

**Internship Report**  
**On**  
**An Appraisal of Foreign Exchange**  
**Activities &**  
**Financial Performance**  
**of**  
**Prime Bank Limited**

**Prepared For:**

**Prof. Tanbir Ahmed Chowdhury, Ph.D**  
**Dean & Chairperson**  
**Department of Business Administration**

**Prepared By:**

**Ankeeta Binte Abbas**  
**ID: 2005-1-10-204**  
**Department of Business Administration**



**EAST WEST UNIVERSITY**

**Date of Submission: 23<sup>rd</sup> August, 2009.**

**EAST WEST UNIVERSITY**

43, Mohakhali C/A, Dhaka-1212

May 20th, 2009

Student of

BUS 499

Project/Internship Report

East West University

Dear Student:

As per your graduation requirement you must submit your internship report or project at the last semester. Will you please create a project or report on the basis of your major subjects. You have to analyze how you have done your job or research and will prepare your report .

Please have the report to me by 23<sup>rd</sup> August, 2009 if it is possible because it is your final term paper.

Please call on me if I can be assistance.

Sincerely,

---

Prof. Tanbir Ahmed Chowdhury, Ph.D  
Dean & Chairperson  
Department of Business Administration

August 21, 2009

Dr. Tanbir Ahmed Chowdhury, Ph.D  
Dean & Chairperson  
Department of Business Administration  
East West University  
43, Mohakhali C/A  
Dhaka-1212

Subject: Submission of the Term Paper.

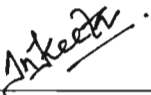
Dear Sir:

I am a student of Business Administration and according to graduation requirement I have to prepare and submit my internship report. I have tried my best to complete this report according to your advice. I got chance to work as an internee At Prime bank Limited and gathered a lot of knowledge and work experiences during the internship period. I have tried to prepare this report effective as much as possible.

I hope that all my effort will be success if you accept this report. I truly appreciate this report and if you need any assistance in interpreting, please call me, I will be very glad.

Thanking you

Sincerely Yours,



---

Ankeeta Binte Abbas  
ID : 2005-1-10-204  
Department of Business Administration

## ACKNOWLEDGEMENT



This report has prepared for the course bus 499 named Internship Report or Project and for the Department of Business Administration of East West University. Completion of this report has made me grateful to a number of persons. First of all I would like to thanks Allah that he gave me strength to complete this report. Secondly my course instructor Dr. Tanbir Ahmed Chowdhury not only for giving me his advice to prepare the report but also for providing help when I knocked him for suggestions and guidelines. I would also like to thank all officials of prime bank limited, Motijheel branch because I have joined at Prime Bank Ltd, Motijheel branch as an internee. I am very grateful to Md. Ibrahim Hossain Gazi (sr. Asstt. Vice President) because he has introduced me with Md. Atiqur Rahman, the officer of the export department. I have worked with him and he has helped me a lot to understand all the works practically and he gave theoretical lecture on that particular activities. On the other hand Mr. Sm Nabil Alam, an Executive Officer has made the environment so comfortable that I felt free to work. Mr. Kazi Khairul Islam, first asstt. Vice president, who was the in charge of the department has given me guidance to prepare my report and Mr. Iqbal Azim Kadri ,an Executive Officer, has given me the theoretical and practical knowledge about the export document and export processing. Overall they have received me as a member of their bank, they never behaved with me badly and always they were cooperative. At the end I would like to express my thanks to all the teachers of my department, from whom I have learnt through the years which helped me to build up my career. This report would not be possible without the cooperation of them. So my heartiest appreciation goes to those officials and to all my well wishers.

## EXECUTIVE SUMMARY

The basis of this report will convey the foreign exchange activities and the performance and financial position of Prime Bank Limited. In Bangladesh, the flourish of banking sector is running well. The activities of the bank is not only restricted to eliminate the gap between surplus units and deficit units, but also in several other activities such as in Export and Import sector. IT sector has enriched the service of the bank and thus it is able to give more satisfaction to its valuable customers. The Prime Bank Limited is one of the well-established and prominent private banks in Bangladesh. The bank has been graded as a top class bank in the country through internationally accepted CAMEL rating. It focuses on a wide range of banking and financial services which include Commercial Banking, Retail & SME Asset Management, Islamic banking, Investment Banking, Merchant Banking and Card Business. It is a market leader in corporate consumer banking and retail lending to SMEs in Bangladesh. The report includes the activities of Foreign Exchange Department and on performance appraisal of Prime Bank limited. The comparative analysis, some financial statement analysis along with some relevant ratio calculations and their interpretations are presented in this report. However from the analysis and the report I have able to identified some problems as well bank's positive feature. The process of foreign trade and performance appraisal of Prime Bank Limited is the key part of my report.

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# **Chapter One**

## **Introduction**



## **1. Introduction**

### **1.1 Background**

The Prime Bank limited (PBL) is one of the most fortunate banks in Bangladesh. It was formed and commencement of business started on 17th April 1995 under the Companies Act, 1913. It has organized its significant process within a very short time due to its very competent Board of Directors with its vigorous management and highly professional employees who have wide experience both in domestic and international Banking. The bank has been graded as a top class bank in the country through internationally accepted CAMEL rating. I am doing my internee from 3<sup>rd</sup> May, 2009 in the Prime bank Ltd, Motijheel branch. I will make the report on the foreign exchange sector based on its primary and secondary data. The practical skill will also help me out to prepare my report. The history of Prime Bank Limited along with its foreign exchange procedures will be in me report. To be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital, adequacy, asset quality, sound management and profitability having strong liquidity is the vision of the bank. On the other hand to build Prime Bank Limited into an efficient, market driven, customer focused Institution with good corporate governance structure, continuous improvement in their business policies, procedure and efficiency through integration of technology at all levels is the mission of the bank. The performance appraisal of the Prime Bank Limited is the name of my report. It will give a model to the bank as because in my report I will show the reasons or factors of fluctuation in export-import sector and I will get benefitted by making this report which will reflect me experiences.

### **1.2 Review of Literature**

Foreign Exchange or Forex is the simultaneous exchange of one country's currency for that of another. An investor wishes to purchase or sell one currency for another with the hope of making a profit when the value of the currencies changes in favor of the investor, whether from market news or events which take place in the world. This market of exchange has more daily volume, both buyers and sellers, than any other in the world. Taking place in the major financial institutions across the globe, the forex market is open 24-hours a day.

The foreign exchange market (currency, forex, or FX) is where currency trading takes place. It is where banks and other official institutions facilitate the buying and selling of foreign currencies. FX transactions typically involve one party purchasing a quantity of one currency in exchange for paying a quantity of another. The foreign exchange market that we



see today started evolving during the 1970s when world over countries gradually switched to floating exchange rate from their erstwhile exchange rate regime, which remained fixed as per the Bretton Woods system until 1971.

Presently, the FX market is one of the largest and most liquid financial markets in the world, and includes trading between large banks, central banks, currency speculators, corporations, governments, and other financial institutions. The average daily volume in the global foreign exchange and related markets is continuously growing.

**From the concept of Banking Dictionary:** currency-literally foreign money-used in settlement of international trade between countries. Trading in foreign exchange is the means by which values are established for commodities and manufactured goods imported or exported between countries. Creditors and borrowers settle the resulting international trade obligations, such as bank drafts, bills of exchange, bankers' acceptances, and letters of credit, by exchanging different currencies at agreed upon rates. The result of all this international trade is that financial institutions accumulate surpluses of different currencies from loan repayments by foreign borrowers, and also from import-export trade financing on behalf of bank customers. The interbank foreign exchange market is an over-the-counter market, a network of commercial banks, central banks, brokers, and customers who communicate with each other by telex and telephone throughout the world's major financial centers. Foreign exchange traders also make markets or speculate in different currencies, usually anticipating future appreciation of stronger currencies against weaker ones, through the foreign exchange Forward Market and the Currency Futures market.

**Britannica Concise Encyclopedia stated that:** Purchase or sale of one national currency in exchange for another nation's currency, usually conducted in a market setting is the foreign exchange. Foreign exchange makes possible international transactions such as imports and exports and the movement of capital between countries. The value of one foreign currency in relation to another is defined by the exchange rate.

**Columbia Encyclopedia:** Foreign exchange, methods and instruments used to adjust the payment of debts between two nations that employ different currency systems. A nation's balance of payments has an important effect on the exchange rate of its currency. Bills of exchange, drafts, checks, and telegraphic orders are the principal means of payment in international transactions. The rate of exchange is the price in local currency of one unit of foreign currency and is determined by the relative supply and demand of the currencies in the foreign exchange market. Buying or selling foreign currency in order to profit from sudden changes in the rate of exchange is known as arbitrage. The chief demand for foreign exchange within a country comes from importers of foreign goods, purchasers of foreign securities, government agencies purchasing goods and services abroad, and travelers.



French volunteer armed force composed chiefly, in its enlisted ranks, of foreigners. Its international character and the tradition of not revealing enlistees' backgrounds have helped to surround the Foreign Legion with an aura of mystery and romance. Although foreigners had served in French armies previously, King Louis Philippe created (1831) this specific foreign legion. Originally intended to pacify Algeria, the legion also was active in the pacification of Morocco and fought in other areas of the French colonial empire and in both world wars. It was later active in the French campaigns in Indochina and Algeria. One regiment of the legion supported Algerian insurgency against the French government (1961) and was rapidly disbanded. The legion was normally stationed in Algeria until 1962, when its headquarters were transferred to S France, near Marseilles. The army's regiments were scattered throughout the world. There have been many other foreign legions; e.g., a British legion participated in the Carlist Wars in Spain, and in the Spanish civil war (1936–39) the International Brigade fought on the Loyalist side.

Foreign Exchange Regulation (FER) Act, 1947 (Act No. VII of 1947) enacted on 11th March, 1947 in the then British India provides the legal basis for regulating certain payments, dealings in foreign exchange and securities and the import and export of currency and bullion. This Act was first adapted in Pakistan and then, in Bangladesh. The Act is reproduced at Appendix 1. Bangladesh Bank is responsible for administration of regulations under the Act. Appendix 4 provides a list of Bangladesh Bank's offices and their jurisdictions.

Basic regulations under the FER Act are issued by the Government as well as by the Bangladesh Bank in the form of Notifications which are published in the Bangladesh Gazette. Notifications issued by the Bangladesh Government and the erstwhile Government of Pakistan and the Bangladesh Bank and the erstwhile State Bank of Pakistan are reproduced at Appendices 2 and 3. Directions having general application are issued by the Bangladesh Bank in the form of notifications, foreign exchange circulars and circular letters. Terms having a special meaning for the purpose of the FER Act are defined under Section 2 of that Act. However, for the purpose of this publication and the instructions issued by the Bangladesh Bank from time to time, the following terms shall be used in addition to those defined under Section 2 of the FER Act: (i) Resident and Nonresident, (ii) Bangladesh Bank, (iii) Taka, (iv) Dollar and (v) Authorized Dealers.



## 1.3 Origin of the Report

This internship report is originated as a part of the BBA program of the department of Business Administration. For the achievement of the BBA program it compulsory for us to make a good report which carries three credits. As an intern of Prime Bank Limited, Motijheel Barnch, I was offered to prepare “an Appraisal of Foreign Exchange Activities and Performance Appraisal of Prime Bank Limited’. The report titled with this and will be submitted to Professor Dr. Tanbir Ahmed Chowdhury, Dean and Chairperson of Business Department.

## 1.4 Objective

There are two types of objective. One is broad and other one is specific objective:

### ➤ *Broad Objective-*

- To understand the context of Foreign Exchange trade of Bangladesh by working in the Prime Bank Limited.
- The overall scenario of the bank along with the process will also give me the idea about the bank’s transactions.
- The performance of the Prime Bank Limited.

### ➤ *Specific Objective-*

- Based on the past data and process I will explain the procedure or activities of Export, Import and Remittance.
- I will identify the financial performance of the bank .



## 1.5 Significant of the study

This experience will help me know about the corporate environment as well as the process of the transaction. As I have worked on Retail Credit, it helps me know about that specific sector. On the other hand Foreign Exchange Department will help me get the idea as well as the knowledge about that specific sector. It is needed for me to improve my skills.

The analysis will also help to the Prime bank Limited as because it is based on their data. They will get the information about their performance from the findings. It can be a role model to them.

## 1.6 Methodology

After completion of the design I will collect the data from the primary and secondary source. From those sources I can do the analysis.

### ➤ Primary source-

- Employee of the bank.

### ➤ Secondary Sources –

- Annual Report (From 2004 to 2008) of Prime Bank Limited.
- Brochures of Prime Bank Limited.
- Different publications
- Newspapers or articles or different publications.
- Internet and website ([www.prime\\_bank.com](http://www.prime_bank.com)) of Prime Bank
- Records, etc.



## 1.7 Data Analysis

After collecting the data the data will be analyzed based on the some statistical analysis. Here I will use the SPSS software. From the analysis the data will be presented by the key factors on which the export import situation varies.

## 1.8 Reporting

The whole report will be presented by the Dean and Chairperson of the Business Administration Department and my supervisor, Dr. Tanbir Ahmed Chowdhury. At the time of presentation the report will be presented with the final report paper, which will consist of the performance about the foreign exchange department of Prime bank limited, along with the analysis, recommendation and solution.

## 1.9 Timeliness

	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Preparation of Project Proposal</b>													
<b>Preparation of questionnaire</b>													
<b>Collection of Data</b>													
<b>Data Analysis</b>													
<b>Preparation of Draft Report</b>													
<b>Preparation of Final Report</b>													

Table No. 1: Timeliness





## 1.10 Budget

Goods	Costs (in Tk.)
Book	250
Stationary	100
Printing	800
Bindings	600
Transportation Cost	500
Miscellaneous Costs	300
<b>Total</b>	<b>2550</b>

**Table No.2: Budget of the report**

## 1.11 Limitation

There are certain limitations regarding the studies that are summarized below:

- Deficiencies in data required for the study.
- One of the major limitation is the time constraints.
- The employees at Motijheel Branch in Prime Bank Limited are so much busy in their responsible fields; they could hardly provide little time to discuss with them.
- Management Information Systems is a very wide spectrum. However the branch has strong and effective Software but that is not user friendly. Therefore I could not focus on MIS practices or IT sector on local banks.
- Web Site of the bank was not updated and sufficient enough.
- This reports information's which is gathered by my limited knowledge depends on accuracy of the data.
- Lack of in-depth understanding of certain terms.
- Bank secrecy posed a major problem since discloser of some information's been restricted.



# **Chapter Two**

## **Background of the Prime Bank Limited (PBL)**



## 2. Background of the Prime Bank Limited (PBL)

### 2.1 History (PBL)

In the backdrop of economic liberalization and financial sector reforms, a group of highly successful local entrepreneurs conceived an idea of floating a commercial bank with different outlook. For them, it was competence, excellence and consistent delivery of reliable service with superior value products. Prime Bank Ltd. is being managed by a highly professional and dedicated team with long experience in banking. They constantly focus on understanding and anticipating customer needs. As the banking scenario undergoes changes so is the bank and it repositions itself in the changed market condition and it is a fully licensed commercial bank.

Prime Bank Ltd. was established on 17th April 1995 and the sponsors are reputed personalities in the field of trade and commerce and their stake ranges from shipping to textile and finance to energy etc. Prime Bank Ltd. has been registered under the Companies Act 1913 with its registered office at 5, Rajuk Avenue, Motijheel commercial area, Dhaka 1000 and afterward it was shifted to Adamjee Court Annex building, 119-120, Motijheel Commercial Area, Dhaka - 1000. It has started with an authorized capital of Tk.1000 million and paid up capital of Tk.100 million.

Prime Bank Ltd. has already made significant progress within a very short period of its existence. The bank has been graded as a top class bank in the country through internationally accepted CAMEL rating. The bank has already occupied an enviable position among its competitors after achieving success in all areas of business operation. The bank has consistently turned over good returns on Assets and Capital. During the year 2007, the bank has posted an operating profit of Tk. 3257 million and its capital funds stood at Tk 6382 million.

It has attached more importance in technology integration from the very beginning. In order to retain competitive edge, investment in technology is always a top agenda and under constant focus. It is one of the first few Bangladeshi Banks who have become member of SWIFT (Society for Worldwide Inter-bank Financial Telecommunication) in 1999. SWIFT is members owned co-operative, which provides a fast and accurate communication network for financial transactions such as Letters of Credit, Fund transfer etc. By becoming a member of SWIFT, the bank has opened up possibilities for uninterrupted connectivity with over 5,700 user institutions in 150 countries around the world and the SWIFT No.: **PRBLDDH**. Keeping the network within a reasonable limit, its strategy is to serve the customers through capacity building across multi delivery channels. Its past performance gives an indication of its strength. It is in the better placed and poised to take its customers through fast changing times and enable them compete more effectively in the market they operate.



## 2.2 Objective of the Bank

Prime Bank limited aims to provide commercial investment bank services to all type of customers range from small entrepreneurs to big business firms. It put emphasis on the priority sector of the economy like industry, housing and self- employment. In addition, the bank aims to provide different customer friendly deposit and loan products to fulfill the banking needs of the individual clients.

## 2.3 Vision of the Bank

To be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital, adequacy, asset quality, sound management and profitability having strong liquidity.

## 2.4 Mission of the Bank

- To build Prime Bank Limited into an efficient, market driven, customer focused Institution with good corporate governance structure.
- Continuous improvement in our business policies, procedure and efficiency through integration of technology at all levels.

## 2.5 Corporate Culture

Prime bank Limited (PBL) is known for its superior service quality, Brand Image, Strong corporate Governance and a corporate culture committed to excellence and it is top-tier bank in Bangladesh.



## 2.6 Core Business

The Prime bank Group focuses on a wide range of banking and financial services include commercial banking, retail & SME assets management, Islamic Banking, Investment banking, Merchant Banking and Card Businesses. PRIME Bank is a market leader in corporate to consumer banking and retail lending to SMEs in Bangladesh.

## 2.7 Shahriah Council

The Bank has taken up the Challenge to start Islami Banking Operations within few months from its establishment.. The Challenge is not so much as in operating Islamic Banking but in maintaining both the forms in Parallel. From its inception as an Islami Bank the bank has proven itself to be worthy of its slogan of 'Bank with a Difference', through successful operation of Islami Banking.

Prime Bank has started its Islami Banking operation through its first Branch being inaugurated at 19, Dilkusha C/A, Dhaka on 18 December 1995. Since then it has so far has established four more branches at different locations in the Country. Because of its popularity and management's commitment toward social well being gradual expansion of Prime Bank's Islami Banking operations is assured.

The most important features of Islamic Banking, as is practiced in Prime Bank Limited are:

- All activities are conducted according to Islamic Shariah
- Following Islamic principles in its investment portfolio.
- Building partnership relation between the Bank and its customers.
- Interest free monetary operations.
- While investing special consideration to social needs is given..
- Client service centric banking, through which making the clients feel special.
- Through small and long term deposit schemes providing hope to the poor income group of the society.
- Conduct welfare activates etc.



## 2.8 Service Portfolio

### ◆ Deposit

#### a) Conventional Banking:

- ✿ Current Deposit
- ✿ Savings Deposits
- ✿ Short Term Deposits
- ✿ Non Resident Taka Account
- ✿ NR Investors Taka Account
- ✿ Security Deposit Receipts
- ✿ Deposit Under Scheme:
  - ⊙ Contributory Savings Scheme
  - ⊙ Lakhopoty Saving Scheme
  - ⊙ Double Benefit Deposit Scheme
  - ⊙ Education Savings Scheme
  - ⊙ Prime Millionaire Deposit Scheme
  - ⊙ HBL Deposits Scheme

#### b) Islamic Banking:

- ✿ Al- Wahiah Current Account
- ✿ Mudaraba Savings Account
- ✿ Mudaraba Short Term Deposit
- ✿ Convertible Taka account
- ✿ Mudaraba Term Deposit
- ✿ Mudara special saving scheme deposits
  - ⊙ Contributory Savings Scheme
  - ⊙ Lakhopoty Saving Scheme
  - ⊙ Monthly Benefit Deposit Scheme
  - ⊙ Education Savings Scheme
  - ⊙ Prime Millionaire Deposit Scheme
  - ⊙ HBL Deposits Scheme



### ◆ Foreign Currency deposits Accounts

- ✿ Foreign Currency Account
- ✿ FCY Account Under ERQ
- ✿ Resident Foreign Currency (FC) Deposit
- ✿ Non-Resident Foreign Currency Deposit

### ◆ Treasury

- ✿ Primary Dealer unit
  - ⊗ Treasury Bills
  - ⊗ Treasury Bonds
  - ⊗ REPO's
  - ⊗ Reverse REPO's

### ◆ Forex & Fund Management

- ✿ SWAPS
- ✿ Import/Export Financing
- ✿ Custodian Services
- ✿ Money Market Lending & Borrowing

### ◆ Special Service

- ✿ Cash Services
  - ⊗ ATM Services
  - ⊗ Cheque Encashment
  - ⊗ Foreign Currency
- ✿ Fund Transfer
  - ⊗ Inter-Branch Money Transfer
  - ⊗ SWIFT
  - ⊗ Telegraphic Transfer
  - ⊗ Issuing and Encashing Foreign Darfts.



## ✿ Travel Services

- ⊗ Traveler's Chaques

## ✿ Value Added Services

- ⊗ Locker Service
- ⊗ Insured Deposit
- ⊗ Senior Citizen Scheme

## ✿ Credit Cards

- ⊗ Visa Credit Card-local
- ⊗ Visa Credit Card- International
- ⊗ Master card- Local
- ⊗ Master Card- International

## ◆ Advances

### 1) Conventional Banking

- ✿ Parking Credit
- ✿ Loan Against Loan Merchandise ( LIM)
- ✿ Letter of Trust receipts (LTR)
- ✿ Payments Against Documents
- ✿ EDF Loans
- ✿ Secured Overdrafts ( SOD)
- ✿ Inland Documentary Bill Purchased ( IDBP)
- ✿ Cash Credit
- ✿ Loan general
- ✿ Hire Purchase
- ✿ Housing Loan- Commercial





🌸 Retail Loans :

- 🌀 Auto Loans
- 🌀 Home Loans ( Swapna Neer)
- 🌀 Consumer Durable Loan
- 🌀 Doctors Loan
- 🌀 Marriage Loan
- 🌀 Travel Loan
- 🌀 Educational Loan
- 🌀 CNG Conversation Loan
- 🌀 Hospitalization Loan
- 🌀 Advanced Against Salary
- 🌀 Any Purpose Loan

**b) Islamic Banking**

- 🌸 Bai-Murabaha
- 🌸 Bai-Salam
- 🌸 Quard
- 🌸 Bills (Islamic)
- 🌸 Bai-Muajjal
- 🌸 Izarah
- 🌸 HP under Sirakatul Milk
- 🌸 Musharaka
- 🌸 Term Investment Retail :
  - 🌀 Seefa Investment Scheme
  - 🌀 Ashbad Investment
  - 🌀 Burrak Investment
  - 🌀 Manjeel Investment
  - 🌀 Musafir Investment
  - 🌀 Educational Investment
  - 🌀 CNG Conversation Investment



- ⊗ Hospitalization Investment
- ⊗ Mehnah Investment Against Salary

◆ **Other Services**

✿ **Letters Of Credit (LC)**

- ⊗ Letters Of Credit-Sight
- ⊗ Letters Of Credit-Deferred
- ⊗ Back to Back LC

✿ **Letters of Guarantee**

- ⊗ Advanced Payment Guarantee
- ⊗ Bid Bond
- ⊗ Performance bond
- ⊗ Payment Bond
- ⊗ Custom Guarantee
- ⊗ Retention Money Guarantee
- ⊗ Shipping Guarantee
- ⊗ Guarantee-Others

# **Chapter Three**

## **Foreign Exchange**



### **3. Foreign Exchange**

Foreign exchange means foreign currency and includes:-

- i. All deposits, credits and balances payable in any foreign currency and any drafts, travelers cheques, letters of credit and bills of exchange, expressed or drawn in Indian currency but payable in any foreign currency;
- ii. Any instrument payable, at the option of the drawee or holder thereof or any other party thereto. Either in Indian currency or in foreign currency or partly in one and partly in the other. Thus, foreign exchange includes foreign currency; balances kept abroad and instruments payable in foreign currency

#### **3.1 Functions of Foreign Exchange Department**

Foreign Exchange Department performs many functions to facilitate the foreign exchange transactions. These are:

- ✿ Facilitating Import Trade
- ✿ Facilitating Export Trade
- ✿ Provide Funded and Non-funded Credit Facility.
- ✿ Maintaining Foreign Currency Accounts
- ✿ Selling of Foreign Currency Bond etc

The above mentioned functions are done by three sections namely:

- ↗ Import Section
- ↗ Export Section
- ↗ Foreign Remittance Section.



On the other hand the Bank act as a media for the system of foreign exchange policy. For this reason, the employee who is related of the bank to foreign exchange, specially foreign business should have knowledge of these following functions :-

- I. Rate of exchange.
- II. How the rate of exchange works.
- III. Forward and spot rate.
- IV. Methods of quoting exchange rate.
- V. Premium and discount of the forward market.
- VI. Exposure (Risk) of exchange rate.
- VII. Causes of exchange rate change.
- VIII. Exchange rate control.
- IX. Convertibility of the capital and money market.
- X. Exchange position.
- XI. Intervention in the money market.
- XII. Foreign exchange transaction.
- XIII. Foreign exchange trading.
- XIV. Export and import letter of credit (LC).
- XV. Non-commercial letter of trade.
- XVI. Financing of foreign trade.
- XVII. Nature and function of foreign exchange market.
- XVIII. Rules and Regulation used in foreign trade.
- XIX. Exchange Arithmetic.

## 3.2 Principles of Foreign Exchange

The following principles are involved in Foreign exchange:

- i. The entire system
- ii. The media used
- iii. The monetary unit.



### 3.3 Foreign Trade and Foreign Exchange

International trade refers to trade between the residents of two different countries. Each country functions as a sovereign State with its set of regulations and currency. The difference in the national of the exporter and the importer presents certain peculiar problems in the conduct of international trade and settlement of the transactions arising there from. Important among such problems are:

- A) Different countries have different monetary units;
- B) Restrictions imposed by countries on import and export of goods;
- C) Restrictions imposed by nations on payment from and into their countries;
- D) Differences in legal practices in different countries.

### 3.4 Export

Export means supply or delivery/ provides the goods or services from our country to the other persons / companies who are residing outside the country. Any person or company or organization can export who have an ERC (Exporter's Registration Certificate) or any special permission for export competent authority.

The situation of export from 2004 to 2005 has given below:

Year	Export (Million)	Growth (%)
2004	19502	-
2005	28882	48.09%
2006	41801	44.73%
2007	51316	22.76%
2008	68550	33.58%

Table No.3: Export

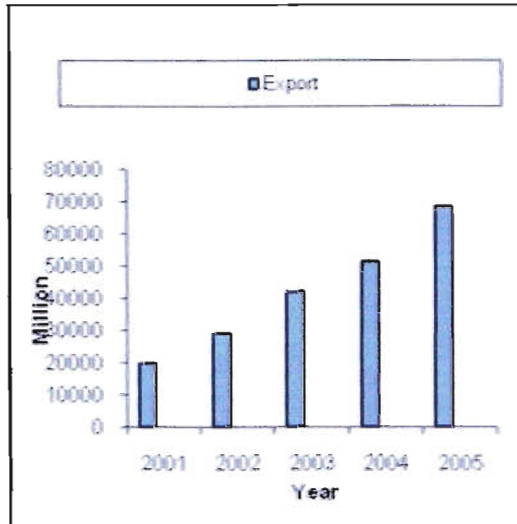


Figure 1: Export

The table shows in 2008 it has highest export than others years which has increased by 33.58%. on the other hand in 2004 it has lowest amount of export. So it shows a positive indication for PBL.

### 3.4.1 Export Incentives

Government provides so many incentives to the exporter. Such as-

#### *A. Financial Incentives:*

- Restructuring of Export Credit Guarantee Scheme (ECGS): ECGS mean convertibility of Taka in current account. Exporters can deposit 40% of FOB value of their export earnings in own dollar and pound sterling.
- Export Development Fund (EDF).
- Expansion of export credit period from 180 days to 270 days; 50% tax rebate on export earnings; duty draw back;
- Bonded warehouse facilities to 100% export oriented firms.
- Duty free import of capital equipment for 100% export oriented firms.



## **B. General Incentives:**

- National Export Trophy to successful exporters;
- Training course on external trade;
- Arrangement of international trade fairs, commodity-based exhibitions in the country and participation in foreign trade.

## **C. Other Incentives:**

- Assistance in improvement of quality and packing of exportable items;
- Simplification of exports procedures

## **3.4.2 Export Procedures**

A lot of formalities to be done by the exporter for export their goods with the help of different Government or Non Government organization and Banks.

### **Duties & Responsibilities of Exporter:**

- An exporter has to obtain a general permission from the office of chief Controller of Import & Export (CCI & E). This permission is known as Exporter's Registration Certificate (ERC).
- If any exporter wants to export any band item or restricted item, (list of band items or restricted items are available in the Export Policy published by the Govt.) then has to obtain special permission from CCI & E and Export Promotion Bureau (EPB).
- To obtain a ERC , he /she has to submit a valid trade license , bank solvency certificate, membership certificate of any trade association etc to CCT & E office.
- For service exporter ( Data entry , Soft ware export etc ) permission from CCI & E is not mandatory ).





- He/ she have to obtain a general permission from the office of Export Promotion /bureau (EPB). This permission is known as Membership certificate of EPB. It is not mandatory.
- He / she have to a member of “Chamber of Commerce” or respective business area and it is not mandatory.
- Then he / she will collect export order through a Letter of credit (LC) or contract. In case of LC, it should be authenticated and advised by a bank.
- After that he / she can export the goods against LC / contract for a payment term as “Sight / Usance” basis. Even they export the goods on consignment basis.
- He / she checks all terms and conditions of LC / contract carefully. If it is possible to comply with, he / she takes the necessary steps to export the goods.
- He / she applies to their bank along with the original LC/ contract % a copy of commercial invoice for issuance of EXP Form. (EXP form known as export form).
- Exporter signed & fill up their portion of EXP form and then they collect bank’s seal and signature on the same EXP form.
- Exporters make range the goods for shipment by sea/air through your nominated Clearings and Forwarding Agent (C&F Agent).
- C&F Agent takes necessary approval from port custom authority on behalf of the exporter before shipment the goods.
  - To take the approval of customs authority .he/she has to submit the required papers like full set of EXP form, copy of commercial invoice, copy of packing list, Copy of ERC etc.
  - After Approval of customs authority, C&F agent directly sends the Original Copy of EXP form to the central bank, Bangladesh bank and rest of three EXP form ( Duplicate, Triplicate and Quadruplicate Copy) returns to the exporter.
- Then exporter prepares or collects all related documents or papers from different authorities as per LC or Contract Terms.
- He/ She submits the documents to their bank for negotiation or collection the proceeds against their export.



● ***Duties & Responsibilities of Exporter's Bank:***

- Bank advises the LC to the exporter. Here bank acts as an advising bank of the customer. Proper authentication of the LC is a primary duty of an advising bank.
- After receipt a request from the exporter for issuance of EXP form:
  - Bank takes the original LC or contract form from the exporter
  - They checks all terms & conditions of the LC or contract and the title of the goods must be checked carefully.
  - Bank ensures that the exporters has the ERC
  - Bank will ensure that the credentials of the buyers or consignees abroad and in this regard bank may wants to know the creditworthiness of the buyer through their foreign correspondent like greater care to be taken by the bank for ensure the repatriate the proceeds
- After fulfillment the above processing, Bank certifies the full set of EXP form but before certification EXP form will be filled up and signed by the exporter.
- Then Bank received the shipping documents from the exporter:
  - Bank examines the documents carefully as per as LC or contract.
  - If any discrepancy found, they informs the exporters for their rectification or disposal instructions from their end.
  - Then bank sends the documents to the LC issuing bank or paying bank as per instruction of the LC or contract with the covering letter mentioning payment instructions properly.
  - Bank instruct the buyer's bank to deliver the documents against payment or acceptance and it depends on the tenor of document drawn ( Sight or Usance basis)
  - In case of the document drawn on usance basis, bank request the LC issuing bank or paying bank for the confirmation of their acceptance.
  - Some other common instructions to be mentioned on the forwarding schedule of the documents
  - Bank mentions the discrepancies on the covering letter if any containing in the documents.



- Before sending the documents, bank endorses the Bill of lading (BL) or Track Receipt (TR) or Air way Bill (AWB), transport documents in favor of the LC issuing or Paying Bank. Bank may endorse the BL in favor of buyer if full proceeds against the said bill are received in advance. Bill of Exchange also may require for endorsement in favor of the bank.
- Bank will take decision whether they will negotiate the documents or send for collection basis.
  - Bank will send EXP's duplicate copy to the central bank for their record. However before sending them EXP form must be filled up and signed by the banker properly.
  - After sending the documents, bank waits for receive the payment as per LC. Bank takes proper care and follow-up for repatriate the proceeds.
  - After credit intimation or confirmation received from the NOSTRO A/C bank realizes the proceeds and credit the same to the exporter's A/C and necessary charges or dues to be realized if there is any pending has created with the customers.
- Finally, Bank reports all the export proceeds which are received during the month to the central bank under :
  - Foreign currency transaction reporting (Central Banks monthly return) along with the following supporting papers or documents.
  - EXP's Triplicate copy or EXP Non Attached Voucher if EXP form is not available at the time of reporting but proceeds realized.
  - Advanced Received Voucher if export proceeds received in advance before issuance of EXP form or export proceeds received in advance through FTT (Fund Telephonic Transfer).



### 3.4.3 Important Key Terms for Foreign Trade

#### Bill Of Exchange (B/E)

1. Amount of B/E differ with Invoice.
2. Not drawn on L/C issuing Bank.
3. Not signed
4. Tenor of B/E not identical with L/C
5. Full set not submitted.

#### Commercial Invoice

1. Not issued by the Beneficiary.
2. Not signed by the Beneficiary.
3. Not made out in the name of the Applicant
4. Description, Price, quantity, sales terms of the goods not correspond to the Credit.
5. Not marked one fold as Original.
6. Shipping Mark differs with B/L & Packing List.

#### Packing List:

1. Gross Wt., Net Wt. & Measurement, Number of Cartoons/Packages differs with B/L.
2. Not market one fold as Original.
3. Not signed by the Beneficiary.
4. Shipping marks differ with B/L.

#### Bill of Lading:

1. Full set of B/L not submitted.
2. B/L is not drawn or endorsed to the Order of Prime Bank Ltd.
3. "Shipped on Board", "Freight Prepaid" or "Freight Collect" etc. notations are not marked on the B/L.



4. B/L not indicate the name and the capacity of the party i.e. carrier or master, on whose behalf the agent is signing the B/L.
5. Shipped on Board Notation not showing name of Pre-carriage vessel/intended vessel.
6. Shipped on Board Notation not showing port of loading and vessel name (Incase B/L indicates a place of receipt or taking in charge different from the port of loading).
7. Short Form B/L
8. Charter party B/L
9. Description of goods in B/L not agree with that of Invoice, B/E & P/L
10. Alterations in B/L not authenticated.
11. Loaded on Deck.
12. B/L bearing clauses or notations expressly declaring defective condition of the goods and/or the packages.

Others:

1. N.N. Documents not forwarded to buyers or forwarded beyond L/C terms.
2. Inadequate number of Invoice, Packing List, B /L & Others submitted.  
Short shipment Certificate not submitted

### **3.4.4 Financial incentive given by Prime bank Ltd**

An exporter needs either Pre shipment or Post shipment or both types of financial help. Prime bank Ltd finances their client as they required under some conditions. Bank finance their clients through-

*Lien of Export L/C:* An exporter can obtain credit facilities against lien on the irrevocable, confirmed and unrestricted export letter of credit in form of the followings:

➤ *Export cash credit (Hypothecation):*

Under this arrangement, credit is sanctioned against hypothecation of raw materials or finished goods intended for export. Such facility is allowed to the first class exporters. As the bank has got no security in this case, except charge documents and lien on exporters L/C or contract, bank normally insists on the exporter in furnishing collateral security. The letter of hypothecation creates a charge against merchandise in favor of the bank. But neither the ownership nor the possession is passed to it.



## > *Export Cash Credit (Pledge):*

Such Credit facility is allowed against pledge of exportable goods or raw materials. In this case cash credit facilities are extended against pledge of goods to be stored in the warehouse under bank's control by signing letter pledge documents. The exporter surrenders the physical possession of goods to the bank; in case of failure of the export to honor his commitment; the bank can sell the pledged merchandise for recovery of the advance.

## > *Export Cash Credit against Trust Receipt:*

In this case, credit limit is sanctioned against trust receipt (TR). Here also unlike pledge, the exportable goods remain in the custody of the exporter. He is required to execute a stamped export trust receipt in favor of the bank, wherein a declaration is made that goods purchased with financial assistance of the bank are held in trust for the bank. This type of credit is granted when the exporter wants to utilize the credit for processing, packing and rendering the goods in exportable conditions and when it seems that exportable goods cannot be taken into bank's custody. This facility is allowed only to the first class party and collateral security is generally obtained in this case.

## > *Export Credit Guarantee Scheme (ECGS):*

Export credit insurance was seen primarily as a tool in the hands of the Government for promoting export. This is to assist the exporters to get bank finance without any difficulty and to realize the proceeds of the exports immediately after shipment. Shadharan Bima Corporation has been entrusted with the responsibility of administering the scheme by the government of Bangladesh. Objectives of the scheme.

- ~ To enable the exporters to obtain easily better loan facilities from financial institutions
- ~ To cover the credit risk against losses resulting from both commercial and non-commercial risk



## Existing Schemes:

### *A. Export Finance (Pre-shipment) Guarantee:*

To assist exporters, particularly medium and small exporters to obtain a liberal flow of pre-shipment bank credit i.e. loans or advances for the purpose of manufacturing, processing or purchasing goods for export.

### *B. Export Finance (Post-shipment) Guarantee:*

To make easy flow of post-shipment credit, particularly to the exporters of non- traditional items, the post- shipment credit guarantee has been designed to protect commercial banks in Bangladesh from losses that may be sustained by them in respect of advances to exporters by way of discount/ purchase/ negotiation of export bills or advances against export bills sent for collection.

### *C. Pre-shipment Finance Guarantee:*

It is a contract between the export credit guarantee department and the bank to whom the guarantee is issued and it protects the insured bank in respect of the losses that it may incur while giving pre-shipment credits to its exporters clients.

### *D. Export Payment Risks Policy:*

The export credit guarantee department seeks to strengthen the confidence of the exporters from the consequences of the payment risks, both political and commercial and to enable them to expand their overseas business without fear of loss by issuing "Export Payment Risks Policy (Formerly known as Comprehensive Guarantee)". The guarantee covers both the commercial and political risks connected with exports from the date of shipment.

### *> Pre-shipment credit:*

Pre-shipment credit, as the name suggests, is given to finance the activities of an exporter prior to the actual shipment of the goods for export. The purpose of such credit is to meet working capital needs starting from the point of purchasing of raw materials to final shipment of goods for export to foreign country. Before allowing such credit to the exporters the bank takes into consideration about the credit worthiness, export performance of the exporters, together with all other necessary information required for



➤ *Red-clause Letter of Credit:*

Under Red clause letter of credit, the opening bank authorizes the Advising Bank/Negotiating Bank to make advance to the beneficiary prior to shipment to enable him to procure and store the exportable goods in anticipation of his effecting the shipment and submitting a bill under the L/C. As the clause containing such authority is printed in red ink, the L/C is called Red clause and Green clause respectively.

➤ *Post Shipment Finance:*

This type of credit refers to the credit facilities extended to the exporters by the banks after shipment of the goods against export documents. Necessity for such credit arises as the exporter cannot afford to wait for a long time for without pay manufacturers/suppliers. Before extending such credit, it is necessary on the part of banks to look into carefully the financial soundness of exporters and buyers as well as other relevant document connected with the export in accordance with the rules and regulations in force. Banks in our country extend post shipment credit to the exporters through:

- ⌘ Negotiation of documents under L/C
- ⌘ Advances against Export Bills surrendered for collection (FDBC)

➤ *Negotiation of Export Document:*

According to the Article #02 (under UCP600, ICC Pub., 2007 revision.), "Negotiation means the purchase by the nominated bank of drafts (drawn on a bank other than the nominated bank) and or documents under a complying presentation, by advancing or agreeing to advance funds to the beneficiary on or before the banking day on which reimbursement is due to the nominated bank." If documents are in order, Prime Bank purchases (negotiates) the same on the basis of banker- customer relationship. This is known as Foreign Documentary Bill of Purchase (FDBP). In this case, exporter gets their export bill before realization of their bill.





## > *Foreign Documentary Bill Of Collection (FDBC):*

If the bank is not satisfied with the documents submitted to Prime Bank gives the exporter reasonable time to remove the discrepancies or sends the documents to Letter of Credit opening bank for collection. This is known as Foreign Documentary Bill for Collection (FDBC)

Normally negotiating Bank will send the documents on collection basis mainly for the following discrepancies:

1. L/C expired;
2. Late shipment;
3. Late presentation;
4. L/C overdrawn;
5. Unit price differ between L/C and Commercial Invoice;
6. Consignee Name and address differ between L/C and other documents.
7. Discrepancies in B/L;
8. Any other Major discrepancies.

FDBC signifies that the exporter will receive payment only when the issuing bank gives payment. Prime Bank make regular follow-up with the L/C issuing Bank in case of any delay in getting payment.

## > *BTB (Back to Back) L/C:*

This is one of the facilities that an exporter gets for production of the exported goods. After the advising of the L/C if the exporter is a finished goods producer like RMG then he give the advised L/C at the BTB section for advising second L/C favoring his raw materials suppliers.

It may so happen that the beneficiary of an L/C is unable to supply the goods direct as specified in the credit as a result of which he/she needs to purchase the same and make payment to another supplied by opening a second letter of credit, in this case, the second credit is called "Back to Back Credit". This concept involves opening of second credit on the strength of first credit, i.e. master L/C opened foreign importers. In this case the master L/C stands as security for opening of second credit, i.e. Back to Back Letter of Credit. Back to Back Letter of Credits are opened in conformity to the terms and conditions stipulated in master L/C except the price of the goods, shipment period and validity of L/C The shipment



period and validity of Back to Back Letter of Credits are given earlier than the original validity as stipulated in the master L/C which helps the seller of the first credit to substitute his drafts, commercial invoices and other documents, if any, with that drawn by the seller of Back to Back Letter of Credit. According to the Bangladesh Bank rule the maturity date of the BTB L/C should be two month later of the master L/C maturity date.

There are two types of Back to Back letter of credit:

## **01. Inland Back to Back L/C:**

Inland Back to Back L/C is opened on account of intermediary local buyers who procures the goods from local mills or traders for ultimate export. In case of this type of L/C bank give them an IDBP (Inland documentary Bill Purchase) No which indicate the reference no of particular the branch of Prime Bank.

## **02. Foreign Back to Back L/C:**

Foreign Back to Back L/C is established in the field of garments industry against or on the basis of a foreign export L/C for import of raw materials from foreign countries for execution of the relative export order. Here as applicant for the second line of credit the seller is responsible for reimbursing the bank for payments made under it, regardless of whether or not he himself is paid and the first credit.

### **➤ Eligible for opening BTB L/C:**

The AD (Authorized Dealer e.g. bank) may open back to back import L/Cs against export L/C received by export oriented industrial units operating under the bonded warehouse system, subject to observance of domestic value addition requirement (stated in terms of permissible limit of c & f value of imported inputs as percentage of fob export value of output) prescribed by the Ministry of Commerce from time to time.

The following instructions should be complied with while opening BTB Export L/C:

- Only recognized export oriented industrial units operating under bonded warehouse system will be allowed the back to back facility. The unit requesting for this facility should possess valid registration with the CCI&E and valid bonded warehouse license.



- The master export L/C should have validity period adequate to cover the time needed for importation of input manufacture of merchandise and shipment to consignee.
- The back to back L/C value shall not exceed the admissible percentage of net FOB value of the relative master export L/C value and the price of goods to be imported must be competitive.
- Net FOB Value = Master L/C Value – (Freight Charge + Insurance Cost + LAC/FCC)
- The back to back import L/Cs shall be opened on up to 180 days nuisance (DA) basis except in case of those opened against Export Development Fund (EDF) on sight basis. Interest for the nuisance period shall not exceed LIBOR or the equivalent interest rate in the currency of settlement.
- All amendments of the master export L/C should be noted down carefully to rule out chances of excess obligation under the BTB import L/C.
- BTB import L/C should not be opened against L/Cs received for export under Barter/STA, without prior approval of Bangladesh Bank.
- The BTB import L/C shall contain condition of PSI (Pre Shipment Insurance) by an internationally reputed inspection firm regarding quality and quantity of the merchandise.

### ➤ *BTB L/C (Back To Back Letter of Credit):*

Back to Back L/C entitlement of garments items are assessed on the basis of value addition to be made depending on the category of garments in line with the Export policy in order, which are following (Entitlement of Back-to-Back (BTB) L/C as per Export Policy Order 2006-2009):

1. Value addition for knit garments shall not be less than 20%.
2. Value addition for woven garments shall not be less than 20%.
3. In case of export of higher price garments (FOB US\$60 or more per dozen), value addition shall not be less than 10%.
4. Value addition for all types of sweater shall not be less than 20% and
5. Value addition for all types of baby garments shall not be less than 15%.



## ➤ *Required documents before opening BTB L/C:*

Period of BTB L/Cs to be calc on receipt of authenticated Export L/C the exporter will submit the same to their bank along with the following papers and documents with a request to open Back-to-Back letter of credit there against for procurement of yarn, fabrics and accessories.

1. BGMEA / BKMEA / BTMA / BTTMEA Membership Certificate
2. L/C Application Form
3. Master L/C
4. Invoice or Indent
5. Insurance Cover Note with Money Receipt
6. EXP Form
7. Valid Bonded Warehouse License / BOI certificate
8. LCAF duly filled in
9. Valid IRC & ERC
10. Tax Identification Number

Unlauded taking in to consideration the shipment date of the relative export L/C so that, the export proceeds is repatriated before maturity date of the BTB L/C.

## ➤ *Scrutinize documents receipt agt. BTB L/C:*

### ◆ **Letter of Credits:**

- a) Each and every clause in the L/C must be complied with the documents submitted meticulously.
- b) The documents are not stale
- c) The documents are negotiated within letter of credit validity
- d) The documents do not exceed the L/C value.
- e) It is subject to uniform Customs and Practices for Documentary Credit (UCPDC 600, ICC Pub. Rev.2007) of International Chamber of Commerce



**Drafts:**

- a) Draft is not dated earlier than the date of B/L & L/C issuing date.
- b) Amount in words & figure is correctly mentioned and is identical with the amount mentioned in the invoices.
- c) It must be made out in the name of the beneficiary's Bank or to be endorsed to the order of the Bank.
- d) Draft is signed by the beneficiary or an authorized person on their behalf and their signatures are verified by the bank.
- e) It must be correctly drawn on the party as indicated in the L/C.
- f) Draft bears the number and date of the L/C.
- g) In case of usance bill, the requisite foreign bills stamp has been affixed as per Stamp Act enforce in the country.
- h) No irrelevant clause has been mentioned in the draft.
- i) It must have interest clause wherever necessary.

**Invoices:**

- a) The invoices are addressed to the importer.
- b) Invoices are dated not later than the date of B/L and not earlier than issuing date.
- c) Description of goods given in the invoices is exactly in accordance with the letter of credit or firm contract.
- d) The price, quantity, quality etc must be as per L/C and correctness of calculation should also be examined.
- e) The invoices must be Language in the Language of L/C
- f) Invoices are signed by the beneficiaries themselves or by an authorized person on their behalf.
- g) The number of B/L, its name and name of the vessel is correctly mentioned in the invoices.



- h) Terms of delivery of goods whether CFR, CIF, CPT and/or FOB, Ex-Works etc. have been correctly mentioned in the documents in conformity with the Letter of Credit.
- i) If the Letter of Credit calls for Consular Invoices then the Beneficiary's invoices are not satisfactory.
- j) The invoice value must not be less than the value declared in EXP form.
- k) Invoices must bear the H.S.Code number, P.O., Style Number etc. exactly as Letter of Credit stipulates.
- l) Pre-shipment Inspection certificate number to be mentioned in all invoices. One invoice must be marked as original.

**Insurance Policy:**

- a) Description of the goods given in the insurance Policy is in accordance with the terms of the L/C
- b) Name of the carrying vessel has been correctly mentioned.
- c) Insurance Policy is dated and signed by an authorized person
- d) The merchandise is insured for the actual invoice value unless otherwise specified the L/C.
- e) Insurance policy is in negotiable form and is properly endorsed in Blank.
- f) The date appearing on the Insurance Policy is not later than the date appearing upon the Bills of Lading.
- g) Insurance Policy is drawn in the currency of the credit or as required in the relative L/C. The name of the claim paying agent is given in the Insurance Policy.
- h) All the risks have been covered as required in the relative L/C.
- i) It covers transshipment if indicated in the Bills of Lading.



## ◆ Other Documents:

- a) Check that other documents like certificate of Origin, Weight List, Packing List, Inspection Certificate and Certificate of Analysis, if required by the Letter of Credit, accompany the main documents.
- b) See also, that the description of the goods and other particulars given in these documents are identical with the particulars given in the relative L/C.
- c) Check the Inspection Certificate, particularly to ensure that it does not bear clauses stating that the goods are not in good order and/or in accordance with the specifications of the relative L/C.

## ◆ Certificate of Origin:

Issued by recognized authority (such as Chamber Of Commerce and Industry) according the LC terms and condition. It certifies the country of origin of goods. Generally it is called for by importers in certain countries to comply with their customs requirements and to enable rate of duty to be determined, special type of origin in G.S.P. form is also issued.

## ➤ *Payment of Back-to-back L/C on maturity and Adjustment Credit:*

Upon repatriation of export proceeds the negotiating bank will utilize the proceeds towards adjustment of liabilities with them and the amount due for BTB L/C payment to be retained in the sundry deposit (FC Held) A/C for their payment. The exporter may also retain 10% of the repatriated export proceed in a account namely Exporters Retention Quota (ERQ) A/C. Balances of this A/C may be used by the exporter for bonfire business purpose, such as business visit abroad, participation in export fair and seminars, establishment and maintenance of office abroad, import of raw materials, machineries and spares etc.



### 3.5 IMPORT

When a particular country brings some goods and services from another country, then there must be trade and the trade occurring between these two countries is called import trade. Import trade means procurement and purchase of goods and services from another country or countries.

The bank defines import as to bring in, from abroad, something in kind of goods or services (to behave lawfully). It includes the following services:

1. Letter of Credit (L/C) opening.
2. Presentation/Retirement of import documents.

The import mechanism first involves the issuing of a L/C as an instrument by a bank on behalf of one of its customers, authorizing an individual or a firm to draw draft on the bank or on one of its correspondents for its account under certain conditions which is predetermined in the credit. Secondly the bank import mechanism involves the retirement of import mechanism on receiving the payment or under certain conditions against the security of payments made by the importer in documents required an advance payment date.

The situation of import from 2004 to 2005 has given below:

Year	Import (Million)	Growth (%)
2004	36747	-
2005	40303	9.67%
2006	52639	30.60%
2007	70617	34.15%
2008	91424	29.46%

Table No.4: Import



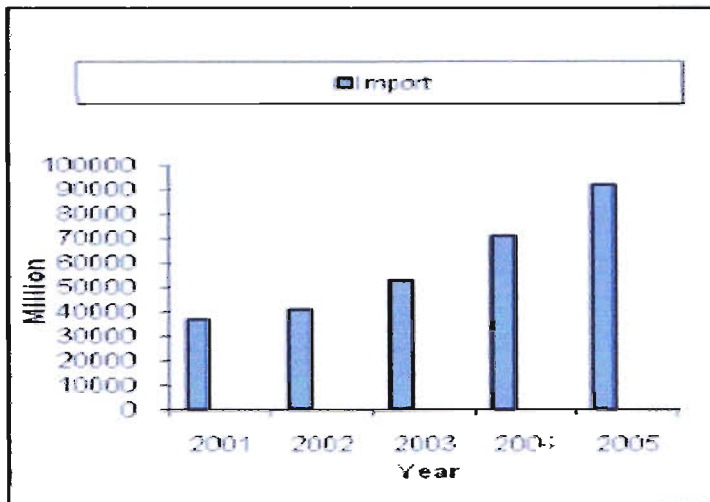


Figure 2: Import

The table has given the idea that in 2008 it has higher amount of import than 2007 which has increased by 29.46%. Among these five years in 2004 it has lower amount of import. Day by day it has the increasing point .

### 3.5.1 Import Operation

Import procedure is a result of the negotiation between the two party or contract. Once the importer has accepted the supplier's offer, he agrees to open a Letter of Credit in favor of the latter. Thus the import procedure of the bank starts with the opening of the credit. The entire import mechanism of this branch is enumerated below:

- **Terms of Credit:** First of all the concerned banker asks the importer to present and show the terms of the credit that the importer wishes to issue. The terms of the letter of credit are based on the contract between the importer and the exporter and the import license or the authorization permits for import **under** free list as the case may be, issued in the named of the concerned importer. The terms of the credit specify importantly, amount of the credit, name and address of the beneficiary and the opener, particulars of the goods, quantity and price basis, tenor of bill of exchange, period and mode of shipment, whether part shipment allowed, port of shipment and of destination, nature of credit, expiry date, names and number of sets of shipping and other documents.
- **Letter of Credit Application:** To open the credit the importer must fill up and sign a stamped Letter of Credit application, and in addition to record the full details of the



credit including instruction for booking exchange, serves as an agreement between the banker and the opener.

**Presentation of the application for Opening of the Letter of Credit:** When the importer requests the bank for the opening of a L/C, by agreeing to the request, the bank makes a promise of payment to the supplier by issuing it. But the importer must make out an application for this purpose. The application must be written in a plain paper or Letter Head pad and it should be submitted being attached with the following certificates and papers:

If the importer is an individual:

1. Current Deposit A/C No.
2. Partnership Deed and Solvency Certificate (If partnership firm)
3. Article of Association (If Private Limited Company )
4. Memorandum of Association (If Private Limited Company)
5. Certificate of Commencement of Business (If Public Limited Company)
6. Photocopy of Trade License (valid)
7. Photocopy of VAT Registration Number
8. Photocopy of Tax Identification Number (TIN certificate)
9. Import Registration Certificate from CCI&E, (Renewed and valid)
10. Required amount of Registration Fee

IRC issue fee:

IRC Issuing Fee	Import Limit
Tk. 500	Highest annual imports limit 5 Lac.
Tk. 1500	Highest annual imports limit 15 Lac.
Tk. 3000	Highest annual imports limit 50 Lac.
Tk. 5000	Unlimited annual import capacity.

Table No. 5: Fees for issuing Import Registration Certificate



Along with this information the bank may ask for other documents submitted by the importer prior to issuance of the credit. Like, Photocopy of Membership Certificate of Chamber of Commerce & Industry, photograph of the applicant, Minimum three copies of Proforma Invoice/Indent/Sale Contract (dully accepting the rate of goods offered) etc.

## **Bank Scrutiny of the Documents before Opening of the Credit:**

Bank thoroughly examined the application form along with other required documents submitted by the opener. The points, which are carefully inspected, are given below:

1. Indenting the registration number.
2. That the IRC is updated or renewed and valid.
3. That the goods are marketable and legally importable and that it is not difficult for the beneficiary to comply with all terms and conditions to be incorporated in the L/C.
4. That the L/C is not going to be opened in favor of the importer.
5. That the importer signs it, agreeing terms and conditions.
6. That the Insurance Cover Note specifies the date of shipment.
7. That it encloses Radioactivity Report in case of food item.
8. That the Import Permission (IMP) form is dully filled in and signed.
9. That the liability, as being applied, is under appropriate limit.
10. That the amount does not exceed the L/C value and is identical with invoice amount and that the amount in figure and in word is same.
11. That it encloses credit report of the beneficiary in cases when the L/C value is more than US \$ 20,000.
12. That the tenor, if, the draft is strictly in conformity with the terms stipulated in the L/C i.e., at sight or usance and that the transcription or partial shipment is allowed.

The terms and conditions of L/C application are consisted with exchange control and import trade regulation, UCPDC – 500. If all the documents are along with application are in order, the concerned banker will advance with these documents for opening.



## ■ Preparation of Proposal for the Opening of the Letter of Credit(L/C):

If the issuing banker assumes that everything is consistent and the application is considerable, then he begins preparing a proposal stipulating the applicant's financial position, creditworthiness showing the CIB (Credit Information Bureau) report, previous relationship with the bank, total L/C amount, amount of margin proposed by the importer etc. After preparing the proposal for opening the letter of credit the banker will send it to the import department in-charge for approval. The import department is controlled and directed by a Senior Asst. Vice President (SAVP). The SAVP is given the power to approve and sanction a 'Limited' amount of L/C. In other cases, when the L/C amount exceeds the 'Limit' or capacity of the branch, approval of 'Head Office' will be required for its opening.

After the issuance of L/C the banker asks the importer to sign on some 'charge documents'. Charge documents are bank-printed documents and these documents get validity as soon as the buyer or the credit seeker signs on it by giving the bank the power to charge the buyer with the rights as given on the documents. Usually these documents are guards against the bank's guarantee of issuing the credit. When the importer fails to pay or make any other type of default with the credit, the banks use these documents and go to the court to charge him.

The Foreign Exchange branch normally takes the following documents signed by the importer just before mailing of the credit to the advising bank:

1. Promissory Note
2. Letter of Disbursement
3. Letter of Continuity, etc.



### 3.5.2 Release of Import Documents to the importer:

After the lodgment vouching the *PAD section* of the *import division* ask the importer to make payment due and take delivery of the import documents and bills in order of getting the imported merchandise released from the port. In this stage of documentary import mechanism two questions come forward: the response and non-response of the importer to take delivery of the documents and bills. If the buyer agrees to take delivery of the import documents and bills and makes the total payment due (L/C amount – margin amount + interest charged on this deducted amount), the bank retires the import bills on his authorization.

#### Schedule of Charges on Foreign Exchange Related Transactions: Import

Serial No.	Nature of Transactions	Period	Rate of Commission/ Charges
01	L/C opening Commission of all types of L/Cs excluding RMG	-1 <sup>st</sup> Qtr.  -For each subsequent Qtr. or Part thereof  -Minimum	0.50%  0.30%  Min. Tk. 500/-
02	DP L/Cs Opening Commission	-1 <sup>st</sup> Qtr.  -For each subsequent Qtr. or Part thereof  -Minimum	0.60%  0.40%  Min. Tk. 1,000/-
03	Back to Back L/Cs (including EDF L/Cs) Opening Commission	-1 <sup>st</sup> Qtr.  -For each subsequent Qtr. or Part thereof  -Minimum	0.90% upto 180 days or part  Min. Tk. 500/-
04	In land L/C Opening Commission	---	As prescribed under SL. No. 01, 02 & 03 above
05	Acceptance Commission against usance bills under Deferred Payment.	-1 <sup>st</sup> Qtr.	0.50%



# Prime Bank Limited

*a bank with difference*



	(Other than RMG)	-For each subsequent Qtr. or Part thereof	0.30%
		-Minimum	Min. Tk. 1,000/-
06	If L/Cs are despatched by mail (This shall cover cost of registered mail of L/C to Advising Bank and copy to Reimbursing Bank)	---	At Actual Min. Tk. 300/- & Ordinary Mail Tk. 100/-
07	If L/Cs are despatched by Courier for each L/C irrespective of original or amendment	---	At Actual plus Service Charges Tk. 500/-
08	If L/Cs are transmitted by full Tested Telex / SWIFT	---	Tk. 3,500/-
09	If L/Cs are transmitted in short and non operative Telex	---	At Actual Min. Tk. 700/-
10	Amendment of L/C by mail (This shall cover cost of registered mail of amendments to Advising and Reimbursing Bank)	---	At Actual Min. Tk. 300/- & Ordinary Mail Tk. 100/-
11	If amendment of L/C is transmitted by Telex / SWIFT	---	At Actual Min. Tk. 500/-
12	If amendment includes increase of value or extension of time then L/C opening comm. for additional time & value should be recovered as prescribed in the opening stage	---	As prescribed under SL. No. 01, 02 & 03 above

Source- prime bank ltd. International division, head office, Dhaka

Table No. 6: Schedule of Charges on Foreign Exchange Related Transactions: Import



### 3.6 Remittance

Remittance means sending or receiving an amount of money. It may be done through telegraphy transfer (TT), by mail transfer (MT), Payment order, Demand draft, Credit advice etc.

The situation of export from 2004 to 2005 has given below:

Year	Remittance (Million)	Growth (%)
2004	2140	-
2005	3688	72.33%
2006	15050	308.08%
2007	15905	5.6%
2008	22669	42.52%

Table no.7: Remittance

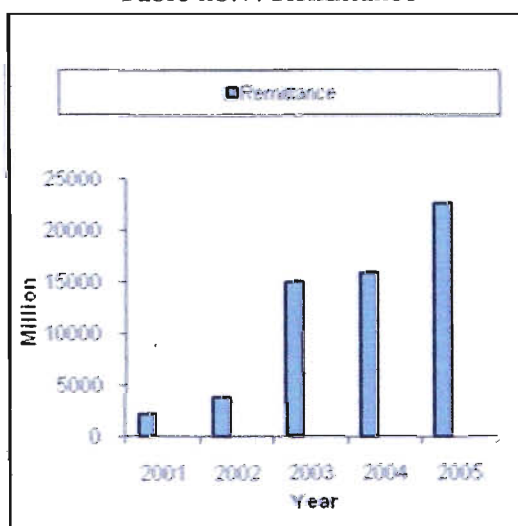


Figure 3: Remittance

From the table we can say that in 2006 it has great increasing which has increased by 308.08% than 2005. after that in 2007 it has increased at 15900 million increased by 5.6% and in 2008 it is 22669 million which has increased by 42.52%.



### **3.6.1 Foreign Remittance:**

Foreign remittance means sending or receiving an amount of money in foreign currency through SWIFT/ FTT, Foreign Demand draft, TC etc. All transactions in foreign currency (inward & outward) are controlled by Central Bank's foreign regulation act.

#### **A. Foreign Remittance - Outward:**

Money send to abroad or BDT. Amount credit to a Resident Taka Account of a foreign bank or BDT. Amount credit to a Convertible Taka Account is treated as outward foreign remittance.

- ✓ Foreign remittance to be handled by an Authorized Dealer (AD) branches,
- ✓ AD branches must follow Foreign Exchange Guide Line for foreign remittance.
- ✓ Some cases AD braches can remit the money without prior approval of central bank, some cases post facto approval needed and some cases prior approval is mandatory for remittance.
- ✓ If prior / post fact approval needed, AD branches will seek permission on behalf of the applicant/ remitter on prescribed form along with necessary papers/ documents.

All remittance to be reported to central bank as per their guide line under different schedules and summary statement with supporting papers/documents on monthly basis

#### **A.1 Purpose of outward remittance:**

All types of outward remittance may be classified under three purposes:

##### **i) Out ward remittance for import payment:**

AD branches are making payment for settlement of import obligation. It is one kind of outward remittance. Generally remittance for import payment is not considered as an outward remittance. It is considered as an import payment.





## **i) Outward remittance for commercial purpose:**

There are many purposes for outward commercial remittance. Some common purposes are mentioned below:

- ◆ Remittances of freight and passages collected in Bangladesh for payment to owners abroad.
- ◆ Remittance for Agency commission for handling vessels.
- ◆ Remittance of surplus earnings of courier service companies to abroad.
- ◆ Remittance for operating expenses of Bangladesh shipping corporation and Bangladesh Biman to abroad.
- ◆ Remittance for charter of foreign aircraft & foreign ship
- ◆ Remittance for export claim
  - a. Short-weight claim
  - b. Quality claim
  - c. Part shipment claim
  - d. Claim on export of jute goods by mills controlled by BJMC
  - e. Amicable settlement
  - f. Commission
  - g. Cancellation of the contract
  - h. Freight against exports
  - i. Inspection fee, arbitration fee, survey and analysis fee etc
  - j. Miscellaneous claim like refund of export duty
  - k. Invoice back and resale related to export of raw jute
  - l. Default claim related to export of raw jute
  - m. Moisture claim related to export of raw jute
  - n. Late shipment penalty related to export of raw jute
  - o. Freight rebate related to export of raw jute
  - p. Refund against overpricing related to export of raw jute
- ◆ Remittance for claim settlement under marine insurance policies
- ◆ Remittance for employment of overseas agents, etc
- ◆ Remittance for opening of branches or subsidiary companies abroad
- ◆ Remittance for royalty and technical fees
- ◆ Remittance for profits of branches of foreign firms other than financial institution
- ◆ Remittance for profit of banks, insurance companies and other financial institutions
- ◆ Remittance for profit of Sterling Tae Estate Companies
- ◆ Remittance for dividend to non-resident shareholders
- ◆ Remittance for export of dividend Warrants
- ◆ Remittance for profit to foreign partner in joint venture
- ◆ Remittance for subscription to foreign media services



- ◆ Remittance for payment of cost /fees for Reuter monitors
- ◆ Remittance for Advertisement of Bangladeshi products in mass media abroad
- ◆ Remittance for payment of bank charges etc.

## **ii) Outward remittance for private purpose:**

There are many purposes for outward private remittance, some common purposes are mentioned below:

- ◆ Remittance for transfer of assets of foreign nationals retiring from Bangladesh. Here assets includes foreigner's salaries/ benefits, end service benefit (pension payments, provided fund, gratuity) etc.
- ◆ Remittance for return the investments by the foreign nationals in certificates/ securities etc.
- ◆ Remittance for sale proceeds of real assets.
- ◆ Remittance for Legacies and other distribution of assets from the estates of deceased person.
- ◆ Remittance for family maintenance in abroad of a foreign national.
- ◆ Remittance for leave salaries of foreign nationals.
- ◆ Remittance in the form of Cash /TC against family remittance facilities / leave salary for travel abroad for the foreign nationals. FC may release for short travel during the period of his service against his entitlement of family remittance.
- ◆ Remittance for tuition fees for Higher studies abroad.
- ◆ Remittance for membership fees, fees for application, registration, admission, examination etc.
- ◆ Remittance for consular fees.
- ◆ Remittance for Immigration Visa processing fees, and evaluation fees.
- ◆ Remittance for family maintenance by Bangladeshi resident abroad.
- ◆ Remittance for other private purposes.



### **3. Foreign Remittance - Inward:**

Money received from abroad in foreign currency or in equivalent BDT. For credit to FC A/C or BDT. A/C in favor the beneficiary residing in Bangladesh is treated as inward foreign remittance.

- Foreign inward remittance to be handled by an Authorized Dealer (AD) branches.
- AD branches must follow Foreign Exchange Guide Line for inward foreign remittance.

All inward remittances to be reported to central bank as per their guide line under different schedules and summary statement with supporting papers/documents on monthly basis.

#### **3.1 Purpose of inward remittance:**

All types of inward remittance may be classified under three purposes:

##### **i) Inward remittance for export proceeds:**

AD branches are receiving remittance against export document or advance remittance receiving for export. It is one kind of inward remittance. Generally remittance against export is not considered as an inward remittance. It is considered as export proceeds.

##### **ii) Inward remittance for private purpose:**

We received remittance from abroad for different private purposes like:

- ◆ Remittance received for family maintenance.
- ◆ Remittance received for purchase of Landed properties.
- ◆ Remittance received for miscellaneous private purposes.

##### **iii) Inward remittance for commercial purpose:**

We received remittance from abroad for different commercial purposes like:

- ◆ Remittance received for foreign investment in our country.
- ◆ Remittance received for purchase of shares/securities by the foreign nationals in our country.
- ◆ Remittance received for consultancy fees/ service charge/commission etc by Bangladeshi resident.
- ◆ Remittance received for miscellaneous commercial purposes.

# **Chapter Four**

## **Performance Appraisal of PBL**



## 4. Performance Appraisal

### 4.1 Total Asset:

Year	Total Asset (million)	Growth (%)
2004	32362	-
2005	41506	28.25%
2006	60899	39.17%
2007	79588	30.68%
2008	110437	38.76%

Table No.8: Total Asset

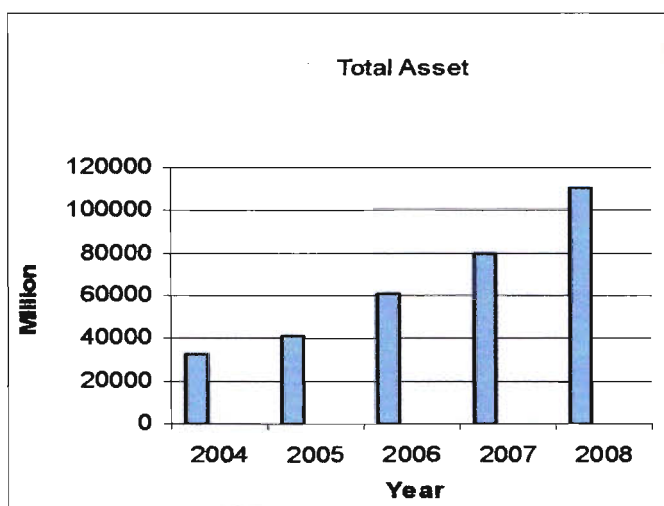


Figure 4: Total Asset

Prime Bank's assets are increasing from 2004 to 2008. In 2006 the percentage of growth was highest and it was increased by 39.17%. It has a trend to increase and in 2008 it was highest at 110437 million and has increased by 38.76%. It means that the more deposits create the more assets. Superior customer service delivery at the branch level, expansion of the branch to the rural areas and foreign remittance flow has the significant contribution are main element for the higher deposits. So we can state that the increase in asset of PBL was mainly driven by growth of customer deposits.



**4.2 Deposits:**

Year	Deposits (Million)	Growth (%)
2004	28069	-
2005	36022	28.33%
2006	54724	51.91%
2007	70512	28.85%
2008	88021	24.83%

Table No.9: Deposits

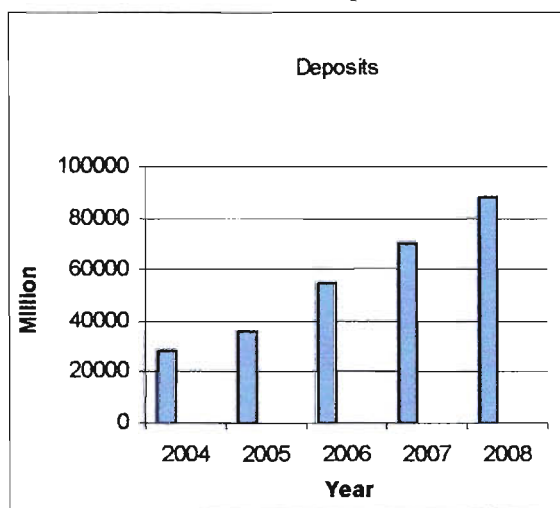


Figure 5: Deposits

Prime Bank’s deposits are increasing from 2004 to 2008. In 2006 the percentage of growth was highest and it was increased by 51.91%. It has a trend to increase and in 2008 it was highest at 88021 million and has increased by 24.83%. It means that superior customers service delivery at the branch level, expansion of the branch to the rural areas and foreign remittance flow has the significant contribution. It proves that PBL has the strong brand image.



**4.3 Loan and Advances:**

Year	Loan and Advances (Million)	Growth (%)
2004	23220	-
2005	31916	37.45%
2006	45010	41.02%
2007	57683	28.15%
2008	75156	30.29%

Table No.10: Loan and Advances

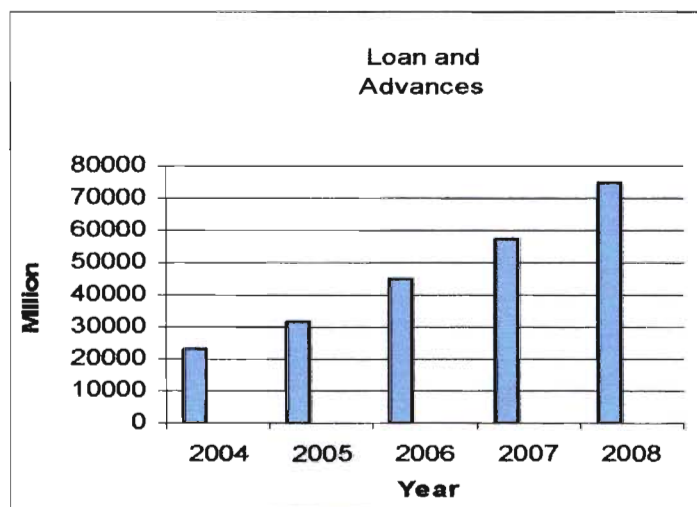


Figure 6: Loan and Advances

We can say from the above information that the loan and advance is increasing from 2004 to 2009. It has increased by 41.02% in 2006 which was the highest increasing among the presented five years. In 2004 it was 23220million and in 2008 it has reached at 75156 million which was increased by 30.29% than 2007. It means that the corporate landing or investment is in increasing. It means PBL's activities are aligned with the monetary policy of the government. Normally loan and advances are financed from customers' deposits and sometimes from capital fund of the bank. Loan and advance is high because the deposits are high. It measures a good performance for the bank.



**4.4 Investments:**

Year	Investments (million)	Growth (%)
2004	3084	-
2005	3940	27.75%
2006	7844	99.08%
2007	12698	61.88%
2008	23103	81.94%

Table No.11: Investments

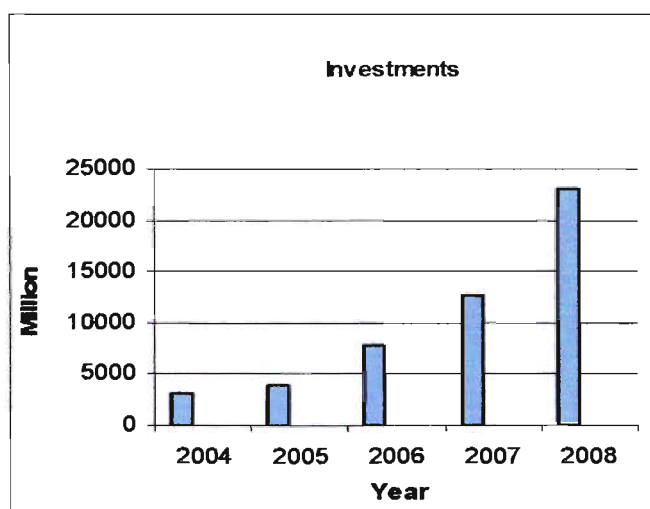


Figure7: Investments

The investment is increasing from 2004 to 2009. There is a trend of investment. In 2006 the percentage of growth was 99.08% where as it was 27.75% in 2005. Gradually the investment becoming more and more within these five years. In 2008 PBL's investments was highest and it was 23103 million which was increased by 81.94%. It proves that PBL purchase Government Treasury Bill to cover the higher SLR requirements because as a primary dealer PBL had to buy government Treasury Bill which was developed by Bangladesh Bank





**4.5 Long-term Liabilities:**

Year	Long-term Liabilities (Million)	Growth (%)
2004	7371	-
2005	11406	54.74%
2006	16877	47.96%
2007	15267	-9.53%
2008	31044	103.34%

Table No.12: Long-term Liabilities

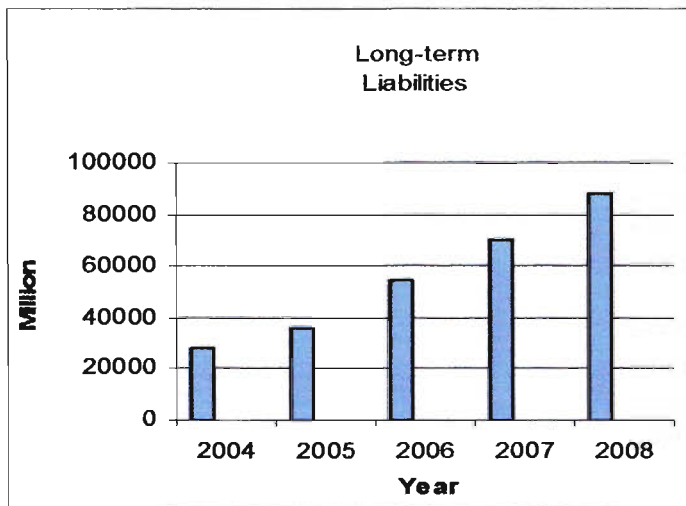


Figure 8: Long-term Liabilities

The figure and graph shows that Prime Bank’s long-term liabilities are increasing from 2004 to 2006. But in 2007 it becomes at 15267 million by 9.53% which was not good for the bank. Despite in 2008 it was again in increasing mood and it was highest at 88021 million and has increased by 24.83% among these five years. As the deposit is high the liabilities will automatically high and higher liabilities are good for the bank. On the other hand due to growth in deposits and borrowings from the Bangladesh bank the liabilities have gone up.



4.6 Dividend:

Year	Dividend (%)	Growth (%)
2004	40%	-
2005	25%	-37.5%
2006	30%	20.0%
2007	35%	16.67%
2008	25%	-28.57%

Table No.13: Dividend

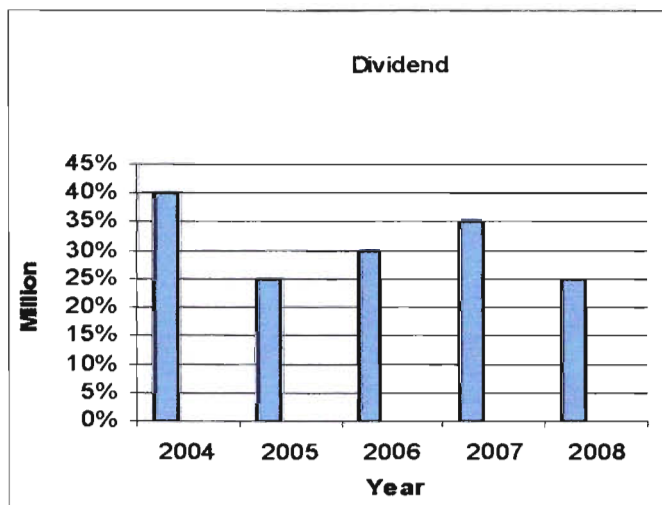


Figure 9: Dividend

From the figure and the graph we see that the dividend was 40% which was given to share holders in 2004. In 2005 it has gone down at 25% which was decreased by 37.5%. After that in 2006 and in 2007 the dividend was 30% and 35% respectively. It was good symptom for the share holders. However in 2008 dividend has become less and it was 25% which was decreased by 28.57%. The reason could be that the bank, PBL may take retained earnings for the further investment. As the investment is increasing day by day we can assume this reason for decreasing the dividend.



**4.7 Current Ratio:**

Year	Current Ratio (%)	Growth (%)
2004	1.06%	-
2005	1.00%	-5.6%
2006	0.88%	-12.00%
2007	0.97%	10.22%
2008	0.88%	-9.27%

Table No.14: Current Ratio

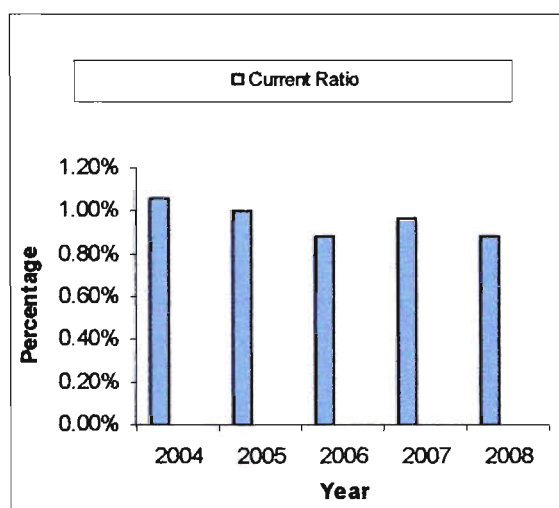


Figure 10: Current Ratio

Current ratio measures that by using current assets how quickly a firm can pay its current liabilities. In 2004 the ratio was among the five years from 2004 to 2005 and in 2006 and 2007, the ratio were lowest. On the other hand 2:1 is better for this ratio. And from the chart we see that in 2004 it has tk.1.06 of current asset to pay the tk.1 of its current liability. In 2006 the percentage of growth was decreased by 12% where as in 2007 the percentage of growth has increased by 10.22% which shows the positive indication to for the bank. It means the efficiency to pay its current liability has increased. However its ability to pay its liabilities has decreased by 9.27% in 2008.



**Cash Ratio:**

Year	Cash Ratio (%)	Growth (%)
2004	0.18%	-
2005	0.13%	-27.77%
2006	.014%	7.69%
2007	0.11%	-21.42%
2008	.09%	-18.18%

Table No.15: Cash Ratio

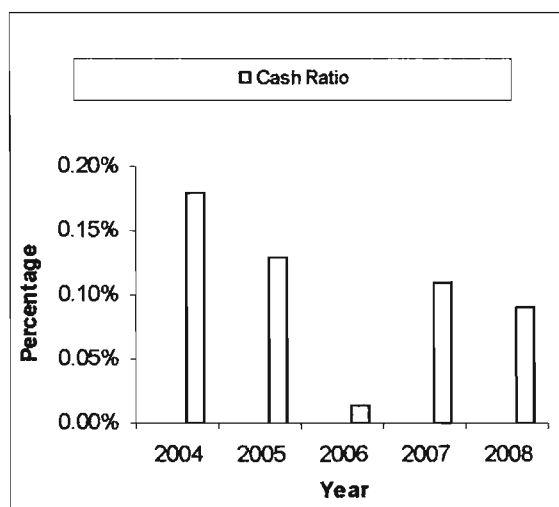


Figure 11:Cash Ratio

The ratio shows that how much cash the bank has to pay its current liability. From the graph we see that in 2004 it has the more efficiency to pay its current liability. In 2005 the efficiency has decreased by 27.77% and it has increased by 7.69% in 2006. But it has decreased by 21.42% and 18.18% in 2007 and 2008 respectively. It proves the efficiency of the bank to pay the current liability has decreased in 2008 than the previous years. So the bank must increase its liquidity.



**4.9 Debt/Asset Ratio:**

Year	Debt/Asset Ratio (%)	Growth (%)
2004	93.1%	-
2005	93.2%	0.10%
2006	93.7%	0.53%
2007	93.4%	0.32%
2008	93.9%	0.53%

Table No.16: Debt/Asset Ratio

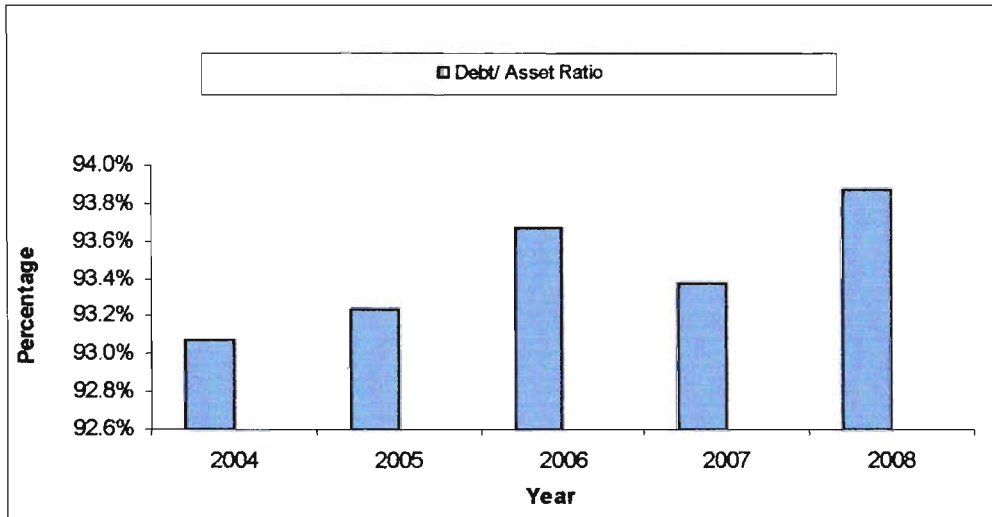


Figure 12: Debt/Asset Ratio

It measures that how much debt the bank has of its assets. In 2008 the ratio was highest where there is a 93.9% debt of its total assets. And in 2004 the Debt/Asset ratio was 93.1% the percentage of changes of the debt has increased by 0.53% in 2006 and has decreased by 0.32% in 2008. Again in 2008 it has increased by 0.53% in 2008. it gives the positive sign of the bank.



### 4.9 Long-term Debt Ratio:

Year	Long-term Debt Ratio (%)	Growth (%)
2004	22.8%	-
2005	27.5%	24.12%
2006	27.7%	0.72%
2007	19.2%	-30.68%
2008	28.1%	46.35%

Table No.17: Long-term Debt Ratio

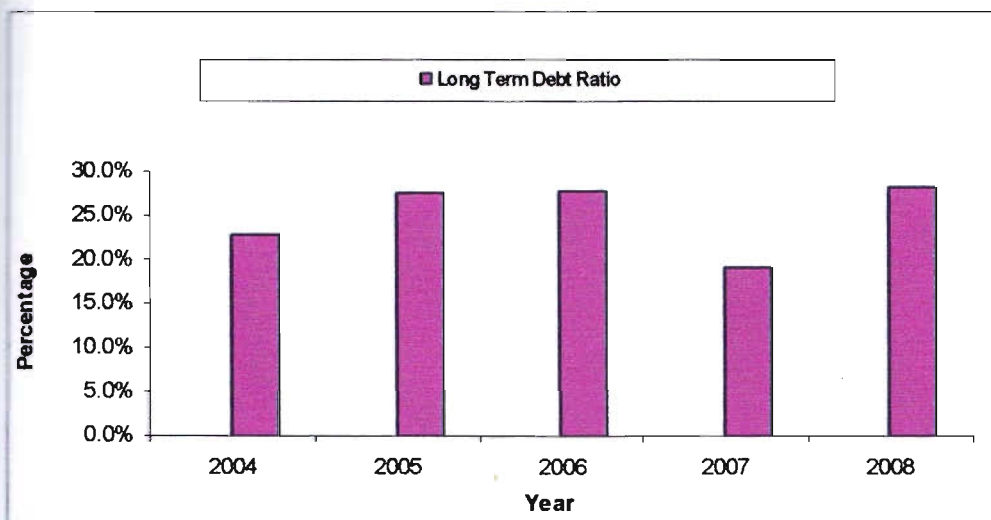


Figure 13: Long-term Debt Ratio

This ratio measures that how much assets a firm has for tk.1 debt. From 2004 to 2006 the ratio was gradually increased. But in 2007 it has decreased by 30.68% which give the negative impact of the bank. Again in 2008 the ratio has increased at 28.10% from 19.2% in 2007 by 46.35%. It shows the positive sign and it means the assets of the bank has increased.



**11 Time Interest Earned:**

Year	Time Interest Earned (%)	Growth (%)
2004	0.66%	-
2005	0.53%^	-19.69%
2006	0.47%	-11.32%
2007	0.45%	-4.25%
2008	0.35%	-28.57%

Table No.18: Time Interest Earned

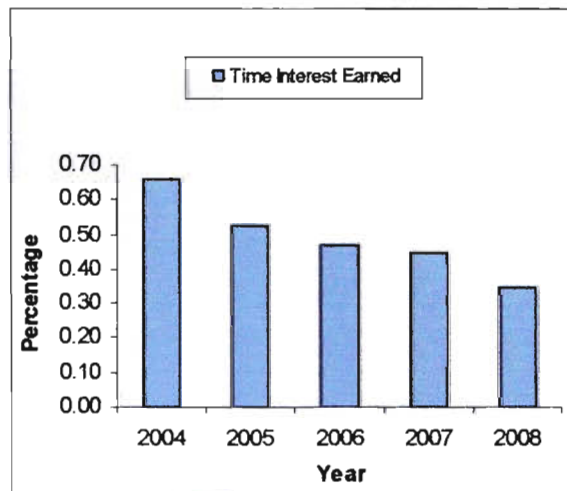


Figure 14: Time Interest Earned

Times interest earned ratio indicates that whether the firm is in safer position in terms of paying its contractual interest payment or not. It is a good margin of safety. The higher ratio is better. it measure how much earnings before interest and tax the bank has to pay its interest expense. In 2004 it was 0.66% but in 2008 it comes at 0.35% and form 2007 it has decreased by 28.57% which is the highest decreasing among the five years. From 2004 to 2008 it is decreasing which in really a bad situation for the bank. That means the net income has gone down.



4.12 Debt Equity Ratio:

Year	Debt Equity Ratio (Times)	Growth (%)
2004	7 Times	-
2005	7 Times	0%
2006	7 Times	0%
2007	7 Times	0%
2008	6.45 Times	-78.57%

Table No.19: Debt Equity Ratio

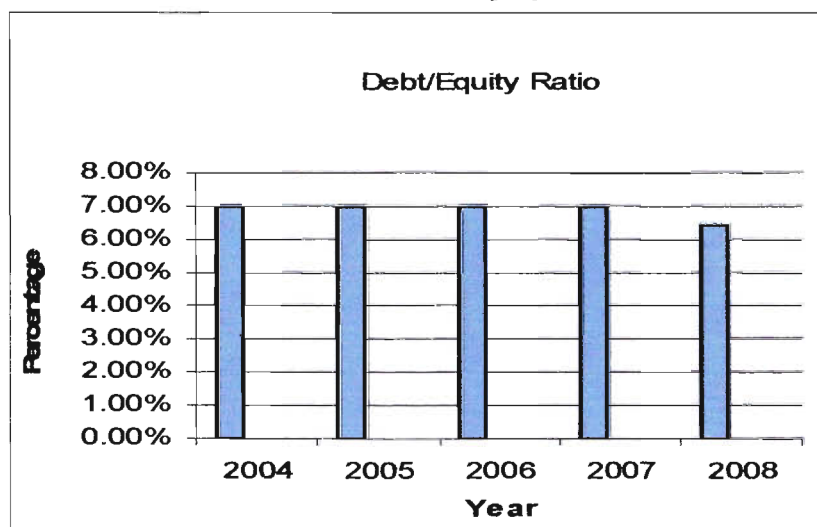


Figure 16: Debt Equity Ratio

The ratio measures how much the debt holders are carrying in a firm. From the chart and graph we can see that the debt of the Prime Bank's shareholders were stable from 2004 to 2007, there were no changes. But in 2008 the ratio was 6.45 times lower than the other years and it has decreased by 78.57%. As the lower ratio is better so it is a positive indication for the bank. It will convert the shareholders in positive sector because the shareholders carry less debt in 2008 than the previous years.





**4.13 Profit Margin Ratio:**

Year	Profit Margin Ratio (%)	Growth (%)
2004	23.2%	-
2005	16.5%	-28.79%
2006	24.0%	45.45%
2007	19.5%	-18.75%
2008	13.7%	-29.74%

Table No.20: Profit Margin Ratio

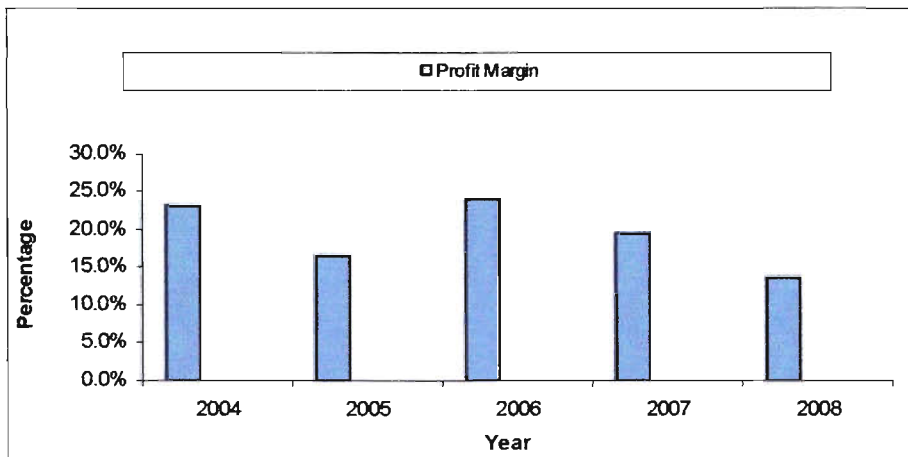


Figure 17: Profit Margin Ratio

The profit margin shows that the bank has 23.2% profit in 2004. And it has decreased at 16.5% by 28.87% in 2005. In 2006 the profit has increased by 45.45% in 2006 which is positive indication for the bank's performances. But next two years in 2007 and 2008 the profit were decreased by 18.78% and 29.74% respectively. From the last two years the profit is decreasing which is not good for the bank. It means the income has gone down. So the bank should give more loan to increase its profit.



#### 4.14 Return on Asset (ROA):

Year	Return on Asset (ROA) (%)	Growth (%)
2004	2.16%	-
2005	1.54%	-28.70%
2006	2.05%	33.11%
2007	1.99%	-2.92%
2008	1.30%	-34.67%

Table No.21: Return on Asset (ROA)

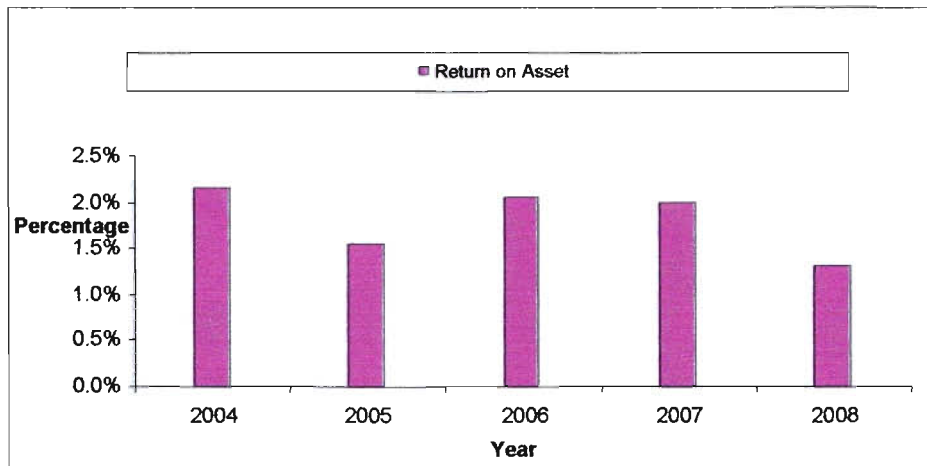


Figure 18: Return on Asset (ROA)

From the above figure we can explain that in 2004 the ROA was 2.16% but in 2005 it has decreased by 28.70% and again it has increased at 2.05% by 31.11% in 2006. In 2007 it has slightly decreased by 2.92% but in 2008 it has drastically decreased at 1.30% by 34.67%. It is not good; it shows the bank has poor performance. As the income become lower the ROA become lower also.



4.15 Return on Equity (ROE):

Year	Return on Equity (ROE) (%)	Growth (%)
2004	30.43%	-
2005	22.51%	-7.13%
2006	31.55%	13.91%
2007	30.68%	33.15%
2008	20.58%	-29.64%

Table No.22: Return on Equity (ROE)

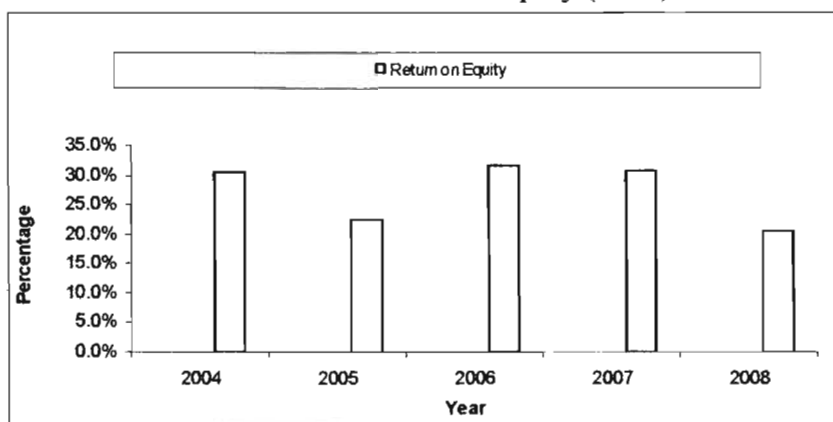


Figure 19: Return on Equity (ROE)

From the above figure we can explain that in 2004 the ROE was 30.43% but in 2005 it has decreased by 7.13% and again it has increased at 31.55% by 13.91% in 2006. In 2007 it has increased at 30.68% by 33.15% but in 2008 it has decreased at 20.58% by 29.64%. It is not good condition for the bank. As the income become lower the ROE become lower in 2008.



**4.16 Earning Per Share:**

Year	Earning Per Share (Taka)	Growth (%)
2004	43.71	-
2005	40.59	-7.13%
2006	46.24	-13.91%
2007	61.57	33.15%
2008	43.32	-29.64%

Table No.23: Earning Per Share

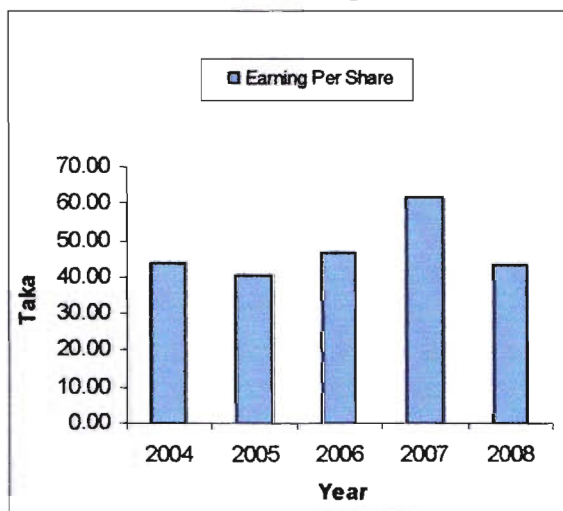


Figure 20: Earning Per Share

This ratio indicates the portion of the bank’s profit allocated to each outstanding share of the common stock and in profit and loss account it has shows. There were no trends among the earning per shares. It was highest in 2007 and lowest in 2005. In 2005 the earnings or net income has decreased by 7.13%but has increased by 13.91% in 2006.again it has increased by 33.15% in 2007 and it gives a positive impact to the share holders. That means for tk.100 invest the earnings was tk. 61.57 in 2007. On the other hand in 2008 earnings or net income has decreased by 29.64% and EPS was 43.32 which is less than the previous two years. It means the net income has decreased which gives you an idea about the poor performance of the PBL.



## 4.17 Market Price per Share:

Year	Market Price per Share (Taka)	Growth (%)
2004	880	-
2005	682	-22.50%
2006	529	22.40%
2007	924	74.66%
2008	540	-41.55%

Table No.24: Market Price per Share

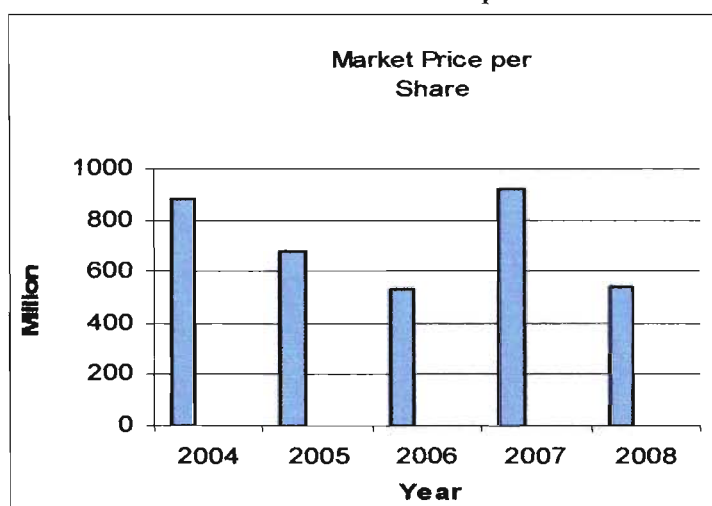


Figure 21: Market Price per Share

Market price per share is the price of a share in the market. The higher market price per share indicates the better performances of that individual company. From the figure and the graph we can state that the market price of the share of PBL is fluctuating. There was no trend. The market price per share has highest at 924 in 2007 and lowest at 529 in 2006. It means in 2007 customers are willing to pay tk. 924 to have a share of PBL and it shows a positive indication where the percentage of growth has increased by 74.66%. However in next year in 2008, the price becomes less at 540 which was decreased by 41.55%. It reflects the performance of the bank. It indicates negative sign of the customer of PBL.



4.18 Price Earning (P/E) Ratio:

Year	Price Earning Ratio (Times)	Growth (%)
2004	20.12	-
2005	16.79	-16.55%
2006	8.80	-47.58%
2007	15.01	70.56%
2008	12.48	-16.85%

Table No.25: Price Earning (P/E) Ratio



Figure 22: Price Earning (P/E) Ratio

The P/E ratio shows that how much the investors are willing to pay per dollar of earnings in a firm. High P/E ratio suggests that investors are expecting higher earnings growth in the future. The ratio shows that in 2005 the P/E has decreased 16.79 times by 16.55% than 20.15 times in 2004 because of the low market price. Again in 2006 the P/E ratio has decreased by 8.80 times. However it has increased 15.01 times by 70.56% in 2007 because of the high market price per share .it shows the positive impacts for the PBL. It means the customers are willing to pay tk.15.01 to earn tk.1 form the bank. But the fact is that in 2008 the P/E ratio has decreased by 12.48 times which is negative signal. It shows PBL's performance is not satisfactory.



4.19 Market to Book Ratio:

Year	Market to Book Ratio	Growth (%)
2004	3.93	-
2005	3.40	-13.48
2006	2.40	-29.41%
2007	3.99	66.25%
2008	2.29	-42.60%

Table No.26: Market to Book Ratio

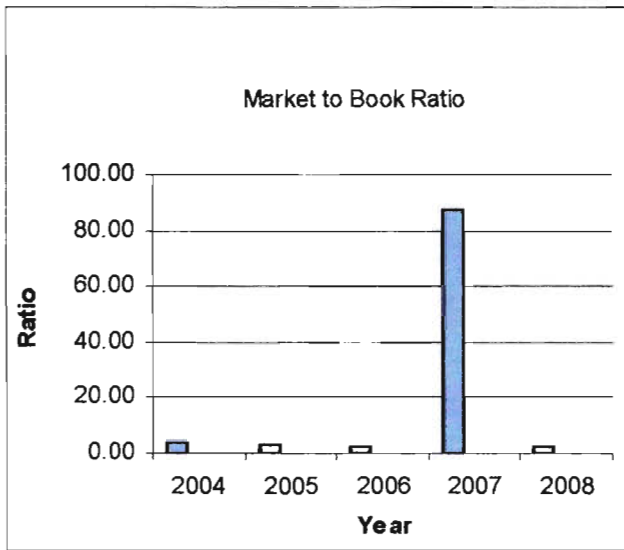


Figure 23: Market to Book Ratio

Market to Book ratio shows that how much the market price of the share is higher or lower than the book price. From the above figure and graph we see that in 2005 the market price of the share has decreased at 3.40 than in 2004 at 3.93. In 2006 it has decreased by 29.41% but in 2007 it has increased at 3.99 by 66.25% which is a good and positive sign for the bank. On the other hand in 2008 the ratio became less at 2.29 by 42.60% which does not indicate a good performance for the bank. The market value of per share should increase. If earning per share is higher than there will be positive impact in the market and thus the market price per share will increase.

# **Chapter Five**

**Findings of the Study: Problem,  
Recommendation & Conclusion**





## **5. Findings of the study: Problems, Recommendation & Conclusion**

### **5.1 Problems**

After doing the analysis I have come to identified some problems. On the basis of that factors I have found some problems of Prime Bank Limited and those are given below:

1. A low remuneration package is the major problem for the entry level and the mid level officers' because its salary range is comparatively lower than the other local banks. Though it has a brand name, in case of compensation it is far moiré lower from others.
2. Despite PBL has high quality software called TEMONUS T24, it is not very friendly user. PBL introduced it at first in the country but but it has introduced at another bank and the performance has increased than that individual bank which is not a good indication for PBL. Sometimes TEMONUS T24 creates problem to work at last functioning hour of working day.
3. As the ROA and ROE is less than last few years, the income is lower than the previous years. And lower income shows poor performance of the bank.
4. Time interest earned, market per share, earning per share, price earning ratio is less than other years which is represent the financial inefficiency of PBL.
5. In case of the foreign currency endorsement there is strictly controlling of central bank.
6. Fluctuation of foreign exchange and the devaluation of taka and increasing dollar currency are affecting the service of PBL.
7. Export growth has gone down because of global recession. Buyers become less in number. Especially RMG sectors are surviving this problem.
8. For the global recession and the political reason (such as the time period of care taker government situation) the amount of import become less.
9. The HRD trainings are not practicing strongly at PBL.



10. We know the economic growth is slow in Bangladesh and it is one of the major problems for the PBL.
11. There is 13% corporate interest rate according to Bangladesh bank. Therefore PBL needs to decrease its cost of fund which is another problem of PBL.
12. IT set up is one of the great problems and still PBL is not able to run as 100% online banking.
13. Lacking of manpower in the recovery department and employees are needed some strategic planning procedures for recovery.
14. In export department there is also manpower problem. The no. of employees is not sufficient to give the service because there is some sensitive process which is very difficult to maintain the department.
15. The products of retail banking and some deposits schemes are introduced in the market for the first time by PBL. After that within a short time other local banks have started to give this eservice which is one of the problems.
16. PBL does not practice any motivation process regularly among the employees.
17. The competitors of PBL are very efficient and within a short time they are growing up. For that reason PBL must give attention on this matter.
18. Code of dress does not maintaining powerfully by PBL.
19. Sometimes SWIFT machine creates problem to log on and the statement of proceed and SWIFT message does not come on time and at that day it becomes late for proceed realization.
20. PBL does not maintain any aggressive marketing activities. Promotional activities I very much lower than the other bank.



## **5.2 Recommendation**

From the analysis, my work experience and the help of PBL's employees from Motijheel branch, I have identified some problem and got able to make some recommendation. These are given below:

1. PBL is using SWIFT for communicating which sometimes creates problem to log on. Accept this via PBL can use electronic mail which will cost less and work faster than SWIFT.
2. PBL must concentrate on products and services because there are competitors of PBL in the market.
3. The remuneration package must be increased because employees are becoming motiveless and they want the new job as they have already experience in banking sector. So they have great opportunity.
4. The quality of the training program should conducted by the management. The material must be knowledgeable, efficient and interesting enough.
5. Bank should try to increase its net income. For that reason bank should increase its deposits and give loan to earn more.
6. PBL should give more facilities for credit card.
7. PBL can give more equality of service by using MIS (Management Information System) process to assemble the activities which will increase the performance of employees as well as PBLs'.
8. PBL should recruit more employees at that place it has lacking of manpower.
9. The high quality software TEMONUS T24 should be user friendly.
10. It should reduce the interest rate of various loans.



11. PBL should maintain effective marketing plan including strong promotional features.
12. Motivation must be increased by the management.
13. The sitting arrangements should be made for the customers.

I hope it will help the bank to get rid of their problem which can be sort out by the simple changing. However it is not mandatory to take these suggestions but it could change its service quality and other financial staffs at the branch level.



## 5.3 Conclusion

It was such a great pleasure to me to do my intern on this reputed Prime bank Limited. In terms of the efficiency, introduction of new products in the market for the first time, asset adequacy, etc. it has great fortune in the market.

PBL should maintain its service quality and they have to keep upgrading their service as well because there are some other commercial banks are offering almost the same products and services and almost same their operation system. However the customs they provide the services are different from each other. According to customer preference customers chose their bank to get the maximum service. They always looking for the best service and they always prefer the easy and friendly environment to get the actual service.

The top management of the bank, the key strength for the PBL has contributed heavily towards the growth and development of the bank. Strong network through out the country and provide quality of service to every level of customer. PBL has been founded by a group of prominent of the country. The corporate culture of PBL is very much interactive compare to our other local organization. PBL can pursue diversification strategy in expanding its current line of business. The management can consider options for starting merchant banking or diversity in to leasing and insurance. By expanding business portfolio, PBL can shrink business risk.

The analysis shows that at recent time PBL does not have best quality in the entire sector. It can modified its operation by simple changing to increase its value in the market. On the other hand it is also true that not all the organization is perfect, everything has its own limit. Within its boundary bank wants to serve the best most service to its respective customers. Prime Bank reaches at bets service through its innovative system in Bangladesh.



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# Appendix

# Key Financial Data

Taka in Million

Particulars	2004	2005	2006	2,007	2,008
Interest income	2,641	3,446	5,199	7,170	9,096
Interest expenses / <i>Int changes</i>	1,616	2,271	3,698	5,267	7,126
<b>Net interest income</b>	1,025	1,175	1,500	1,903	1,970
Non-interest income	946	1,232	1,732	2,913	3,808
Non-interest expenses	874	886	1,101	1,559	1,931
<b>Net non-interest income</b>	121	346	631	1,354	1,877
Profit before provision and tax	1,146	1,520	2,131	3,257	3,847
Provision for loans and assets	82	320	390	910	1,384
Profit after provision before tax	1,064	1,201	1,741	2,347	2,463
Tax including deferred tax	452	633	689	946	1,232
Profit after tax	612	568	1,052	1,401	1,232

## Balance Sheet

Authorized capital	1,000	4,000	4000	4,000	10,000
Paid-up capital	1,000	1,400	1,750	2,275	2,844
Total shareholder's equity	2,240	2,808	3,860	5,273	6,697
Deposits	28,069	36,022	54,724	70,512	88,021
Long-term liabilities = <i>325 (CB)</i>	7,371	11,406	16,877	15,267	31,044
Loans and advances	23,220	31,916	45,010	57,683	75,156
Investments	3,084	3,940	7,844	12,698	23,103
Property, Plant and Equipment	322	372	412	660	1,375
Earning assets	27,131	36,727	55,458	72,798	100,261
Net current assets	(1,299)	31	5,286	1,338	9,962
Total assets	32,362	41,506	60,899	79,588	110,437
Current ratio	1.06	1.00	0.88	0.97	0.88
Debt equity ratio	7%	7%	7%	7%	6.45%

## Other Business

Import	36,747	40,303	52,639	70,617	91,424
Export	19,502	28,882	41,801	51,316	68,550
Remittance	2,140	3,688	15,050	15,905	22,669
Guarantee Business	4,085	5,303	5,386	7,033	10,010
Inland letter of credit	4,267	5,405	10,174	11,943	11,242

## Capital Measures

Total risk weighted assets	23,050	31,890	44,324	55,485	72,253
Core capital (Tier-I)	2,240	2,808	3,860	5,261	6,265
Supplementary capital (Tier-II)	236	369	549	1,122	1,594
Total capital	2,476	3,177	4,409	6,383	7,859
Tier-I capital ratio	9.72	8.80	8.71	9.50	8.67
Tier-II capital ratio	1.02	1.16	1.24	2.00	2.21
Total capital ratio	10.74	9.96	9.95	11.50	10.88

## Credit Quality

Non-performing loans (NPLs)	353	308	367	777	1,323
NPLs to total loans and advances(%)	1.52%	0.96%	0.82%	1.35%	1.76%
Provision for unclassified loans	232	365	545	895	1,040
Provision for classified loans	174	127	309	478	734

## Share Information

Market price per share (Taka)	880	682	529	924	540
No. of shares outstanding (Million)	10	14	17.50	22.75	28.44
No. of shareholders (actual)	2620	4467	5262	7,368	9,180
Earnings per share (Taka)	43.71	40.59	60.11	61.57	43.32
Dividend: <i>1/3 ppg - 1/2 line</i>	40.00%	25.00%	30%	35%	25%
Cash	0.00%	0.00%	0.00%	10%	0.00%
Bonus	40.00%	25.00%	30%	25%	25%
Effective dividend ratio	47.06%	29.17%	33%	40%	27.78%
Market capitalization	8,795	9,541	9,253	21,021	15,349
Net assets per share (Taka)	224	201	221	232	235
Price earning ratio (times)	20.12	16.79	8.80	15.01	12.46

## Operating Performance Ratio (%)

Net interest margin on average earning assets	4.41%	3.68%	3.26%	2.97%	2.28%
Net non-interest margin on average earning assets	0.52%	1.08%	1.37%	2.11%	2.17%
Earning base in assets (average)	82.08%	86.45%	90.02%	91.29%	91.07%
Cost income ratio	41.83%	36.82%	34.07%	32.37%	33.42%
Credit deposit ratio	82.72%	88.60%	82.25%	81.81%	85.38%
Cost of funds on average deposits	6.66%	7.09%	8.15%	8.41%	8.55%
Yield on average advance	13.30%	12.50%	13.52%	13.96%	13.69%
Return on average assets	2.16%	1.54%	2.05%	1.99%	1.30%
Return on average equity	30.43%	22.51%	31.55%	30.68%	20.58%

## Other information

No. of branches	36	41	50	61	70
No. of employees	894	1024	1172	1,400	1551
No. of foreign correspondents	501	517	517	553	518
Average earning assets	23,233	31,929	46,093	64,128	86,530
Average total assets	28,305	36,934	51,203	70,244	95,013
Average deposits	24,276	32,046	45,373	62,618	79,266
Average advance	19,856	27,568	38,463	51,347	66,420
Average Equity	2,011	2,524	3,334	4,567	11,970



## Balance Sheet as at 31 December, 2005

		2005	2004
	Notes	Taka	Taka
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	3		
In hand (including foreign currencies)		273,115,879	203,753,581
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		3,077,524,975	2,043,945,640
		3,350,640,854	2,247,699,221
<b>Balance with other banks and financial institutions</b>	4		
In Bangladesh		298,576,051	1,399,122,567
Outside Bangladesh		104,447,788	254,672,510
		403,023,839	1,653,795,077
<b>Money at call and short notice</b>	5	1,180,000,000	1,180,000,000
<b>Investments</b>	6		
Government		3,822,669,100	2,972,210,900
Others		116,825,959	111,601,500
		3,939,495,059	3,083,812,400
<b>Loans and advances / Investments</b>			
Loans, cash credits, overdrafts etc./ general investments	7	28,994,957,836	21,287,244,251
Bills purchased and discounted	8	2,921,154,672	1,932,429,054
		31,916,112,508	23,219,673,305
<b>Fixed assets including premises, furniture and fixtures</b>	9	372,118,317	321,681,640
<b>Other assets</b>	10	344,898,190	654,955,145
<b>Non – banking assets</b>		–	–
<b>Total Assets</b>		<u>41,506,288,767</u>	<u>32,361,616,788</u>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	11	945,369,978	383,734,000
<b>Deposits and other accounts</b>	12		
Current / Al-wadeeah current deposits		5,945,352,550	4,908,982,735
Bills payable		668,494,035	453,640,033
Savings bank /Mudaraba savings deposits		3,493,363,190	3,578,930,185
Fixed deposits / Mudaraba fixed deposits		25,915,245,306	19,127,689,696
Bearer certificate of deposit		–	–
		36,022,455,081	28,069,242,650
<b>Other liabilities</b>	13	1,730,465,510	1,668,838,226
<b>Total Liabilities</b>		<u>38,698,290,569</u>	<u>30,121,814,876</u>
<b>Capital/Shareholders' Equity</b>			
<b>Paid up capital</b>	14.2	1,400,000,000	1,000,000,000
<b>Statutory reserve</b>	15	1,055,977,985	815,811,128
<b>Other reserve</b>		–	–
<b>Issue of bonus share (2004: 4:10)</b>		–	400,000,000
<b>Surplus in profit and loss account/Retained earnings</b>	16	352,020,213	23,990,784
<b>Total Shareholders' Equity</b>		<u>2,807,998,198</u>	<u>2,239,801,912</u>
<b>Total Liabilities and Shareholders' Equity</b>		<u>41,506,288,767</u>	<u>32,361,616,788</u>

## Balance Sheet as at 31 December, 2005

	Notes	2005 Taka	2004 Taka
<b>OFF BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>	17		
Acceptances and endorsements		-	-
Letters of guarantee	17.1	8,337,737,476	7,181,497,210
Irrevocable letters of credit	17.2	14,152,025,180	12,690,790,907
Bills for collection	17.3	610,109,346	397,604,857
Other contingent liabilities		-	-
		<b>23,099,872,002</b>	<b>20,269,892,974</b>
<b>Other commitments</b>			
Documentary credits and short term trade –related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Liabilities against forward purchase and sale		16,110,000	-
Litigations filed by the Bank	17.4	449,408,662	261,896,500
Other commitments		-	-
		<b>465,518,662</b>	<b>261,896,500</b>
		<b>23,565,390,664</b>	<b>20,531,789,474</b>
<b>Other memorandum items</b>			
Value of travelers' cheques on hand		13,933,050	18,510,258
Value of Bangladesh Sanchay Patras on hand		103,759,648	179,285,000
		<b>117,692,698</b>	<b>197,795,258</b>
<b>Total Off-Balance Sheet Items including Contingent liabilities</b>		<b>23,683,083,362</b>	<b>20,729,584,732</b>

These financial statements should be read in conjunction with the annexed notes 1 to 43.

  
Chairman

  
Director

  
M.U. Atia  
Director

  
Managing Director

See annexed auditors' Report to the Shareholders of date.

Dhaka, 20 February 2006

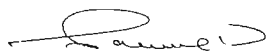
  
Rahman Rahman Huq  
Chartered Accountants

  
S.F. Ahmed & Co.  
Chartered Accountants

## Profit and Loss Account for the year ended 31 December, 2005

	Notes	2005 Taka	2004 Taka
Interest income/Profit on Investment	19	3,445,519,545	2,640,910,158
Interest/profit paid on deposits and borrowings etc.	20	(2,271,009,603)	(1,616,184,117)
<b>Net interest/investment income</b>		<b>1,174,509,942</b>	<b>1,024,726,040</b>
Investment income	21	259,519,484	196,150,200
Commission, exchange and brokerage	22	727,387,828	586,795,488
Other operating income	23	245,013,557	162,693,756
<b>Total operating income(A)</b>		<b>2,406,430,811</b>	<b>1,970,365,485</b>
Salary and allowances	24	464,213,203	344,290,389
Rent, taxes, insurance, electricity etc.	25	92,755,716	79,672,340
Legal expenses	26	6,608,091	5,304,385
Postage, stamp, telecommunication etc.	27	36,525,073	30,887,370
Stationery, printings, advertisements etc.	28	54,154,447	44,528,648
Managing Directors' salary and fees	29	5,164,000	5,136,936
Directors' fees	30	1,281,499	2,520,000
Auditors' fees		418,000	400,000
Charges on loan losses	31	—	109,600,000
Depreciation and repair of Bank's assets	32	62,975,684	52,312,624
Other expenses	33	161,993,936	149,574,449
<b>Total operating expenses(B)</b>		<b>886,089,649</b>	<b>824,227,141</b>
<b>Profit/(loss) before provision (C=A-B)</b>		<b>1,520,341,162</b>	<b>1,146,138,344</b>
Provision for loan	34		
Specific provision		(186,439,876)	(20,400,000)
General provision		(133,067,000)	(60,000,000)
		(319,506,876)	(80,400,000)
Provision for diminution in value of investments		—	—
Other provisions		—	(1,500,000)
<b>Total provision(D)</b>		<b>(319,506,876)</b>	<b>(81,900,000)</b>
<b>Total profit/(loss) before taxes(C-D) / earning b2</b>		<b>1,200,834,286</b>	<b>1,064,238,344</b>
Provision for taxation	13.1		
Current tax		557,500,000	452,300,000
Deferred tax		75,138,000	—
		632,638,000	452,300,000
<b>Net profit after taxation</b>		<b>568,196,286</b>	<b>611,938,344</b>
Retained earning brought forward from previous year		23,990,784	24,956,465
		<b>592,187,070</b>	<b>636,894,809</b>
<b>Appropriations</b>			
Statutory reserve		240,166,857	212,904,025
General reserve		—	—
Proposed dividend		—	—
Bonus shares (2004: 4:10)		—	400,000,000
		240,166,857	612,904,025
<b>Retained surplus</b>	16	<b>352,020,213</b>	<b>23,990,784</b>
<b>Earnings per share (EPS)</b>	39	<b>40.59</b>	<b>43.71</b>

These financial statements should be read in conjunction with the annexed notes 1 to 43.

  
Chairman

  
Director

  
M.U. Arta  
Director

  
Managing Director

See annexed auditors' Report to the Shareholders of date.

  
Rahman Rahman Huq  
Chartered Accountants

  
S.F. Ahmed & Co.  
Chartered Accountants

## Cash Flow Statement for the year ended 31 December, 2005

Particulars	Notes	2005 Taka	2004 Taka
<b>A) Cash flows from operating activities</b>			
Interest receipts in cash		3,705,012,941	2,837,010,916
Interest payments		(2,271,009,603)	(1,616,184,117)
Dividend receipts		26,087	49,441
Fee and commission receipts in cash		727,387,828	605,102,816
Recoveries of loans previously written off		—	—
Cash payments to employees		(469,377,203)	(349,427,325)
Cash payments to suppliers		(141,184,861)	(150,965,991)
Income taxes paid		(555,904,900)	(319,754,341)
Receipts from other operating activities	35	244,035,685	162,693,757
Payments for other operating activities	36	(221,863,878)	(168,873,015)
<b>Cash generated from operating activities before changes in operating assets and liabilities</b>		<b>1,017,122,096</b>	<b>999,652,141</b>
<b>Increase/decrease in operating assets and liabilities</b>			
Statutory deposits		—	—
Purchase of trading securities (Treasury bills)		(650,000,000)	(340,000,000)
Loans and advances to other banks		—	—
Loans and advances to customers		(8,696,439,204)	(6,727,448,900)
Other assets	37	101,148,842	(296,081,266)
Deposits from other banks/borrowing		(125,266,022)	(183,029,000)
Deposits from customers		8,640,114,430	7,549,543,936
Other liabilities account of customers		(161,635,977)	36,473,193
Trading liabilities		—	—
Other liabilities	38	(324,910,138)	(69,412,545)
		<b>(1,216,988,069)</b>	<b>(29,954,582)</b>
<b>Net cash from operating activities</b>		<b>(199,865,973)</b>	<b>969,697,559</b>
<b>B) Cash flows from investing activities</b>			
Debentures		5,000,000	5,000,000
Proceeds from sale of securities		—	—
Payments for purchases of securities		(10,224,459)	(6,500)
Purchase/sale of property, plant and equipment		(105,009,283)	(102,923,838)
Payment against lease obligation		(9,129,909)	(3,073,440)
Proceeds from sale of property, plant & equipment		10,222,240	4,404,982
<b>Net cash used in investing activities</b>		<b>(109,141,411)</b>	<b>(96,598,796)</b>
<b>C) Cash flows from financing activities</b>			
Dividend paid		—	(154,000,000)
<b>Net Cash used in financing activities</b>		<b>—</b>	<b>(154,000,000)</b>
<b>D) Net increase/(decrease) in cash and cash equivalents (A+ B + C)</b>		<b>(309,007,383)</b>	<b>719,098,763</b>
<b>E) Effects of exchange rate changes on cash and cash equivalent</b>		<b>—</b>	<b>(18,307,328)</b>
<b>F) Cash and cash equivalents at beginning of the period</b>		<b>5,082,659,198</b>	<b>4,381,867,763</b>
<b>G) Cash and cash equivalents at end of the period (D+E+F)</b>		<b>4,773,651,815</b>	<b>5,082,659,198</b>
<b>Cash and cash equivalents at end of the period</b>			
Cash in hand (including Foreign Currencies)		273,115,879	203,753,581
Balance with Bangladesh Bank and its agent bank (s) (including Foreign Currencies)		3,077,524,975	2,043,945,640
Balance with other Banks and Financial Institutions (Note-4 and Note-11.2)		241,387,861	1,653,795,077
Money at Call and Short Notice		1,180,000,000	1,180,000,000
Prize Bonds		1,623,100	1,164,900
		<b>4,773,651,815</b>	<b>5,082,659,198</b>

These financial statements should be read in conjunction with the annexed notes 1 to 43.

# Balance Sheet

## as at 31 December 2007

		2007 Taka	2006 Taka
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	Notes 3		
In hand (including foreign currencies)		663,028,189	452,560,474
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		4,755,788,872	3,662,426,602
		<b>5,418,817,061</b>	<b>4,114,987,076</b>
<b>Balance with other banks and financial institutions</b>	4		
In Bangladesh		1,625,581,391	627,964,960
Outside Bangladesh		791,887,088	485,749,435
		<b>2,417,468,479</b>	<b>1,113,714,395</b>
<b>Money at call and short notice</b>	5	-	1,490,000,000
<b>Investments</b>	6		
Government		12,090,285,095	7,673,700,299
Others		607,735,533	170,682,648
		<b>12,698,020,628</b>	<b>7,844,382,947</b>
<b>Loans and advances/investments</b>			
Loans, cash credits, overdrafts, etc./ investments	7	53,814,967,656	41,307,504,065
Bills purchased and discounted	8	3,868,053,856	3,702,713,983
		<b>57,683,021,512</b>	<b>45,010,218,048</b>
<b>Fixed assets including premises, furniture and fixtures</b>	9	660,490,066	412,107,309
Other assets	10	710,613,052	914,066,018
Non - banking assets		-	-
<b>Total assets</b>		<b>79,588,430,798</b>	<b>60,899,475,793</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	11	390,869,490	345,944,757
<b>Deposits and other accounts</b>	12.1.c		
Current / Al-wadeeah current deposits		10,590,463,357	8,261,264,165
Bills payable		1,144,540,968	528,231,748
Savings bank / Mudaraba savings deposits		6,027,260,878	4,125,622,204
Term deposits / Mudaraba term deposits		52,750,109,722	41,808,962,467
Bearer certificate of deposit		-	-
Other deposits		-	-
		<b>70,512,374,925</b>	<b>54,724,080,584</b>
Other liabilities	13	3,411,909,021	1,969,561,728
<b>Total liabilities</b>		<b>74,315,153,436</b>	<b>57,039,587,069</b>
<b>Capital / Shareholders' equity</b>			
Paid-up capital	14.2	2,275,000,000	1,750,000,000
Statutory reserve	15	1,873,543,597	1,404,170,652
Revaluation gain / loss on investments	15(a)	12,723,913	-
Other reserve		-	-
Surplus in profit and loss account / Retained earnings	16	1,112,009,852	705,718,072
<b>Total Shareholders' equity</b>		<b>5,273,277,362</b>	<b>3,859,888,724</b>
<b>Total liabilities and Shareholders' equity</b>		<b>79,588,430,798</b>	<b>60,899,475,793</b>

# Balance Sheet as at 31 December 2007

	Notes	2007 Taka	2006 Taka
<b>OFF- BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>	<b>17</b>		
Acceptances and endorsements		-	-
Letters of guarantee	<b>17.1</b>	10,480,381,241	9,476,314,713
Irrevocable letters of credit	<b>17.2</b>	21,193,628,862	17,392,748,116
Bills for collection	<b>17.3</b>	1,414,716,406	1,060,486,687
Other contingent liabilities		-	-
		<b>33,088,726,509</b>	<b>27,929,549,516</b>
<b>Other commitments</b>			
Documentary credits and short term trade -related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities , credit lines and other commitments		-	-
Liabilities against forward purchase and sale		-	-
Others		-	-
		<b>33,088,726,509</b>	<b>27,929,549,516</b>
<b>Other memorandum items</b>			
Value of travellers' cheques in hand		141,383,952	14,284,764
Value of Bangladesh sanchay patras in hand		1,348,897,500	346,193,975
		<b>1,490,281,452</b>	<b>360,478,739</b>
<b>Total Off-Balance Sheet items including contingent liabilities</b>		<b>34,579,007,961</b>	<b>28,290,028,255</b>

These financial statements should be read in conjunction with the annexed notes 1 to 44.

  
Chairman

  
Director

  
Director

  
Managing Director

See annexed auditors' report to the Shareholders of date.

  
Rahman Rahman Huq  
Chartered Accountants

  
S. F. Ahmed & Co  
Chartered Accountants

# Profit and Loss Account

## for the year ended 31 December 2007

	Notes	2007 Taka	2006 Taka
Interest income / profit on investments	19	7,170,099,616	5,198,790,368
Interest / profit paid on deposits, borrowings, etc.	20	(5,266,592,564)	(3,698,441,036)
<b>Net interest / net profit on investments</b>		<b>1,903,507,052</b>	<b>1,500,349,332</b>
Investment income	21	1,294,205,056	419,496,059
Commission, exchange and brokerage	22	1,198,942,404	998,117,247
Other operating income	23	419,555,862	314,073,525
<b>Total operating income (A)</b>		<b>4,816,210,375</b>	<b>3,232,036,163</b>
Salaries and allowances	24	725,285,435	561,930,122
Rent, taxes, insurance, electricity, etc.	25	159,529,399	113,987,335
Legal expenses	26	24,728,362	4,951,307
Postage, stamp, telecommunication, etc.	27	60,999,650	47,690,052
Stationery, printing, advertisements, etc.	28	121,691,050	63,382,686
Managing Director's salary and fees	29	9,131,448	6,400,000
Directors' fees	30	2,224,444	2,734,300
Auditors' fees		791,725	570,900
Charges on loan losses	31	-	-
Depreciation and repair of Bank's assets	32	102,185,026	71,657,509
Other expenses	33	352,779,110	227,768,616
<b>Total operating expenses (B)</b>		<b>1,559,345,650</b>	<b>1,101,072,827</b>
<b>Profit / (loss) before provision (C=A-B)</b>		<b>3,256,864,725</b>	<b>2,130,963,336</b>
Provision for loans / investments	34		
Specific provision		(350,000,000)	(210,000,000)
General provision		(350,000,000)	(180,000,000)
Provision for off-balance sheet items		(210,000,000)	-
		(910,000,000)	(390,000,000)
Provision for diminution in value of investments		-	-
Other provisions		-	-
<b>Total provision (D)</b>		<b>(910,000,000)</b>	<b>(390,000,000)</b>
<b>Total profit / (loss) before taxes (C-D)</b>		<b>2,346,864,725</b>	<b>1,740,963,336</b>
Provision for taxation			
Current tax	13.1	(1,015,000,000)	(592,362,815)
Deferred tax	13.2	68,800,000	(96,709,995)
		(946,200,000)	(689,072,810)
<b>Net profit after taxation</b>		<b>1,400,664,725</b>	<b>1,051,890,526</b>
Retained earnings brought forward from previous years		180,718,073	2,020,213
		<b>1,581,382,798</b>	<b>1,053,910,739</b>

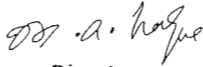
# Profit and Loss Account for the year ended 31 December 2007

	Notes	2007 Taka	2006 Taka
<b>Appropriations</b>			
Statutory reserve		469,372,945	348,192,667
General reserve		-	-
		<b>469,372,945</b>	<b>348,192,667</b>
<b>Retained surplus</b>	<b>16</b>	<b>1,112,009,852</b>	<b>705,718,072</b>
<b>Earnings per share (EPS)</b>	<b>39</b>	<b>61.57</b>	<b>46.24</b>

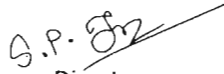
These financial statements should be read in conjunction with the annexed notes 1 to 44.



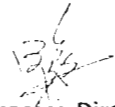
Chairman



Director



Director

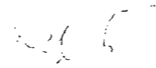


Managing Director

See annexed auditors' report to the Shareholders of date.



Rahman Rahman Huq  
Chartered Accountants



S. F. Ahmed & Co  
Chartered Accountants

Dhaka, 24 February 2008



# Cash Flow Statement

## for the year ended 31 December 2007

	Notes	2007 Taka	2006 Taka
<b>A) Cash flows from operating activities</b>			
Interest receipts in cash		7,076,601,586	5,616,509,362
Interest payments		(5,266,592,564)	(3,698,441,036)
Dividend receipts		7,976,958	1,777,066
Fees and commission receipts in cash		1,198,942,404	998,117,247
Recoveries of loans previously written-off		415,867	-
Cash payments to employees		(729,416,883)	(596,830,122)
Cash payments to suppliers		(286,567,522)	(175,315,699)
Income taxes paid		(476,148,788)	(590,139,079)
Receipts from other operating activities	35	419,555,862	314,067,381
Payments for other operating activities	36	(470,041,003)	(296,680,802)
<b>Cash generated from operating activities before changes in operating assets and liabilities</b>		<b>1,474,725,917</b>	<b>1,573,064,318</b>
<b>Increase / (decrease) in operating assets and liabilities</b>			
Statutory deposits		-	-
Purchase of trading securities (Treasury bills)		(1,197,259,262)	(1,161,365,969)
Loans and advances to other banks		-	-
Loans and advances to customers		(12,672,803,463)	(13,094,105,540)
Other assets	37	(3,796,358,897)	(2,494,489,750)
Deposits from other banks / borrowings		62,890,500	(490,439,000)
Deposits from customers		15,171,985,121	18,833,626,261
Other liabilities account of customers		616,309,220	(140,262,287)
Trading liabilities		-	-
Other liabilities	38	1,437,147,293	(177,440,778)
		<b>(378,089,488)</b>	<b>1,275,522,937</b>
<b>Net cash from operating activities</b>		<b>1,096,636,429</b>	<b>2,848,587,255</b>
<b>Cash flows from investing activities</b>			
Debentures		4,932,282	5,000,000
Proceeds from sale of securities		-	-
Payments for purchases of securities		(430,320,723)	(58,856,689)
Purchase of property, plant and equipment		(333,719,898)	(98,473,598)
Payment against lease obligation		(2,785,500)	(1,995,468)
Proceeds from sale of property, plant and equipment		277,045	325,900
<b>Net cash used in investing activities</b>		<b>(761,616,794)</b>	<b>(153,999,855)</b>

# Cash Flow Statement

## for the year ended 31 December 2007

	Notes	2007 Taka	2006 Taka
<b>C) Cash flows from financing activities</b>			
Dividend paid		-	-
<b>Net Cash from financing activities</b>		-	-
<b>D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)</b>		335,019,635	2,694,587,400
<b>E) Effects of exchange rate changes on cash and cash equivalents</b>		-	-
<b>F) Cash and cash equivalents at beginning of the year</b>		7,468,239,215	4,773,651,815
<b>G) Cash and cash equivalents at end of the year (D+E+F)</b>		<b>7,803,258,850</b>	<b>7,468,239,215</b>
<b>Cash and cash equivalents at end of the year</b>			
Cash in hand (including foreign currencies)		663,028,189	452,560,474
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		4,755,788,872	3,662,426,602
Balance with other banks and financial institutions [(notes 4 (b))]		2,382,784,489	1,061,064,639
Money at call and short notice		-	1,490,000,000
Reverse repo		-	800,000,000
Prize bonds		1,657,300	2,187,500
		<b>7,803,258,850</b>	<b>7,468,239,215</b>

These financial statements should be read in conjunction with the annexed notes 1 to 44.

  
Chairman

  
Director

  
Director

  
Managing Director

Dhaka, 24 February 2008

# Balance Sheet as at 31 December 2008

Particulars	Notes	Amount in Taka	
		2008	2007
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	<b>3</b>		
In hand (including foreign currencies)		750,107,609	663,028,189
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		6,447,553,847	4,755,788,872
		<b>7,197,661,456</b>	<b>5,418,817,061</b>
<b>Balance with other banks and financial institutions</b>	<b>4</b>		
In Bangladesh		420,777,975	1,625,581,391
Outside Bangladesh		1,581,293,172	791,887,088
		<b>2,002,071,147</b>	<b>2,417,468,479</b>
<b>Money at call and short notice</b>	<b>5</b>		
		-	-
<b>Investments</b>	<b>6</b>		
Government		20,807,924,500	12,090,285,095
Others		2,295,173,745	607,735,533
		<b>23,103,098,245</b>	<b>12,698,020,628</b>
<b>Loans and advances / investments</b>			
Loans, cash credits, overdrafts, etc. / investments	<b>7</b>	70,574,812,562	53,814,967,656
Bills purchased and discounted	<b>8</b>	4,581,394,255	3,868,053,856
		<b>75,156,206,817</b>	<b>57,683,021,512</b>
<b>Fixed assets including premises, furniture and fixtures</b>	<b>9</b>	1,374,826,295	660,490,066
<b>Other assets</b>	<b>10</b>	1,603,239,351	710,613,052
<b>Non - banking assets</b>		-	-
<b>Total assets</b>		<b>110,437,103,311</b>	<b>79,588,430,798</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	<b>11</b>	<b>11,397,859,931</b>	<b>390,869,490</b>
<b>Deposits and other accounts</b>	<b>12.1.c</b>		
Current / Al-wadeeah current deposits		11,868,543,906	10,590,463,357
Bills payable		1,239,622,153	1,144,540,968
Savings bank / Mudaraba savings deposits		6,797,681,897	6,027,260,878
Term deposits / Mudaraba term deposits		68,114,743,430	52,750,109,722
Bearer certificate of deposit		-	-
Other deposits		-	-
		<b>88,020,591,386</b>	<b>70,512,374,925</b>
Other liabilities	<b>13</b>	4,321,881,216	3,411,909,021
<b>Total liabilities</b>		<b>103,740,332,533</b>	<b>74,315,153,436</b>
<b>Capital / Shareholders' equity</b>			
Paid up capital	<b>14.2</b>	2,843,750,000	2,275,000,000
Statutory reserve	<b>15</b>	2,366,214,496	1,873,543,597
Revaluation gain / (loss) on investments	<b>16</b>	180,281,588	12,723,913
Revaluation reserve	<b>17</b>	251,603,567	-
Other reserve		-	-
Surplus in profit and loss account / Retained earnings	<b>18</b>	1,054,921,127	1,112,009,852
<b>Total Shareholders' equity</b>		<b>6,696,770,778</b>	<b>5,273,277,362</b>
<b>Total liabilities and Shareholders' equity</b>		<b>110,437,103,311</b>	<b>79,588,430,798</b>

# Balance Sheet as at 31 December 2008

Particulars	Notes	Amount in Taka	
		2008	2007
<b>OFF- BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>			
Acceptances and endorsements	19		
Letters of guarantee	19.1	9,129,069,603	6,905,831,656
Irrevocable letters of credit	19.2	13,201,578,022	10,480,381,241
Bills for collection	19.3	10,323,790,924	14,287,797,206
Other contingent liabilities	19.4	3,599,083,644	1,414,716,406
		-	-
		<b>36,253,522,193</b>	<b>33,088,726,509</b>
<b>Other commitments</b>			
Documentary credits and short term trade -related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities , credit lines and other commitments		-	-
Liabilities against forward purchase and sale		588,912	-
Others (Write off & Bad debt)		1,561,232,858	-
		1,561,821,770	-
		<b>37,815,343,963</b>	<b>33,088,726,509</b>
<b>Other memorandum items</b>			
Value of travellers' cheques in hand		269,954	141,383,952
Value of Bangladesh sanchay patras in hand		311,360,300	1,348,897,500
		<b>311,630,254</b>	<b>1,490,281,452</b>
<b>Total Off-Balance Sheet items including contingent liabilities</b>		<b>38,126,974,217</b>	<b>34,579,007,961</b>

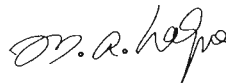
These financial statements should be read in conjunction with the annexed notes 1 to 48.



Chairman



Director



Director



Managing Director

See annexed auditors' report to the Shareholders of the date.

ACNABIN

ACNABIN

Chartered Accountants



Syful Shamsul Alam & Co

Chartered Accountants

# Profit and Loss Account for the year ended 31 December 2008

Particulars	Notes	Amount in Taka	
		2008	2007
Interest income / profit on investments	21	9,095,891,683	7,170,099,616
Interest / profit paid on deposits, borrowings, etc.	22	(7,126,309,515)	(5,266,592,564)
<b>Net interest / net profit on investments</b>		<b>1,969,582,168</b>	<b>1,903,507,052</b>
Investment income	23	1,743,677,466	1,294,205,056
Commission, exchange and brokerage	24	1,436,986,251	1,198,942,404
Other operating income	25	627,564,412	419,555,862
<b>Total operating income (A)</b>		<b>5,777,810,297</b>	<b>4,816,210,375</b>
Salaries and allowances	26	899,204,898	725,285,435
Rent, taxes, insurance, electricity, etc.	27	203,265,914	159,529,399
Legal expenses	28	14,164,497	24,728,362
Postage, stamp, telecommunication, etc.	29	78,712,209	60,999,650
Stationery, printing, advertisements, etc.	30	95,990,087	121,691,050
Managing Director's salary and fees	31	7,914,344	9,131,448
Directors' fees	32	2,385,044	2,224,444
Auditors' fees	33	418,000	791,725
Charges on loan losses	34	-	-
Depreciation and repair of Bank's assets	35	151,233,852	102,185,026
Other expenses	36	477,666,956	352,779,110
<b>Total operating expenses (B)</b>		<b>1,930,955,801</b>	<b>1,559,345,650</b>
<b>Profit / (loss) before provision (C=A-B)</b>		<b>3,846,854,496</b>	<b>3,256,864,725</b>
Provision for loans / investments	37		
Specific provision		(1,115,000,000)	(350,000,000)
General provision		(145,000,000)	(350,000,000)
Provision for Off-Shore Banking Units		(5,500,000)	-
Provision for off-balance sheet items		(118,000,000)	(210,000,000)
		<b>(1,383,500,000)</b>	<b>(910,000,000)</b>
Provision for diminution in value of investments		-	-
Other provisions		-	-
<b>Total provision (D)</b>		<b>(1,383,500,000)</b>	<b>(910,000,000)</b>
<b>Total profit / (loss) before taxes (C-D)</b>		<b>2,463,354,496</b>	<b>2,346,864,725</b>
Provision for taxation			
Current tax	38	(1,012,449,724)	(1,015,000,000)
Deferred tax		(219,072,598)	68,800,000
		<b>(1,231,522,322)</b>	<b>(946,200,000)</b>
<b>Net profit after taxation</b>		<b>1,231,832,174</b>	<b>1,400,664,725</b>
Retained earnings brought forward from previous years		<b>315,759,852</b>	<b>180,718,073</b>
		<b>1,547,592,026</b>	<b>1,581,382,798</b>

EBIT

Profit and Loss Account  
for the year ended 31 December 2008

Particulars	Notes	Amount in Taka	
		2008	2007
<b>Appropriations</b>			
Statutory reserve		492,670,899	469,372,945
General reserve		-	-
		<b>492,670,899</b>	<b>469,372,945</b>
<b>Retained surplus</b>	<b>18</b>	<b>1,054,921,127</b>	<b>1,112,009,852</b>
<b>Earnings per share (EPS)</b>	<b>43</b>	<b>43.32</b>	<b>49.25</b>

These financial statements should be read in conjunction with the annexed notes 1 to 48.



Chairman



Director



Director



Managing Director

See annexed auditors' report to the Shareholders of the date.

ACNABIN

ACNABIN

Chartered Accountants

Dhaka, 26 February 2009



Syful Shamsul Alam & Co

Chartered Accountants

# Cash Flow Statement

## for the year ended 31 December 2008

Particulars	Notes	Amount in Taka	
		2008	2007
<b>A) Cash flows from operating activities</b>			
Interest receipts in cash		9,606,084,937	7,076,601,586
Interest payments		(5,522,743,033)	(5,266,592,564)
Dividend receipts		20,719,822	7,976,958
Fees and commission receipts in cash		1,436,986,251	1,198,942,404
Recoveries of loans previously written-off		85,202,572	415,867
Cash payments to employees		(749,119,242)	(729,416,883)
Cash payments to suppliers		(307,191,812)	(286,567,522)
Income taxes paid		(941,801,045)	(476,148,788)
Receipts from other operating activities	39	745,157,044	419,555,862
Payments for other operating activities	40	(462,943,744)	(470,041,003)
<b>Cash generated from operating activities before changes in operating assets and liabilities</b>		<b>3,910,351,750</b>	<b>1,474,725,917</b>
<b>Increase / (decrease) in operating assets and liabilities</b>			
Statutory deposits		-	-
Purchase of trading securities (Treasury bills)		(1,105,739,703)	(1,197,259,262)
Loans and advances to other banks		-	-
Loans and advances to customers		(17,473,185,305)	(12,672,803,463)
Other assets	41	(8,819,910,712)	(3,796,358,897)
Deposits from other banks / borrowings		11,242,203,400	62,890,500
Deposits from customers		16,773,432,106	15,171,985,121
Other liabilities account of customers		95,081,185	616,309,220
Trading liabilities		-	-
Other liabilities	42	(1,956,357,400)	1,437,147,293
		<b>(1,244,476,429)</b>	<b>(378,089,488)</b>
<b>Net cash from operating activities</b>		<b>2,665,875,321</b>	<b>1,096,636,429</b>
<b>B) Cash flows from investing activities</b>			
Debentures		5,067,718	4,932,282
Proceeds from sale of securities		-	-
Payments for purchases of securities		(612,475,711)	(430,320,723)
Purchase of property, plant and equipment		(539,366,206)	(333,719,898)
Payment against lease obligation		-	(2,785,500)
Proceeds from sale of property, plant and equipment		290,500	277,045
<b>Net cash used in investing activities</b>		<b>(1,146,483,699)</b>	<b>(761,616,794)</b>

# Cash Flow Statement for the year ended 31 December 2008

Particulars	Notes	Amount in Taka	
		2008	2007
<b>C) Cash flows from financing activities</b>			
Dividend paid		(227,500,000)	-
<b>Net Cash from financing activities</b>		<b>(227,500,000)</b>	-
<b>D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)</b>		1,291,891,622	335,019,635
<b>E) Effects of exchange rate changes on cash and cash equivalents</b>		-	-
<b>F) Cash and cash equivalents at beginning of the year</b>		7,803,258,850	7,468,239,215
<b>G) Cash and cash equivalents at end of the year (D+E+F)</b>		<b>9,095,150,472</b>	<b>7,803,258,850</b>
<b>Cash and cash equivalents at end of the year</b>			
Cash in hand (including foreign currencies)		750,107,609	663,028,189
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		6,447,553,847	4,755,788,872
Balance with other banks and financial institutions (notes 4 (b))		1,895,025,116	2,382,784,489
Money at call and short notice		-	-
Reverse repo		-	-
Prize bonds		2,463,900	1,657,300
		<b>9,095,150,472</b>	<b>7,803,258,850</b>

These financial statements should be read in conjunction with the annexed notes 1 to 48.

  
Chairman

  
Director

  
Director

  
Managing Director

Dhaka, 26 February 2009