver Plan	482,133,941	137,836,502
MTB Triple Saver Plan	22,997,152	13,859,195
MTB Millionaire Plan	53,266,546	17,336,106
MTB Education Plan	2,393,962	777,435
MTB Monthly Benefit Plan	297,113,840	407,184,960
	<u>1,836,732,982</u>	<u>1,304,671,699</u>
	<b><u>24,776,924,968</u></b>	<b><u>22,264,045,989</u></b>
<b>12.01 Maturity grouping of Deposits and other accounts:</b>		
On Demand	3,954,508,262	2,629,931,852
Repayable within one month	3,342,101,480	1,803,420,465
More than one month but within three months	5,596,490,372	4,878,351,945
More than three months but within one year	9,328,756,006	10,274,499,038
More than one year but within five years	1,538,995,491	1,479,235,081
More than five years	1,016,073,357	1,198,607,608
	<u>24,776,924,968</u>	<u>22,264,045,989</u>
<b>13.00 Other Liabilities</b>		
Provision for loans and advances ( 13.01)	548,429,923	239,982,078
Provision for Off Balance Sheet Items	55,000,000	-
Provision for Other Assets	-	-
Interest Suspense ( 13.02)	123,641,438	24,228,273
Exchange Equalization Fund	33,684	33,684
Short term liabilities to Banks abroad (13.03)	625,561,637	203,880,755
Export Development Fund	1,165,121	11,425,785
Provision for Tax (13.04)	861,884,994	674,620,756
Deferred Tax Liability	6,994,662	9,508,477
Provision for Gratuity [2.11(b)]	5,000,000	2,500,000
Provision for Audit Fees	100,000	60,000
Provision for Bonus	28,686,322	28,668,390
Contribution to Mutual Trust Foundation	2,500,000	2,500,000
Provision for MTB Employees Death Benefit Scheme	1,000,000	1,000,000
Contribution to MTB Employees Welfare Fund	500,000	1,000,000
Interest payable	-	614,669,069
Adjusting A/C Credit	176,299	988,750
	<u>2,260,674,080</u>	<u>1,815,066,017</u>
<b>13.01 Provision for Loans and Advances</b>		
<b>Opening balance</b>	209,700,000	145,000,000
Add: Provision made during the year	121,300,000	64,700,000
<b>Total provision for unclassified loans and advances</b>	<b>331,000,000</b>	<b>209,700,000</b>
<b>Opening balance</b>	<b>30,282,078</b>	-
Add: Provision made during the year	<b>192,000,000</b>	30,300,000
Less: Interest waived during the year	<b>4,852,155</b>	17,922
<b>Provision for classified loans and advances</b>	<b>217,429,923</b>	<b>30,282,078</b>
	<b><u>548,429,923</u></b>	<b><u>239,982,078</u></b>
<b>13.02</b> Interest suspense account represents interest on loans and advances against SMA, substandard and doubtful loans.		
<b>13.03</b> Short term liabilities to Banks abroad represents over withdrawn from foreign Bank account against bank balance for unreconciled entries.		

# Notes to the Accounts

## For the year ended December 31, 2007

	2007 Taka	2006 Taka
<b>13.04 Provision for Tax</b>		
Opening balance	674,620,756	750,838,736
Add: Provision made during the year	187,264,238	393,512,452
Less: Adjustment made during the year	-	469,730,432
Year 1999 (assessment year 2000-2001)	-	-
Year 2000 (assessment year 2001-2002)	-	4,466,708
Year 2001 (assessment year 2002-2003)	-	33,202,942
Year 2002 (assessment year 2003-2004)	-	76,311,184
Year 2003 (assessment year 2004-2005)	-	153,539,772
Year 2004 (assessment year 2005-2006)	-	202,209,826
	<b>861,884,994</b>	<b>674,620,756</b>

Assessments of Corporate tax of the bank for the year 1999 (assessment year 2000-2001) upto the year 2004 (assessment year 2005-2006) have been completed and finalized by the Tax Authority.

### 14.00 Capital

#### 14.01 Authorized capital:

38,000,000 ordinary shares of Tk.100 each

**3,800,000,000**

**1,000,000,000**

#### 14.02 Issued, subscribed and paid-up capital:

The issued, subscribed and paid-up capital of the Bank as on December 31, 2007 is Taka 997,920,000 divided into 9,979,200 Ordinary shares and 2006 is Taka 950,400,000 divided into 9,504,000 Ordinary shares of Taka 100 each as follows:

6,000,000 Ordinary shares (2006: 6,000,000 Ordinary shares) of Tk 100 each issued for cash.

600,000,000

600,000,000

3,979,200 Ordinary shares (2006: 3,504,000 Ordinary shares) of Tk 100 each issued as bonus shares

397,920,000

350,400,000

**997,920,000**

**950,400,000**

#### 14.03 The break up of issued, subscribed and paid-up capital is as follows:

	December 2007		
	No. of shares	Value of shares in Taka	% of holding
Sponsors	4,378,293	437,829,300	43.87%
Financial Institutions	2,716,919	271,691,900	27.23%
General	2,883,988	288,398,800	28.90%
	<b>9,979,200</b>	<b>997,920,000</b>	<b>100%</b>

#### 14.04 Capital adequacy requirements

There is a surplus of Taka 43.12 million in the capital fund of the Bank as on 31 December 2007 computed in accordance with BRPD Circular # 10 dated November, 2002 and BRPD Circular # 03 dated 09 May 2004. Details of such surplus capital fund are given below (figure in million Taka) :

	Taka in Million	Taka in Million
Total risk weighted assets	23278.34	17,872.53
Required Capital : 10% (2006: 9%) of total risk weighted assets	2,327.83	1,608.53
Actual capital maintained		
<b>Core Capital (Tier-I) :</b>		
Paid up Capital	997.92	950.40
Share Premium	100.00	100.00
Statutory reserve	590.24	511.13
General reserve	105.68	39.89
Retained Earnings	131.69	303.38
	1,925.53	1,904.80
<b>Supplementary Capital (Tier-II) :</b>		
General Provision including off balance sheet items	386.00	209.70
Revaluation Gain on Investments in HTM Securities	59.39	-
Exchange equalization	0.03	0.03
	445.42	209.73
<b>Total Capital(Tier-I+Tier-II)</b>	<b>2,370.95</b>	<b>2,114.53</b>
<b>Surplus</b>	<b>43.12</b>	<b>506.00</b>
<b>Capital Adequacy ratio</b>	<b>10.19%</b>	<b>11.83%</b>

# Notes to the Accounts

## For the year ended December 31, 2007

	2007 Taka	2006 Taka
<b>14.05 Distribution schedule of shareholders by holdings as on December 31, 2007</b>	<b>December 2007</b>	
<b>Holdings</b>	<b>No. of Shareholders</b>	<b>Value of shares in Taka</b>
Less than 500 shares	7,407	67,367,200
500 to 5,000 shares	807	92,283,600
5,001 to 10,000 shares	36	25,343,300
10,001 to 20,000 shares	22	31,630,000
20,001 to 30,000 shares	14	34,584,600
30,001 to 40,000 shares	9	31,306,700
40,001 to 50,000 shares	11	49,277,400
50,001 to 100,000 shares	17	129,861,400
100,001 to 1,000,000 shares	22	536,265,800
Over 1,000,000 shares	-	-
	<b>8,345</b>	<b>997,920,000</b>
		<b>100%</b>
<b>15.00 Share Premium</b>		
The amount shown under the above head represents the amount of share premium received during the year 2003 from Pre-IPO placement arrangements and Initial Public Offerings(IPO).		
<b>16.00 Statutory Reserve</b>		
Opening balance	511,124,778	336,230,355
Add: Transferred during the year (20% of pretax profit )	79,110,508	174,894,423
	<b>590,235,286</b>	<b>511,124,778</b>
<b>17.00 General Reserve</b>		
Opening balance	39,894,467	35,949,019
Add: Transferred from Profit and Loss account	65,784,976	3,945,448
	<b>105,679,443</b>	<b>39,894,467</b>
<b>18.00 Retained Earnings:</b>		
Opening balance	303,384,976	211,305,448
Less: Bonus share issued during the year	47,520,000	86,400,000
Less: Cash dividend paid during the year	190,080,000	120,960,000
Less: Transferred to General Reserve	65,784,976	3,945,448
Add: Profit made during the year	210,802,117	478,279,399
Less: Transferred to Statutory Reserve	79,110,508	174,894,423
	<b>131,691,609</b>	<b>303,384,976</b>
<b>19.00 Contingent Liabilities &amp; Commitments</b>		
Letter of Guarantee (19.01)	<b>3,273,141,620</b>	<b>3,044,696,931</b>
<b>Letter of Credit :</b>		
Letter of Credit (Cash)	2,706,579,300	2,998,878,500
Letter of Credit (Back to Back)	1,249,587,500	745,358,000
Letter of Credit (EDF)	2,391,000	34,705,000
Letter of Credit (Deferred)	181,787,500	3,772,000
Letter of Credit (Inland)	68,853,500	99,458,600
	<b>4,209,198,800</b>	<b>3,882,172,100</b>
<b>Bills for collection :</b>		
Inland	36,788,098	31,412,663
Foreign	5,730,267	-
LDBC	184,908,050	-
FDBC	187,368,273	94,079,719
	<b>414,794,688</b>	<b>125,492,382</b>
<b>Other Contingent Liabilities :</b>		
IFDBC (Back to Back)	2,327,998,650	1,945,651,000
IFDBC (Cash)	683,875,000	365,886,500
Accepted Bill (Inland)	7,131,000	300,983,000
Accepted Bill (Foreign)	-	6,509,000
	<b>3,019,004,650</b>	<b>2,619,029,500</b>
	<b>10,916,139,758</b>	<b>9,671,390,913</b>

# Notes to the Accounts

## For the year ended December 31, 2007

	2007 Taka	2006 Taka
<b>19.01 Letter of Guarantee</b>		
i) Claims against the Bank not acknowledged as debts	-	-
ii) Money for which the bank is contingently liable in respect of guarantees given favoring :		
Directors	-	-
Government	2,773,814,573	2,796,497,755
Bank and other Financial Institutions	1,952,957	2,583,448
Others	497,374,090	245,615,728
	3,273,141,620	3,044,696,931
Less: Margin	1,090,661,601	1,232,088,000
	<b>2,182,480,019</b>	<b>1,812,608,931</b>
iii) Liability on account of bills re-discounted	-	-
iv) Liability on account of outstanding forward exchange contract	-	-
	<b>2,182,480,019</b>	<b>1,812,608,931</b>
<b>19.02 Segregation of Commitment by Type</b>		
Documentary Credit and Short Term Business Related Transaction	4,209,198,800	3,882,172,100
Forward Asset Purchase and Forward Deposit	-	-
Endorsed formal standby facilities, Credit facilities and other commitments:		
Less than one year	6,292,146,270	5,663,726,431
One year and above	-	-
Spot and Forward Foreign Exchange Rate Contract	-	-
Other Exchange Contract	-	-
Others	414,794,688	125,492,382
	<b>10,916,139,758</b>	<b>9,671,390,913</b>
<b>20.00 Interest Income</b>		
Loans and Advances ( 20.01)	2,611,643,280	2,220,906,926
Money at call and short notice	32,404,495	52,655,313
Balance with other Banks and Financial institutions (20.02 )	193,671,470	55,308,433
Bangladesh Bank Foreign currency clearing accounts	9,203,949	12,099,349
	<b>2,846,923,194</b>	<b>2,340,970,021</b>
<b>20.01 Interest on Loans and Advances</b>		
Term Loans	421,278,717	249,562,400
General Loans	34,499,666	32,571,834
House Building Loans	80,418,778	36,980,760
Home loan refinance	3,889	-
PAD	164,906,285	122,082,586
LTR	794,475,820	776,916,062
Demand Loan	3,843,673	1,056,657
Lease rental income	31,126,779	23,220,207
Consumer Financing	6,905,833	2,016,743
Small enterprise financing	2,929,219	-
Staff loan against P.Fund Loan	430,947	40,647
Cash Credit	451,551,061	379,201,873
Best invest Loan	5,025,460	5,814,692
Overdraft	344,141,900	357,904,899
IFDBC	4,351,821	2,762
IBP	247,743	13,587,368
IDBP	259,030,462	217,044,160
FDBP	6,475,227	2,903,276
	<b>2,611,643,280</b>	<b>2,220,906,926</b>
<b>20.02 Interest on Balance with other Banks and Financial Institutions</b>		
Interest on Balance with other Banks in Bangladesh	168,671,470	36,352,194
Interest on Balance held with outside Bangladesh	25,000,000	18,956,239
	<b>193,671,470</b>	<b>55,308,433</b>

# Notes to the Accounts

## For the year ended December 31, 2007

	<b>2007</b>	<b>2006</b>
	<b>Taka</b>	<b>Taka</b>
<b>21.00 Income Statement</b>		
Interest, discount and similar income	3,001,672,888	2,522,608,556
Dividend income	3,643,200	2,760,000
Fee, Commission and Brokerage	218,908,089	227,704,662
Gain less losses arising from dealing securities	-	-
Gain less losses arising from investment securities	4,021,867	-
Gain less losses arising from dealing in foreign currencies	166,015,160	173,743,752
Income from non banking assets	-	-
Other operating income	86,433,422	66,684,925
Profit less losses on interest rate changes	-	-
	<b>3,480,694,626</b>	<b>2,993,501,895</b>
<b>Expenses</b>		
Interest, Fee and Commission	2,292,357,531	1,708,636,136
Losses on Loans and advances	-	-
Administrative expenses	301,434,478	230,916,887
Other operating expenses	91,092,730	59,129,548
Depreciation on Banking Assets	31,957,347	25,347,209
	2,716,842,086	2,024,029,780
<b>Operating profit</b>	<b>763,852,540</b>	<b>969,472,115</b>
<b>22.00 Interest paid on Deposits &amp; Borrowings etc.</b>		
Interest on Deposits and other accounts (22.01 )	2,235,638,547	1,708,613,010
Interest on Borrowings from other Banks and Financial Institutions	56,718,984	23,126
	<b>2,292,357,531</b>	<b>1,708,636,136</b>
<b>22.01 Interest on Deposits and other accounts</b>		
Savings Deposits	80,514,331	55,271,674
Short Term Deposits	25,967,831	16,717,787
Fixed Deposits	1,965,389,628	1,520,825,652
Deposit-Products	163,766,757	115,797,897
	<b>2,235,638,547</b>	<b>1,708,613,010</b>
<b>23.00 Income from Investments</b>		
Interest on Treasury Bills	149,733,504	171,366,931
Interest on Treasury Bonds	-	-
Reverse REPO	4,056,731	4,656,834
Interest on Bonds	959,459	5,614,770
Gain on Investment in shares by Merchant Banking	4,021,867	-
Dividend on Investment in Shares	3,643,200	2,760,000
	<b>162,414,761</b>	<b>184,398,535</b>
<b>24.00 Commission, Exchange &amp; Brokerage</b>		
Commission (24.01 )	212,152,776	227,423,301
Exchange	166,015,160	173,743,752
Brokerage	6,755,313	281,361
	<b>384,923,249</b>	<b>401,448,414</b>
<b>24.01 Commission</b>		
Letter of Guarantee	22,173,571	19,562,460
Letter of Credit	103,455,885	117,293,264
Acceptance of Bills	35,312,238	36,812,393
LC Advising	-	3,311,550
Export Bills	10,542,297	6,910,345
PO, DD & TT	6,753,919	5,313,235
Exchange houses	1,336,525	-
Foreign Remittance	1,117,579	676,611
On-line service	4,198,923	3,384,461
IBP/FBP/IDBP	1,182,654	1,440,037
FDIBC/IFDBC	24,088,963	31,380,804
OBC	1,909,169	1,337,471
Others	81,053	670
	<b>212,152,776</b>	<b>227,423,301</b>

# Notes to the Accounts

For the year ended December 31, 2007

	<b>2007</b> <b>Taka</b>	<b>2006</b> <b>Taka</b>
<b>25.00 Other operating Income</b>		
Postage charge recoveries	15,267,984	11,395,414
Telex, TP & Telegram charge recoveries	148,616	514,281
Handling charges	8,997,918	6,967,686
Service Charges	29,675,928	21,575,024
SWIFT Charge recoveries	13,113,336	14,351,491
DP Income	1,592,419	322,061
Locker Rent	532,500	338,000
Miscellaneous Earnings	17,104,721	11,220,968
	<b>86,433,422</b>	<b>66,684,925</b>
<b>26.00 Salary &amp; Allowances</b>		
Basic Pay	82,585,787	55,746,539
Allowances	54,640,793	44,178,740
Bonus	42,443,237	43,040,040
Gratuity	5,000,000	2,500,000
Daily Wages	1,391,826	1,261,025
Leave Fare Assistance	8,333,793	7,129,191
Provident Fund	6,312,514	4,676,823
	<b>200,707,950</b>	<b>158,532,358</b>
<b>27.00 Directors Fee</b>		
Meeting fee	620,000	425,000
Other fee	-	-
	<b>620,000</b>	<b>425,000</b>
<b>28.00 Rent, Tax, Insurance, Electricity etc.</b>		
Rent	36,720,490	26,469,976
Rates & taxes	784,039	1,117,753
Insurance	10,869,150	6,994,909
Power and electricity	7,401,084	5,610,209
	<b>55,774,763</b>	<b>40,192,847</b>
<b>29.00 Postage, Stamps, Telegram &amp; Telephone etc</b>		
Postage/Courier Service	4,690,067	3,944,797
Telegram, Telex, Fax & e-mail	1,145,649	639,594
On-line charges	6,696,763	4,404,019
Telephone	4,935,284	3,676,629
	<b>17,467,763</b>	<b>12,665,039</b>
<b>30.00 Printing, Stationery, Advertisement etc.</b>		
Printing & Security Stationery	6,281,792	1,424,192
Computer Stationery	2,814,273	5,687,823
Petty & Table Stationery	2,103,328	1,329,995
Publicity & Advertisement	5,287,493	4,684,412
	<b>16,486,886</b>	<b>13,126,422</b>
<b>31.00 Depreciation on &amp; repairs to Bank's property</b>		
Depreciation	31,957,347	25,347,209
Repair	4,873,150	2,989,282
	<b>36,830,497</b>	<b>28,336,491</b>

## Notes to the Accounts

For the year ended December 31, 2007

	2007 Taka	2006 Taka
<b>32.00 Other Expenditures</b>		
Security & Auxiliary Service	15,252,081	12,706,659
Office Cleaning & maintenance	4,955,671	4,619,013
Car expenses	7,045,044	4,692,040
Entertainment	3,907,526	2,492,270
Newspaper & Periodicals	321,965	250,753
Clearing House Expenses	61,834	15,615
Traveling & Conveyance	5,623,993	6,027,911
Foreign Bank Charges	649,493	263,939
Training/ Seminar participation	734,292	523,475
Professional fees	895,332	20,000
AGM Expenses	1,240,075	1,030,072
Wasa & Gas	379,793	326,009
Subscription & Donation	7,280,810	1,376,760
SWIFT charge	3,966,843	3,794,858
VISA expenses	2,790,441	-
Rauter charge	1,253,861	1,223,031
CDBL Charges	1,437,184	431,875
Fees & Registration	3,978,527	1,747,381
Business Development	3,674,759	3,255,032
Promotional expenses	18,245,639	6,319,575
Liveries & uniforms	32,930	12,600
Branch Opening Expenses	1,530,321	757,809
Contribution to MTB Foundation	2,500,000	2,500,000
MTB Employees death benefit expenses	1,000,000	1,000,000
Employees Welfare expenses	500,000	1,000,000
Honorarium	116,700	45,800
Miscellaneous Expenses	1,717,616	2,697,071
	<b>91,092,730</b>	<b>59,129,548</b>
<b>33.00 Provision against loans and advances</b>		
Provision for Classified Loans & Advances	192,000,000	30,300,000
Provision for Unclassified Loans and Advances	121,300,000	64,700,000
Provision for Off Balance Sheet Items	55,000,000	-
Total amount of provision made during the year	<b>368,300,000</b>	<b>95,000,000</b>
<b>34.00 Provision for Tax</b>		
Provision for corporate tax in respect of the year 2007 (Assessment year 2008-09) has been made as per rule .		
Corporate tax assessments upto the year 2004 ( upto assessment year 2005-06 ) have been completed and finalized. Corporate tax return for the year 2006 (Assessment year 2007-08) and 2005 (Assessment year 2006-07) has been filed to the DCT, LTU, Dhaka.		
<b>35.00 Earning Per Share (EPS):</b>		
Net Profit after tax (Taka)	210,802,117	478,279,399
Number of ordinary shares outstanding(2006:Adjusted for bonus share)	9,979,200	9,979,200
<b>Earning Per Share (EPS)</b>	21.12	47.93



# Notes to the Accounts

## For the year ended December 31, 2007

	<b>2007</b>	<b>2006</b>
	<b>Taka</b>	<b>Taka</b>
<b>36.00 Received from other operating activities:</b>		
Exchange	153,808,095	173,061,852
Postage charge recoveries	15,267,984	11,395,414
Talex, Telephone and Telegram charge recoveries	148,616	514,281
Handling charge	8,997,918	6,967,686
Service charge	29,675,928	21,575,024
SWIFT charge recoveries	13,113,336	14,351,491
DP income	1,592,419	322,061
Locker rent	532,500	338,000
Miscellaneous income	17,104,721	11,220,968
	<b>240,241,517</b>	<b>239,746,777</b>
<b>37.00 Payment for other operating activities:</b>		
Rent, Tax, Insurance, Electricity etc.	55,774,763	40,192,847
Legal expenses	1,803,966	525,939
Postage, Stamps, Telegram & Telephone etc.	17,467,763	12,665,039
Audit fee	100,000	60,000
Printing, Stationery, Advertisement etc.	16,486,886	13,126,422
Directors Fee	620,000	425,000
Repair	4,873,150	2,989,282
Other expenditure	91,092,730	59,129,548
	<b>188,219,258</b>	<b>129,114,077</b>
<b>38.00 Number of Employees</b>		
The number of employees engaged for the whole year or part thereof who received a total remuneration of Taka 36,000 or above were 578.		
<b>39.00 No. of Branches</b>	30	25
<b>40.00 No. of meetings</b>		
Board meetings	11	11
Executive Committee meetings	6	5

**41.00** Assets pledged as security for liabilities as on 31 December 2007 is nil.

**42.00 Auditors work hour**

The external auditors of the bank, Howladar Yunus & Co., Chartered Accountants covered 80% of the bank's risk weighted assets and has spent around 4,002 man-hours to complete the audit as per Bangladesh Standard on Auditing (BSA).

# Notes to the Accounts

## For the year ended December 31, 2007

### 43.00 Related Party Disclosure

#### 43.01 Name of Directors and their shareholdings as on December 31, 2007

Name	Designation	December 2007		
		No. of Shares held	Amount in Taka	Holding %
ASTRAS Limited represented by Mr. Samson H Chowdhury	Chairman	249,480	24,948,000	2.50%
Advanced Chemical Industries Ltd. represented by Dr. Arif Dowla	Vice Chairman	332,640	33,264,000	3.33%
Mr. Syed Manzur Elahi	Director	340,956	34,095,600	3.42%
Mr. Hedayetullah	Director	55,945	5,594,500	0.56%
East West Properties Development Ltd. represented by Mr. Kh. Rashiduzzaman	Director	332,640	33,264,000	3.33%
Al-haj Syed Abul Hossain	Director	332,640	33,264,000	3.33%
Mr. M. A. Rouf	Director	161,320	16,132,000	1.62%
Mr. Md. Abdul Malek	Director	127,050	12,705,000	1.27%
Associated Builders Corporation Ltd. represented by Mr. Rashed Ahmed Chowdhury	Director	498,960	49,896,000	5.00%
Mrs. Yasmeen Haque	Director	83,160	8,316,000	0.83%
Mr. A.F.M. Mahfuzul Hasan	Director	25,000	2,500,000	0.25%
Mr. Md. Wakiluddin	Director	157,900	15,790,000	1.58%
Mr. Saidur Rahman Ratan	Director	78,750	7,875,000	0.79%
		<b>2,776,441</b>	<b>277,644,100</b>	<b>27.82%</b>

Name of the companies in which the directors of the bank have interest are given in **Annexure - C**

#### 43.02 Related party transactions

Name of party	Related with	Transactions nature	Outstanding amount in Taka	Remarks
Square Securities Management Ltd.	Mr. Samson H Chowdhury, Chairman	SOD	42,940	FDR
SNM Securities Ltd.	Mr Syed Manzur Elahi, Director	SOD	1,035,005	Personal guarantee
Pioneer Insurance Co. Ltd.	Dr.Arif Dowla, Director	SOD	24,836,503	FDR
	Mr Syed Manzur Elahi, Director			
	Mr. Hedayetullah, Director			
	Mr. Md Wakiluddin, Director			
	Mr.Saidur Rahman Ratan, Director			
	Mr.A.F.M.Mahfuzul Hasan, Director			
Apex Tannery Ltd.	Mr Syed Manzur Elahi, Director & Mr Hedayetullah, Director	Bank Guarantee	371,934	FDR
International Publication	Mr Syed Manzur Elahi, Director	House building loan	1,910,124	Mortgage of Flat
Mr Md Abdur Rouf	Mr Md Abdur Rouf, Director	House building loan	2,043,404	Mortgage of Apartment

# Notes to the Accounts

For the year ended December 31, 2007


## 43.03 Significant contracts where bank is a party and wherein directors have interest

Nature of contract	Purpose	Name of Director and Related by	Remarks
Lease agreement with Square Pharmaceuticals Ltd.	Pabna Branch	Samson H Chowdhury, Chairman	Approved by Bangladesh Bank

## 44.00 Financial Highlights as of 31 December 2007 shown under Annexure- D



Samson H Chowdhury  
Chairman



Dr. Arif Dowla  
Vice Chairman



Syed Manzur Elahi  
Director



Kazi Md. Shafiqur Rahman  
Managing Director

## Investment by Merchant Banking in Shares of quoted companies

As on December 31, 2007

SI#	Name of Company	No. of Shares Held	Face Value Per Share	Cost of Holding	Average Cost	Quoted rate per share as on Dec. 31, 2007	Total Market Value of share as on Dec. 31, 2007
1	Bank Asia Ltd.	3,200	100	1,228,687.44	383.96	521.75	1,669,600.00
2	Marcantile Bank Ltd.	3,000	100	1,118,113.22	372.70	419.00	1,257,000.00
3	EXIM Bank Ltd.	11,600	100	4,626,042.13	398.80	391.00	4,535,600.00
4	Standard Bank Ltd.	3,000	100	894,797.95	298.27	337.75	1,013,250.00
5	Southeast Bank Ltd.	1,000	100	491,235.05	491.24	573.25	573,250.00
6	Premier Bank Ltd.	10,950	100	3,344,084.84	305.40	304.00	3,328,800.00
7	Shahjalal Islami Bank Ltd.	600	100	170,353.96	283.92	366.00	219,600.00
8	NCC Bank Ltd.	1,400	100	507,029.45	362.16	441.50	618,100.00
9	Jamuna Bank Ltd.	1,050	100	370,936.40	353.27	388.25	407,662.50
<b>Total</b>				<b>12,751,280.44</b>			<b>13,622,862.50</b>

## Fixed Assets Schedule

### As at December 31, 2007

Particulars	Cost				Depreciation					Written down value as on 31.12.2007
	Balance as on 01.01.2007	Addition during the year	Disposal during the year	Balance as on 31.12.2007	Rate	Balance as on 01.01.2007	Charged for the year	Adjustment made during the year	Balance as on 31.12.2007	
	Taka	Taka	Taka	Taka		Taka	Taka	Taka	Taka	Taka
Land	104,253,000	-	-	104,253,000	-	-	-	-	-	104,253,000
Immovable property	11,393,980	-	-	11,393,980	2.50%	855,364	263,467	-	1,118,831	10,275,149
Furniture & Fixtures	29,088,051	4,370,159	-	33,458,210	10%	7,356,582	2,266,532	-	9,623,114	23,835,096
Interior Decoration	62,904,522	15,852,121	-	78,756,643	10%	16,881,166	4,947,082	-	21,828,248	56,928,395
Office Equipments	122,956,646	24,134,285	-	147,090,931	20%	47,328,334	17,241,190	-	64,569,524	82,521,407
Motor Vehicles	33,220,592	13,960,650	1,348,322	45,832,920	20%	15,330,288	7,217,490	497,572	22,050,206	23,782,714
Books & Periodicals	166,077	176,001	-	342,078	10%	44,932	21,586	-	66,518	275,560
<b>Total 2007</b>	<b>363,982,868</b>	<b>58,493,216</b>	<b>1,348,322</b>	<b>421,127,762</b>		<b>87,796,666</b>	<b>31,957,347</b>	<b>497,572</b>	<b>119,256,441</b>	<b>301,871,321</b>
<b>Total 2006</b>	<b>299,897,815</b>	<b>65,281,053</b>	<b>1,196,000</b>	<b>363,982,868</b>		<b>63,338,137</b>	<b>25,347,209</b>	<b>888,680</b>	<b>87,796,666</b>	<b>276,186,202</b>

## Annexure-C

### Name of Companies in which the Directors of the Bank have interest

SL #	Name of Directors of the Bank	Name of Companies in which the directors have interest
01.	Mr Samson H. Chowdhury Chairman Representing ASTRAS Ltd.	<p><b>Chairman</b></p> <ul style="list-style-type: none"> <li>- Square Pharmaceuticals Ltd.</li> <li>- Square Textiles Ltd.</li> <li>- Square Spinning Ltd.</li> <li>- Square Toiletries Ltd.</li> <li>- Square Knit Fabrics Ltd.</li> <li>- Square Fashions Ltd</li> <li>- Square Agro Dev. &amp; Processing Ltd.</li> <li>- Square Holdings Ltd.</li> <li>- Square Informatix Ltd.</li> <li>- Square Hospitals Ltd.</li> <li>- Square Consumer Products Ltd.</li> <li>- Square Herbal &amp; Nutraceuticals Ltd.</li> <li>- ASTRAS Ltd.</li> <li>- Health Products Ltd.</li> <li>- Pharma Packages (Pvt.) Ltd.</li> <li>- Barnali Printers Ltd.</li> <li>- Aegis Services Ltd.</li> <li>- New Dhaka Refractories (BD) Ltd.</li> <li>- Microserve Ltd.</li> <li>- Central Depository Bangladesh Ltd.</li> <li>- Sabazpur Tea Company Ltd.</li> </ul> <p><b>Director</b></p> <ul style="list-style-type: none"> <li>- Midas Financing Ltd.</li> </ul>
02.	Dr Arif Dowla Vice Chairman Representing Advanced Chemical Industries Ltd.	<p><b>Managing Director</b></p> <ul style="list-style-type: none"> <li>- Advanced Chemical Industries Ltd.</li> <li>- ACI Formulations Ltd.</li> <li>- ACI Salt Ltd.</li> <li>- Stochastic Logic Ltd.</li> <li>- ACI Foods Ltd.</li> <li>- ACI Pure Flour Ltd.</li> <li>- Apex Leather Crafts Ltd.</li> </ul> <p><b>Director</b></p> <ul style="list-style-type: none"> <li>- ACI Trading Ltd.</li> <li>- Pioneer Insurance Co. Ltd.</li> <li>- ACI Agrochemicals Ltd.</li> <li>- Consolidated Chemicals Ltd.</li> <li>- Tetley ACI (Bangladesh) Ltd.</li> <li>- ACI Godrej Agrovet (Pvt.) Ltd.</li> </ul>

Name of Companies in which the Directors of the Bank have interest

SL #	Name of Directors of the Bank	Name of Companies in which the directors have interest
03.	Mr. Syed Manzur Elahi Director	<b>Chairman</b> - Apex Tannery Ltd. - Apex Footwear Ltd. - Apex Pharma Ltd. - Apex Enterprise Ltd. - Grey Advertising (BD) Ltd. <b>Director</b> - Advanced Chemical Industries Ltd.
04.	Mr. Hedayetullah Director	<b>Director</b> - Apex Tannery Ltd. - Hedayetullah Securities Ltd. - R & R Hides & Skin Agency
05.	Mr. Kh. Rashiduzzaman Director Representing East West Properties Development Ltd.	<b>Managing Director</b> - Baitul Food Products Ltd.
06.	Al-haj Syed Abul Hossain Director	<b>Managing Director</b> - SAHCO International Ltd. - SAHCO Development Ltd. <b>Chairman</b> - China-Fuzian-SAHCO Wooden Pencil Factory Ltd.
07.	Mr. M.A. Rouf Director	<b>Proprietor</b> - Balaka Bangladeshi Restaurant, UK - Diamond Properties (BD) Ltd. - Diamond Properties, UK - Dilse Restaurant Ltd. UK
08.	Mr. Md. Abdul Malek Director	<b>Chairman</b> - Sheltech Consultant (Pvt.) Ltd. - Jebel-E-Noor General Hospital Ltd.
09.	Mr. Rashed Ahmed Chowdhury Director Representing Associated Builders Corp. Ltd	<b>Director</b> - ABC Real Estate - ABC Builder Products Ltd. - Banga Garments Ltd. - Shamsuddin Tawels Ltd. - SAC Agency Ltd.
10.	Yasmeen Haque Director	<b>None</b>

**Name of Companies in which the Directors of the Bank have interest**

SL #	Name of Directors of the Bank	Name of Companies in which the directors have interest
11.	Mr. A.F.M. Mahfuzul Hasan Director	<b>Proprietor</b> - Joy Trading House <b>Director</b> - Mutual Packaging Industries Ltd. - Softech Computer & Networks Ltd. - Dinkum Travels & Tours Ltd.
12.	Mr. Md. Wakiluddin Director	<b>Proprietor</b> - Baridhara Enterprise <b>Director</b> - Pioneer Insurance Co. Ltd.
13.	Mr. Saidur Rahman Ratan Director	<b>Proprietor</b> - Ratan Enterprise - Mamtaj Jewellers <b>Director</b> - Pioneer Insurance Co. Ltd.



## Financial Highlights

As of December 31, 2007

Figure in million Taka

SL#	Items	2007	2006
1	Paid up Capital	997.92	950.40
2	Total Capital	2,370.95	2,114.53
3	Surplus in Capital Fund	43.12	506.00
4	Total Assets	32,181.90	25,983.92
5	Total Deposits	24,776.92	22,264.05
6	Total Loans and Advances	22,683.23	18,591.52
7	Total Contingent Liabilities	10,916.14	9,671.39
8	Lending-Deposit ratio	91.55%	83.50%
9	Classified Loans as % of Total loans and advances	2.39%	1.03%
10	Profit after provision and tax	210.8	478.28
11	Total Classified loans during the year	541.64	191.63
12	Total provision maintained against classified loans	217.43	30.30
13	Surplus in provision against classified loans	0.30	0.03
14	Cost of Fund	9.15%	10.33%
15	Earning assets	28,470.97	23,575.83
16	Non-interest earning assets	3,710.93	2,642.16
17	Return on Investments ( ROI )	4.10%	6.03%
18	Return on Assets (ROA )	0.66%	1.82%
19	Income from Investments	162.41	184.40
20	Earnings per Share ( Figure in Taka )	21.12	47.93
21	Profit per Share ( Figure in Taka )	21.12	47.93
22	Price-Earning ratio ( Times )	28.24	7.14