

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying Balance Sheet of Mutual Trust Bank Limited as of December 31, 2005 and the related profit & loss account and the Statement of Changes in Equity and Notes to the Financial Statements for the year 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion accept for the consequential effect of Note # 2.09, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of Bank's affairs as of December 31, 2005 and of the results of its operations and its cash flows for the year then ended and comply with the applicable sections of the Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

### **We also report that :**

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ii. in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches not visited by us;
- iii. the Bank's balance sheet and profit & loss account dealt with by the report are in agreement with the books of account and returns;
- iv. the expenditure incurred was for the purposes of the Bank's business;
- v. the financial position of the Bank at December 31, 2005 and 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;

- vi. the financial statements have drawn up in conformity with the Bank Companies Act 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank;
- vii. adequate provisions have been made for loans and advances as per Bangladesh Bank's circular;
- viii. 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;
- ix. the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements; and
- x. the information and explanations required by us have been received and found satisfactory

Dated: Dhaka  
March 23, 2006



**(HOWLADAR YUNUS & CO.)**  
Chartered Accountants

# BALANCE SHEET

AS ON DECEMBER 31, 2005

Balance Sheet

	Notes	2005 Taka	2004 Taka
<b>Property and Assets</b>			
<b>Cash</b>			
Cash in hand (Including Foreign Currency)	3	147,594,334	90,403,443
Balance with Bangladesh Bank & its agent bank (s) (Including Foreign Currency)	4	841,125,960	476,157,152
		<b>988,720,294</b>	<b>566,560,595</b>
<b>Balance with other Banks &amp; Financial Institutions</b>	5		
In Bangladesh		255,207,335	771,333,388
Outside Bangladesh		165,359,702	509,110,078
		<b>420,567,037</b>	<b>1,280,443,466</b>
<b>Money at Call and Short notice</b>	6	<b>130,000,000</b>	<b>130,000,000</b>
<b>Investments (in share and Securities)</b>	7		
Government		2,370,760,000	1,540,457,300
Others		125,220,000	135,753,000
		<b>2,495,980,000</b>	<b>1,676,210,300</b>
<b>Loans and Advances</b>	8		
Loans, Cash Credit, Overdrafts etc.		12,207,542,738	10,373,540,991
Bills purchased and Discounted		2,165,713,795	1,319,430,225
		<b>14,373,256,533</b>	<b>11,692,971,216</b>
<b>Fixed assets including premises, furniture &amp; fixture</b>	9	<b>236,559,678</b>	<b>122,050,226</b>
<b>Other Assets</b>	10	<b>661,907,024</b>	<b>462,790,594</b>
<b>Non-banking assets</b>		-	-
<b>Total Assets</b>		<b>19,306,990,566</b>	<b>15,931,026,397</b>
<b>Liabilities and Capital</b>			
<b>Liabilities</b>			
<b>Borrowings from other Banks, Financial Institutions &amp; agents</b>	11	-	440,000,000
<b>Deposits and other accounts</b>	12		
Current Accounts & Other Accounts		1,973,668,293	1,502,558,993
Bills Payable		179,504,030	127,765,296
Savings Bank Deposits		914,722,524	597,311,092
Fixed Deposits		12,119,174,327	9,959,718,106
Bearer Certificate of Deposit		-	-
Other deposits		911,472,249	976,772,894
		<b>16,098,541,423</b>	<b>13,164,126,381</b>
<b>Other Liabilities</b>	13	<b>1,660,964,321</b>	<b>1,109,354,933</b>
<b>Total Liabilities</b>		<b>17,759,505,744</b>	<b>14,713,481,314</b>



## BALANCE SHEET

AS ON DECEMBER 31, 2005

		2005	2004
	Notes	Taka	Taka
<b>Capital/Shareholders' Equity</b>			
Paid up Capital	14	864,000,000	720,000,000
Share Premium	15	100,000,000	100,000,000
Statutory reserve	16	336,230,355	211,361,105
General reserve	17	35,949,019	28,879,841
Retained Earnings	18	211,305,448	157,304,137
<b>Total Shareholders' Equity</b>		<b>1,547,484,822</b>	<b>1,217,545,083</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>19,306,990,566</b>	<b>15,931,026,397</b>

The accompanying notes 1-44 form an integral part of this financial statement.

Annexed notes form an integral part of these accounts



**Syed Manzur Elahi**  
Chairman



**Hedayetullah**  
Vice Chairman



**Md. Wakiluddin**  
Director



**Mosharraf Hossain**  
Managing Director

Signed in term of our audit report of even date

Dated: Dhaka  
March 23, 2006



**(HOWLADAR YUNUS & CO.)**  
Chartered Accountants

# OFF BALANCE SHEET ITEMS

AS ON DECEMBER 31, 2005

Off Balance Sheet Items

Particulars	Notes	2005	2004
		Taka	Taka
<b>Contingent Liabilities</b>	<b>19</b>		
Acceptances and Endorsements			
Letters of Guarantee	19.01	2,513,845,074	1,440,183,428
Irrevocable Letters of Credit		2,411,724,750	2,682,222,700
Bills for Collection		176,241,418	116,240,834
Other Contingent Liabilities		2,396,461,700	1,235,933,203
<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		-	-
Claims against the Bank not acknowledged as debt		-	-
Litigation pending against Bank		-	-
<b>Other memorandum items</b>			
Value of Travelers' cheque on hand		-	-
Value of Bangladesh Sanchay Patra on hand		-	-
<b>Total off Balance Sheet Items including contingent liabilities</b>		<b>7,498,272,942</b>	<b>5,474,580,165</b>

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# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2005

		2005	2004
	Notes	Taka	Taka
Interest Income	20	1,688,878,029	1,139,965,199
Interest paid on deposits & borrowings etc.	22	(1,258,704,712)	(820,685,501)
<b>Net Interest Income</b>		<b>430,173,317</b>	<b>319,279,698</b>
Investment Income	23	139,970,967	86,631,233
Commission, Exchange & Brokerage	24	271,401,289	257,432,248
Other operating Income	25	35,467,093	22,656,896
		<b>446,839,349</b>	<b>366,720,377</b>
<b>Total Operating Income</b>		<b>877,012,666</b>	<b>686,000,075</b>
<b>Operating Expenditure :</b>			
Salary & Allowances	26	102,675,527	76,466,714
Rent, tax, insurance, electricity etc.	27	28,974,686	23,202,486
Legal expenses		205,010	268,222
Postage, stamps, telegram & telephone	28	8,739,014	7,394,982
Stationery, printing, advertisement etc.	29	14,369,739	9,968,284
Chief Executives salary & fees		2,400,000	2,350,000
Directors' fees	30	382,500	437,500
Auditor's fee		40,000	40,000
Charges on loan losses		-	-
Depreciation on & repairs to Bank's assets	31	21,822,952	20,500,163
Other Expenses	32	45,556,988	38,431,331
		225,166,416	179,059,682
<b>Total Operating Expenses</b>			
<b>Profit before provision</b>		<b>651,846,250</b>	<b>506,940,393</b>
Provision for Loans & Advances	33	27,500,000	57,500,000
Provision for diminution in value of investment		-	-
Provision against Other assets		-	-
Other provisions		-	-
Total Provision		27,500,000	57,500,000
<b>Profit Before Tax</b>		<b>624,346,250</b>	<b>449,440,393</b>
Provision for Taxation- Current	34	287,578,298	202,248,177
Deferred		593,254	-
		288,171,552	202,248,177
<b>Net Profit After Tax</b>		<b>336,174,698</b>	<b>247,192,216</b>
Retained Surplus, brought forward		157,304,137	121,123,261
		<b>493,478,835</b>	<b>368,315,477</b>

# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2005

Profit and Loss Account

## Appropriations

Bonus Share issued during the year

Transferred to General reserve

Statutory Reserve

Retained Surplus

Earning per Share

Notes	2005	2004
	Taka	Taka
	144,000,000	120,000,000
	13,304,137	1,123,261
	124,869,250	89,888,079
	282,173,387	211,011,340
	<b>211,305,448</b>	<b>157,304,137</b>
<b>35</b>	<b>38.91</b>	<b>28.61</b>

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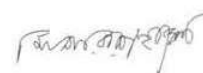
**Syed Manzur Elahi**  
Chairman



**Hedayetullah**  
Vice Chairman



**Md. Wakiluddin**  
Director



**Mosharraf Hossain**  
Managing Director

Signed in term of our audit report of even date

Dated: Dhaka  
March 23, 2006



**(HOWLADAR YUNUS & CO.)**  
Chartered Accountants



# CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2005

	Notes	2005 Taka	2004 Taka
<b>A. Cash flows from operating activities</b>			
Interest received		1,826,548,996	1,225,096,432
Interest paid		(1,258,704,712)	(820,685,501)
Dividends received in cash		-	-
Fees & commission received		141,444,412	114,096,858
Recoveries on loans previously written off		-	-
Cash paid to employees as salaries and allowances		(102,675,527)	(76,466,714)
Income taxes paid		(257,318,395)	(154,455,984)
Receipts from other operating activities	36	155,322,872	152,601,313
Payments for other operating activities	37	(102,307,760)	(83,425,456)
Operating profit before changes in operating assets and liability		<b>402,309,886</b>	<b>356,760,948</b>
<b>Increase/(Decrease) in operating assets and liability</b>			
Statutory deposits		-	-
Purchase/sale of trading securities		(830,000,000)	(635,000,000)
Loans and advance to other banks		-	-
Loans and advances to customers		(2,680,285,317)	(5,788,787,436)
Other Assets	10	58,201,965	(63,309,093)
Deposits from other banks		(1,300,000,000)	630,000,000
Deposit from customers		4,234,415,042	5,370,451,682
Borrowings from other banks, financial institutions & agents		(440,000,000)	320,000,000
Other liabilities	13	229,702,877	66,108,842
		<b>(727,965,433)</b>	<b>(100,536,005)</b>
<b>Net Cash from operating activities</b>		<b>(325,655,547)</b>	<b>256,224,943</b>
<b>B. Cash flows from investing activities</b>			
Sale/ purchase of securities		12,833,000	(44,253,000)
Purchase/ sale of property, plant & equipments		(134,692,581)	(36,291,032)
Purchase/ sale of subsidiary		-	-
<b>Net cash from investing activities</b>		<b>(121,859,581)</b>	<b>(80,544,032)</b>
<b>C. Cash flows from financing activities</b>			
Receipts from issue of loan capital and debt security		-	-
Payments for redemption of loan capital and debt security		-	-
Receipts from issue of ordinary share		-	-
Share premium		-	-
Dividends paid		-	-
<b>Net cash from financing activities</b>		<b>-</b>	<b>-</b>
<b>D. Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>		<b>(447,515,128)</b>	<b>175,680,911</b>
<b>E. Effect of changes of Exchange rates on cash and cash equivalents</b>		10,101,098	13,390,973
<b>F. Opening cash and cash equivalents</b>		1,977,461,361	1,788,389,477
<b>Closing cash and cash equivalents (D+E+F)</b>		<b>1,540,047,331</b>	<b>1,977,461,361</b>



# CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2005

## The above closing cash and cash equivalents include

Cash in hand  
Balance with Bangladesh Bank  
Balance with other Banks & Financial Institutions  
Money at Call and Short Notice  
Prize bonds

Notes	2005	2004
	Taka	Taka
	147,594,334	90,403,443
	841,125,960	476,157,152
	420,567,037	1,280,443,466
	130,000,000	130,000,000
	760,000	457,300
	<b>1,540,047,331</b>	<b>1,977,461,361</b>

The accompanying notes 1-44 form an integral part of this financial statement.

Annexed notes form an integral part of these accounts



**Syed Manzur Elahi**  
Chairman



**Hedayetullah**  
Vice Chairman



**Md. Wakiluddin**  
Director



**Mosharraf Hossain**  
Managing Director

Signed in term of our audit report of even date

Dated: Dhaka  
March 23, 2006



**(HOWLADAR YUNUS & CO.)**  
Chartered Accountants

# Statement of Changes in Equity

## STATEMENT OF CHANGES IN EQUITY

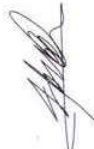
FOR THE YEAR ENDED DECEMBER 31, 2005

Particulars	Paid up Capital	Share premium	Statutory Reserve	General Reserve	Profit & Loss Account	Total
	Taka	Taka	Taka	Taka	Taka	Taka
Balance as on January 1, 2005	720,000,000	100,000,000	211,361,105	28,879,841	157,304,137	1,217,545,083
Bonus share issued during the year	144,000,000	-	-	-	(144,000,000)	-
Transferred to General reserve	-	-	-	13,304,137	(13,304,137)	-
Deferred Tax Liability	-	-	-	(6,234,959)	-	(6,234,959)
Net profit for the year after tax	-	-	-	-	336,174,698	336,174,698
Appropriations made during the year	-	-	124,869,250	-	(124,869,250)	-
Balance as on December 31, 2005	864,000,000	100,000,000	336,230,355	35,949,019	211,305,448	1,547,484,822

The accompanying notes 1-44 form an integral part of this financial statement.

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**Syed Manzur Elahi**  
 Chairman

  
**Hedayetullah**  
 Vice Chairman

  
**Md. Wakiluddin**  
 Director

  
**Mosharrat Hossain**  
 Managing Director

Signed in term of our audit report of even date

  
**(HOWLADAR YUNUS & CO.)**  
 Chartered Accountants

Dated: Dhaka  
 March 23, 2006

# LIQUIDITY STATEMENT

(ASSET & LIABILITY MATURITY ANALYSIS) AS ON DECEMBER 31, 2005

	Upto 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	Taka	Taka	Taka	Taka	Taka	Taka
<b>Assets</b>						
Cash in hand	988,720,294	-	-	-	-	988,720,294
Balance with other Banks and financial Institutions	170,567,037	50,000,000	200,000,000	-	-	420,567,037
Money at Call on Short notice	130,000,000	-	-	-	-	130,000,000
Investment	760,000	32,220,000	1,209,712,000	1,221,488,000	31,800,000	2,495,980,000
Loans and advances	1,694,634,203	1,563,519,814	9,056,218,964	1,504,137,589	554,745,963	14,373,256,533
Fixed assets including premises, furniture & fixture	-	5,000,000	15,000,000	216,559,678	-	236,559,678
Other assets	-	53,827,759	14,241,492	1,439,155	592,398,618	661,907,024
Non-banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>2,984,681,534</b>	<b>1,704,567,573</b>	<b>10,495,172,456</b>	<b>2,943,624,422</b>	<b>1,178,944,581</b>	<b>19,306,990,566</b>
<b>Liabilities</b>						
Borrowings from B. Bank, other banks, financial institutions & agents	-	-	-	-	-	-
Deposits and other accounts	3,171,096,040	1,753,937,178	9,394,950,450	1,392,463,627	386,094,128	16,098,541,423
Provision & other liabilities	37,779,756	43,645,680	748,857,082	79,798,803	750,883,000	1,660,964,321
<b>Total Liabilities</b>	<b>3,208,875,796</b>	<b>1,797,582,858</b>	<b>10,143,807,532</b>	<b>1,472,262,430</b>	<b>1,136,977,128</b>	<b>17,759,505,744</b>
<b>Net Liquidity Gap</b>	<b>(224,194,262)</b>	<b>(93,015,285)</b>	<b>351,364,924</b>	<b>1,471,361,992</b>	<b>41,967,453</b>	<b>1,547,484,822</b>

The accompanying notes 1-44 form an integral part of this financial statement.

Annexed notes form an integral part of these accounts

  
**Syed Manzoor Elahi**  
 Chairman

  
**Md. Wakiluddin**  
 Director

  
**Mosharraf Hossain**  
 Managing Director

**Syed Manzoor Elahi**  
 Chairman

**Hedayetullah**  
 Vice Chairman

**Md. Wakiluddin**  
 Director

**Mosharraf Hossain**  
 Managing Director

Signed in term of our audit report of even date



Dated: Dhaka  
 March 23, 2006

**(HOWLADAR YUNUS & CO.)**  
 Chartered Accountants

Liquidity Statement



## HIGHLIGHTS

Figure in million Taka

SL #	ITEMS	2005	2004
1	Paid up Capital	864.00	720.00
2	Total Capital	1,692.52	1,335.08
3	Surplus in Capital Fund	478.57	323.06
4	Total Assets	19,306.99	15,931.03
5	Total Deposits	16,098.54	13,164.13
6	Total Loans and Advances	14,373.26	11,692.97
7	Total Contingent Liabilities	7,498.27	5,474.58
8	Lending-Deposit ratio	89.28%	88.82%
9	Classified Loans as % of Total loans and advances	Nil	Nil
10	Profit after provision and tax	336.17	247.19
11	Total Classified loans during the year	Nil	Nil
12	Total provision maintained against classified loans	Nil	Nil
13	Surplus in provision against classified loans	Nil	Nil
14	Cost of Fund	8.96%	7.86%
15	Earning assets	17,419.05	14,779.16
16	Non-interest earning assets	1,887.94	1,151.87
17	Return on Investments (ROI)	5.61%	5.17%
18	Return on Assets (ROA)	1.74%	1.55%
19	Income from Investments	139.97	86.63
20	Earnings per Share (Figure in Taka)	38.91	28.61
21	Profit per Share (Figure in Taka)	38.91	28.61
22	Price-Earning ratio (Times)	11.35	20.52

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

## 1.00 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.

- 1.1 The bank started its commercial business from October 24, 1999.
- 1.2 The shares of the bank are listed with the Dhaka and Chittagong Stock Exchanges as a publicly quoted company for its general class of shares. The bank has 20 branches, with no overseas branch as on December 31, 2005.

## Principal Activities

- i. To establish, maintain, carry on transact, undertake and conduct the business of banking in all its branches and to transact and do all matters and things incidental thereto in Bangladesh and abroad;
- ii. To receive, borrow, or raise money on deposit, loan, or otherwise upon such terms as the Company may approve and to give guarantees and indemnities in respect of all debts and contracts;
- iii. To establish, maintain, carry on, transact and undertake all kinds of investment and financial business, including underwriting, managing and distributing the issue of stocks, shares, bonds, debentures, import permits and other securities directly or through or jointly with one more banks or financial institutions;
- iv. To advance, deposit and lend money on real, personal and mixed securities, on cash, credit or other accounts, on policies, bonds, debentures, bill of exchange, promissory notes, letter of credits, or other wares and merchandise, bills of sale and lading, delivery orders, or other mercantile indicia or tokens, bullion stocks and shares.
- v. To advance, deposit, or lend money to or with such persons, firms or body corporates and on such terms as may seem expedient;
- vi. To carry on the business of discounting, dealing in exchanges in specie and securities and all kinds of mercantile banking;

## 2. Significant accounting policies and basis of preparation of financial statements

### 2.1. a) Basis of accounting

The financial statements of the Bank are made up to December 31, 2005, and are prepared under the historical cost convention, on a going concern basis and in



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

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 account.

#### b) 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.

### 2.2 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

### Provision for taxes

#### a. Current tax

Provision for Income Tax has been made @ 45% as prescribed in the Finance Act, 2005 of accounting profit made by the bank after considering some of the taxable add backs of income and disallowance of expenditures.

#### b. Deferred Tax

For the first time the company has adopted deferred tax during the year under review in compliance with the provisions of Bangladesh Accounting standard (BAS)-12 "Income Tax".

The company's policy of recognition of deferred tax assets/Liabilities is based on temporary differences (Taxable or deductible) arises between the carrying amount (Book value) of assets and liabilities for financial reporting purposes and its tax base. Accordingly deferred tax income/(expenses) has been considered to determine net profit after tax.

The first time adoption of a BAS is considered as charges in accounting policy. Accordingly, in compliance with the provision of BAS -8 " Net profit or loss for the period, Fundamental errors and changes in Accounting policies" opening retained earnings of 2004 has been adjusted with effect upto 2003 and comparative figures for 2004 has been restated.

### 2.3 Investments

All Investments except Share in Dhaka Stock Exchange Ltd. have been shown at face value. Investment in Share of Dhaka Stock Exchange Ltd. has been shown at cost.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

## 2.4 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:

Name of Assets	Rate of Depreciation
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.

## 2.5 Leasing

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

### The bank as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the bank's net investment outstanding in respect of the leases.

## 2.6 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 on 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 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 and BRPD Circular No. 20 dated 20 December 2005, at the following rates:

Classification Criteria	Rate of provision
General Provision on unclassified loans and advances	1%
Small enterprise financing for good loan	2%
Special Mention Account	5%

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Provision on substandard loans and advances	20%
Provision on doubtful loans and advances	50%
Provision on bad/loss loans and advances	100%

## 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 trading loan :

Goods are taken as security in the form of pledge (not less than two times covering the loan) and also goods are taken as security in the form of hypothecation along with land and building as mortgage.

## iii) House building loan :

Land and buildings are taken as security in the form of 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.

**2.7 Foreign Currency Translation**

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

**2.8 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:



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

### 2.8.1 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 dealings with or lending to corporates, individuals, and 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 Credit Appraisal Team. In determining Single Borrower / Large Loan limit, the instructions of Bangladesh Bank are strictly followed.

### 2.8.2 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 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.

### 2.8.3 Internal Control and Compliance Risk Management

Internal Control and Compliance (ICC) is a critical component of bank management and a 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 as policies, plans, internal rules and



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

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 a 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 DCFL's, 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 Board of Directors plays an effective role in providing a 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

#### 2.8.4 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 transactions. In this regard Anti Money Laundering policy guideline has been drawn and 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.

#### 2.8.5 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 augment 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.

### 2.9 Retirement Benefit

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

## **Gratuity**

Consistent with the past practice of the Mutual Trust Bank Ltd. no provision for the liabilities for gratuity, (the quantum of which at 31 December 2005 has not been ascertained) has been made in these financial statements which would have been payable to the employees on their separation from the Mutual Trust Bank Ltd.'s service on that date as the payments for gratuity are charged in the books for the year in which these are disbursed.

## **2.10 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.

## **2.11 Earnings 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 1,440,000 Bonus shares (for 2004).

## **2.12 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 FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

			2005	2004
			Taka	Taka
3.	<b>Cash in hand</b>			
	Local Currency		139,264,293	86,728,093
	Foreign Currency		8,330,041	3,675,350
			<b>147,594,334</b>	<b>90,403,443</b>
4.	<b>Balance with Bangladesh Bank and its agent With Bangladesh Bank</b>			
	Local Currency		789,468,651	473,276,859
	Foreign Currency		35,171,352	2,880,293
	With Sonali Bank (as agent of Bangladesh Bank)		16,485,957	-
			<b>841,125,960</b>	<b>476,157,152</b>
4.1	<b>CRR (Cash Reserve Requirement) &amp; SLR (Statutory Liquidity Ratio)</b>			
	<b>CRR</b>			
	Required	Amount (Taka in crore)	75.76	43.68
		%	5%	4%
	Maintained	Amount (Taka in crore)	78.95	47.33
		%	5.21%	4.33%
	<b>SLR (including CRR)</b>			
	Required	Amount (Taka in crore)	272.73	174.73
		%	18%	16%
	Maintained	Amount (Taka in crore)	309.81	185.85
		%	20.45%	17.02%
5.	<b>Balance with other Banks &amp; Financial Institutions In Bangladesh :</b>	<b>Currency</b>		
	In FDR accounts-			
	Social Investment Bank Ltd.	Taka	-	150,000,000
	First Security Bank Ltd.	Taka	50,000,000	100,000,000
	Citibank NA	Taka	-	100,000,000
	Phoenix Leasing Co. Ltd.	Taka	100,000,000	250,000,000
	Bay Leasing & Investment Ltd.	Taka	-	70,000,000
	Uttara Finance & Investment Ltd	Taka	-	100,000,000
	International Leasing & Financial Service Ltd.	Taka	100,000,000	-
	In STD accounts-			
	Dutch Bangla Bank Ltd.	Taka	60,500	58,508
	Agrani Bank	Taka	884,720	361,974
	Janata Bank	Taka	276,365	271,705
	In CD account-			
	Agrani Bank	Taka	3,985,750	641,201
			<b>255,207,335</b>	<b>771,333,388</b>
	<b>Outside Bangladesh in current accounts</b>	<b>Currency</b>		
	Citibank NA, New York	US\$	-	2,169,927
	Mashreqbank, New York	US\$	589,577	4,961,884
	Standard Chartered Bank, New York	US\$	70,981,956	405,118,847
	AMEX, New York	US\$	-	22,116,963
	Habib American Bank	US\$	3,380,046	-
	Mashreqbank, London	US\$	-	3,076,299
	HSBC, New York	US\$	1,978,783	2,894,818
	Standard Chartered Bank, Singapore	SGD	1,994,210	-
	Mashreqbank, London	GBP	85,606	167,577
	Standard Chartered Bank, London	GBP	8,400,451	13,930
	Mashreqbank, London	EUR	1,805,674	1,806,230
	AMEX, Germany	EUR	3,580,188	31,422,868
	Standard Chartered Bank, London	EUR	-	571,278
	Hypo Vereins Bank	EUR	5,789,456	6,398,614



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

		2005	2004
		Taka	Taka
Commerze Bank	EUR	9,734,862	-
AMEX, Tokyo	JPY	27,883,549	204,900
AMEX, Kolkata	ACU	1,635,641	4,429,603
Standard Chartered Bank, Kolkata	ACU	3,991,413	8,494,994
Standard Chartered Bank, Pakistan	ACU	-	11,311,326
Citibank NA, Mumbai	ACU	5,213,378	484,724
Rupali, Pakistan	ACU	4,738	3,853
AB Bank, Mumbai	ACU	2,554,372	2,645,321
HSBC, Mumbai	ACU	1,462,366	-
ICICI, Mumbai	ACU	14,293,436	816,122
<b>Grand Total</b>		<b>165,359,702</b>	<b>509,110,078</b>
		<b>420,567,037</b>	<b>1,280,443,466</b>

## 5.1 Maturity grouping of Balance with other Banks and Financial Institutions

On Demand	170,567,037	510,443,466
Less than three months	50,000,000	250,000,000
More than three months but less than one year	200,000,000	520,000,000
More than one year but less than five years	-	-
More than five years	-	-
	<b>420,567,037</b>	<b>1,280,443,466</b>

## 5.2 Currencywise position and Exchange rate applied for conversion of Balance with other banks in foreign currency into Local currency as on 31 December 2005 are as follows

Name of Bank	Currency	Amount in Currency Foreign	Exchange Rate	Amount in Taka
Mashreqbank, New York	US\$	8,729.30	67.5400	589,577
Standard Chartered Bank, New York	US\$	1,050,961.75	67.5400	70,981,956
Habib American Bank	US\$	50,045.10	67.5400	3,380,046
HSBC, New York	US\$	29,297.94	67.5400	1,978,783
Standard Chartered Bank, Singapore	SGD	49,980.20	39.9000	1,994,210
Mashreqbank, London	GBP	719.38	119.0000	85,606
Standard Chartered Bank, London	GBP	70,592.03	119.0000	8,400,452
Mashreqbank, London	EUR	21,820.83	82.7500	1,805,674
AMEX, Germany	EUR	43,265.11	82.7500	3,580,188
Hypo Vereins Bank	EUR	69,963.21	82.7500	5,789,456
Commerze Bank	EUR	117,641.84	82.7500	9,734,862
AMEX, Tokyo	JPY	45,853,558.00	0.6081	27,883,549
AMEX, Kolkata	ACU	24,217.37	67.5400	1,635,641
Standard Chartered Bank, Kolkata	ACU	59,097.02	67.5400	3,991,413
Citibank NA, Mumbai	ACU	77,189.49	67.5400	5,213,378
Rupali, Pakistan	ACU	70.15	67.5400	4,738
AB Bank, Mumbai	ACU	37,820.14	67.5400	2,554,372
HSBC, Mumbai	ACU	21,651.85	67.5400	1,462,366
ICICI, Mumbai	ACU	211,629.20	67.5400	14,293,436
				<b>165,359,702</b>

## 6. Money at Call and Short Notice

Industrial and Infrastructure Development Finance Co. Ltd.	-	130,000,000
Industrial Promotion & Development Co. of Bd. Ltd.	30,000,000	-
International Leasing & Financial Services Ltd.	100,000,000	-
	<b>130,000,000</b>	<b>130,000,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

## 7. Investments

### Government Securities

#### Treasury Bills (at face value) : (Note 7.01)

364 days Treasury bills

2 yrs Treasury bills

5 yrs Treasury bills

#### Prize Bonds (at face value)

#### Other Investments

#### Shares in unquoted companies (at face value)

Industrial & Infrastructure Dev. Finance Co. Ltd.

Central Depository (BD) Ltd.

Share of Dhaka Stock Exchange Ltd (at cost)

#### Bonds ( at face value)

5 yrs Agrani Bank Industrial Development Bond

1 yr-5 yrs IPDC Zero Coupon Bond

5 yrs Industrial & Infrastructure Dev. Finance Co. Ltd.

Zero Coupon bond

2005	2004
Taka	Taka
530,000,000	-
990,000,000	690,000,000
850,000,000	850,000,000
2,370,000,000	1,540,000,000
760,000	457,300
13,800,000	11,500,000
10,000,000	10,000,000
8,000,000	-
31,800,000	21,500,000
20,000,000	20,000,000
23,420,000	44,253,000
50,000,000	50,000,000
93,420,000	114,253,000
<b>2,495,980,000</b>	<b>1,676,210,300</b>

Valuation of investments in Shares and Bonds is not considered necessary because of the investments made in unquoted companies.

#### Name of the company

#### Type of share

#### Face value

#### No. of share

#### Cost of holding

IIDFC

-

100

138000

13,800,000

CDBL

-

1000000

10

10,000,000

DSE

-

2000

1

8,000,000

**Total**

7.01 Treasury bills include unearned interest thereon and corresponding credit is shown in other liability.

## 7.02 Maturity grouping of Investments as follows

Repayable on Demand

Not more than three months

More than three months but not more than one year

More than one year but not more than five years

More than five years

760,000	457,300
32,220,000	-
1,209,712,000	40,000,000
1,221,488,000	1,614,253,000
31,800,000	21,500,000
<b>2,495,980,000</b>	<b>1,676,210,300</b>

## 8. Loans and Advances

### Loans, Cash Credit, Overdrafts etc.

#### In Bangladesh

Loans :

Term Loan

General Loans

House Building Loan

PAD

Trust Receipts

Product

Lease Finance

Consumer Financing

Export Development Fund

1,423,476,673	1,148,045,776
244,033,699	423,465,655
199,694,591	238,029,902
465,607,996	1,552,968,921
4,770,294,497	3,806,511,590
57,214,319	53,156,631
141,041,665	117,612,352
13,042,359	10,610,111
1,863,522	12,197,014
7,316,269,321	7,362,597,952



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Notes to the Financial Statements

## Cash Credit

Cash Credit

## Overdrafts

Secured Overdraft

## Outside Bangladesh

## Bills Discounted and Purchased (excluding Treasury bills)

Payable in Bangladesh

Payable outside Bangladesh

## Total Loans and Advances

### 8.1 Maturity grouping of Loans and Advances

On Demand

Less than three months

More than three months but less than one year

More than one year but less than five years

More than five years

### 8.2. Concentration of Loans and Advances

Loans and Advances to Institutions in which the

Directors of the Bank have interest

Advances to Managing Director & other Senior Executives

Advances to Customers (group wise)\*

Advances to Industries-

Food

Textile

Jute

Garments

Leather and Leather products

Paper & paper products

Printing & publishing

Pharmaceuticals

Plastic & Rubber

Petroleum & Edible Oil

Glass

Assembling

Metal products

Non-metallic

Electricity

Service

Small Scale

Others

	2005	2004
	Taka	Taka
Cash Credit	2,660,722,471	1,887,914,216
Overdrafts		
Secured Overdraft	2,230,550,946	1,123,028,823
	12,207,542,738	10,373,540,991
Outside Bangladesh	-	-
	<b>12,207,542,738</b>	<b>10,373,540,991</b>
Bills Discounted and Purchased (excluding Treasury bills)		
Payable in Bangladesh	1,847,759,653	1,062,840,739
Payable outside Bangladesh	317,954,142	256,589,486
	<b>2,165,713,795</b>	<b>1,319,430,225</b>
Total Loans and Advances	<b>14,373,256,533</b>	<b>11,692,971,216</b>
8.1 Maturity grouping of Loans and Advances		
On Demand	1,694,634,203	2,830,740,271
Less than three months	1,563,519,814	960,193,391
More than three months but less than one year	9,056,218,964	6,016,556,812
More than one year but less than five years	1,504,137,589	1,648,219,652
More than five years	554,745,963	237,261,090
	<b>14,373,256,533</b>	<b>11,692,971,216</b>
8.2. Concentration of Loans and Advances		
Loans and Advances to Institutions in which the		
Directors of the Bank have interest	30,834,083	7,938,649
Advances to Managing Director & other Senior Executives	7,189,355	2,213,935
Advances to Customers (group wise)*	9,581,433,095	7,121,994,632
Advances to Industries-		
Food	239,642,000	1,119,888,000
Textile	242,072,000	1,092,324,000
Jute	432,234,000	357,483,000
Garments	1,293,926,000	164,219,000
Leather and Leather products	7,732,000	932,300
Paper & paper products	702,935,000	527,578,000
Printing & publishing	-	5,313,000
Pharmaceuticals	50,934,000	22,983,000
Plastic & Rubber	199,579,000	208,271,000
Petroleum & Edible Oil	387,579,000	-
Glass	104,337,000	111,481,000
Assembling	133,189,000	82,456,000
Metal products	185,340,000	75,242,000
Non-metallic	213,596,000	143,029,000
Electricity	470,000	8,477,000
Service	160,689,000	125,698,000
Small Scale	328,702,000	252,287,000
Others	70,844,000	254,772,000
	<b>4,753,800,000</b>	<b>4,560,824,000</b>
	<b>14,373,256,533</b>	<b>11,692,971,216</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

\*No. of borrowers to whom credit facilities of more than 15% of the capital of the bank have been given is 13. Outstanding credit facilities of these borrowers as on December 31, 2005 is Taka 436.44 Crore. Partywise details of these borrowers are given below :

Name of the clients	Outstanding (Tk. in Crore)		Total (Taka in Crore)	Classification Status
	Funded	Non-funded		
Agro Commodities International	16.40	12.42	28.82	UC
City Seed Crushing Industries Ltd	30.94	6.02	36.96	UC
Dynasty Sweater Bd Ltd	7.89	17.84	25.73	UC
Jamuna Denims Ltd	7.80	29.58	37.38	UC
Meghna Flour & Dal Mills Ltd	16.84	18.16	35.00	UC
M K Traders	19.00	30.23	49.23	UC
Sonargaon Textiles Ltd	24.38	1.95	26.33	UC
Asia Pacific Refineries Ltd	8.93	17.86	26.79	UC
Unicom Trading	20.44	11.90	32.34	UC
Urban International	9.12	21.06	30.18	UC
A K Corporation Ltd	18.98	3.79	22.77	UC
T K Chemical Complex	31.77	22.82	54.59	UC
Nurun Nabi	30.32	-	30.32	UC
	<b>242.81</b>	<b>193.63</b>	<b>436.44</b>	

**8.3. Classification of Loans and Advances**

	2005 Taka	2004 Taka
Unclassified	14,367,161,533	11,692,971,216
Special mentioned a/c	6,095,000	-
Substandard	-	-
Doubtful	-	-
Bad & Loss	-	-
	<b>14,373,256,533</b>	<b>11,692,971,216</b>

**8.4 Geographical Locationwise Loans and Advances**

	2005 Taka	2004 Taka
Dhaka	9,019,729,113	7,699,324,785
Chittagong	5,353,527,421	3,993,646,431
Rajshahi	-	-
Khulna	-	-
Barishal	-	-
Sylhet	-	-
	<b>14,373,256,533</b>	<b>11,692,971,216</b>

**8.5 Particulars of Loans and Advances**

I) Debts considered good in respect of which the bank company is fully secured.	13,257,878,243	11,631,976,502
II) Debts considered good against which the bank company holds no security other than the debtor's personal guarantee.	161,280,102	9,532,738
III) Debts considered good secured by the personal under taken of one or more parties in addition to the personal guarantee of the debtors.	954,098,188	51,461,976
IV) Debts adversely classified ; provision not maintained thereagainst provided for.	-	-
	<b>14,373,256,533</b>	<b>11,692,971,216</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

V) Debts due by directors or officers of the banking company or any of these either separately or jointly with any other person.  
 VI) Debts due by companies or firms in which the Directors of the banking company have interested as Director, Partners or managing agents or in case of private companies, as members.  
 VII) Maximum total amount of advances, including temporary advances, made at any time during the year to Directors or Managers or Officers of the banking companies or any of them either separately or jointly with any other person.  
 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.  
 IX) Due from other banking companies  
 X) Amount of classified loan on which interest has not been charged, should be mentioned as follows:  
 a. Decrease/increase in provision, amount of loan written off and amount realised against loan previously written off.  
 b. Amount of provision kept against loan classified as bad/loss on the date of preparing the balance sheet;  
 c. Interest creditable to the interest suspense a/c  
 XI) Amount of Loans written off during the year  
 xii) Interest credited to Suspense account during the year  
 xiii) Cumulative amount of loans written off  
 xiv) Amount of loans written off during the year

## 8.6 Maturity grouping of Bills discounted and purchased

Payable within one month  
 Over one month but less than three months  
 Over three months but less than six months  
 More than or equal to six months

## 9. Fixed Assets including premises, furniture & fixture

Land  
 Immovable Property  
 Furniture & fixtures  
 Interior decoration  
 Office equipments  
 Motor vehicles  
 Books & Periodicals

Details are shown in Annexure-A.

## 10. Other Assets

Stamps on hand  
 Stock of stationery  
 Advance Office Rent  
 Advance Deposit  
 Suspense Account \*  
 Advance Income Tax  
 Adjusting A/C Debit  
 Clearing house adjustment  
 Branch adjustment (net) (Note-10.1 )  
 Sundry Assets

2005 Taka	2004 Taka
11,484,960	7,262,561
26,538,479	2,890,023
14,192,955	10,036,534
27,860,060	10,951,595
-	-
-	-
-	-
222,545	-
-	-
222,545	-
-	-
-	-
1,050,160,660	915,931,838
544,360,047	213,274,872
571,193,088	190,223,515
-	-
<b>2,165,713,795</b>	<b>1,319,430,225</b>
104,195,000	-
10,808,837	11,085,987
18,444,284	15,837,511
39,722,951	34,655,720
47,673,824	44,683,819
15,593,137	15,665,123
121,645	122,066
<b>236,559,678</b>	<b>122,050,226</b>
236,326	75,332
1,700,983	2,748,811
14,241,492	11,287,350
1,439,155	1,187,357
11,979,685	9,875,042
592,398,618	335,080,223
39,905,765	68,828,698
5,000	1,100,000
-	31,311,912
-	1,295,869
<b>661,907,024</b>	<b>462,790,594</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

\*This includes DD paid without advice, advance against expenses for advertisement, opening of new branch, travelling expenses etc.

## 10.1. Branch Adjustment (net)

Entries	No. of entries outstanding as on 31-12-2004
Debit entries	16
Credit entries	53

2005	2004
Taka	Taka
	68,192,618
	36,880,706
	<b>31,311,912</b>

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

Branch adjustments account represents outstanding Interbranch and Head office transactions (Net) originated but yet to be responded by the balance sheet date. However, the unrespondent entries of 31-12-2004 are given below:

	No. of Unrespondent entries		Unrespondent entries (Amount)	
	Dr	Cr	Dr.	Cr.
Up to 3 months	16	53	68,192,618	36,880,706
Over 3 months	-	-	-	-
Over 6 months but within 1 year	-	-	-	-
Over 1 year but within 5 years	-	-	-	-
	<b>16</b>	<b>53</b>	<b>68,192,618</b>	<b>36,880,706</b>

## 10.2 Classification of Other Assets

Unclassified  
Doubtful  
Bad/Loss

2005	2004
Taka	Taka
661,907,024	462,790,594
-	-
-	-
<b>661,907,024</b>	<b>462,790,594</b>

## 11. Borrowings from other Banks, Financial Institutions & Agents In Bangladesh - Secured :

Pubali Bank Ltd.  
Rupali Bank Ltd.  
Premier Bank Ltd.  
Eastern Bank Ltd.  
Uttara Bank Ltd.  
Unsecured

### Outside Bangladesh

-	100,000,000
-	100,000,000
-	140,000,000
-	50,000,000
-	50,000,000
-	440,000,000
-	-
-	<b>440,000,000</b>

## 11.01 Maturity grouping

On Demand  
Less than three months  
More than three months but less than one year  
More than one year but less than five years  
More than five years

-	440,000,000
-	-
-	-
-	-
-	-
-	<b>440,000,000</b>

## 12. Deposits and other accounts

### Current Accounts & Other Accounts

Current Deposits  
Short Term Deposits  
Foreign Currency Deposits  
Non-resident taka account  
Sundry Deposits

701,152,934	356,985,160
246,946,728	192,360,137
47,874,441	21,601,046
4,231,918	1,267,518
973,462,272	930,345,132
<b>1,973,668,293</b>	<b>1,502,558,993</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Notes to the Financial Statements

## Bills Payable

PO Issued  
PS Issued  
DD Payable

## Savings Deposits

### Fixed Deposits

From Banks  
From other than Banks

## Deposit-Products

Brick by Brick  
Save Everyday Deposits  
Festival Savings Plan  
Children Education  
Bestinvest Deposits  
Unique Savings Plan  
MTB Double Saver Plan  
MTB Triple Saver Plan  
MTB Millionaire Plan  
MTB Education Plan  
MTB Monthly Benefit Plan

## 12.1 Maturity grouping of Deposits and other accounts

Repayable on Demand  
Repayable within one month  
Over one month but within six months  
Over six months but within one year  
Over one year but within five years  
Over five years but within ten years  
Unclaimed deposit for ten years or more

## 13. Other Liabilities

Provision for loans and advances (Note-13.1)  
Provision for Other Assets  
Interest Suspense (Note 13.02)  
Exchange Equalization Fund  
Short term liabilities to Banks abroad (Note 13.03)  
Export Development Fund  
Provision for Tax (Note-13.04)  
Deferred Tax Liability (Note 13.05)  
Provision for Audit Fees  
Provision for Bonus  
Contribution to Mutual Trust Bank Foundation  
Provision for MTB Employees Death Benefit Scheme  
Contribution to MTB Employees Welfare Fund  
Unearned Interest on Treasury Bills and Zero Coupon Bond  
Adjusting A/c Credit (Note 13.06)\*  
Branch Adjustment (net) (Note-13.07)

2005	2004
Taka	Taka
167,765,864	118,290,905
3,064,450	474,334
8,673,716	9,000,057
179,504,030	127,765,296
914,722,524	597,311,092
200,000,000	1,500,000,000
11,919,174,327	8,459,718,106
12,119,174,327	9,959,718,106
382,746,036	212,664,887
4,106,342	8,792,566
7,730,953	13,470,785
4,329,897	1,360,826
89,015,132	68,765,800
4,855,528	671,718,030
9,947,328	-
2,453,248	-
1,102,331	-
69,674	-
405,115,780	-
911,472,249	976,772,894
<b>16,098,541,423</b>	<b>13,164,126,381</b>
1,997,697,847	1,497,695,261
1,173,398,193	831,074,453
1,753,937,178	2,505,995,835
9,394,950,450	6,578,993,117
1,392,463,627	1,497,946,922
386,094,128	252,420,793
-	-
<b>16,098,541,423</b>	<b>13,164,126,381</b>
145,000,000	117,500,000
-	-
222,545	-
33,684	33,684
35,916,234	-
1,863,521	12,197,014
750,838,736	463,260,438
6,828,213	-
40,000	40,000
13,645,681	8,850,000
1,000,000	1,000,000
1,000,000	1,000,000
500,000	-
199,576,258	248,468,573
482,019,908	257,005,224
22,479,541	-
<b>1,660,964,321</b>	<b>1,109,354,933</b>

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2005	2004
Taka	Taka
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
117,500,000	60,000,000
27,500,000	57,500,000
<b>145,000,000</b>	<b>117,500,000</b>
-	-
222,545	-
-	-
-	-
<b>222,545</b>	-

Balance as on 1 January 2005

Add: Provision made during the year  
Provision held at beginning at the year  
Provision held fully provided debt written off  
Recovery of amounts previously written off  
Specific provision for the year  
Recovers and provisions no longer required  
Net charge to profit & loss a/c  
Provision held at the end of the year

Balance as on 1 January 2005

Add: Provision made during the year

Closing Balance

Balance at the beginning of the year  
Amount transferred to interest suspense a/c during the year  
Amount recovered in interest suspense a/c during the year  
Amount written off during the year  
Balance at the end of the year

2005	2004
Taka	Taka
463,260,438	261,012,261
287,578,298	202,248,177
<b>750,838,736</b>	<b>463,260,438</b>

Opening balance  
Provision made during the year  
Closing balance

Deferred Tax Liabilities are arrived at as follows :

Particulars	2005	2004	2003
Book value of fixed assets	236,559,678	122,050,226	104,926,706
Tax base	221,385,871	108,194,761	94,822,916
Taxable temporary difference	(15,173,807)	(13,855,465)	(10,103,790)
Tax rate	45%	45%	45%
<b>Deferred tax assets/(liabilities)</b>	<b>(6,828,213)</b>	<b>(6,234,959)</b>	<b>(4,546,706)</b>
<b>Deferred tax expenses</b>			
Opening deferred tax		6,234,959	
Closing deferred tax		6,828,213	
Deferred Tax Expenses		593,254	

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Deferred tax liabilities upto 2004 :

This has been adjusted with the opening balance of general reserve of 1-1-2005 in the statement of changes in equity in compliance with provision of the Bangladesh Accounting standard (BAS) -8 : Net profit or loss for the period, fundamental errors and changing the accounting policies.

The effective income tax rate of 45% has been considered as this tax rate is applicable for banking company of Bangladesh

**13.06 \*This includes Interest payable on deposits, accrued expenses for office rent, telephone, electricity, security service, postage/courier etc.**

## 13.07 Branch Adjustment (net)

Entries	No. of entries outstanding as on 31-12-2005	Taka
Debit entries	60	98,324,730
Credit entries	96	120,804,271
		<b>22,479,541</b>

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

Branch adjustments account represents outstanding Interbranch and Head office transactions ( Net) originated but yet to be responded by the balance sheet date. However, the unrespondent entries of 31-12-2005 are given below:

	No. of Unrespondent entries		Unrespondent entries (Amount)	
	Dr	Cr	Dr.	Cr.
Up to 3 months	60	96	98,324,730	120,804,271
Over 3 months	-	-	-	-
Over 6 months but within 1 year	-	-	-	-
Over 1 year but within 5 years	-	-	-	-
	<b>60</b>	<b>96</b>	<b>98,324,730</b>	<b>120,804,271</b>

## 14. Capital

### 14.1 Authorized

10,000,000 ordinary shares of Tk.100 each

2005	2004
Taka	Taka
1,000,000,000	1,000,000,000

### 14.2 Issued, subscribed and paid-up

The issued, subscribed and paid-up capital of the Bank amounts to Taka 864,000,000 (2004 : Taka 720,000,000) divided into 8,640,000 Ordinary shares (2004 : 7,200,000 Ordinary shares) of Taka 100 each as follows:

6,000,000 Ordinary shares (2004:6,000,000 Ordinary shares)

of Tk 100 each issued for cash.

2,640,000 Ordinary shares (2004:1,200,000 ordinary shares) of

Tk 100 each issued as bonus shares

600,000,000	600,000,000
264,000,000	120,000,000
<b>864,000,000</b>	<b>720,000,000</b>

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

	December 2005		
	No. of shares	Value of shares in Taka	% of holding
Sponsors	4,225,160	422,516,000	48.90%
Financial Institutions	2,170,937	217,093,700	25.13%
General	2,243,903	224,390,300	25.97%
	<b>8,640,000</b>	<b>864,000,000</b>	<b>100%</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

**14.3 Capital adequacy requirements**

There is a surplus of Taka 478.57 million in the capital fund of the Bank as on 31 December 2005 computed in accordance with BRPD Circular # 10 dated November, 2002 and BRPD Circular # 03 dated May 09, 2004. Details of such surplus capital fund are given below (figure in million Taka) :

- a) Total risk weighted assets  
b) Required Capital : 9% of total risk weighted assets or 1000 million which ever is higher  
c) Actual capital maintained

**Core Capital(Tier-I)**

Paid up Capital  
Share Premium  
Statutory reserve  
General reserve  
Retained Earnings

**Supplementary Capital (Tier-II)**

1% General Provision  
Exchange equalisation

**Total Capital (Tier-I+Tier-II)****Surplus/(deficit)****Capital adequacy ratio**

	2005		2004	
	Required	Held	Required	Held
Capital requirement				
Tier -I	606.98	1547.49	506.01	1,217.55
Total	1213.95	1692.52	1,012.02	1,335.08

**14.4 Classification of shareholders by holdings as on December 31, 2005**

Holdings	No. of Shareholders	Value of shares in Taka	Total Holdings %
Less than 500 shares	3,446	40,658,500	4.71%
500 to 5,000 shares	677	87,808,000	10.16%
5,001 to 10,000 shares	35	24,492,600	2.83%
10,001 to 20,000 shares	15	21,561,300	2.50%
20,001 to 30,000 shares	16	39,257,000	4.54%
30,001 to 40,000 shares	11	38,636,000	4.47%
40,001 to 50,000 shares	4	18,019,000	2.09%
50,001 to 100,000 shares	14	101,459,000	11.74%
100,001 to 1,000,000 shares	21	492,108,600	56.96%
Over 1,000,000 shares	-	-	-
	<b>4,239</b>	<b>864,000,000</b>	<b>100%</b>

**15. Share Premium**

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.

**16. Statutory Reserve**

Balance as per last balance sheet  
Add: Addition during the year (20% of net profit before tax)

2005	2004
Taka	Taka
211,361,105	121,473,026
124,869,250	89,888,079
<b>336,230,355</b>	<b>211,361,105</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Notes to the Financial Statements

	2005 Taka	2004 Taka
<b>17. General Reserve</b>		
Balance as per last year	28,879,841	27,756,580
Add: Transferred from Retained Earnings	13,304,137	1,123,261
Less: Adjusted for Deferred tax liability upto previous year	6,234,959	-
	<b>35,949,019</b>	<b>28,879,841</b>
<b>18 Retained Earnings</b>		
Balance as on 1 Januray 2005	157,304,137	121,123,261
Less: Bonus Share issued during the year	144,000,000	120,000,000
Less: Transferred to General reserve	13,304,137	1,123,261
Add: Addition during the year	211,305,448	157,304,137
Balance as on December 31, 2005	211,305,448	157,304,137
<b>19 Contingent Liabilities &amp; Commitments</b>		
<b>Letter of Guarantee</b>	2,513,845,074	1,440,183,428
<b>Irrevocable Letter of Credit</b>		
Letter of Credit (Cash)	1,737,500,750	1,829,791,700
Letter of Credit (Back to Back)	517,839,000	555,139,000
Letter of Credit (Deferred)	1,550,000	136,285,000
Letter of Credit (Inland)	154,835,000	161,007,000
	2,411,724,750	2,682,222,700
<b>Bills for collection</b>		
Inland	80,799,820	7,864,834
Foreign	119,000	2,085,000
FDBC	95,322,598	106,291,000
	176,241,418	116,240,834
<b>Other Contingent Liabilities</b>		
IFDBC (Back to Back)	1,781,033,000	952,268,503
IFDBC (Cash)	597,940,000	260,257,000
LD BC	17,488,700	23,407,700
	2,396,461,700	1,235,933,203
	<b>7,498,272,942</b>	<b>5,474,580,165</b>
<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 favouring :		
Directors	-	-
Government	2,283,617,741	1,278,180,721
Bank and other Financial Institutions	4,258,730	2,577,325
Others	225,968,603	159,425,382
	2,513,845,074	1,440,183,428
Less: Margin	914,590,227	101,234,646
	<b>1,599,254,847</b>	<b>1,338,948,782</b>
iii) Liability on account of bills re-discounted	-	-
iv) Liability on account of outstanding forward exchange contract	-	-
	<b>1,599,254,847</b>	<b>1,338,948,782</b>
<b>19.02 Segregation of Commitment by Type</b>		
I. Documentary Credit and Short Term Business Related Transaction	2,411,724,750	2,682,222,700
II. Forward Asset Purchase and Forward Deposit	-	-
III. Endorsed formal standby facilities, Credit facilities and other commitments :		
Less than one year	4,910,306,774	2,676,116,631
One year and above	-	-
IV. Spot and Forward Foreign Exchange Rate Contract	-	-
V. Other Exchange Contract	-	-
VI. Others	176,241,418	116,240,834
	<b>7,498,272,942</b>	<b>5,474,580,165</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

	2005 Taka	2004 Taka
<b>20 Interest Income</b>		
Interest on :		
Loans and Advances (Note-20.1)	1,619,624,723	1,055,144,568
Money at call and short notice	23,753,166	8,703,086
Balance with other Banks and Financial institutions (Note-20.2)	41,933,851	74,405,641
Bangladesh Bank Foreign currency clearing accounts	3,566,289	1,711,904
	<b>1,688,878,029</b>	<b>1,139,965,199</b>
<b>20.1 Interest on Loans and Advances</b>		
<b>Interest income on</b>		
Term Loans	155,959,664	95,829,696
General Loans	44,340,543	29,272,298
House Building Loans	30,946,359	26,934,023
PAD	137,729,730	117,147,057
LTR	576,073,814	380,313,077
Lease Finance	15,634,650	12,797,494
CCS	1,626,490	1,258,233
Cash Credit	273,588,343	193,284,218
Bestinvest Loan	7,329,740	1,865,615
Overdraft	233,516,513	127,107,426
IFDBC	1,543,155	45,905
IBP	47,286,645	21,463,043
IDBP	92,241,512	46,032,589
FDBP	1,807,565	1,793,894
	<b>1,619,624,723</b>	<b>1,055,144,568</b>
<b>20.2 Interest on Balance with other Banks and Financial Institutions</b>		
Interest on Balance with other Banks in Bangladesh	31,933,851	71,758,067
Interest on Balance with Foreign Banks	10,000,000	2,647,574
	<b>41,933,851</b>	<b>74,405,641</b>
<b>21 Income statement</b>		
<b>Income</b>		
Interest, discount and similar income	1,826,548,996	1,225,096,432
Dividend income	2,300,000	1,500,000
Fee, commission and brokerage	141,444,412	114,096,858
Gains less losses arising from dealing securities	-	-
Gains less Losses arising from investment securities	-	-
Gains less Losses arising from dealing in foreign currencies	129,956,877	143,335,390
Income from non-banking assets	-	-
Other operating income	35,467,093	22,656,896
Profit less losses on interest rate changes	-	-
	<b>2,135,717,378</b>	<b>1,506,685,576</b>
<b>Expenses</b>		
Interest, fee and commission	1,258,704,712	820,685,501
Losses on loans and advances	-	-
Administrative expenses	159,426,299	121,460,839
Other operating expenses	45,556,988	38,431,331
Depreciation on banking assets.	20,183,129	19,167,512
	<b>1,483,871,128</b>	<b>999,745,183</b>
	<b>651,846,250</b>	<b>506,940,393</b>
<b>22 Interest paid on Deposits &amp; Borrowings etc.</b>		
Interest on Deposits and other accounts (Note-22.1)	1,244,548,322	816,229,788
Interest on Borrowings from other Banks and Financial Institutions	14,156,390	4,455,713
	<b>1,258,704,712</b>	<b>820,685,501</b>
<b>22.1 Interest on Deposits and other accounts</b>		
Interest on :		
Savings Deposits	32,625,086	25,335,008
Short Term Deposits	12,521,913	7,737,902
Fixed Deposits	1,123,598,931	762,188,111
Deposit-Products	75,802,392	20,968,767
	<b>1,244,548,322</b>	<b>816,229,788</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

## 23 Investment Income

Interest on Treasury Bills  
Reverse REPO  
Interest on Bonds  
Gain on sale of investment in shares of EXIM Bank Ltd.  
Dividend on Investment in Shares

## 24 Commission, Exchange & Brokerage

Commission (Note-24.1)  
Exchange

### 24.1 Commission on

Letter of Guarantee  
Letter of Credit  
Acceptance of Bills  
LC Advising  
Export Bills  
PO, DD & TT  
Foreign Remittance  
On-line service  
IBP/FBP/IDBP  
FDBC/IFDBC  
OBC  
Others

## 25 Other operating Income

Postage charge recoveries  
Telex, TP & Telegram charge recoveries  
Handling charges  
Service Charges  
SWIFT Charge recoveries  
DP Income  
Locker Rent  
Miscellaneous Earnings

## 26 Salary & Allowances

Basic Pay  
Allowances  
Bonus  
Daily Wages  
Leave encashment  
Provident Fund

## 27 Rent, Tax, Insurance, Electricity etc.

Rent  
Rates & taxes  
Insurance  
Power and electricity

## 28 Postage, Stamps, Telegram & Telephone etc

Postage/Courier Service  
Telegram, Telex, Fax & e-mail  
On-line charges  
Telephone

## 29 Printing, Stationery, Advertisement etc.

Printing & Security Stationery  
Computer Stationery  
Petty & Table Stationery  
Publicity & Advertisement

2005	2004
Taka	Taka
123,846,335	78,152,578
4,556,250	-
9,268,382	6,952,955
-	25,700
2,300,000	1,500,000
<b>139,970,967</b>	<b>86,631,233</b>
141,444,412	114,096,858
129,956,877	143,335,390
<b>271,401,289</b>	<b>257,432,248</b>
20,986,639	13,697,739
73,713,664	68,689,308
17,178,107	12,295,932
-	966,433
6,523,867	3,614,124
3,425,716	2,242,396
370,989	269,262
986,202	-
1,043,904	661,101
16,583,710	11,343,184
631,614	317,379
-	-
<b>141,444,412</b>	<b>114,096,858</b>
8,695,714	8,578,573
380,283	2,943,020
3,439,049	2,238,213
4,331,515	2,809,821
11,594,570	3,845,241
409,014	140,645
337,500	131,000
6,279,448	1,970,383
<b>35,467,093</b>	<b>22,656,896</b>
45,221,233	34,401,268
30,261,086	22,525,109
20,516,916	14,434,750
1,100,542	856,579
2,263,780	1,472,254
3,311,970	2,776,754
<b>102,675,527</b>	<b>76,466,714</b>
18,144,230	14,093,519
1,171,716	1,171,592
5,368,856	3,988,995
4,289,884	3,948,380
<b>28,974,686</b>	<b>23,202,486</b>
2,861,362	2,344,520
291,275	715,667
2,330,579	2,018,950
3,255,798	2,315,845
<b>8,739,014</b>	<b>7,394,982</b>
4,366,064	2,285,502
1,326,309	952,204
966,886	752,114
7,710,480	5,978,464
<b>14,369,739</b>	<b>9,968,284</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
	Taka	Taka
<b>30 Directors fee</b>		
Meeting fee	382,500	437,500
Other fee	-	-
	<b>382,500</b>	<b>437,500</b>
<b>31 Depreciation on &amp; repairs to Bank's property</b>		
Depreciation	20,183,129	19,167,512
Repair	1,639,823	1,332,651
	<b>21,822,952</b>	<b>20,500,163</b>
<b>32 Other Expenditures</b>		
Security & Auxiliary Service	9,763,391	7,646,584
Office Cleaning & maintenance	3,654,946	2,139,931
Car expenses	3,840,548	2,936,833
Entertainment	1,977,698	1,396,555
Newspaper & Periodicals	218,900	199,170
Clearing House Expenses	6,565	6,630
Traveling & Conveyance	4,851,920	2,968,473
Foreign Bank Charges	653,809	262,133
Training/ Seminar participation	707,015	996,157
AGM Expenses	591,881	650,512
Wasa & Gas	286,284	292,699
Subscription & Donation	1,817,010	6,181,310
SWIFT charge	3,645,767	1,803,003
Rauter charge	1,299,444	935,734
CDBL Charges	433,185	168,395
Fees & Registration	2,461,343	1,490,536
Business Development	2,946,500	3,243,144
Promotional expenses	845,555	-
Liveries & uniforms	10,170	4,150
Branch Opening Expenses	1,105,342	705,559
Contribution to MTB Foundation	1,000,000	1,000,000
MTB Employees death benefit expenses	1,000,000	1,000,000
Employees Welfare expenses	500,000	-
Share Related Expenses	85,794	881,600
Honorarium	18,000	26,000
Miscellaneous Expenses	1,835,921	1,496,223
	<b>45,556,988</b>	<b>38,431,331</b>
<b>33 Provision against loans and advances</b>		
Provision for Classified Loans & Advances	-	-
Provision for Unclassified Loans and Advances	27,500,000	57,500,000
Total amount of provision made during the year	<b>27,500,000</b>	<b>57,500,000</b>
<b>34 Provision for Taxation</b>		
The amount shown under the above head represents the provision for Corporate tax made during the year in respect of :		
Prior years	6,622,485	-
Current year	280,955,813	202,248,177
	<b>287,578,298</b>	<b>202,248,177</b>

Assessments upto the year 2003 (upto assessment year 2004-05) have been completed. Corporate tax return for the year 2004 (Assessment year 2005-06) has been filed to the DCT, LTU, Dhaka. Assessment for the year 2004 (Assessment year 2005-06) is yet to be finalised by the DCT.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
	Taka	Taka
<b>35 Earning per Share (EPS)</b>		
Net profit after tax (Tk.)	336,174,698	247,192,216
Number of ordinary shares Outstanding	8,640,000	8,640,000
Earning per Share (Tk.)	38.91	28.61

Earning per share has been calculated in accordance with BAS 33 Earning Per Share (EPS). Previous year figures have been adjusted for the issue of 1,440,000 bonus share (for the year 2004) during the year

	2005	2004
	Taka	Taka
<b>36 Received from other operating activities</b>		
Total interest receive	1,688,878,029	1,139,965,199
Income from Investment	139,970,967	86,631,233
Other operating income	35,467,093	22,656,896
Income from Commission Exchange & Brokerage	271,401,289	257,432,248
Less: Interest received from Loans and Advances and Investment	(1,826,548,996)	(1,225,096,432)
Less: Fees & Commission	(141,444,412)	(114,096,858)
Less: Change of Exchange Rate	(10,101,098)	(13,390,973)
Less: Dividend Income	(2,300,000)	(1,500,000)
	<b>155,322,872</b>	<b>152,601,313</b>
<b>37 Payment for other Operating activities</b>		
Total operating expenses	225,166,416	179,059,682
Less: Salary & Allowance	(102,675,527)	(76,466,714)
Less: Depreciation	(20,183,129)	(19,167,512)
	<b>102,307,760</b>	<b>83,425,456</b>

## 38 Number of Employees

The number of employees engaged for the whole year or part thereof who received a total remuneration of Taka 36,000 or above were 402.

	2005	2004
<b>39 No. of Branches</b>	20	16
<b>40 No. of meetings</b>		
Board meetings	11	11
Executive Committee meetings	6	6

## 41 Assets pledged as security for liabilities as on 31 December 2005 is nil.

- i Shares issued to Directors and Executives without consideration or exercisable at discount Nil
- Lending Policies to related parties**
- ii Lending to related Parties is effected as per requirements of Section 27 (1) of the Bank Companies Act 1991)
- iii Business other than Banking business with any related concern of the Directors as per Section 18 (2) of the Bank Companies Act -1991. Nil
- iv Investments in the Securities of Directors and their related concern Nil

## 42 Auditors work hour

The external auditors of the bank, Howladar, Yunus & Co., Chartered Accountants has covered 80% of the risk weighted assets and has spent around 3000 hours to complete the audit as per Bangladesh Standards on Auditing (BSA).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

## 43 Related Party Disclosure

## 43.1 Name of Directors and their shareholdings as on December 31, 2005

Name	Designation	No. of Shares held	December 2005	
			Amount in Taka	Holding %
Mr Syed Manzur Elahi	Chairman	295,200	29,520,000	3.42%
Mr. Hedayetullah	Vice Chairman	119,000	11,900,000	1.38%
Advanced Chemical Industries Ltd. represented by Dr. Arif Dowla	Director	288,000	28,800,000	3.33%
East West Properties Development Ltd. represented by				
Mr. Abu Sufian	Director	288,000	28,800,000	3.33%
Al-haj Syed Abul Hossain	Director	288,000	28,800,000	3.33%
Mr. M. A. Rouf	Director	144,000	14,400,000	1.67%
Mr. Md. Abdul Malek	Director	110,000	11,000,000	1.27%
Associated Builders Corporation Ltd. represented by Mr. Rashed				
Ahmed Chowdhury	Director	432,000	43,200,000	5.00%
Mrs. Yasmeen Haque	Director	72,000	7,200,000	0.83%
Mr. A.F.M. Mahfuzul Hasan	Director	25,000	2,500,000	0.29%
Mr. Anjan Chowdhury	Director	134,640	13,464,000	1.56%
Mr. Md. Wakiluddin	Director	180,000	18,000,000	2.08%
Mr. Saidur Rahman Ratan	Director	75,000	7,500,000	0.87%
		<b>2,450,840</b>	<b>245,084,000</b>	<b>28.37%</b>

Name of the companies in which the directors of the bank have interest are given in Annexure-B.

## 43.2 Related party transactions

Name of party	Related with	Nature of transactions	Amount Outstanding (Tk.)	Remarks
SNM Securities Ltd.	Mr Syed Manzur Elahi, Chairman	SOD	979,613	Personal guarantee
Pioneer Insurance Co. Ltd.	Mr Hedayetullah & Mr Abu Sufian, both are director of the bank.	SOD	18,750,439	Secured by FDR
Apex Tannery Ltd.	Mr Syed Manzur Elahi, Chairman & Mr Hedayetullah, Vice Chairman	Bank Guarantee	371,934	Secured by FDR
International Publication	Mr Syed Manzur Elahi, Chairman	House building loan	6,808,427	Mortgage of Flat
Mr Md Abdur Rouf	Mr Md Abdur Rouf, Director	House building loan	4,295,604	Mortgage of Flat

## 43.3 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	Mr. Anjan Chowdhury, Director of the Bank	Approved by Bangladesh Bank



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

## 44 Audit Committee

### Particulars of audit committee

Pursuant to the BRPD Circular # 12 dated 23.12.2002, the Audit Committee of the Board of Directors consisted of the following 03 (three) members of the Board:

Name	Status with the bank	Status with the committee	Educational Qualification
Mr. Anjan Chowdhury	Director	Chairman	BBA(USA)
Mr. Hedayetullah	Vice Chairman	Member	MA(UK)
Mr. Md. Abdul Malek	Director	Member	B.SC Engineering from BUET

Meeting held with Audit Committee and Senior Management to consider and review the Bank's Financial Statements.

### 3 (three) Meetings of the audit committee were held during the year on the following dates :

April 05, 2005

August 30, 2005

December 15, 2005

During the year under review the committee held the meetings to undertake various functions including reviewing Annual Financial Statements in compliance with the Bangladesh Bank Circular.

Steps have been taken for implementation of an effective Internal Control Procedure of the Bank.

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



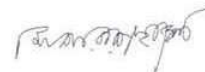
**Syed Manzur Elahi**  
Chairman



**Hedayetullah**  
Vice Chairman



**Md. Wakiluddin**  
Director



**Mosharraf Hossain**  
Managing Director

# Schedule of Premises & Fixed Assets

## SCHEDULE OF PREMISES & FIXED ASSETS

AS ON DECEMBER 31, 2005

Annexure-A

Particulars	Cost			Depreciation				Written down value as on 31.12.2005
	Balance as on 01.01.2005	Addition during the year	Disposal during the year	Balance as on 31.12.2005	Rate	Balance as on 01.01.2005	Charged for the year	
	Taka	Taka	Taka	Taka		Taka	Taka	Taka
Land	-	104,195,000	-	104,195,000	-	-	-	104,195,000
Immovable property	11,393,980	-	-	11,393,980	2.5%	307,993	277,150	10,808,837
Furniture & Fixtures	19,393,388	4,280,470	-	23,673,858	10%	3,555,877	1,673,697	18,444,284
Interior Decoration	43,540,705	8,599,209	-	52,139,914	10%	8,629,820	3,787,143	39,722,951
Office Equipments	69,557,363	13,261,914	148,990	82,670,287	20%	25,128,709	10,004,744	47,673,824
Motor Vehicles	22,040,592	5,030,000	1,400,000	25,670,592	20%	6,375,469	4,426,986	15,593,137
Books & Periodicals	141,196	12,988	-	154,184	10%	19,130	13,409	121,645
Total 2005	166,067,224	135,379,581	1,548,990	299,897,815		44,016,998	20,183,129	236,559,678
Total 2004	131,005,359	36,811,865	1,750,000	166,067,224		26,078,653	19,167,512	122,050,226



## 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. Syed Manzur Elahi Chairman	<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.
02.	Mr. Hedayetullah Vice Chairman	<b>DIRECTOR</b> Apex Tannery Ltd. Hedayetullah Securities Ltd. R & R Hides & Skin Agency
03.	Dr Arif Dowla Director Representing Advanced Chemical Industries Ltd.	<b>DIRECTOR</b> Advanced Chemical Industries Ltd. ACI Trading Ltd. ACI Formulations Ltd. Pioneer Insurance Co. Ltd. Consolidated Chemicals Ltd. Tetley ACI (Bangladesh) Ltd. ACI Salt Ltd. ACI Godrej Agrovet (Pvt.) Ltd.
04.	Mr. Abu Sufian Director Representing East West Properties Development Ltd.	<b>DIRECTOR</b> East West Properties Development Ltd.
05.	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.
06.	Mr. M.A. Rouf Director	<b>PROPRIETOR</b> Balaka Bangladeshi Restaurant, UK Diamond Properties (BD) Ltd. Diamond Properties, UK Dilse Restaurant Ltd. UK

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

## 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
07.	Mr. Md. Abdul Malek Director	<b>CHAIRMAN</b> Sheltech Consultant (Pvt.) Ltd. Jebel-E-Noor General Hospital Ltd.
08.	Mr. Rashed Ahmed Chowdhury Director Representing Associated Builders Corporation Ltd.	<b>DIRECTOR</b> ABC Real Estates Ltd. ABC Building Products Ltd. Banga Garments Ltd. Shamsuddin Towels Ltd. SAC Agency Ltd.
09.	Mrs. Yasmeen Haque Director	<b>NONE</b>
10.	Mr. A.F.M. Mahfuzul Hasan Director	<b>PROPRIETOR</b> Joy Trading House <b>DIRECTOR</b> Mutual Packaging Industries Ltd. Softtech Computers & Networks Ltd. Dinkum Travels & Tours Ltd.
11.	Mr. Anjan Chowdhury Director	<b>MANAGING DIRECTOR</b> Square Spinning Ltd. Square Toiletries Ltd. Square Consumer Products Ltd. <b>DIRECTOR</b> Square Pharmaceuticals Ltd. Square Textiles Limited. Square Knit Fabrics Ltd. Square Fashions Ltd. Square Informatix Ltd. Square Hospitals Ltd. Pharma Packages Ltd. Health Products 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.