

## AUDITORS' REPORT TO THE SHAREHOLDERS

auditors' report to the shareholders

We have audited the accompanying Balance Sheet of the Mutual Trust Bank Limited as of December 31, 2006 and the related Profit and Loss Account and the statement of Cash Flows for the year then ended. These financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BAS). 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.

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS) except BAS 17, give a true and fair view of the state of the bank's affairs as of December 31, 2006 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 .
- (3) the bank's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns,
- (4) the expenditure incurred was for the purposes of the bank's business;
- (5) the financial position of the bank at December 31, 2006 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.
- (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*

**(HOWLADAR YUNUS & CO.)**

Chartered Accountants

Dhaka, Bangladesh

22 March 2007

# B A L A N C E S H E E T 2 0 0 6

as on december 31, 2006

	Notes	2006 Taka	2005 Taka
<b>Property and Assets</b>			
<b>Cash :</b>			
Cash in hand (Including Foreign Currency)	3	233,425,245	147,594,334
Balance with Bangladesh Bank & its agent bank (Including Foreign Currency)	4	1,413,425,408	841,125,960
		<b>1,646,850,653</b>	<b>988,720,294</b>
<b>Balance with other Banks &amp; Financial Institutions :</b>			
In Bangladesh	5	783,960,394	255,207,335
Outside Bangladesh		175,569,497	165,359,702
		959,529,891	420,567,037
<b>Money at Call and Short Notice</b>	6	<b>970,000,000</b>	<b>130,000,000</b>
<b>Investments :</b>			
Government	7	2,990,909,400	2,370,760,000
Others		64,778,000	125,220,000
		3,055,687,400	2,495,980,000
<b>Loans and Advances :</b>			
Loans, Cash Credit, Overdrafts etc.	8	16,356,416,377	12,207,542,738
Bills purchased and discounted		2,235,104,254	2,165,713,795
		<b>18,591,520,631</b>	<b>14,373,256,533</b>
<b>Fixed Assets including premises, furniture &amp; fixture</b>	9	276,186,202	236,559,678
<b>Other Assets</b>	10	<b>718,210,820</b>	<b>661,907,024</b>
<b>Non-banking assets</b>		-	-
<b>Total Property and Assets</b>		<b>26,217,985,597</b>	<b>19,306,990,566</b>
<b>Liabilities and Capital</b>			
Borrowings from other Banks, Financial Institutions and agents		-	-
<b>Deposits and other accounts :</b>			
Current Deposits & Other Accounts	11	2,804,119,941	1,973,668,293
Bills Payable		196,727,245	179,504,030
Savings Deposits		1,439,402,890	914,722,524
Fixed Deposits		16,519,124,214	12,119,174,327
Deposit-Products		1,304,671,699	911,472,249
		<b>22,264,045,989</b>	<b>16,098,541,423</b>
<b>Other Liabilities</b>	12	<b>2,049,135,387</b>	<b>1,660,964,321</b>
<b>Total Liabilities</b>		<b>24,313,181,376</b>	<b>17,759,505,744</b>

# BALANCE SHEET 2006

as on december 31, 2006

	Notes	2006 Taka	2005 Taka
<b>Capital/Shareholders' Equity :</b>			
Paid up Capital	13	950,400,000	864,000,000
Share Premium	14	100,000,000	100,000,000
Statutory reserve	15	511,124,778	336,230,355
General reserve	16	39,894,467	35,949,019
Retained Earnings	17	303,384,976	211,305,448
<b>Total Shareholders' Equity</b>		<b>1,904,804,221</b>	<b>1,547,484,822</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>26,217,985,597</b>	<b>19,306,990,566</b>
<b>Off Balance Sheet Items :</b>			
<b>Contingent Liabilities</b>			
	18		
Letter of Guarantee		3,044,696,931	2,513,845,074
Irrevocable Letter of Credit		3,882,172,100	2,411,724,750
Bills for Collection		125,492,382	113,841,418
Other Contingent Liabilities		2,619,029,500	2,458,861,700
<b>Total</b>		<b>9,671,390,913</b>	<b>7,498,272,942</b>
Other Commitments			
Documentary Credits and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Claims against the Bank not acknowledge as debt		-	-
Litigation pending against Bank		-	-
<b>Total</b>		<b>Nil</b>	<b>Nil</b>
<b>Other memorandum items</b>			
Value of Travellers' cheque on hand		-	-
Value of Bangladesh Sanchay Patra on hand		-	-
<b>Total</b>		<b>Nil</b>	<b>Nil</b>
<b>Total off Balance Sheet Items including contingent liabilities</b>		<b>9,671,390,913</b>	<b>7,498,272,942</b>

The accompanying notes 1-42 form an integral part of this Financial Statement

**Syed Manzur Elahi**  
Chairman

**Hedayetullah**  
Vice Chairman

**Md. Wakiluddin**  
Director

**Mosharraf Hossain**  
Managing Director

Signed as per annexed report of even date

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

Dated: Dhaka  
22 March 2007

# P R O F I T   A N D   L O S S   A C C O U N T

for the year ended december 31, 2006

Particulars	Notes	2006	2005
		Taka	Taka
Interest Income	19	2,340,970,021	1,688,878,029
Less: Interest Paid on Deposits & Borrowings etc.	21	1,708,636,136	1,258,704,712
<b>Net Interest Income</b>		<b>632,333,885</b>	<b>430,173,317</b>
Income from Investments	22	184,398,535	139,970,967
Commission, Exchange & Brokerage	23	401,448,414	271,401,289
Other operating Income	24	66,684,925	35,467,093
<b>Total Operating Income</b>		<b>1,284,865,759</b>	<b>877,012,666</b>
<b>Less : Operating Expenditure :</b>			
Salary & Allowances	25	158,532,358	102,675,527
Managing Director's Remuneration		2,400,000	2,400,000
Directors' fees	26	425,000	382,500
Rent, Tax, Insurance, Electricity etc.	27	40,192,847	28,974,686
Legal Expenses		525,939	205,010
Postage, Stamps, Telegram & Telephone	28	12,665,039	8,739,014
Audit Fee		60,000	40,000
Printing, Stationery, Advertisement etc.	29	13,126,422	14,369,739
Depreciation on & repairs to Bank's property	30	28,336,491	21,822,952
Other Expenditures	31	59,129,548	45,556,988
<b>Total Operating Expenditure</b>		<b>315,393,644</b>	<b>225,166,416</b>
<b>Profit Before Provision</b>		<b>969,472,115</b>	<b>651,846,250</b>
Less : Provision against Loans & Advances	32	95,000,000	27,500,000
Provision against Other assets		-	-
		95,000,000	27,500,000
<b>Profit Before Tax</b>		<b>874,472,115</b>	<b>624,346,250</b>
Less : Provision for Tax-Current	33	393,512,452	287,578,298
Deferred	12.05	2,680,264	593,254
		396,192,716	288,171,552
<b>Net Profit After Tax</b>		<b>478,279,399</b>	<b>336,174,698</b>
Retained Surplus, brought forward		211,305,448	157,304,137
		<b>689,584,847</b>	<b>493,478,835</b>
<b>Appropriations :</b>			
Bonus Share issued during the year		86,400,000	144,000,000
Cash dividend paid during the year		120,960,000	-
Transferred to General Reserve		3,945,448	13,304,137
Statutory Reserve		174,894,423	124,869,250
		386,199,871	282,173,387
<b>Retained Surplus, Carried forward</b>		<b>303,384,976</b>	<b>211,305,448</b>
<b>Earnings per Share</b>	<b>34</b>	<b>50.32</b>	<b>35.37</b>

The accompanying notes 1-42 form an integral part of this Financial Statement



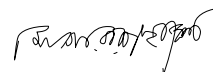
**Syed Manzur Elahi**  
Chairman



**Hedayetullah**  
Vice Chairman



**Md. Wakiluddin**  
Director



**Mosharraf Hossain**  
Managing Director

Signed as per annexed report of even date



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

Dated: Dhaka  
22 March 2007

# CASH FLOW STATEMENT

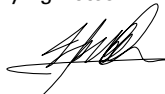
for the year ended december 31, 2006

Particulars	Notes	2006	2005
		Taka	Taka
<b>A) Cash flow from operating activities :</b>			
Interest received		2,522,608,556	1,826,548,996
Interest paid on deposits & borrowings etc.		(1,708,636,136)	(1,258,704,712)
Dividend income		-	-
Fees & commission income		227,704,662	141,444,412
Cash paid to employees as salaries and allowances		(158,532,358)	(102,675,527)
Advance income tax paid		(319,343,714)	(257,318,395)
Cash received from other operational income	35	239,746,777	155,322,872
Cash paid for other operational expenses	36	(131,514,077)	(102,307,760)
Cash flow from operating activities before changes in net current assets		<b>672,033,710</b>	<b>402,309,886</b>
<b>Changes in net current assets :</b>			
Investments in Treasury bills		(620,000,000)	(830,000,000)
Loans & Advances		(4,218,282,020)	(2,680,285,317)
Other Assets	10	(206,690,514)	58,201,965
Customers' Deposits		(100,000,000)	(1,300,000,000)
Bank Deposits		6,265,504,566	4,234,415,042
Borrowings from other banks, financial institutions & agents		-	(440,000,000)
Other liabilities	12	366,726,704	229,702,877
		1,487,258,736	(727,965,433)
<b>Net Cash flow from operating activities</b>		<b>2,159,292,446</b>	<b>(325,655,547)</b>
<b>B) Cash flow from investing activities :</b>			
Investments in Shares & bonds		63,202,000	12,833,000
Purchase of Premises & Fixed assets (net)		(64,973,733)	(134,692,581)
<b>Net cash flow from investing activities</b>		<b>(1,771,733)</b>	<b>(121,859,581)</b>
<b>C) Cash flow from financing activities :</b>			
Paid up Capital		-	-
Share premium		-	-
Dividend paid		(120,960,000)	-
<b>Net cash flow from financing activities</b>		<b>(120,960,000)</b>	<b>-</b>
<b>D) Net increase in cash and cash equivalents (A+B+C)</b>		<b>2,036,560,713</b>	<b>(447,515,128)</b>
<b>E) Effect of changes of Exchange rates on cash and cash equivalents</b>		<b>681,900</b>	<b>10,101,098</b>
F) Opening cash and cash equivalents		1,540,047,331	1,977,461,361
<b>G) Closing cash and cash equivalents (D+E+F)</b>		<b>3,577,289,944</b>	<b>1,540,047,331</b>
<b>The above closing cash and cash equivalents include :</b>			
Cash in hand		233,425,245	147,594,334
Balance with Bangladesh Bank & its agent bank		1,413,425,408	841,125,960
Balance with other Banks & Financial Institutions		959,529,891	420,567,037
Money at Call and Short Notice		970,000,000	130,000,000
Prize bonds		909,400	760,000
		<b>3,577,289,944</b>	<b>1,540,047,331</b>

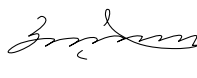
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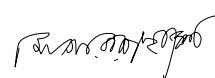
**Syed Manzur Elahi**  
Chairman



**Hedayetullah**  
Vice Chairman



**Md. Wakiluddin**  
Director



**Mosharrar Hossain**  
Managing Director

# S T A T E M E N T O F C H A N G E S I N E Q U I T Y

for the year ended december 31, 2006

Particulars	Paid up Capital		Share premium		Statutory Reserve		General Reserve		Profit & Loss Account		Total	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Balance as on January 1, 2006	864,000,000	100,000,000	336,230,355	35,949,019	211,305,488	1,547,484,822						
Bonus share issued during the year	86,400,000	-	-	-	(86,400,000)	-						
Cash dividend paid during the year	-	-	-	-	(120,960,000)	(120,960,000)						
Transferred to General reserve	-	-	-	3,945,448	(3,945,448)	-						
Net profit for the year after tax	-	-	-	-	478,279,399	478,279,399						
Appropriations made during the year	-	-	174,894,423	-	(174,894,423)	-						
<b>Balance as on December 31, 2006</b>	<b>950,400,000</b>	<b>100,000,000</b>	<b>511,124,778</b>	<b>39,894,467</b>	<b>303,384,976</b>	<b>1,904,804,221</b>						

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



**Syed Manzur Elahi**  
Chairman



**Hedayetullah**  
Vice Chairman



**Md. Wakiuluddin**  
Director



**Mosharraf Hossain**  
Managing Director

## L I Q U I D I T Y   S T A T E M E N T

as on december 31, 2006

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Particulars	Less than	1 to 3	3 to 12	1 to 5	Above	Total
	1 month	months	months	years	5 years	
	Taka	Taka	Taka	Taka	Taka	Taka
<b>Assets :</b>						
Cash	1,646,850,653	-	-	-	-	1,646,850,653
Balance with other Banks and financial Institutions	221,964,891	500,000,000	237,565,000	-	-	959,529,891
Money at Call on Short notice	970,000,000	-	-	-	-	970,000,000
Investment	909,400	287,000,000	1,260,000,000	1,473,218,000	34,560,000	3,055,687,400
Loans and advances	2,146,748,912	2,203,495,100	11,461,490,318	1,913,439,743	866,346,558	18,591,520,631
Premises and fixed assets	2,500,000	5,000,000	22,500,000	120,000,000	126,186,202	276,186,202
Other assets	-	224,107,327	12,210,077	38,328,066	443,565,350	718,210,820
Non-banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>4,988,973,856</b>	<b>3,219,602,427</b>	<b>12,993,765,395</b>	<b>3,544,985,809</b>	<b>1,470,658,110</b>	<b>26,217,985,597</b>
<b>Liabilities :</b>						
Borrowings from other banks, financial institutions & agents	-	-	-	-	-	-
Deposits and other accounts	4,433,352,317	4,878,351,945	10,274,499,038	1,479,235,081	1,198,607,608	22,264,045,989
Provision & other liabilities	232,549,145	40,000,000	1,004,252,460	532,318,020	240,015,762	2,049,135,387
<b>Total Liabilities</b>	<b>4,665,901,462</b>	<b>4,918,351,945</b>	<b>11,278,751,498</b>	<b>2,011,553,101</b>	<b>1,438,623,370</b>	<b>24,313,181,376</b>
<b>Net Liquidity</b>	<b>323,072,394 (1,698,749,518)</b>	<b>1,715,013,897</b>	<b>1,533,432,708</b>	<b>32,034,740</b>	<b>1,904,804,221</b>	

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



**Syed Manzur Elahi**  
Chairman



**Hedayetullah**  
Vice Chairman



**Md. Wakiuddin**  
Director



**Mosharraf Hossain**  
Managing Director



## 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 their 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 25 branches, with no overseas branch as on December 31, 2006.

## 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, 2006 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.

**2.4 Provision for taxes**

**a. Current tax**

Provision for Income Tax has been made @ 45% as prescribed in the Finance Act, 2006 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**

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.

**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**

MTB has finance lease under its credit portfolio. Amount disbursed to lessees under finance lease are recorded as lease finance and shown alongwith loans and advances. At present interest is charged on the leased amount on daily product basis and monthly rentals are received from the lessees against such finance. BAS-17 is yet to be fully complied by the MTBL. Implementation of BAS-17 Lease is under consideration.

## 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 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, BRPD Circular No.20 dated 20 December 2005 and BRPD circular No. 5 dated 05 June 2006 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%

- 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 ad mortgage.
- vi) Bills purchased and discounted
  - a) Bills purchased and discounted have not included Government Treasure 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.
- 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 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 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 Companies 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'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 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 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.

**(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 augment its capital resources. The asset/liability,

# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

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 cover 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. For the first time the company made provision for gratuity during the year on lump sum basis without ascertaining the actual liabilities as on December 31, 2006.

## 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.

## 2.13 Audit committee

In compliance to Bangladesh Bank's circular, the Board of Directors has formed an Audit Committee comprising of the following 4 (Four) Directors of the Board.

<b>SL. NO.</b>	<b>Name of the Director</b>	<b>Status with the Bank</b>	<b>Status with the Committee</b>	<b>Educational Qualification</b>
01.	Mr. Syed Manzur Elahi	Chairman	Chairman	MA in Economics from DU
02.	Mr. Hedayetullah	Vice Chairman	Member	MA(UK)
03.	Mr. Anjan Chowdhury	Director	Member	BBA(USA)
04.	Mr. Md. Abdul Malek	Director	Member	B.SC Engineering From BUET

# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

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 weight average number of ordinary shares outstanding during the year. Previous year's figures have been adjusted for the issue of 8,64,000 Bonus shares (for 2005) 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, 2006

		<b>2006</b>	<b>2005</b>
		<b>Taka</b>	<b>Taka</b>
<b>3.00</b>	<b>Cash in hand</b>		
	Local Currency	226,859,341	139,264,293
	Foreign Currency	6,565,904	8,330,041
		<b>233,425,245</b>	<b>147,594,334</b>
<b>4.00</b>	<b>Balance with Bangladesh Bank and its agent</b>		
	<b>With Bangladesh Bank -</b>		
	Local Currency	941,587,388	789,468,651
	Foreign Currency	452,934,090	35,171,352
	With Sonali Bank (as agent of Bangladesh Bank)	18,903,930	16,485,957
		<b>1,413,425,408</b>	<b>841,125,960</b>
<b>4.01</b>	<b>CRR (Cash Reserve Requirement) &amp; SLR (Statutory Liquidity Ratio)</b>		
	<b>CRR :</b>		
	Required	Amount (Taka in crore) 101.06	75.76
		% 5%	5%
	Maintained	Amount (Taka in crore) 104.77	78.95
		% 5.18%	5.21%
	<b>SLR (including CRR) :</b>		
	Required	Amount (Taka in crore) 363.81	272.73
		% 18%	18%
	Maintained	Amount (Taka in crore) 392.88	309.81
		% 19.44%	20.45%
<b>5.00</b>	<b>Balance with other Banks &amp; Financial Institutions :</b>		
	<b>In Bangladesh :</b>		
	<b>Currency</b>		
	In FDR accounts-		
	Shahjalal Bank Ltd.	Taka 100,000,000	-
	First Security Bank Ltd.	Taka -	50,000,000
	Arab Bangladesh Bank Ltd.	Taka 100,000,000	-
	Phoenix Leasing Co. Ltd.	Taka 50,000,000	100,000,000
	Dutch Bangla Bank Ltd.	Taka 300,000,000	-
	Uttara Finance & Investment Ltd	Taka -	-
	IIDFC	Taka 87,565,000	-
	International Leasing & Financial Services Ltd.	Taka 100,000,000	100,000,000
	In STD accounts-		
	Dutch Bangla Bank Ltd.	Taka 60,450	60,500
	BASIC Bank Ltd.	Taka 30,133,491	-
	Sonali Bank	Taka 13,722,495	-
	Agrani Bank	Taka 421,400	884,720
	Janata Bank	Taka 282,679	276,365
	In CD account-		
	Standard Chartered Bank	Taka 1,000,000	-
	Arab Bangladesh Bank Ltd.	Taka 200,000	-
	Agrani Bank	Taka 574,879	3,985,750
		<b>783,960,394</b>	<b>255,207,335</b>
	<b>Outside Bangladesh in current accounts :</b>		
	<b>Currency</b>		
	Citibank NA, New York	US\$ -	-
	Mashreqbank, New York	US\$ 29,968,751	589,577
	Standard Chartered Bank, New York	US\$ -	70,981,956
	AMEX, New York	US\$ 13,266,404	-
	Habib American Bank	US\$ 501,083	3,380,046
	Mashreqbank, London	US\$ 297,073	-
	HSBC, New York	US\$ -	1,978,783
	National Commercial Bank, Jeddha	US\$ 1,802,345	-
	Standard Chartered Bank, Singapore	SGD 680,961	1,994,210
	Mashreqbank, London	GBP 2,852,845	85,606
	Standard Chartered Bank, London	GBP 6,114,334	8,400,451



# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

		<b>2006</b>	<b>2005</b>
		<b>Taka</b>	<b>Taka</b>
Mashreqbank, London	EUR	79,483	1,805,674
AMEX, Germany	EUR	12,990,041	3,580,188
Standard Chartered Bank, London	EUR	33,438,087	-
Hypo Vereins Bank	EUR	2,569,424	5,789,456
Commerze Bank	EUR	9,041,356	9,734,862
AMEX, Tokyo	JPY	31,875,106	27,883,549
AMEX, Kolkata	ACU	1,978,908	1,635,641
Standard Chartered Bank, Kolkata	ACU	4,059,965	3,991,413
Standard Chartered Bank, Pakistan	ACU	661,883	-
Citibank NA, Mumbai	ACU	5,552,952	5,213,378
Rupali, Pakistan	ACU	10	4,738
AB Bank, Mumbai	ACU	7,594,780	2,554,372
HSBC, Mumbai	ACU	1,487,482	1,462,366
Nepal Bangladesh Bank	ACU	596,728	-
ICICI, Mumbai	ACU	8,159,496	14,293,436
		<b>175,569,497</b>	<b>165,359,702</b>
		<b>959,529,891</b>	<b>420,567,037</b>
<b>5.01 Maturity grouping of Balance with other Banks and Financial Institutions</b>			
On Demand		221,964,891	170,567,037
Less than three months		500,000,000	50,000,000
More than three months but less than one year		237,565,000	200,000,000
More than one year but less than five years		-	-
More than five years		-	-
		<b>959,529,891</b>	<b>420,567,037</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 31 December 2006 are as follows :

<b>Name of Bank</b>	<b>Currency</b>	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Amount in Taka</b>
Citibank NA, New York	US\$	-	68.7000	-
Mashreqbank, New York	US\$	436,226.36	68.7000	29,968,751
AMEX, New York	US\$	193,106.32	68.7000	13,266,404
Habib American Bank	US\$	7,293.79	68.7000	501,083
Mashreqbank, London	US\$	4,324.21	68.7000	297,073
Commercial Bank, Jeddha	US\$	26,235.00	68.7000	1,802,345
Standard Chartered Bank, Singapore	SGD	14,809.95	45.9800	680,962
Mashreqbank, London	GBP	20,132.99	141.7000	2,852,845
Standard Chartered Bank, London	GBP	43,149.85	141.7000	6,114,334
Mashreqbank, London	EUR	819.83	96.9500	79,483
AMEX, Germany	EUR	133,987.01	96.9500	12,990,041
Standard Chartered Bank, London	EUR	344,900.33	96.9500	33,438,087
Hypo Vereins Bank	EUR	26,502.57	96.9500	2,569,424
Commerze Bank	EUR	93,257.93	96.9500	9,041,356
AMEX, Tokyo	JPY	50,756,539.00	0.6280	31,875,106
AMEX, Kolkata	ACU	28,805.06	68.7000	1,978,908
Standard Chartered Bank, Kolkata	ACU	59,097.02	68.7000	4,059,965
Standard Chartered Bank, Pakistan	ACU	9,634.39	68.7000	661,883
Citibank NA, Mumbai	ACU	80,828.99	68.7000	5,552,952
Rupali, Pakistan	ACU	0.15	68.7000	10
AB Bank, Mumbai	ACU	110,549.92	68.7000	7,594,780
HSBC, Mumbai	ACU	21,651.85	68.7000	1,487,482
Nepal Bangladesh Bank	ACU	8,686.00	68.7000	596,728
ICICI, Mumbai	ACU	118,769.96	68.7000	8,159,496
				<b>175,569,497</b>

# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

## 6.00 Money at Call and Short Notice

	2006	2005
	Taka	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	-
Industrial Promotion & Development Co. of Bd. Ltd.	-	30,000,000
International Leasing & Financial Services Ltd.	150,000,000	100,000,000
	<b>970,000,000</b>	<b>130,000,000</b>

## 7.00 Investments :

### (a) Government Securities :

#### i. Treasury Bills ( at face value ) :

91 days Treasury bills	200,000,000	-
364 days Treasury bills	550,000,000	530,000,000
2 yrs Treasury bills	1,390,000,000	990,000,000
5 yrs Treasury bills	850,000,000	850,000,000
	<b>2,990,000,000</b>	<b>2,370,000,000</b>

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

	909,400	760,000
--	---------	---------

#### (b) Other Investments :

#### i. Shares in unquoted companies (at face value) :

Industrial & Infrastructure Dev. Finance Co. Ltd.	16,560,000	13,800,000
Central Depository (BD) Ltd.	10,000,000	10,000,000
	<b>26,560,000</b>	<b>23,800,000</b>

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

5 yrs Agrani Bank Industrial Development Bond	20,000,000	20,000,000
1 year - 5 years IPDC Zero Coupon Bond	10,218,000	23,420,000
5 yrs Industrial & Infrastructure Dev. Finance Co. Ltd. Zero Coupon bond	-	50,000,000
	<b>30,218,000</b>	<b>93,420,000</b>

#### iii. Share of Dhaka Stock Exchange Ltd.

	8,000,000	8,000,000
	<b>3,055,687,400</b>	<b>2,495,980,000</b>

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

#### d) Maturity grouping of Investments as follows :

On Demand	909,400	760,000
Less than three months	287,000,000	32,220,000
More than three months but less than one year	1,260,000,000	1,209,712,000
More than one year but less than five years	1,473,218,000	1,221,488,000
More than five years	34,560,000	31,800,000
	<b>3,055,687,400</b>	<b>2,495,980,000</b>

## 8.00 Loans and Advances

### a) Maturity grouping of Loans and Advances

On Demand	2,146,748,912	1,694,634,203
Less than three months	2,203,495,100	1,563,519,814
More than three months but less than one year	11,461,490,316	9,056,218,964
More than one year but less than five years	1,913,439,743	1,504,137,589
More than five years	866,346,560	554,745,963
	<b>18,591,520,631</b>	<b>14,373,256,53</b>

# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

	2006	2005
	Taka	Taka
<b>b) Loans, Cash Credit, Overdrafts etc. :</b>		
In Bangladesh :		
Loans :		
Term Loan	2,342,475,778	1,423,476,673
General Loans	235,153,841	244,033,699
Demand Loan	22,373,597	-
House Building Loan	419,204,852	199,694,591
PAD	873,267,418	465,607,996
Trust Receipts	6,209,069,130	4,770,294,497
Product	48,538,576	57,214,319
Lease rental receivable	178,320,110	141,041,665
Staff loan against P.Fund	3,514,728	-
Consumer Financing	15,453,476	13,042,359
Export Development Fund	11,425,785	1,863,522
	10,358,797,291	7,316,269,321
Cash Credit	2,976,013,794	2,660,722,471
Overdrafts : Secured Over draft	3,021,605,292	2,230,550,946
	<b>16,356,416,377</b>	<b>12,207,542,738</b>
Outside Bangladesh	-	-
	<b>16,356,416,377</b>	<b>12,207,542,738</b>
<b>Bills Discounted and Purchased (excluding Treasury bills) :</b>		
Payable in Bangladesh	1,669,698,894	1,810,916,981
Payable outside Bangladesh	565,405,360	354,796,814
	<b>2,235,104,254</b>	<b>2,165,713,795</b>
<b>Total Loans and Advances</b>	<b>18,591,520,631</b>	<b>14,373,256,533</b>

## c) Concentration of Loans and Advances :

- |   |            |            |
|---|------------|------------|
| i. Advances to director and allied concerns of directors  | 36,912,996 | 30,834,083 |
| ii. Advances to Managing Director, Executive & Officers.  | 13,151,596 | 7,189,355  |
| iii. Advances to Customer's Group-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, 2006 is Taka 562 Crore. |            |            |

Name of the clients	Outstanding (Taka in Crore)		Total (Taka in Crore)	Classification Status
	Funded	Non - Funded		
Agro Commodities International	26.06	12.42	38.48	UC
Dynasty Sweater (BD) Ltd.	18.96	14.39	33.35	UC
Jamuna Denims Ltd.	23.31	30.59	53.90	UC
Appollo Ispat Complex Ltd.	23.02	22.53	45.55	UC
Tanveer Dal Mills & Flour Mills Ltd.	22.11	33.53	55.64	UC
M I Enterprise	25.00	14.28	39.28	UC
MSA Spinning Mills Ltd.	27.24	10.76	38.00	UC
MK Traders	15.22	30.23	45.45	UC
Sonargaon Textiles Ltd.	25.92	6.56	32.48	UC
The Asia Pacific Refineries Ltd.	25.40	37.92	63.32	UC
City Seed Crushing Industries Ltd.	13.50	30.03	43.53	UC
Unicorn Trading	25.28	11.81	37.09	UC
T K Chemical Complex Ltd.	21.68	14.25	35.93	UC
<b>Total</b>	<b>292.70</b>	<b>269.30</b>	<b>562.00</b>	

# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

	<b>2006</b>	<b>2005</b>
	<b>Taka</b>	<b>Taka</b>
<b>iv. Advances to Industries-</b>		
Food	351,521,000	239,642,000
RMG & Textile	1,590,047,000	1,535,998,000
Jute	191,611,000	432,234,000
Leather and Leather products	8,139,000	7,732,000
Paper & paper products	270,320,000	702,935,000
Pharmaceuticals	156,524,000	50,934,000
Plastic & Rubber	328,756,000	199,579,000
Petroleum & Edible Oil	483,093,000	387,579,000
Chemical & Chemical Products	453,758,000	-
Glass	84,952,000	104,337,000
Assembling	182,696,000	133,189,000
Metal products	603,515,000	185,340,000
Non-matelic	261,063,000	213,596,000
Electrical machinery & apparatus	733,717,000	470,000
Service	172,847,000	160,689,000
Small Scale	203,576,000	328,702,000
Others	307,291,000	70,844,000
	<b>6,383,426,000</b>	<b>4,753,800,000</b>
<b>v) Geographical Locationwise Loans and Advances</b>		
Dhaka	12,266,189,826	9,019,729,113
Chittagong	6,295,372,865	5,353,527,421
Rajshahi	26,208,328	-
Khulna	-	-
Barishal	-	-
Sylhet	3,749,612	-
	<b>18,591,520,631</b>	<b>14,373,256,533</b>
<b>d) Classification of Loans and Advances :</b>		
Standard	18,223,306,631	14,367,161,533
SMA	176,590,000	6,095,000
Substandard	183,966,000	-
Doubtful	3,600,000	-
Bad & Loss	4,058,000	-
	<b>18,591,520,631</b>	<b>14,373,256,533</b>
<b>e) Particulars of Loans and Advances :</b>		
I) Debts considered good in respect of which the bank company is fully secured.	17,335,448,911	13,257,878,243
II) Debts considered good for which the bank holds no other security than the debtor's personal security.	52,399,379	161,280,102
III) Debts considered good for which secured personal undertaking of one or more parties in addition to the personnel guarantee of the debtors.	1,203,672,341	954,098,188
IV) Debts considered doubtful or bad, not provided for.	-	-
	<b>18,591,520,631</b>	<b>14,373,256,533</b>
V) Debts due by directors or officers of the bank or any of them either severally or jointly with any other person.	16,258,482	11,484,960
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.	33,806,110	26,538,479
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.	25,057,004	14,192,955
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.	39,107,091	27,860,060

# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

	<b>2006</b>	<b>2005</b>
	<b>Taka</b>	<b>Taka</b>
IX) Due from other banking companies	-	-
X) Classified loans on which no interest/profit charged	4,040,303	-
XI) Provision maintained against classified loans & advances	30,282,078	-
xii) Interest credited to Suspense account during the year (net)	24,005,728	222,545
xiii) Cummulative amount of loans written off	-	-
xiv) Amount of loans written off during the year	-	-
<b>f) Maturity grouping of Bills discounted and purchased</b>		
Less than one month	917,259,731	1,050,160,660
More than one month but less than three months	573,039,696	544,360,047
More than three months but less than six months	744,804,827	571,193,088
More than or equal to six months	-	-
	<b>2,235,104,254</b>	<b>2,165,713,795</b>
<b>9.00 Premises &amp; Fixed Assets</b>		
Land	104,253,000	104,195,000
Immovable Property	10,538,616	10,808,837
Furniture & fixtures	21,731,469	18,444,284
Interior decoration	46,023,356	39,722,951
Office equipments	75,628,312	47,673,824
Motor vehicles	17,890,304	15,593,137
Books & Periodicals	121,145	121,645
	<b>276,186,202</b>	<b>236,559,678</b>
Details are shown in Annexure-A.		
<b>10.00 Other Assets</b>		
Stamps on hand	352,043	236,326
Stock of stationery	4,330,468	1,700,983
Advance Office Rent	38,328,066	14,241,492
Advance Deposit	1,553,450	1,439,155
Suspense Account ( Note -10.01)	12,493,491	11,979,685
Advance Income Tax ( Note-10.2)	442,011,900	592,398,618
Interest Receivable	86,390,524	39,905,765
Adjusting Account-Debit	10,736,382	-
Clearing house adjustment	1,473,695	5,000
Branch adjustment net ( Note-10.03 )	120,540,801	-
	<b>718,210,820</b>	<b>661,907,024</b>
<b>10.01 Suspense account represents DD paid without advice, advance against expenses for advertisement, opening of new branch, travelling expenses etc.</b>		
<b>10.02 Advance Income Tax</b>		
Balance as on 1 January 2006	592,398,618	335,080,223
Add: Payment made during the year	319,343,714	257,318,395
	911,742,332	592,398,618
Less: Adjustment made during the year (Note-12.04)	469,730,432	-
Balance as on 31 December 2006	<b>442,011,900</b>	<b>592,398,618</b>
<b>10.03 Branch Adjustment (net)</b>		
Entries	No. of entries outstanding	
	as Amount in Taka on 31-12-2006	
Debit entries	191	151,130,343
Credit entries	481	30,589,542
		<b>120,540,801</b>

# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

Periodwise 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	191	151,130,343	481	30,589,542
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>191</b>	<b>151,130,343</b>	<b>481</b>	<b>30,589,542</b>

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

## 10.04 Classification of Other Assets

Unclassified	718,210,820	661,907,024
Doubtful	-	-
Bad/Loss	-	-
	<b>718,210,820</b>	<b>661,907,024</b>

## 11.00 Deposits and other accounts :

### Current Deposits & Other Accounts :

Current Deposits	930,039,508	701,152,934
Short Term Deposits	428,876,389	246,946,728
Foreign Currency Deposits	36,394,658	47,874,441
Non-resident taka account	49,584,577	4,231,918
Sundry Deposits	1,359,224,809	973,462,272
	2,804,119,941	1,973,668,293

### Bills Payable :

PO Issued	184,631,128	167,765,864
PS Issued	909,573	3,064,450
DD Payable	11,186,544	8,673,716
	196,727,245	179,504,030
	1,439,402,890	914,722,524

### Savings Deposits

#### Fixed Deposits :

From Banks	100,000,000	200,000,000
From other than Banks	16,419,124,214	11,919,174,327
	16,519,124,214	12,119,174,327

#### Deposit-Products :

Brick by Brick	602,868,814	382,746,036
Save Everyday Deposits	2,654,625	4,106,342
Festival Savings Plan	8,111,425	7,730,953
Children Education	7,739,699	4,329,897
Bestinvest Deposits	92,822,041	89,015,132
Unique Savings Plan	13,480,897	4,855,528
MTB Double Saver Plan	137,836,502	9,947,328
MTB Triple Saver Plan	13,859,195	2,453,248
MTB Millionaire Plan	17,336,106	1,102,331
MTB Education Plan	777,435	69,674
MTB Monthly Benefit Plan	407,184,960	405,115,780
	1,304,671,699	911,472,249
	<b>22,264,045,989</b>	<b>16,098,541,423</b>

# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

	<b>2006</b>	<b>2005</b>
	<b>Taka</b>	<b>Taka</b>
<b>11.01 Maturity grouping of Deposits and other accounts :</b>		
On Demand	2,629,931,852	1,997,697,847
Less than one month	1,803,420,465	1,173,398,193
More than one month but Less than three months	4,878,351,945	1,753,937,178
More than three months but less than one year	10,274,499,038	9,394,950,450
More than one year but less than five years	1,479,235,081	1,392,463,627
More than five years	1,198,607,608	386,094,128
	<b>22,264,045,989</b>	<b>16,098,541,423</b>
<b>12.00 Other Liabilities</b>		
Provision for loans and advances (12.01)	239,982,078	145,000,000
Provision for Other Assets	-	-
Interest Suspense (12.02)	24,228,273	222,545
Exchange Equalization Fund	33,684	33,684
Short term liabilities to Banks abroad (12.03)	203,880,755	35,916,234
Export Development Fund	11,425,785	1,863,521
Provision for Tax (12.04)	674,620,756	750,838,736
Deferred Tax Liability (12.05)	9,508,477	6,828,213
Provision for Gratuity	2,500,000	-
Provision for Audit Fees	60,000	40,000
Provision for Bonus	28,668,390	13,645,681
Contribution to Mutual Trust Foundation	2,500,000	1,000,000
Provision for MTB Employees Death Benefit Scheme	1,000,000	1,000,000
Contribution to MTB Employees Welfare Fund	1,000,000	500,000
Unearned Interest on Treasury Bills and Zero Coupon Bond	234,069,370	199,576,258
Interest payable	614,669,069	480,340,007
Adjusting A/C Credit	988,750	1,679,901
Branch Adjustment net (12.06)	-	22,479,541
	<b>2,049,135,387</b>	<b>1,660,964,321</b>
<b>12.01 Provision for Loans and Advances</b>		
<b>Provision for unclassified loans and advances :</b>		
Balance as on 1 January 2006	145,000,000	117,500,000
Add : Provision made during the year	64,700,000	27,500,000
Total provision for unclassified loans and advances	209,700,000	145,000,000
<b>Provision for classified loans and advances</b>	30,300,000	-
Less : Adjustment made during the year for interest waived	17,922	-
Balance as on 31 December 2006	<b>239,982,078</b>	<b>145,000,000</b>
12.02 Interest Suspense account includes interests on loans and advances against SMA, substandard and doubtful		
12.03 Short term liabilities to Banks abroad represents over withdrawn from foreign Bank account against bank balance for unreconciled entries.		
<b>12.04 Provision for Tax</b>		
Balance as on 01 January 2006	750,838,736	463,260,438
Add : Provision made during the year	393,512,452	287,578,298
	<b>1,144,351,188</b>	<b>750,838,736</b>
<b>Less : Adjustment made during the year</b>		
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	-
	469,730,432	-
	<b>674,620,756</b>	<b>750,838,736</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 finalised by the Tax Authority.



# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

	<b>2006</b>	<b>2005</b>
	<b>Taka</b>	<b>Taka</b>
<b>12.05 Deferred Tax Liability :</b>		
Deferred Tax Liability are arrived as follows :		
Book value of fixed Assets	276,186,202	236,559,678
Tax Base	257,556,253	221,385,871
Taxable temporary difference	(18,629,949)	(15,173,807)
Book value of Gratuity	2,500,000	-
Tax Base of Gratuity	-	-
Deductable Temporary difference	(2,500,000)	-
Net Taxable difference	(21,129,949)	(15,173,807)
Tax Rate	45%	45%
Deferred Tax assets/(Liability)	(9,508,477)	(6,828,213)
Opening deferred tax assets (Liability)	6,828,213	6,234,959
Closing deferred Tax	9,508,477	6,828,213
Deferred Tax expense/(income)	<b>2,680,264</b>	<b>593,254</b>

## 12.06 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.

## 13.00 Capital

### 13.01 Authorized :

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

**1,000,000,000**

**1,000,000,000**

### 13.02 Issued, subscribed and paid-up :

The issued, subscribed and paid-up capital of the Bank amounts to Taka 950,400,000 (2005 : Taka 864,000,000) divided into 9,504,000 Ordinary shares(2005:8,640,000 Ordinary shares) of Taka 100 each as follows :

6,000,000 Ordinary shares (2005:6,000,000 Ordinary shares) of Tk 100 each issued for cash.	600,000,000	600,000,000
3,504,000 Ordinary shares (2005:2,640,000 Ordinary shares) of Tk 100 each issued as bonus shares	350,400,000	264,000,000
	<b>950,400,000</b>	<b>864,000,000</b>

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

	<b>December 2006</b>		
	No. of shares	Value of shares in Taka	% of holding
Sponsors	4,649,676	464,967,600	48.92%
Financial Institutions	2,327,674	232,767,400	24.49%
General	2,526,650	252,665,000	26.59%
	<b>9,504,000</b>	<b>950,400,000</b>	<b>100%</b>

### 13.03 Capital adequacy requirements

There is a surplus of Taka 506.00 million in the capital fund of the Bank as on 31 December 2006 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	17,872.53	13,488.33
b) Required Capital : 9% of total risk weighted assets	1,608.53	1,213.95
c) Actual capital maintained		



# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

	2006	2005
	Taka	Taka
<b>Core Capital (Tier-I) :</b>		
Paid up Capital	950.40	864.00
Share Premium	100.00	100.00
Statutory reserve	511.13	336.23
General reserve	39.89	35.95
Retained Earnings	303.38	211.31
	1,904.80	1,547.48
<b>Supplementary Capital (Tier-II) :</b>		
General Provision	209.70	145.00
Exchange equalisation	0.03	0.03
	209.73	145.03
<b>Total Capital(Tier-I+Tier-II)</b>	<b>2,114.53</b>	<b>1,692.52</b>
<b>Surplus</b>	<b>506.00</b>	<b>478.57</b>
<b>Capital adequacy ratio (%)</b>	<b>11.83</b>	<b>12.55</b>

## 13.04 Classification of shareholders by holdings as on December 31, 2006

	December 2006		
	No. of Shareholders	Value of shares in Taka	Total Holdings %
<b>Holdings</b>			
Less than 500 shares	4,046	44,490,100	4.68%
500 to 5,000 shares	711	91,635,800	9.64%
5,001 to 10,000 shares	42	30,077,300	3.16%
10,001 to 20,000 shares	20	27,687,500	2.91%
20,001 to 30,000 shares	17	42,909,800	4.51%
30,001 to 40,000 shares	12	45,054,000	4.74%
40,001 to 50,000 shares	2	8,457,200	0.89%
50,001 to 100,000 shares	17	130,217,700	13.70%
100,001 to 1,000,000 shares	21	529,870,600	55.75%
Over 1,000,000 shares	-	-	-
	<b>4,888</b>	<b>950,400,000</b>	<b>100%</b>

## 14.00 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.

## 15.00 Statutory Reserve

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

336,230,355	211,361,105
174,894,423	124,869,250
<b>511,124,778</b>	<b>336,230,355</b>

## 16.00 General Reserve

Balance as per last balance sheet  
Add : Transferred from Profit and Loss account  
Less : Adjusted for Deferred tax liability

35,949,019	28,879,841
3,945,448	13,304,137
-	6,234,959
<b>39,894,467</b>	<b>35,949,019</b>

## 17.00 Retained Earnings :

Balance as on January 01, 2006  
Less: Bonus Share Issued during the year  
Less: Cash dividend paid during the year  
Less: Transferred to General reserve  
Add : Profit made during the year  
Less : Transferred to Statutory reserve  
Balance as on December 31, 2006

211,305,448	157,304,137
86,400,000	144,000,000
120,960,000	-
3,945,448	13,304,137
478,279,399	336,174,698
174,894,423	124,869,250
<b>303,384,976</b>	<b>211,305,448</b>

## 18.00 Contingent Liabilities & Commitments

### Letter of Guarantee (Note 18.01)

#### Letter of Credit :

Letter of Credit (Cash)  
Letter of Credit (Back to Back)  
Letter of Credit (EDF)  
Letter of Credit (Deferred)  
Letter of Credit (Inland)

3,044,696,931	2,513,845,074
2,998,878,500	1,737,500,750
745,358,000	517,839,000
34,705,000	-
3,772,000	1,550,000
99,458,600	154,835,000
3,882,172,100	2,411,724,750

# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

	<b>2006</b>	<b>2005</b>
	<b>Taka</b>	<b>Taka</b>
<b>Bills for collection :</b>		
Inland	31,412,663	18,399,820
Foreign	-	119,000
FDBC	94,079,719	95,322,598
	125,492,382	113,841,418
<b>Other Contingent Liabilities :</b>		
IFDBC (Back to Back)	1,945,651,000	1,781,033,000
IFDBC (Cash)	365,886,500	597,940,000
Accepted Bill (Inland)	300,983,000	62,400,000
Accepted Bill (Foreign)	6,509,000	-
LDLC	-	17,488,700
	2,619,029,500	2,458,861,700
	<b>9,671,390,913</b>	<b>7,498,272,942</b>
<b>18.01 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	2,796,497,755	2,283,617,741
Bank and other Financial Institutions	2,583,448	4,258,730
Others	245,615,728	225,968,603
	<b>3,044,696,931</b>	<b>2,513,845,074</b>
Less : Margin	1,232,088,000	914,590,227
	<b>1,812,608,931</b>	<b>1,599,254,847</b>
iii) Liability on account of bills re-discounted	-	-
iv) Liability on account of outstanding forward exchange contract	-	-
	<b>1,812,608,931</b>	<b>1,599,254,847</b>
<b>18.02 Segregation of Commitment by Type</b>		
i. Documentary Credit and Short Term Business Related Transaction	3,882,172,100	2,411,724,750
ii. Forward Asset Purchase and Forward Deposit	-	-
iii. Endorsed formal standby facilities, Credit facilities and other commitments :		
Less than one year	5,663,726,431	4,972,706,774
One year and above	-	-
iv. Spot and Forward Foreign Exchange Rate Contract	-	-
v. Other Exchange Contract	-	-
vi. Others	125,492,382	113,841,418
	<b>9,671,390,913</b>	<b>7,498,272,942</b>
<b>19.00 Interest Income</b>		
<b>Interest on :</b>		
Loans and Advances ( Note-19.01)	2,220,906,926	1,619,624,723
Money at call and short notice	52,655,313	23,753,166
Balance with other Banks and Financial institutions (Note-19.02 )	55,308,433	41,933,851
Bangladesh Bank Foreign currency clearing accounts	12,099,349	3,566,289
	<b>2,340,970,021</b>	<b>1,688,878,029</b>
<b>19.01 Interest on Loans and Advances</b>		
<b>Interest income on :</b>		
Term Loans	249,562,400	155,959,664
General Loans	32,571,834	44,340,543
House Building Loans	36,980,760	30,946,359
PAD	122,082,586	137,729,730
LTR	776,916,062	576,073,814
Demand Loan	1,056,657	-
Lease Rental income	23,220,207	15,634,650
Consumer Financing	2,016,743	1,626,490
Staff loan against P.Fund	40,647	-
Cash Credit	379,201,873	273,588,343
Bestinvest Loan	5,814,692	7,329,740
Overdraft	357,904,899	233,516,513
IFDBC	2,762	1,543,155
IBP	13,587,368	47,286,645
IDBP	217,044,160	92,241,512
FDBP	2,903,276	1,807,565
	<b>2,220,906,926</b>	<b>1,619,624,723</b>

# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

	<b>2006</b>	<b>2005</b>
	<b>Taka</b>	<b>Taka</b>
<b>19.02 Interest on Balance with other Banks and Financial Institutions</b>		
Interest on Balance with other Banks in Bangladesh	36,352,194	31,933,851
Interest on Balance with Foreign Banks	18,956,239	10,000,000
	<b>55,308,433</b>	<b>41,933,851</b>
<b>20.00 Income statement</b>		
<b>Income</b>		
Inteerest, discount and similar income	2,522,608,556	1,826,548,996
Devidend income	2,760,000	2,300,000
Fee commission and Brokarage	227,423,301	141,444,412
Gain less losses arising from dealing securities	-	-
Gain less losses arising from investement securities	-	-
Gain less losses arising from dealing in foreign currencies	174,025,113	129,956,877
Income from non banking assets	-	-
Other operating income	66,684,925	35,467,093
Profit less losses on interest rate changes	-	-
	<b>2,993,501,895</b>	<b>2,135,717,378</b>
<b>Expenses</b>		
Interest, fee, and commission	1,708,636,136	1,258,704,712
Losses on Loans and advances	-	-
Administrative expenses	230,916,887	159,426,299
Other operating expenses	59,129,548	45,556,988
Depricition on Banking Assets	25,347,209	20,183,129
	<b>2,024,029,780</b>	<b>1,483,871,128</b>
<b>Operating profit</b>	<b>969,472,115</b>	<b>651,846,250</b>
<b>21.00 Interest paid on Deposits &amp; Borrowings etc.</b>		
Interest on Deposits and other accounts (21.01 )	1,708,613,010	1,244,548,322
Interest on Borrowings from other Banks and Financial Institutions	23,126	14,156,390
	<b>1,708,636,136</b>	<b>1,258,704,712</b>
<b>21.01 Interest on Deposits and other accounts</b>		
<b>Interest on :</b>		
Savings Deposits	55,271,674	32,625,086
Short Term Deposits	16,717,787	12,521,913
Fixed Deposits	1,520,825,652	1,123,598,931
Deposit- Products	115,797,897	75,802,392
	<b>1,708,613,010</b>	<b>1,244,548,322</b>
<b>22.00 Income from Investments</b>		
Interest on Treasury Bills	171,366,931	123,846,335
Reverse REPO	4,656,834	4,556,250
Interest on Bonds	5,614,770	9,268,382
Dividend on Investment in Shares	2,760,000	2,300,000
	<b>184,398,535</b>	<b>139,970,967</b>
<b>23.00 Commission, Exchange &amp; Brokerage</b>		
Commission (23.01 )	227,423,301	141,444,412
Exchange	173,743,752	129,956,877
Brokerage	281,361	-
	<b>401,448,414</b>	<b>271,401,289</b>
<b>23.01 Commission on</b>		
Letter of Guarantee	19,562,460	20,986,639
Letter of Credit	117,293,264	73,713,664
Acceptance of Bills	36,812,393	17,178,107
LC Advising	3,311,550	-
Export Bills	6,910,345	6,523,867
PO, DD & TT	5,313,235	3,425,716

# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

	<b>2006</b>	<b>2005</b>
	<b>Taka</b>	<b>Taka</b>
Foreign Remittance	676,611	370,989
On-line service	3,384,461	986,202
IBP/FBP/IDBP	1,440,037	1,043,904
FD/BC/IF/BC	31,380,804	16,583,710
OBC	1,337,471	631,614
Others	670	-
	<b>227,423,301</b>	<b>141,444,412</b>
<b>24.00 Other operating Income</b>		
Postage charge recoveries	11,395,414	8,695,714
Telex, TP & Telegram charge recoveries	514,281	380,283
Handling charges	6,967,686	3,439,049
Service Charges	21,575,024	4,331,515
SWIFT Charge recoveries	14,351,491	11,594,570
DP Income	322,061	409,014
Locker Rent	338,000	337,500
Miscellaneous Earnings	11,220,968	6,279,448
	<b>66,684,925</b>	<b>35,467,093</b>
<b>25.00 Salary &amp; Allowances</b>		
Basic Pay	55,746,539	45,221,233
Allowances	44,178,740	30,261,086
Bonus	43,040,040	20,516,916
Gratuity	2,500,000	-
Daily Wages	1,261,025	1,100,542
Leave Fare Assistance	7,129,191	2,263,780
Provident Fund	4,676,823	3,311,970
	<b>158,532,358</b>	<b>102,675,527</b>
<b>26.00 Directors Fee</b>		
Meeting fee	425,000	382,500
Other fee	-	-
	<b>425,000</b>	<b>382,500</b>
<b>27.00 Rent, Tax, Insurance, Electricity etc.</b>		
Rent	26,469,976	18,144,230
Rates & taxes	1,117,753	1,171,716
Insurance	6,994,909	5,368,856
Power and electricity	5,610,209	4,289,884
	<b>40,192,847</b>	<b>28,974,686</b>
<b>28.00 Postage, Stamps, Telegram &amp; Telephone etc</b>		
Postage/Courier Service	3,944,797	2,861,362
Telegram, Telex, Fax & e-mail	639,594	291,275
On-line charges	4,404,019	2,330,579
Telephone	3,676,629	3,255,798
	<b>12,665,039</b>	<b>8,739,014</b>
<b>29.00 Printing, Stationery, Advertisement etc.</b>		
Printing & Security Stationery	1,424,192	4,366,064
Computer Stationery	5,687,823	1,326,309
Petty & Table Stationery	1,329,995	966,886
Publicity & Advertisement	4,684,412	7,710,480
	<b>13,126,422</b>	<b>14,369,739</b>
<b>30.00 Depreciation on &amp; repairs to Bank's property</b>		
Depreciation	25,347,209	20,183,129
Repair	2,989,282	1,639,823
	<b>28,336,491</b>	<b>21,822,952</b>

# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

	<b>2006</b>	<b>2005</b>
	<b>Taka</b>	<b>Taka</b>
<b>31.00 Other Expenditures</b>		
Security & Auxiliary Service	12,706,659	9,763,391
Office Cleaning & maintenance	4,619,013	3,654,946
Car expenses	4,692,040	3,840,548
Entertainment	2,492,270	1,977,698
Newspaper & Periodicals	250,753	218,900
Clearing House Expenses	15,615	6,565
Traveling & Conveyance	6,027,911	4,851,920
Foreign Bank Charges	263,939	653,809
Training/ Seminar participation	523,475	707,015
Professional fees	20,000	-
AGM Expenses	1,030,072	591,881
Wasa & Gas	326,009	286,284
Subscription & Donation	1,376,760	1,817,010
SWIFT charge	3,794,858	3,645,767
Rauter charge	1,223,031	1,299,444
CDBL Charges	431,875	433,185
Fees & Registration	1,747,381	2,461,343
Business Development	3,255,032	2,946,500
Promotional expenses	6,319,575	845,555
Liveries & uniforms	12,600	10,170
Branch Opening Expenses	757,809	1,105,342
Contribution to MTB Foundation	2,500,000	1,000,000
MTB Employees death benefit expenses	1,000,000	1,000,000
Employees Welfare expenses	1,000,000	500,000
Share Related Expenses	-	85,794
Honorarium	45,800	18,000
Miscellaneous Expenses	2,697,071	1,835,921
	<b>59,129,548</b>	<b>45,556,988</b>
<b>32.00 Provision against loans and advances</b>		
Provision for Classified Loans & Advances	30,300,000	-
Provision for Unclassified Loans and Advances	64,700,000	27,500,000
Total amount of provision made during the year	<b>95,000,000</b>	<b>27,500,000</b>
<b>33.00 Provision for Tax</b>		
Provision for corporate tax in respect of the year 2006 (Assessment year 2007-08) has been made as per rule.		
Corporate tax assessments upto the year 2004 ( upto assessment year 2005-06 ) have been completed and finalised.		
Corporate tax return for the year 2005 ( Assessment year 2006-07 ) has been filed to the DCT, LTU, Dhaka.		
<b>34.00 Earning Per Share (EPS)</b>		
Net Profit after tax (Taka)	478,279,399	336,174,698
Number of ordinary shares outstanding (2005 : Adjusted for bonus share)	9,504,000	9,504,000
Earning Per Share (Taka)	50.32	35.37
<b>35.00 Received from other operating activities :</b>		
Exchange	173,061,852.00	119,855,779
Postage charge recoveries	11,395,414.00	8,695,714
Talex, Telephone and Telegram Charge recoveries	514,281.00	380,283
Handling charge	6,967,686.00	3,439,049
Sevice charge	21,575,024.00	4,331,515
SWIFT charge recoveries	14,351,491.00	11,594,570
DP income	322,061.00	409,014
Locker rent	338,000.00	337,500
Miscellanuou income	11220968	6,279,448
	<b>239,746,777</b>	<b>155,322,872</b>

# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

	<b>2006</b>	<b>2005</b>
	<b>Taka</b>	<b>Taka</b>
<b>36.00 Payment for other operating activities :</b>		
Rent, tax , Insurance, electricity etc.	40,192,847	28,974,686
Legal expenses	525,939	205,010
Postage, Stamp, telegram and Telephone	12,665,039	8,739,014
Audit fee	60,000	40,000
Printing, Stationery, Advertising Advertisement	13,126,422	14,369,739
MD's remuneration	2,400,000	2,400,000
Directors fee	425,000	382,500
Repair	2,989,282	1,639,823
Other expenditure	59,129,548	45,556,988
	<b>131,514,077</b>	<b>102,307,760</b>

## 37.00 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 470.

## 38.00 No. of Branches

25

20

## 39.00 No. of meetings

Board meetings

11

12

Executive Committee meetings

5

5

## 40.00 Assets pledged as security for liabilities as on 31 December 2006 is nil.

## 41.00 Auditors work hour

The external auditors of the bank, Howlader Yunus & Co., Chartered Accountants has covered 80% of the bank's risk weighted assets and has spent arround 3,100 hours to complete the audit as per Bangladesh Standard on Auditing (BSA).

## 42.00 Related Party Disclosure

### 42.01 Name of Directors and their shareholdings as on December 31, 2006

Name	Designation	December 2006		
		No. of Shares	Amount in Taka	Holding %
Mr Syed Manzur Elahi	Chairman	324,720	32,472,000	3.76%
Mr. Hedayetullah	Vice Chairman	130,900	13,090,000	1.52%
Advanced Chemical Industries Ltd. represented by Dr. Arif Dowla	Director	316,800	31,680,000	3.67%
East West Properties Development Ltd. represented by Mr. Kh. Rashiduzzaman	Director	316,800	31,680,000	3.67%
Al-haj Syed Abul Hossain	Director	316,800	31,680,000	3.67%
Mr. M. A. Rouf	Director	158,400	15,840,000	1.83%
Mr. Md. Abdul Malek	Director	121,000	12,100,000	1.40%
Associated Builders Corporation Ltd. represented by Mr. Rashed Ahmed Chowdhury	Director	475,200	47,520,000	5.50%
Mrs. Yasmeen Haque	Director	79,200	7,920,000	0.92%
Mr. A.F.M. Mahfuzul Hasan	Director	25,000	2,500,000	0.29%
Mr. Anjan Chowdhury	Director	148,104	14,810,400	1.71%
Mr. Md. Wakiluddin	Director	198,000	19,800,000	2.29%
Mr. Saidur Rahman Ratan	Director	75,000	7,500,000	0.87%
		<b>2,685,924</b>	<b>268,592,400</b>	<b>31.09%</b>

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

# NOTES TO THE ACCOUNTS

for the year ended december 31, 2006

## 42.02 Related party transactions

Name of party	Related with	Nature of transactions	Amount Outstanding (Tk.)	Remarks
*SNM Securities Ltd.	Mr Syed Manzur Elahi, Chairman	SOD	1,038,556	Personal guarantee
Square Securities Management Ltd.	Mr. Anjan Chowdhury, Director	SOD	1,528,663	Secured by FDR
ABC Real Estate	Mr. Rashed Ahmed Chowdhury, Director	SOD	1,347,947	Secured by FDR
Pioneer Insurance Co. Ltd.	Mr Syed Manzur Elahi, Chairman Mr. Hedayetullah, Vice Chairman Mr. Anjan Chowdhury, Director Dr. Arif Dowla, Director Mr. Md. Wakiluddin, Director Mr. Saidur Rahman Ratan, Director Mr. A.F.M. Mahfuzul Hasan, Director	SOD	24,211,748	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	5,679,196	Mortgage of Flat
Mr Md Abdur Rouf	Mr Md Abdur Rouf, Director	House building loan	3,106,886	Mortgage of Flat

\* The liabilities of SNM Securities, has been adjusted subsequently .

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

## 42.04 Financial Highlights as of 31 December 2006 shown under Annexure-C.



**Syed Manzur Elahi**  
Chairman



**Hedayetullah**  
Vice Chairman



**Md. Wakiluddin**  
Director



**Mosharraf Hossain**  
Managing Director

## SCHEDULE OF PERMISES & FIXED ASSETS

as on december 31, 2006

**Annexure-A**

Particulars	Cost			Depreciation					Written down value as on 31.12.2006 Taka	
	Balance as on 01.01.2006 Taka	Addition during the year Taka	Disposal during the Taka	Balance as on 31.12.2006 Taka	Rate	Balance as on 01.01.2006 Taka	Charged for the year Taka	Adjustment made during the year Taka		Balance as on 31.12.2006 Taka
Land	104,195,000	58,	-	104,253,000	-	-	-	-	-	104,253,000
Immovable property	11,393,980	-	-	11,393,980	2.5%	585,143	270,221	-	855,364	10,538,616
Furniture & Fixtures	23,673,858	5,414,193	-	29,088,051	10%	5,229,574	2,127,008	-	7,356,582	21,731,469
Interior Decoration	52,139,914	10,764,608	-	62,904,522	10%	12,416,963	4,464,203	-	16,881,166	46,023,356
Office Equipments	82,670,287	40,882,359	596,000	122,956,646	20%	34,996,463	12,885,871	554,000	47,328,334	75,628,312
Motor Vehicles	25,670,592	8,150,000	600,000	33,220,592	20%	10,077,455	5,587,513	334,680	15,330,288	17,890,304
Books & Periodicals	154,184	11,893	-	166,077	10%	32,539	12,393	-	44,932	121,145
Total 2006	299,897,815	65,281,053	1,196,000	363,982,868		63,338,137	25,347,209	888,680	87,796,666	276,186,202
Total 2005	166,067,224	135,379,581	1,548,990	299,897,815		44,016,998	20,183,129	861,990	63,338,137	236,559,678



## NAME OF COMPANIES IN WHICH THE DIRECTORS OF THE BANK HAVE INTEREST

name of companies in which the directors of the bank have interest

### Annexure-B

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>MANAGING DIRECTOR</b> Advanced Chemical Industries Ltd. ACI Formulations Ltd. ACI Salt Ltd. Stochastic Logic Ltd. ACI Foods Ltd. ACI Pure Flour Ltd. Apex Leather Craft Ltd. <b>DIRECTOR</b> ACI Trading Ltd. Pioneer Insurance Co. Ltd. ACI Agrochemicals Ltd. Consolidated Chemicals Ltd. Tetley ACI (Bangladesh) Ltd. ACI Godrej Agrovet (Pvt.) Ltd.
04.	Mr. Kh. Rashiduzzaman Director Representing East West Properties Development Ltd.	<b>MANAGING DIRECTOR</b> Baitul Food Products 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
07.	Mr. Md. Abdul Malek Director	<b>CHAIRMAN</b> Sheltech Consultant (Pvt.) Ltd. Jebel-E-Noor General Hospital Ltd.

## NAME OF COMPANIES IN WHICH THE DIRECTORS OF THE BANK HAVE INTEREST

name of companies in which the directors of the bank have interest

### Annexure-B

SL #	Name of Directors of the Bank	Name of Companies in which the directors have interest
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. Softech 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.

# FINANCIAL HIGHLIGHTS

as of december 31, 2006

## Annexure-C

Figure in million Taka

SL #	ITEMS	2006	2005
1	Paid up Capital	950.40	864.00
2	Total Capital	2,114.53	1,692.52
3	Surplus in Capital Fund	506.00	478.57
4	Total Assets	26,217.99	19,306.99
5	Total Deposits	22,264.05	16,098.54
6	Total Loans and Advances	18,591.52	14,373.26
7	Total Contingent Liabilities	9,671.39	7,498.27
8	Lending-Deposit ratio	83.50%	89.28%
9	Classified Loans as % of Total loans and advances	1.03%	Nil
10	Profit after provision and tax	478.28	336.17
11	Total Classified loans during the year	191.63	Nil
12	Total provision maintained against classified loans	30.30	Nil
13	Surplus in provision against classified loans	0.03	Nil
14	Cost of Fund	10.33%	8.96%
15	Earning assets	23,575.83	17,419.05
16	Non-interest earning assets	2,642.16	1,887.94
17	Return on Investments (ROI)	6.03%	5.61%
18	Return on Assets (ROA)	1.82%	1.74%
19	Income from Investments	184.40	139.97
20	Earnings per Share (Figure in Taka)	50.32	35.37
21	Profit per Share (Figure in Taka)	50.32	35.37
22	Price-Earning ratio (Times)	6.80	11.35