

## Annual Report of Shariah Council, 2004

Bismillahir Rahmanir Rahim

All Praise is for Allah Subhanahu-wa-tayala Who is the one and second to none, salat and salam is on the prophet who is the last and the best.

During the year ended 31st December 2004, the Shariah Council arranged 3 meetings and reviewed different operational issues, including those referred to by the Board of Directors and the Management of the Bank, gave necessary guidelines and counseling. Besides, 2 separate meetings of the Shariah Council, Sub-Committee were held during the period. Respected members of the Shariah Council addressed different seminars, symposia, iftar mahfil and get together of the clients, elite, well-wishers arranged by the 5 Islamic Banking Branches of Prime Bank Ltd. and held formal and informal discussions on Shariah issues and inspired all concerned for compliance of Shariah. Apart from this, the Muraqibs of the Shariah Council inspected all the 5 Islamic Banking Branches of Prime Bank Ltd. during the year and submitted reports thereon.

The Council, after reviewing the Shariah Inspection Reports, Balance Sheet and Profit & Loss Account of the Bank for the year 2004, opined as under:

- a) It has been observed from the Inspection Reports of the Muraqibs that compliance of Shariah has improved during the year as compared to the previous year.
- b) Shariah Council observes that awareness about compliance of Shariah has increased during the year under report among the officials related to investment and also among the investment clients as compared to the preceding years.
- c) Efforts regarding engagement of buying agents at branch level, their eagerness to attain the expected level in discharging their duties and responsibilities regarding compliance of Shariah has been strengthened.

Suggestions:

- a) Shariah Council suggests that all manpower of the Bank should be trained up on different aspects of Shariah Principles.
- b) To appoint manpower having sufficient knowledge on Islamic Shariah at all the Islamic Banking Branches to ensure proper buying and selling in the investment operations of the bank.

May Allah (SWT) give us tawfique to achieve His satisfaction through implementation of Shariah in every sphere of our life. Ameen



**Ubaidul Haq**  
Chairman  
Shariah Council



**Nasiruddin Ahmed**  
Member Secretary  
Shariah Council

## Auditors' Report to the Shareholders of Prime Bank Limited

We have audited the accompanying Balance Sheet of Prime Bank Limited as of 31 December 2004 and the related Profit and Loss Account, Cash Flow Statement, Statement of changes in equity and Statement of Liquidity together with the notes 1 to 42 for the year ended 31 December 2004. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

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

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the Bank's affairs as of 31 December 2004 and of the results of its operations and its cash flows for the year then ended and comply with the applicable sections of the Bank Company Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books and (where applicable) proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- c) the bank's balance sheet and profit and loss account together with the annexed notes 1 to 42 dealt with by the report are in agreement with the books of account and returns;
- d) the expenditure incurred was for the purposes of the Bank's business;
- e) the financial position of the Bank at 31 December 2004 and the profit for the year then ended have been properly reflected in the financial statements; the financial statements have been prepared in accordance with the generally accepted accounting principles;
- f) the financial statements have been drawn up in conformity with the Bank Companies Act, 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank;
- g) adequate provisions have been made for advances and other assets which are, in our opinion, doubtful of recovery;

- h) the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- i) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- j) the information and explanations required by us have been received and found satisfactory.

Dhaka, 27 February 2005



**Hoda Vasi Chowdhury & Co**  
Chartered Accountants



**Howladar Yunus & Co**  
Chartered Accountants

## Balance Sheet as at 31 December, 2004

	Notes	2004 Taka	2003 Taka
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>			
In hand (including foreign currencies)	3	203,753,581	160,262,434
Balance with Bangladesh Bank and Sonali Bank (including foreign currencies)	4	2,043,945,640	973,255,546
		<b>2,247,699,221</b>	<b>1,133,517,980</b>
<b>Balance with other Banks and Financial Institutions</b>			
In Bangladesh	5.1	1,399,122,567	2,417,688,341
Outside Bangladesh	5.2	254,672,510	109,593,042
		<b>1,653,795,077</b>	<b>2,527,281,383</b>
<b>Money at Call and Short Notice</b>			
	6	<b>1,180,000,000</b>	<b>420,000,000</b>
<b>Investments</b>			
Government	7	2,972,210,900	2,633,114,400
Others		111,601,500	116,595,000
		<b>3,083,812,400</b>	<b>2,749,709,400</b>
<b>Loans and advances / Investments</b>			
Loans, Cash Credits, Overdrafts etc./ General investments	8	21,287,244,251	14,565,946,311
Bills Purchased and discounted	9	1,932,429,054	1,926,278,094
		<b>23,219,673,305</b>	<b>16,492,224,405</b>
<b>Fixed assets including premises, furniture and fixtures</b>			
	10	321,681,640	265,168,372
<b>Other Assets</b>			
	11	654,955,145	661,229,102
<b>Non - Banking assets</b>			
		-	-
<b>Total Assets</b>		<b><u>32,361,616,788</u></b>	<b><u>24,249,130,642</u></b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>			
	12	<b>383,734,000</b>	<b>566,763,000</b>
<b>Deposits and other accounts</b>			
	13		
Current / Al-wadeeah current deposits		4,908,982,735	3,412,284,833
Savings bank /Mudaraba savings deposits		3,578,930,185	2,631,112,661
Term deposits / Mudaraba term deposits		19,127,689,696	14,022,661,187
Bills payable		453,640,033	413,647,384
Bearer certificate of deposits		-	3,519,456
		<b>28,069,242,650</b>	<b>20,483,225,521</b>
<b>Other liabilities</b>			
	14	<b>1,668,838,226</b>	<b>1,417,278,553</b>
<b>Total liabilities</b>		<b><u>30,121,814,876</u></b>	<b><u>22,467,267,074</u></b>
<b>Capital/Shareholders' equity</b>			
Paid up Capital	15.2	1,000,000,000	700,000,000
Share premium account	15.4	-	-
Statutory reserve	16	815,811,128	602,907,103
Proposed issue of bonus share 4 : 10 (2003: 3:7)		400,000,000	300,000,000
Proposed cash dividend including dividend distribution tax		-	154,000,000
Retained earnings as per Profit and Loss Account	17	23,990,784	24,956,465
<b>Total shareholders' equity</b>		<b><u>2,239,801,912</u></b>	<b><u>1,781,863,568</u></b>
<b>Total liabilities and shareholders' equity</b>		<b><u>32,361,616,788</u></b>	<b><u>24,249,130,642</u></b>

Continued..

## Balance Sheet as at 31 December, 2004

	2004 Taka	2003 Taka
<b>OFF BALANCE SHEET ITEMS</b>		
<b>Contingent liabilities</b>	<b>18</b>	
Acceptances and Endorsements	-	-
Letter of Guarantees	7,181,497,210	7,422,175,239
Irrevocable Letter of Credits	12,690,790,907	6,675,291,270
Bills for Collection	397,604,857	398,023,748
	<b>20,269,892,974</b>	<b>14,495,490,257</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 facilities	-	-
Undrawn formal standby facilities , credit lines and other commitments	-	-
Claims against the Bank not acknowledged as debt	-	-
Litigation pending against Bank	261,896,500	1,855,931,282
	<b>261,896,500</b>	<b>1,855,931,282</b>
	<b>20,531,789,474</b>	<b>16,351,421,539</b>
<b>Other memorandum items</b>		
Value of Travelers' cheque on hand	18,510,258	7,680,628
Value of Bangladesh Sanchay Patra on hand	179,285,000	63,397,000
	<b>197,795,258</b>	<b>71,077,628</b>
<b>Total Off - Balance Sheet Items</b>	<b>20,729,584,732</b>	<b>16,422,499,167</b>

These financial statements should be read in conjunction with the annexed notes



Chairman



Vice Chairman



Director



Managing Director

Auditors' Report to the Shareholders  
See annexed report of date



Hoda Vasi Chowdhury & Co  
Chartered Accountants

Dhaka, 27 February 2005



Howladar Yunus & Co  
Chartered Accountants

## Profit and Loss Account for the year ended 31 December, 2004

	Notes	2004 Taka	2003 Taka
Interest / investment income	20	2,640,910,158	2,187,939,275
Interest / profit paid on deposits and borrowings etc.	21	(1,616,184,117)	(1,407,521,835)
<b>Net interest / investment income</b>		<b>1,024,726,040</b>	<b>780,417,440</b>
Income from investments in securities / shares	22	196,150,200	167,770,402
Commission, exchange and brokerage	23	586,795,488	499,481,309
Other operating income	24	162,693,756	146,020,882
<b>Total operating income</b>		<b>1,970,365,485</b>	<b>1,593,690,033</b>
<b>Less : Total operating expenses</b>			
Salaries and allowances	25	344,290,389	302,360,444
Rent, taxes, insurance, electricity etc.	26	79,672,340	71,522,140
Legal and professional expenses	27	5,304,385	3,662,218
Postage, stamps, telecommunication etc.	28	30,887,370	26,125,847
Auditors' fees		400,000	360,000
Stationery, printing, advertisement etc.	29	44,528,648	39,020,931
Managing Directors' salary and allowances	30	5,136,936	4,880,000
Directors' fee	31	2,520,000	1,790,000
Charges on loan losses account		109,600,000	-
Repairs, maintenance & depreciation of assets	32	52,312,624	38,333,829
Other expenses	33	149,574,449	104,224,177
<b>Total operating expenses</b>		<b>824,227,141</b>	<b>592,279,586</b>
<b>Profit before provision</b>		<b>1,146,138,344</b>	<b>1,001,410,447</b>
<i>Provision against loans and advances</i>			
Specific provision	14.2	(20,400,000)	(190,000,000)
General provision	14.2	(60,000,000)	(40,000,000)
		(80,400,000)	(230,000,000)
<i>Provision for other classified assets</i>		(1,500,000)	(1,500,000)
<b>Total provision</b>		<b>(81,900,000)</b>	<b>(231,500,000)</b>
<b>Total Profit before taxation for the year</b>		<b>1,064,238,344</b>	<b>769,910,447</b>
Provision for taxation for the year	14.1	452,300,000	394,455,000
<b>Net Profit after taxation for the year</b>		<b>611,938,344</b>	<b>375,455,447</b>
Retained earning brought forward from previous year		24,956,465	1,018,618
		<b>636,894,809</b>	<b>376,474,065</b>
Amount transferred from share premium account		-	256,464,400
		<b>636,894,809</b>	<b>632,938,465</b>
<b>Appropriations</b>			
Statutory reserve (20% on pre-tax profit)		212,904,025	153,982,000
Proposed			
Cash dividend (2003: 20%)		-	140,000,000
Dividend Distribution Tax @ 10%		-	14,000,000
Bonus shares 2004: 4 :10 (2003: 3:7)		400,000,000	300,000,000
		612,904,025	607,982,000
<b>Retained earnings carried forward</b>	17	<b>23,990,784</b>	<b>24,956,465</b>
<b>Earning per share (EPS)</b>	38	<b>61.19</b>	<b>37.55</b>

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Chairman



Vice Chairman



Director



Managing Director

Auditors' report to the Shareholders  
See Annexed report of date



Hoda Vasi Chowdhury & Co  
Chartered Accountants



Howladar Yunus & Co.  
Chartered Accountants

Dhaka, 27 February 2005

## Cash Flows Statement for the year ended 31 December, 2004

	Notes	2004 Taka	2003 Taka
<b>Cash flows from operating activities</b>			
Interest received		2,837,010,916	2,355,551,752
Interest paid		(1,616,184,117)	(1,407,521,834)
Dividend received in cash		49,441	157,927
Fees & commission received in cash		605,102,816	510,688,485
Cash received for bad debts previously written off		-	-
Cash paid to employees		(349,427,325)	(307,240,444)
Cash paid to supplier		(150,965,991)	(105,323,243)
Income tax paid		(319,754,341)	(370,868,605)
Cash received from other operating activities	34	162,693,757	145,920,892
Cash paid for other operating activities	35	(168,873,015)	(146,140,903)
<b>Cash generated from operating activities</b>		<b>999,652,141</b>	<b>675,224,027</b>
<b>Changes in operating assets and liabilities</b>			
Statutory deposits		-	-
Purchase of trading securities (Treasury bills)		(340,000,000)	(370,000,000)
Loan and advances to other banks & financial institutions		-	-
Loans and advances to the customers		(6,727,448,900)	(3,805,379,075)
Other short term assets	36	(296,081,266)	(434,402,170)
Deposits from other banks		(183,029,000)	(163,237,000)
Deposits from customers		7,549,543,936	4,628,749,157
Changes in other deposits on behalf of customers		36,473,193	(17,997,785)
Other liabilities	37	(69,412,545)	(84,627,308)
		<b>(29,954,582)</b>	<b>(246,894,181)</b>
<b>Net cash received from operating activities</b>		<b>969,697,559</b>	<b>428,329,846</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		(6,500)	(27,595,000)
Purchase of property, plant & equipment		(102,923,838)	(79,148,928)
Payment against lease obligation		(3,073,440)	-
Proceeds from sale of property, plant & equipment		4,404,982	477,087
<b>Net cash used in investing activities</b>		<b>(96,598,796)</b>	<b>(101,266,841)</b>
<b>Cash flows from financing activities</b>			
Dividend paid including dividend distribution tax		(154,000,000)	(120,000,000)
<b>Net Cash used in financing activities</b>		<b>(154,000,000)</b>	<b>(120,000,000)</b>
Net increase in cash and cash equivalents (A+ B + C)		719,098,763	207,063,005
Effects of exchange rate changes on cash and cash equivalents		(18,307,328)	(12,682,219)
Cash and cash equivalents at beginning of the period		4,381,867,763	4,187,486,977
<b>Cash and cash equivalents at end of the period (D+E+F)</b>		<b>5,082,659,198</b>	<b>4,381,867,763</b>
<b>Cash and cash equivalents at the end of period</b>			
Cash in Hand (including Foreign Currencies)		203,753,581	160,262,434
Balance with Bangladesh Bank & Sonali Bank (including Foreign Currencies)		2,043,945,640	973,255,546
Balance with other Banks and Financial Institutions		1,653,795,077	2,527,281,383
Money at Call and Short Notice		1,180,000,000	420,000,000
Treasury bills - 90 days Reverse REPO		-	300,000,000
Prize Bonds		1,164,900	1,068,400
		<b>5,082,659,198</b>	<b>4,381,867,763</b>

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



Chairman



Vice Chairman



Director



Managing Director

Statement of Changes in Equity for the year ended 31 December, 2004

Particulars	Paid up Capital Taka	Share Premium Taka	Statutory Reserve Taka	Proposed		Retained Earnings Taka	Total Taka
				Bonus Share Taka	Cash Dividend Taka		
Balance at 1 January 2004	700,000,000	-	602,907,103	300,000,000	154,000,000	24,956,465	1,781,863,568
Net profit for the year after tax	-	-	-	-	-	611,938,344	611,938,344
Dividend Paid during the year	300,000,000	-	-	(300,000,000)	(154,000,000)	-	(154,000,000)
Transfer of Share Premium	-	-	-	-	-	-	-
Appropriation during the year	-	-	212,904,025	400,000,000	-	(612,904,025)	-
Balance at 31 December 2004	<b>1,000,000,000</b>	-	<b>815,811,128</b>	<b>400,000,000</b>	-	<b>23,990,784</b>	<b>2,239,801,912</b>

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Chairman



Vice Chairman



Director



Managing Director

Statement of Liquidity (Analysis of maturity of assets & liabilities) as at 31 December, 2004

Particulars	Up to 1 month	1-3 month	3-12 month	1-5 years	above 5 years	Total
<b>Assets</b>						
Cash in hand	2,247,699,221	-	-	-	-	2,247,699,221
Balance with other Bank & Financial institution	953,669,791	650,125,286	50,000,000	-	-	1,653,795,077
Money at call & short notice	1,180,000,000	-	-	-	-	1,180,000,000
Investments	28,766,400	-	250,000,000	2,750,046,000	55,000,000	3,083,812,400
Loans & advances	5,491,344,461	2,918,452,000	7,324,764,000	6,476,338,844	1,008,774,000	23,219,673,305
Fixed assets including premises, furniture and fixtures	3,257,717	6,515,434	29,319,453	156,370,413	126,218,623	321,681,640
Other assets	90,254,456	206,456,130	21,163,354	337,081,205	-	654,955,145
Non banking assets	-	-	-	-	-	-
<b>Total assets (A):</b>	<b>9,994,992,045</b>	<b>3,781,548,850</b>	<b>7,675,246,807</b>	<b>9,719,836,463</b>	<b>1,189,992,623</b>	<b>32,361,616,788</b>
<b>Liability</b>						
Borrowings from other banks, financial institutions and agents	-	-	-	383,734,000	-	383,734,000
Deposits and other accounts	9,942,535,650	5,665,335,000	6,900,321,000	3,229,234,000	2,331,817,000	28,069,242,650
Provisions & other liabilities	2,370,113.45	108,432,635	131,848,568	1,426,186,909	-	1,668,838,226
<b>Total Liabilities (B):</b>	<b>9,944,905,763</b>	<b>5,773,767,635</b>	<b>7,032,169,568</b>	<b>5,039,154,909</b>	<b>2,331,817,000</b>	<b>30,121,814,876</b>
<b>Net Liquidity Gap (A - B):</b>	<b>50,086,282</b>	<b>(1,992,218,785)</b>	<b>643,077,238</b>	<b>4,680,681,553</b>	<b>(1,141,824,377)</b>	<b>2,239,801,912</b>

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



Chairman



Vice Chairman



Director



Managing Director

## Highlights

(Taka in million)

Sl. #	Particulars	2004	2003
1	Paid-up Capital	1,000.00	700.00
2	Total Capital	2,476.34	1,958.12
3	Capital surplus/deficit	401.53	477.21
4	Total Assets	32,361.62	24,249.13
5	Total Deposits	28,069.24	20,483.23
6	Total Loans and Advances	23,219.67	16,492.22
7	Total Contingent Liabilities and Commitments	20,531.79	16,351.42
8	Credit Deposit Ratio	83%	81%
9	Percentage of Classified Loans against Total Loans & Advances	1.52%	1.98%
10	Profit after tax & provision	611.94	375.46
11	Amount of classified loans during current year	246.23	214.45
12	Provisions kept against classified loan	174.00	249.44
13	Provision surplus/(deficit) against classified loan	52.66	85.98
14	Cost of fund	6.62%	7.32%
15	Interest earning Assets	29,137.28	21,936.70
16	Non-interest earning Assets	3,224.34	2,295.65
17	Return on investment (ROI)	6.36%	6.58%
18	Return on Assets (ROA)	2.16%	1.72%
19	Income from Investment	196.15	167.77
20	Earning per Share	61.19	37.55
21	Net Income per Share	61.19	37.55
22	Price Earning Ratio	14.37	6.98

## Notes to the Financial Statements for the year ended 31 December, 2004

### 1.1 Status of the Bank

The Bank was incorporated as a public limited company in Bangladesh under Companies Act 1994. It commenced its banking business with one branch from 1995 under the license issued by Bangladesh Bank. Now it has 36 branches all over Bangladesh and a booth located at Dhaka club, Dhaka. Out of the above 36 branches, 05 (five) Branches are designated Islamic Branch complying with the rules of Islamic Shariah the modus operandi of which is substantially different from other branches run on commercial conventional basis. The Bank is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a Publicly Quoted company for its general class of shares.

#### 1.1.1 Principal activities

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

#### 1.1.2 Merchant banking activities

It also carries out Merchant Banking activities under the license issued by the Securities & Exchange Commission (SEC), Dhaka, Bangladesh.

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

#### 1.2.1 Basis of accounting

The financial statements of the Bank are made upto 31 December 2004 and are prepared under the historical cost convention, on a going concern basis and in accordance with the "First Schedule (Sec-38) of the Bank Companies Act, 1991 as amended by BRPD Circular # 14 dated 25 June, 2003, other Bangladesh Bank Circulars, International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Bangladesh, Companies Act 1994, the Securities and Exchange Rules 1987, Dhaka & Chittagong Stock Exchange's Listing Regulations and other laws and rules applicable in Bangladesh.

In addition to foregoing directives and standards, the operation of Islamic branches are accounted for in accordance with Financial Accounting Standards issued by the Accountancy and Auditing organisation for Islamic Financial Institutions for which a separate set of books and records are being maintained. A separate balance sheet, income statements and a statement of profit paid on deposits are shown in **Annexure - E** and the figures appearing in the annexure have been incorporated in the respective heads of these financial statements as recommended by Central Shariah Board for Islamic Banks in Bangladesh.

#### 1.2.2 Basis of consolidation

A separate set of records for consolidation of the statement of affairs and income & expenditure account of the branches are maintained at the Head Office of the Bank based on which these financial statements have been prepared.

#### 1.2.3 Foreign currencies translation

Foreign Currencies transactions are converted into equivalent Taka using the ruling exchange rates on the date of respective transactions. Foreign currency balances held in US Dollar are converted into Taka at weighted average rate of interbank market as determined by Bangladesh Bank on the closing date of every month. Balances held in foreign currencies other than US Dollar are converted into equivalent US Dollar at buying rates of New York closing of the previous day.

#### 1.2.4 Provision for taxation

Provision for income tax has been made @ 45% as prescribed in Finance Act 2004 of the accounting profit made by the Bank after considering some of the taxable add backs of income and disallowances of expenditures. No deferred tax is currently maintained by the Bank. However, the Bank is considering changes in accounting policies for implementation of the same.

## Notes to the Financial Statements for the year ended 31 December, 2004

### 1.3 Assets and basis of their valuation

#### 1.3.1 Advances to customers

a) Interest is calculated on a daily product basis but charged and accounted for quarterly on accrual basis. Interest on classified loans and advances is kept in suspense account as per Bangladesh Bank instructions and such interest is not accounted for as income until realised from borrowers [please refer Note - 8.8 (x)]. Interest is not charged on bad and loss loans as per guidelines of Bangladesh Bank. Total interest against such accounts is amounting to Tk. 174.20 million as at 31 December 2004 (Tk. 68.50 million in 2003). Records of such interest amounts are kept in separate memorandum books.

b) Provision for loans and advances is made on the basis of year end review by the management and of instructions contained in Bangladesh Bank BCD Circular no. 34 dated 16 November 1989, BCD Circular no. 20 dated 27 December 1994, BCD Circular no. 12 dated 4 September 1995, BRPD Circular no. 16 dated 6 December 1998 and BRPD Circular no. 9 dated 14 May 2001. The classification rates are given below:

General provision on unclassified loans & advances	@	1%
Specific provision on substandard loans & advances	@	20%
Specific provision on doubtful loans & advances	@	50%
Specific provision on bad/loss loans & advances	@	100%

c) Loans and advances are written off to the extent that (i) there is no realistic prospect of recovery, (ii) and against which legal cases are pending for more than five years as per guidelines of Bangladesh Bank. However, the write off will not reduce the claim against the borrower. Detailed memorandum records for all such write off accounts are maintained.

#### 1.3.2 Investments

Value of Investment has been enumerated as follows :

<b>Items</b>	<b>Applicable Accounting</b>
Government Treasury Bills	At face value ( including unearned interest)
T & T Bonds & Bangladesh Treasury Bonds	At cost
Prize Bond	Cost price
Bangladesh House Building Finance Corporation-Debenture	At redeemable value
Investments in shares	At cost or market value at the Balance Sheet date whichever is lower.

#### 1.3.3 Fixed assets and depreciation

a) All fixed assets are stated at cost less accumulated depreciation.

b) Depreciation is charged for the year at the following rates on reducing balance method on all material fixed assets other than land:

<b>Category of fixed assets</b>	<b>Rate of depreciation</b>
Land	Nil
Building	2.50%
Furniture and fixtures	10%
Office equipment	20%
Library books	20%
Bank's Vehicles	20%

#### 1.3.4 Leasing

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

##### **The bank as lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the bank's net investment in the leases (note-8.2). Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the bank's net investment outstanding in respect of the leases.

## Notes to the Financial Statements for the year ended 31 December, 2004

### **The bank as lessee**

Assets held under finance leases are recognized as assets of the bank at their fair value at the date of acquisition or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation (Note - 14.6). Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability . Finance charges are charged directly against income.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as fixed assets.

### **1.4 Liabilities and provisions**

#### **1.4.1 Retirement benefits to the employees**

##### **Provident fund**

Provident fund benefits are given to the staff of the bank in accordance with the locally registered Provident fund rules. The commissioner of Income Tax, Taxes Zone - 5, Dhaka has approved the Provident Fund as a recognized provident fund within the meaning of section 2(52) read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984. The recognition took effect from 07 July, 1997. The Fund is operated by a Board of Trustees consisting of six members (03 members from management and other 03 members from the Board of Directors) of the Bank. All confirmed employees of the Bank are contributing 10% of their basic salary as subscription of the Fund. The Bank also contributes equal amount of the employees' contribution to the fund. Interest earned from the investments is credited to the members' account on half yearly basis.

##### **Gratuity**

Consistent with the past practice of the Prime Bank Limited no provision for the liabilities for gratuity, (the quantum of which at 31 December 2004 has not been ascertained) has been made in these financial statements which would have been payable to the employees on their separation from the Prime Bank Limited's service on that date as the payments for gratuity are charged in the books for the year in which these are disbursed.

##### **Welfare fund**

Prime Bank's Employees' Welfare Fund subscribed by monthly contribution of the employees. The Bank also contributes to the fund from time to time. The fund is established to cover the accidental coverage in the event of death or permanent disabilities of the employees.

### **1.5 Revenue recognition**

#### **1.5.1 Interest income**

In terms of the provision of the Bangladesh Accounting Standards (BAS - 18) on Revenue and disclosures in the financial statements of the Bank, the interest receivable is recognized on accrual basis. Interest on loans and advances ceases to be taken into income when such advances are classified, kept in interest suspense account and in memorandum account. Interest on classified advances is accounted for on a cash receipt basis.

#### **1.5.2 Fees and commission income**

Fees and commission income arises on services provided by the Bank and recognized on a cash receipt basis. Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of effecting the transactions.

#### **1.5.3 Dividend income on shares**

Dividend income from shares is recognized during the period in which they are declared and actually received.

#### **1.5.4 Interest paid and other expenses**

In terms of the provision of the International Financial Reporting Standards (IAS - 1) Presentation of Financial Statements, the interest paid and other expenses are recognized on accrual basis.

## Notes to the Financial Statements for the year ended 31 December, 2004

### 1.6 Reconciliation of interbank/books of accounts

Books of account with regard to inter-bank (in Bangladesh and outside Bangladesh) are reconciled and there are no material differences which may affect the financial statements significantly.

Un-reconciled entries in case of inter-branch transactions as on the reporting date are not mentionable due to the time-gap before finalizing the same.

### 1.7 Risk management

The Risk of Prime Bank Limited is defined as the possibility of losses, financial or otherwise. The Risk Management of the Bank covers 5(five) Core Risk Areas of banking i.e. Credit Risk Management, Foreign Exchange Risk Management, Asset Liability Management, Prevention of Money Laundering and establishment of Internal Control and Compliance. The prime objective of the risk management is that the Bank takes well calculative business risks while safeguarding the Bank's capital, its financial resources and profitability from various risks. In this context, the Bank took steps to implement the guidelines of Bangladesh Bank as under:

#### 1.7.1 Credit risk management

Credit risk is one of the major risks faced by the Bank. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the Bank. The failure may result from unwillingness of the counter party or decline in his/her financial condition. Therefore, Bank's credit risk management activities have been designed to address all these issues.

The Bank has segregated duties of the officers/executives involved in credit related activities. A separate Corporate Division has been formed at Head Office which is entrusted with the duties of maintaining effective relationship with the customer, marketing of credit products, exploring new business opportunities etc. Moreover, credit approval, administration, monitoring and recovery functions have been segregated. For this purpose, three separate units have been formed within Credit Division. These are (a) Credit Risk Management Unit, (b) Credit Administration Unit, (c) Credit Monitoring & Recovery Unit. Credit Risk Management Unit is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy/strategy for lending operation etc.

A thorough assessment is done before sanction of any credit facility at Credit Risk Management Unit. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the proposed credit facility etc. The assessment process starts at Corporate Division by the Relationship Manager/Officer and ends at Credit Risk Management Unit when it is approved/declined by the competent authority. Credit approval authority has been delegated to the individual executives. Proposal beyond their delegation are approved/declined by the Executive Committee and management.

In determining Single borrower/Large Loan limit, the instructions of Bangladesh Bank are strictly followed. Internal audit is conducted on periodical interval to ensure compliance of Bank's and Regulatory polices. Loans are classified as per Bangladesh Bank's guidelines.

#### 1.7.2 Foreign exchange risk management

Foreign exchange risk is defined as the potential change in earnings arising due to change in market prices. The foreign exchange risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements. No dealing on Banks account was conducted during the year.

Treasury Department independently conducts the transactions and the Back Office of Treasury is responsible for verification of the deals and passing of their entries in books of accounts. All foreign exchange transactions are revalued at Mark-to-Market rate as determined by Bangladesh Bank at the month-end. All Nostro accounts are reconciled on monthly basis and outstanding entry beyond 30 days is reviewed by the Management for its settlement.

## Notes to the Financial Statements for the year ended 31 December, 2004

### 1.7.3 Asset liability management

The Asset Liability Committee (ALCO) of the Bank monitors Balance Sheet risk and Liquidity risks of the Bank. The Balance Sheet risk is defined as potential change in earnings due to change in rate of interest, foreign exchange rates which are not of trading nature. Asset Liability Committee (ALCO) reviews Liquidity requirement of the bank, the maturity of assets and liabilities, deposit and lending pricing strategy and the liquidity contingency plan. The primary objective of the ALCO is to monitor and avert significant volatility in net interest income, investment value and exchange earnings.

### 1.7.4 Prevention of money laundering

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. For mitigating the risks the Bank has a designated Chief Compliance Officer at Head Office and compliance officers at branches, who independently review the transactions of the accounts to verify suspicious transactions. Manuals for prevention of money laundering have been established and Transaction profile has been introduced. Training has been continuously given to all the category of officers and executives for developing awareness and skill for identifying suspicious activities.

### 1.7.5 Internal control and compliance

Operational loss may arise from error and fraud due to lack of internal control and compliance. Management through Internal Control and Compliance Division controls operational procedure of the Bank. Internal Control and Compliance Division undertakes periodical and special audit of the branches and departments at Head Office for review of the operation and compliance of statutory requirement. The Audit Committee of the Board subsequently reviews the reports of the Internal Control and Compliance Division.

### 1.8 Earning per share

Earning per share has been calculated in accordance with BAS 33: Earning Per Share (EPS) which has been shown on the face of profit and loss account. This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year. Previous year's figures have been adjusted for the issue of 3,000,000 Bonus shares (for 2003).

### 1.9 Post Balance Sheet events

The Bank increased its authorized capital from Tk. 1000.00 million to Tk. 4000.00 million by passing a special resolution in the Bank's 5th Extra Ordinary General Meeting held on 07th February, 2005 at Hotel Purbani International, Dhaka, Bangladesh (see note 15.1).

## 2 General

- a) Figures appearing in these financial statements have been rounded off to the nearest Taka.
- b) The expenses, irrespective of capital or revenue nature, accrued/ due but not paid have been provided for in the books of the Bank.
- c) Figures of previous year have been rearranged wherever necessary to conform to current year's presentation.

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<b>3 Cash In hand ( Including foreign currencies)</b>		
Local Currency	188,023,553	149,203,845
Foreign Currencies	<u>15,730,028</u>	<u>11,058,589</u>
	<b><u>203,753,581</u></b>	<b><u>160,262,434</u></b>
<b>4 Balance with Bangladesh Bank and Sonali Bank( Including foreign currencies)</b>		
Bangladesh Bank		
In local currency	1,180,482,455	722,851,452
In foreign currencies	<u>835,418,261</u>	<u>218,291,689</u>
	2,015,900,716	941,143,141
Sonali Bank in local currency as agent of Bangladesh Bank	<u>28,044,924</u>	<u>32,112,405</u>
	<b><u>2,043,945,640</u></b>	<b><u>973,255,546</u></b>
<b>5 Balance with other Banks and Financial Institutions</b>		
In side Bangladesh - <b>Note 5.1</b>	1,399,122,567	2,417,688,341
Outside Bangladesh - <b>Note 5.2</b>	<u>254,672,510</u>	<u>109,593,042</u>
	<b><u>1,653,795,077</u></b>	<b><u>2,527,281,383</u></b>
<b>5.1 In Side Bangladesh</b>		
<b>Current Account</b>		
Agrani Bank	965,863	1,129,523
Arab Bangladesh Bank Ltd.	5,815,182	1,087,287
Islami Bank BD Ltd.	713,062	1,145,897
Janata Bank	1,198,520	691,478
Pubali Bank Ltd.	11,134,932	-
Rupali Bank Ltd	951,759	357,458
Sonali Bank	1,128,179	2,167,106
Standard Chartered Bank	6,819,609	20,360
Uttara Bank Ltd	<u>845,573</u>	<u>491,740</u>
	<b>29,572,679</b>	<b>7,090,849</b>
<b>Short Term Deposit Accounts</b>		
Agrani Bank	237,980	231,549
Janata Bank	3,970,035	3,882,378
The Oriental Bank Ltd	<u>17,091</u>	<u>31,062</u>
	<b>4,225,105</b>	<b>4,144,989</b>
<b>Savings accounts</b>		
Shamil Bank of Bahrain E.C.	27,269	415,915
Social Investment Bank Ltd.	55,695	248,455
The Oriental Bank Ltd	14,370	-
Al Arafah Islami Bank Ltd.	<u>41,873</u>	<u>512,841</u>
	<b>139,207</b>	<b>1,177,211</b>

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<b>Fixed Deposit Received</b>		
Dhaka Bank Ltd.	250,000,000	250,000,000
Dutch Bangla Bank Ltd.	200,000,000	250,000,000
Eastern Bank Ltd.	-	550,000,000
EXIM Bank Ltd	-	150,000,000
Far East Finance & Investment Ltd.	-	20,000,000
IFIC Bank Ltd	-	200,000,000
Jamuna Bank Ltd.	100,000,000	-
Mutual Trust Bank Ltd.	100,000,000	-
National Bank Ltd.	-	505,000,000
National Bank of Pakistan	250,000,000	-
Prime Finance & Investment Ltd.	-	50,000,000
Southeast Bank Ltd.	350,000,000	200,000,000
Standard Chartered Bank	15,185,575	14,475,292
The Trust Bank Ltd	50,000,000	50,000,000
Woori (Hanvit) Bank	-	115,800,000
Standard Bank Ltd	50,000,000	50,000,000
	<u>1,365,185,575</u>	<u>2,405,275,292</u>
	<b><u>1,399,122,567</u></b>	<b><u>2,417,688,341</u></b>

### 5.2 Outside Bangladesh (Nostro Accounts)

#### Current account

American Express Bank Ltd., Frankfurt, Germany	327,838	131,015
American Express Bank Ltd., Kolkata	33,238,772	(3,412,425)
American Express Bank Ltd., New York, USA	14,003,776	346,571
Arab Bangladesh Bank Ltd., Mumbai, India	1,609,306	6,155,542
Banca Nazionale del Lavoro, Rome	152,260	1,565,218
Bank of Bhutan, Bhutan	2,268,555	800,496
Bank of Tokyo Mitsubishi Ltd., Japan	2,717,126	1,748,597
Citibank N.A., India	4,696,437	18,172,516
Citibank N.A., London, UK	3,082,250	14,681,348
Citibank N.A., New York, USA	11,372,617	136,825
Commerzbank AG, Frankfurt, Germany	2,588,398	3,133,968
Commonwealth Bank of Australia	769,637	184,853
Credit Suisse (First Boston), Switzerland	795,352	1,479,697
Habib American Bank, New York, USA	1,777,964	300,416
HSBC, New York, USA	284,758	196,800
ICICI Bank, India	76,261,644	14,855,645
Mashreq, Bank New York, USA	14,390,938	6,095,824
National Westminster Bank Plc, London, UK	498,955	1,345,342
Nepal Bangladesh Bank Ltd., Nepal	64,216	99,341
Peoples Bank, Sri Lanka	850,300	15,523
Rupali Bank Ltd, Karachi	11,886,896	15,274,268
Skandinaviska Enskilda, Banken, Sweden	28,545	421,388
Sonali Bank, Kolkata	114,311	525,499
Standard Chartered Bank, Kolkata	36,818,276	14,247,120
Standard Chartered Bank, New York, USA	33,673,327	6,367,467
State Bank of India, Kolkata	11,317	4,059,620
The Bank of Nova Scotia, Canada	250,612	554,861
Unicredito Italiano, Spain	59,602	65,821
Wachovia Bank N.A	78,528	43,886
	<u>254,672,510</u>	<u>109,593,042</u>
<b>(Annexure -A may kindly be seen for details)</b>		

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<b>5.3 Maturity grouping of balance with other banks and financial institutions</b>		
On demand	284,259,111	116,801,612
Up to 1 month	669,410,680	134,419,989
Over 1 month but not more than 3 months	650,125,286	2,225,000,000
Over 3 months but not more than 1 Year	50,000,000	51,059,782
Over 1 Year but not more than 5 Years	-	-
Over 5 Years	-	-
	<b><u>1,653,795,077</u></b>	<b><u>2,527,281,383</u></b>
<b>6 Money at Call and Short Notice</b>		
<b>Banking Company</b>		
Bank Asia Limited	-	30,000,000
Dhaka Bank Limited	70,000,000	-
American Express Bank Limited	-	30,000,000
Standard Chartered Bank	-	300,000,000
Citibank, N.A.	-	20,000,000
	<b>70,000,000</b>	<b>380,000,000</b>
<b>Financial Institutions</b>		
GSP Finance	-	10,000,000
Industrial Promotion and Development Company of Bangladesh Ltd.	200,000,000	-
Bangladesh Industrial & Finance Co. Ltd.	200,000,000	-
Industrial and Infrastructure Development Finance Co. Ltd.	200,000,000	-
Industrial Development & Leasing Co.	40,000,000	-
Phoenix Leasing Co. Ltd.	50,000,000	-
Premier Leasing Co. Ltd.	100,000,000	-
Delta Brac Housing Ltd.	190,000,000	-
International Leasing and Financial Services Ltd	130,000,000	30,000,000
	<b>1,110,000,000</b>	<b>40,000,000</b>
	<b>1,180,000,000</b>	<b>420,000,000</b>
<b>7 Investments</b>		
<b>Government Securities</b>		
<b>Treasury Bills ( at face value) Note - 7.1</b>		
182 days Treasury Bills	-	20,000,000
364 days Treasury Bills	-	150,000,000
2 Years Treasury Bills	820,000,000	430,000,000
5 Years Treasury Bills	1,770,000,000	1,650,000,000
90 days Reverse REPO	-	300,000,000
	<b>2,590,000,000</b>	<b>2,550,000,000</b>
<b>Bonds</b>		
Prize bonds	1,164,900	1,068,400
Other bonds - (Note 7.3)	381,046,000	82,046,000
	<b>382,210,900</b>	<b>83,114,400</b>
	<b>2,972,210,900</b>	<b>2,633,114,400</b>
<b>Other Investments</b>		
Debentures of HBFC (bearing interest rate @10%)-Note 7.4	55,000,000	60,000,000
DBBL Bond (bearing interest rate @10%)	29,000,000	29,000,000
Shares (Annexure -B may kindly be seen for details)	27,601,500	27,595,000
	<b>111,601,500</b>	<b>116,595,000</b>
	<b>3,083,812,400</b>	<b>2,749,709,400</b>

7.1 Treasury bills include unearned interest thereon and corresponding credit is shown in other liabilities.

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<b>7.2 Maturity grouping of Investments</b>		
On demand	28,766,400	328,663,400
Up to 1 month	-	-
Over 1 month but not more than 3 months	-	-
Over 3 months but not more than 1 Year	250,000,000	175,000,000
Over 1 Year but not more than 5 Years	2,750,046,000	2,211,046,000
Over 5 Years	<u>55,000,000</u>	<u>35,000,000</u>
	<u><b>3,083,812,400</b></u>	<u><b>2,749,709,400</b></u>
<b>7.3 Other bonds</b>		
<b>Name of the bond</b>	<b>Rate of interest</b>	
3 Years T & T bond	8.40%	10,000,000
3 Years T & T bond	8.45%	10,000,000
3 Years T & T bond	8.50%	10,000,000
3 Years T & T bond	8.48%	10,000,000
3 Years T & T bond	8.53%	10,000,000
3 Years T & T bond	8.55%	10,000,000
3 Years T & T bond	8.58%	10,000,000
3 Years T & T bond	8.61%	10,000,000
5 Years Bangladesh Treasury Bond	7.50%	299,000,000
5 Years Bangladesh Treasury Bond (RMG)	5.00%	2,046,000
		<u>10,000,000</u>
		<u>82,046,000</u>
		<u><b>381,046,000</b></u>
<b>7.4 Debentures of Bangladesh House Building Finance Corporation - at cost</b>		
Principal	100,000,000	100,000,000
Redeemed up to 31 December 2004	45,000,000	40,000,000
Book value	<u>55,000,000</u>	<u>60,000,000</u>
<b>8 Loans and Advances (Loans, Cash Credit &amp; Overdrafts etc)</b>		
<b>Inside Bangladesh</b>		
Secured overdraft / Quard against TDR	3,793,676,461	2,545,525,529
Cash credit / Murabaha	4,627,608,384	3,416,440,340
Loans (General)	2,836,960,176	1,996,452,999
House building loans	374,413,454	548,127,264
Loans against trust receipt	3,905,174,376	1,826,571,111
Payment against document	1,149,588,088	631,489,521
Consumer credit scheme	676,437,427	519,466,392
Lease finance / Izara ( <b>Note - 8.2</b> )	1,179,999,484	1,215,916,624
Hire Purchase	1,289,471,122	716,286,740
Other loans and advances (including Bai-muajjal)	<u>1,453,915,279</u>	<u>1,149,669,791</u>
	<u><b>21,287,244,251</b></u>	<u><b>14,565,946,311</b></u>
<b>Outside Bangladesh</b>	-	-
	<u><b>21,287,244,251</b></u>	<u><b>14,565,946,311</b></u>
<b>Bills purchased and Discounted</b>		
<b>Payable Inside Bangladesh</b>		
Inland bills purchased	296,301,020	294,724,880
<b>Payable Outside Bangladesh</b>		
Foreign bills purchased and discounted	<u>1,636,128,034</u>	<u>1,631,553,214</u>
	<u><b>1,932,429,054</b></u>	<u><b>1,926,278,094</b></u>
	<u><b>23,219,673,305</b></u>	<u><b>16,492,224,405</b></u>

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<b>8.1 Residual maturity grouping of loans and advances including bills purchased and discounted</b>		
Repayable on demand	3,793,676,461	2,545,525,529
Up to 1 month	1,697,668,000	-
Over 1 month but not more than 3 months	2,918,452,000	2,272,508,876
Over 3 months but not more than 1 Year	7,324,764,000	6,100,368,000
Over 1 Year but not more than 5 Years	6,476,338,844	4,504,709,000
Over 5 Years	<u>1,008,774,000</u>	<u>1,069,113,000</u>
	<b><u>23,219,673,305</u></b>	<b><u>16,492,224,405</u></b>
<b>8.2 Investment in lease/Izara finance</b>		
Lease rental receivables within 1 year	545,306,974	596,371,125
Lease rental receivables within 5 years	<u>929,745,988</u>	990,185,735
<b>Total lease/Izara rental receivable</b>	<b>1,475,052,962</b>	<b>1,586,556,860</b>
Less: Unearned interest receivable	<u>295,053,478</u>	370,640,236
<b>Net investment in lease/Izara finance</b>	<b><u>1,179,999,484</u></b>	<b><u>1,215,916,624</u></b>
<b>8.3 Loans and Advances under the following broad categories</b>		
Loans	12,865,959,405	8,603,980,442
Cash Credit	4,627,608,384	3,416,440,340
Overdraft	<u>3,793,676,461</u>	2,545,525,529
	<b>21,287,244,251</b>	<b>14,565,946,311</b>
Bills Purchased & Discounted (Note - 9)	<u>1,932,429,054</u>	<u>1,926,278,094</u>
	<b><u>23,219,673,305</u></b>	<b><u>16,492,224,405</u></b>
<b>8.4 Loans and advances on the basis of significant concentration including bills purchased and discounted</b>		
a) Loans and advances to directors of the bank	-	-
b) Loans and advances to chief executive and other senior executives	42,915,000	34,330,000
c) Loans and advances to customers group:		
i) Commercial lending	7,345,711,125	4,448,402,345
ii) Export financing	1,960,243,075	2,398,980,000
iii) House building loan	352,598,000	548,127,264
iv) Consumers credit scheme	646,850,000	519,466,391
v) Small & medium enterprises	491,353,000	141,438,000
vi) Special program loan	91,641,000	2,261,566,000
vii) Staff loan	220,092,000	167,166,000
viii) Other loan & advances	<u>3,811,469,065</u>	141,129,405
	<b>14,919,957,265</b>	<b>10,626,275,405</b>
d) Industrial Loan		
i) Agricultural industries	1,098,591,000	214,226,000
ii) Textile industries	2,238,543,035	1,905,389,000
iii) Food & allied industries	35,009,000	546,661,000
iv) Pharmaceuticals industries	751,473,000	406,852,000
v) Leather, chemical, cosmetics etc	315,849,000	343,749,000
vi) Tobacco industries	358,417,000	297,120,000
vii) Cement & ceramic industries	397,424,000	275,956,000
viii) Service industries	225,309,000	131,748,000
ix) Transport & communication industries	1,018,603,000	505,043,000
x) Other industries	<u>1,817,583,005</u>	1,204,875,000
	<b>8,256,801,040</b>	<b>5,831,619,000</b>
<b>Total loans and advances</b>	<b><u>23,219,673,305</u></b>	<b><u>16,492,224,405</u></b>

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<i>Loans and advances allowed to each customer exceeding 15% of Bank's total capital fund</i>		
*Total outstanding (funded and non-funded) Loans and advances (at Balance sheet date)	11,831,857,000	2,026,300,000
No of Customers	22	5
Classified amount thereon	Nil	Nil
Measures taken for recovery	Not Applicable	Not Applicable

\*The amount represents the sum of total loans and advances to each customers exceeding Tk 3714.09 lac which is computed @ 15% of total capital fund of the bank (i.e. Tk. 24760.58 lac) as at 31 December 2004 (**Note - 15.5**).

Name of the clients	Outstanding (Tk. in lac)		Total (Tk. in lac)	Total (Tk. in lac)
	Funded	Non-funded		
Popular Group	1,783.83	6,115.53	7,899.36	-
Bav Fishing Corporation	4,995.78	2,487.38	7,483.16	-
A. R. Group	4,087.68	3,200.79	7,288.47	-
M/s. Anwar Trading	2,335.12	4,525.49	6,860.61	-
Legend Group	4,688.04	1,876.48	6,564.52	3,154.00
Nassa Group	4,489.72	2,009.25	6,498.97	4,320.00
TM International	77.51	5,940.06	6,017.57	-
Pacific Telecom & Pacific Motors	2,507.37	3,499.60	6,006.97	-
Purbani Yearn Dyeing & Fabrics Ltd.	4,316.67	1,299.39	5,616.06	-
Talha Spining Mills Ltd.	4,778.54	485.33	5,263.87	-
DAF Ctg. Accessories Ltd.	4,134.82	980.65	5,115.47	-
Masud & Brothers	3,211.63	1,898.59	5,110.22	-
Abul Khair Tobacco Co. Ltd.	4,075.00	840.00	4,915.00	3,705.00
Purbani Group	3,479.83	1,267.78	4,747.61	-
Noman Group	-	-	-	4,046.00
Namnam Group	1,229.32	3,295.44	4,524.76	-
PHP NOF Continuous Galv. Ltd.	4,293.00	-	4,293.00	-
Abdul Monem Ltd.	1,604.89	2,631.24	4,236.13	-
Rahmat Textiles Ltd (Group)	3,945.69	183.05	4,128.74	5,038.00
The Asia Pacific Refineries Ltd.	2,765.71	1,348.60	4,114.31	-
Project Builders Ltd.	2,205.92	1,794.63	4,000.55	-
Square Group	2,847.74	979.51	3,827.25	-
Babylon Group	1,194.82	2,611.15	3,805.97	-
	<b>69,048.63</b>	<b>49,269.94</b>	<b>118,318.57</b>	<b>20,263.00</b>

### 8.5 Geographical location -wise

#### Inside Bangladesh

Dhaka Division	15,996,450,000	11,785,612,205
Chittagong Division	4,590,325,000	2,640,606,000
Khulna Division	988,697,500	875,403,500
Sylhet Division	500,601,300	460,900,900
Barisal Division	246,299,505	216,300,900
Rajshahi Division	897,300,000	513,400,900
	23,219,673,305	16,492,224,405

#### Outside Bangladesh

	-	-
	<b>23,219,673,305</b>	<b>16,492,224,405</b>

### 8.6 Classification of loans and advances

Unclassified loans and advances (including staff loan)	22,866,943,305	16,165,692,405
Sub-standard	231,306,000	76,181,000
Doubtful	33,693,000	40,282,000
Bad/Loss	87,731,000	210,069,000
	<b>23,219,673,305</b>	<b>16,492,224,405</b>

## Notes to the Financial Statements for the year ended 31 December, 2004

			<b>2004</b>	<b>2003</b>
			<b>Taka</b>	<b>Taka</b>
<b>8.7 Particulars of required provision for loans and advances</b>				
<b>Status</b>	<b>Base for provision</b>	<b>Rate (%)</b>		
<b>Unclassified-General provision</b>	22,603,936,305	1	226,039,363	159,641,960
<b>Classified- specific provision</b>				
Sub-standard	205,129,000	20	41,025,800	11,727,600
Doubtful	25,533,000	50	12,766,500	14,159,000
Bad/Loss	67,546,000	100	67,546,000	137,571,000
			<u>121,338,300</u>	<u>163,457,600</u>
Required provision for loans and advances			<u>347,377,663</u>	<u>323,099,560</u>
Total provision maintained ( <b>Note - 14.2</b> )			<u>405,731,919</u>	<u>421,176,700</u>
Excess/(Short) provision at 31 December			<u><b>58,354,256</b></u>	<u><b>98,077,140</b></u>

### 8.8 Particulars of loans and advances

i) Debts considered good in respect of which the bank is fully secured.	20,026,655,105	15,764,997,944
ii) Debts considered good for which the bank holds no other security than the debtors' personal security.	2,283,926,125	207,760,070
iii) Debts considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors.	909,093,075	519,466,391
* iv) Debts considered doubtful or bad not provided for	<u>-</u>	<u>-</u>
	<u><b>23,219,674,305</b></u>	<u><b>16,492,224,405</b></u>
v) Debts due by directors or officers of the banking company or anyone of them either severally or jointly with any other persons.	<u>263,007,000</u>	<u>201,496,000</u>
vi) Debts due by companies or firms in which the directors of the bank are interested as directors, partners or managing agents or in the case of private companies, as members.	<u>-</u>	<u>-</u>
vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons.	<u>263,007,000</u>	<u>201,496,000</u>
viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in case of private companies, as members	<u>-</u>	<u>-</u>
ix) Due from banking companies	<u>-</u>	<u>-</u>

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
x) Classified loans and advances		
a) Classified loans and advances on which no interest is credited to income	<u>352,730,000</u>	<u>326,532,000</u>
b) Provision on classified loans and advances	<u>173,998,919</u>	<u>249,443,700</u>
<b>(for movement see note-14.2)</b>		
c) Provision kept against loan classified as bad debts	<u>67,546,000</u>	<u>137,571,000</u>
d) Interest credited to interest Suspense Account ( <b>Note - 14.3</b> )	<u>23,081,425</u>	<u>27,081,802</u>
xi) Cumulative amount of written off loan		
Opening Balance	76,036,000	-
Amount written off during the year	<u>220,027,692</u>	<u>76,036,000</u>
	<u>296,063,692</u>	<u>76,036,000</u>
The amount of written off loan for which law suit has been filed	<u>296,063,692</u>	<u>76,036,000</u>
* This should be read in conjunction with notes 8.6 and 8.7		
<b>9 Bills purchased and discounted</b>		
Payable in Bangladesh	296,301,020	294,724,880
Payable outside Bangladesh	<u>1,636,128,034</u>	<u>1,631,553,214</u>
	<u><b>1,932,429,054</b></u>	<u><b>1,926,278,094</b></u>
<b>9.1 Maturity grouping of bills purchased and discounted</b>		
Payable within one month	493,197,406	514,644,044
Over one month but less than three months	847,460,749	568,878,000
Over three months but less than six months	586,177,899	756,008,050
Six months or more	<u>5,593,000</u>	<u>86,748,000</u>
	<u><b>1,932,429,054</b></u>	<u><b>1,926,278,094</b></u>
<b>10 Fixed assets including premises, furniture and fixtures</b>		
<b>Cost</b>		
Land	49,058,380	49,058,380
Building	9,794,524	-
Furniture & fixtures	179,555,873	141,033,597
Office equipment & machinery	208,278,132	174,293,757
Bank's vehicles	33,925,571	29,253,588
Library books	688,565	529,411
	<u><b>481,301,045</b></u>	<u><b>394,168,733</b></u>
Less: Accumulated depreciation	<u>159,619,405</u>	<u>129,000,361</u>
<b>Net book value at end of the year</b>	<u><b>321,681,640</b></u>	<u><b>265,168,372</b></u>
(Annexure - C may kindly be seen for details)		

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<b>11 Other assets</b>		
Stationery and stamps	13,229,391	14,568,795
Income receivable (Note - 11.1)	45,742,452	47,568,371
Advance deposits & advance rent	52,573,923	48,396,733
Branch adjustments accounts (Note-11.2)	159,822,581	231,176,987
Suspense account (Note -11.3)	10,410,282	81,019,113
Encashment of PSP/BSP	49,779,373	23,996,484
Interest accrued on treasury bills, bond etc.	286,074,807	166,356,878
Credit card	18,100,845	15,032,503
Sundry assets ( Note -11.4)	5,800,601	16,337,126
Leased assets -net off accumulated depreciation (see Annexure -C)	13,420,890	16,776,112
	<b><u>654,955,145</u></b>	<b><u>661,229,102</u></b>

**11.1** Income receivable: Amount represents interest receivable on deposits with other banks, call loans, Interest receivable on TOD. Commission receivables. foreign currency gain receivables. other receivables etc.

**11.2** Branch adjustments account represents outstanding Interbranch and Head Office transactions (Net) originated but yet to be responded by the balance sheet date. However, the unrespondent entries of 31.12.2004 (position as of 21.01.2005) are given below:

	<b>No. of Unrespondent entries</b>		<b>Unrespondent entries (Amount)</b>	
	<b>Dr</b>	<b>Cr</b>	<b>Dr</b>	<b>Cr</b>
Up to 3 months	51	39	6,539,684	6,685,668
Over 3 months but within 6 months	-	-	-	-
Over 6 months but within 1 year	-	-	-	-
Over 1 year but within 5 years	-	-	-	-
	<b><u>51</u></b>	<b><u>39</u></b>	<b><u>6,539,684</u></b>	<b><u>6,685,668</u></b>

**11.3** Suspense account includes amounts paid against opening of proposed branches, advance against TA/ DA, suspense others etc.

**11.4** Sundry assets include sundry prepaid payments, demand draft paid without advice, clearing adjustments account etc.

### **12 Borrowings from other banks, financial institutions and agents**

From Sonali Bank (REPO of Treasury Bill)	-	200,000,000
Refinance against export credit from Bangladesh Bank	383,734,000	366,763,000
	<b><u>383,734,000</u></b>	<b><u>566,763,000</u></b>

#### **12.1 Maturity grouping of Borrowings from other banks, financial institutions and agents**

Payable on demand	-	-
Up to 1 month	-	200,000,000
Over 1 month but within 3 months	-	-
Over 3 months but within 1 Year	-	-
Over 1 Year but within 5 Years	383,734,000	366,763,000
Over 5 Years	-	-
	<b><u>383,734,000</u></b>	<b><u>566,763,000</u></b>

### **13 Deposits and other accounts**

#### **Current deposits and other accounts**

Current / Al-wadeeah current deposits	1,831,572,648	1,156,523,013
Foreign currency deposits	499,180,599	402,197,567
Security deposits receipts	123,621,946	156,552,425
Sundry deposits (Note - 13.1)	2,454,607,542	1,697,011,828
	<b><u>4,908,982,735</u></b>	<b><u>3,412,284,833</u></b>

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<b>Bills payable</b>		
Pay order & pay slip (issued)	427,276,488	362,765,314
Demand draft & T.T Payable	26,362,623	50,629,400
Traveler's cheque issued	923	252,670
	<b>453,640,033</b>	<b>413,647,384</b>
Savings bank /Mudaraba savings deposits	3,578,930,185	2,631,112,661
Bearer certificate of deposits *	-	3,519,456
<b>Term deposits</b>		
Fixed deposits / Mudaraba term deposits	12,835,861,435	8,049,030,240
Short term deposits	1,966,040,464	1,855,330,361
Non resident taka deposits	2,391,701	2,391,701
Scheme deposits	4,323,396,096	4,115,908,885
	<b>19,127,689,696</b>	<b>14,022,661,187</b>
	<b>28,069,242,650</b>	<b>20,483,225,521</b>

\*Note: Bearer certificates of deposits are not issued since 23 October 2002 as per guidance of Bangladesh Bank.

### 13.1 Sundry deposits

F.C. held against Back to Back L/C	737,357,773	403,914,933
Sundry creditors	174,270,645	95,814,660
Risk fund & service charge (CCS & lease finance)	16,277,319	17,585,263
Sale proceeds of PSP/BSP	56,275,263	43,892,150
Margin on letters of guarantee	261,596,045	169,097,959
Margin on letters of credit	588,405,832	462,760,008
Margin on FDBP/ IBP, export bills etc	55,746,478	54,856,006
Lease deposits	70,669,864	101,061,083
Interest on EDF loan	24,465,946	21,392,087
Interest/ profit payable on deposits	338,106,103	231,909,535
Dues to Government agencies	34,418,464	43,295,338
Others	97,017,810	51,432,806
	<b>2,454,607,542</b>	<b>1,697,011,828</b>

### 13.2 Deposits and other accounts (according to maturity grouping)

	<b>From banks</b>	<b>Other than banks</b>		
Payable on demand	-	5,697,146,000	5,697,146,000	4,664,055,000
Up to 1 month	803,576,000	3,441,813,650	4,245,389,650	2,162,304,225
Over 1 month but within 3 months	700,000,000	4,965,335,000	5,665,335,000	4,281,049,296
Over 3 months but within 1 Year	-	6,900,321,000	6,900,321,000	3,298,217,000
Over 1 Year but within 5 Years	-	3,229,234,000	3,229,234,000	3,860,298,000
Over 5 Years	-	2,331,817,000	2,331,817,000	2,217,302,000
	<b>1,503,576,000</b>	<b>26,565,666,650</b>	<b>28,069,242,650</b>	<b>20,483,225,521</b>

## Notes to the Financial Statements for the year ended 31 December, 2004

		<b>2004</b>	<b>2003</b>
		<b>Taka</b>	<b>Taka</b>
<b>13.3 Particulars of required amount of CRR and SLR</b>			
<b>Cash Reserve Requirement (CRR)</b>			
Required	Amount	970,600,000	854,441,000
	%	4.00%	4.00%
Maintained	Amount	1,251,752,000	953,048,000
	%	5.16%	4.46%
<b>Statutory Liquidity Ratio (SLR)</b>			
Required	Amount	3,882,389,000	3,417,765,000
	%	16.00%	16.00%
Maintained	Amount	4,964,022,000	3,922,409,000
	%	20.46%	18.36%
<b>14 Other Liabilities</b>			
Foreign currency held against L/Cs		128,422,900	78,043,852
Exchange equalization account (Note - 14.4)		4,523,326	4,523,326
Expenditure and other payables		22,931,908	20,333,955
Provision for bonus		84,739,467	74,400,000
Exigency fund		5,645,100	5,659,475
Liabilities for income tax (Note - 14.1)		288,569,460	156,023,801
Credit Card		1,989,484	-
Unearned interest on Treasury Bills / Bond		684,000,565	609,123,840
Unearned profit receivable - Islamic Banking Branch		-	135,690
Provision against loans & advances (Note - 14.2)		405,731,919	421,176,700
Interest suspense account (Note - 14.3)		23,081,425	27,081,802
Provision for other classified assets (Note - 14.5)		5,500,000	4,000,000
Obligation under finance lease (Note - 14.6)		13,702,672	16,776,112
<b>Total</b>		<b><u>1,668,838,226</u></b>	<b><u>1,417,278,553</u></b>
<b>14.1 Liability for Income Tax</b>			
<b>Advance Tax</b>			
Balance of Advance Income Tax on 1 January		1,034,813,706	688,777,888
Paid during the year		319,754,341	370,868,605
Settlement for previous years		(103,312,905)	(24,832,787)
		<i>1,251,255,142</i>	<i>1,034,813,706</i>
<b>Provision</b>			
Balance of provision on 1 January		1,190,837,507	821,215,294
Provision made during the year *		452,300,000	394,455,000
Settlement for previous years		(103,312,905)	(24,832,787)
		<u>1,539,824,602</u>	<u>1,190,837,507</u>
<b>Net Balances at 31 December</b>		<b><u>288,569,460</u></b>	<b><u>156,023,801</u></b>

\* **Note:** Adequate provision for taxation has been made after considering the fact that the exemption allowed on specific provision up to Assessment Year 2004 - 2005 has not yet been renewed.

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<b>14.2 Provision against loans &amp; advances</b>		
<b>Movement in specific provision</b>		
Provision held at the beginning of the year	249,443,700	122,808,820
<b>Add:</b> Specific provision made during the year for other accounts (+)	20,400,000	190,000,000
<b>Less:</b> Fully provided debts written off during the year	(95,844,781)	(63,365,120)
Recoveries of amounts previously written off	-	-
Recoveries and provision no longer required	-	-
<b>Provision held at the end of the year</b>	<b><u>173,998,919</u></b>	<b><u>249,443,700</u></b>
<b>Movement in General Provision</b>		
Provision held at the beginning of the year	171,733,000	131,733,000
General provision made during the year	60,000,000	40,000,000
Provision held at the end of the year	<b><u>231,733,000</u></b>	<b><u>171,733,000</u></b>
	<b><u>405,731,919</u></b>	<b><u>421,176,700</u></b>
<b>14.3 Interest Suspense Account</b>		
Balance at the beginning of the year	27,081,802	24,610,178
Amount transferred during the year	20,208,623	21,242,624
Amount recovered during the year	(7,503,000)	(4,016,000)
Amount written-off during the year	(16,706,000)	(14,755,000)
Balance at the end of the year	<b><u>23,081,425</u></b>	<b><u>27,081,802</u></b>
<b>14.4 Exchange equalization account</b>		
Balance as on 1 January	4,523,326	4,462,949
Addition during the year	-	60,377
	<b><u>4,523,326</u></b>	<b><u>4,523,326</u></b>
<b>14.5 Provision for other classified assets</b>		
Balance as on 1 January	4,000,000	2,500,000
Addition during the year	1,500,000	1,500,000
	<b><u>5,500,000</u></b>	<b><u>4,000,000</u></b>
<b>14.6 Obligation under finance lease</b>		
Minimum lease rental payable		
within 1 year	5,962,359	5,503,716
Above 1 year but within 5 years	11,007,432	16,511,148
	<b><u>16,969,791</u></b>	<b><u>22,014,864</u></b>
Less: Finance charge payable	3,267,119	5,238,752
<b>Obligation under finance lease</b>	<b><u>13,702,672</u></b>	<b><u>16,776,112</u></b>

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>		
	<b>Taka</b>	<b>Taka</b>		
<b>15 Share Capital</b>				
<b>15.1 Authorized:</b>				
10,000,000 Ordinary shares of Tk. 100.00 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>		
<p>The Bank increased its authorized capital from Tk. 1000.00 million to Tk. 4000.00 million by passing a special resolution in the Bank's 5<sup>th</sup> Extra Ordinary General Meeting held on 07<sup>th</sup> February, 2005 at Hotel Purbani International, Dhaka, Bangladesh.</p>				
<b>15.2 Issued, subscribed and fully paid up:</b>				
3,000,000 Ordinary shares of Tk.100.00 each issued for cash	300,000,000	300,000,000		
7,000,000 Ordinary shares of Tk. 100.00 each issued as bonus shares	<u>700,000,000</u>	<u>400,000,000</u>		
	<u>1,000,000,000</u>	<u>700,000,000</u>		
<b>15.3 Initial public offer (IPO)</b>				
<p>Out of the total issued, subscribed and fully paid up capital of the bank 2,000,000 ordinary shares of Tk. 100.00 each amounting to Taka 200,000,000.00 was raised through public offering of shares held in 1999.</p>				
<b>15.4 Share premium account</b>				
Opening Balance as at 1 January	-	256,464,400		
Less: Transferred during the year	<u>-</u>	<u>256,464,400</u>		
	<u>-</u>	<u>-</u>		
<b>15.5 Capital Adequacy Ratio</b>				
<b>Tier – I (Core Capital)</b>				
Paid up Capital	1,000,000,000	700,000,000		
Proposed issue of bonus share	400,000,000.00	300,000,000		
Proposed cash dividend	-	154,000,000		
Share premium account	-	-		
Statutory reserve	815,811,128	602,907,103		
Surplus Retained Earnings	<u>23,990,784</u>	<u>24,956,465</u>		
	<u>2,239,801,912</u>	<u>1,781,863,568</u>		
<b>Tier –II (Supplementary Capital)</b>				
1% General Provision (Note - 14.2)	231,733,000	171,733,000		
Exchange Equalization (Note - 14.4)	<u>4,523,326</u>	<u>4,523,326</u>		
	<u>236,256,326</u>	<u>176,256,326</u>		
<b>A. Total Capital</b>	<u>2,476,058,238</u>	<u>1,958,119,894</u>		
B. Total Risk Weighted Assets	<u>23,050,344,000</u>	<u>16,454,561,000</u>		
C. Required Capital based on Risk Weighted Assets (9% on B)	<u>2,074,530,960</u>	<u>1,480,910,490</u>		
D. Surplus/(Deficiency)...(A - C)	<u>401,527,278</u>	<u>477,209,404</u>		
<b>Capital Adequacy Ratio</b>	<u>10.74%</u>	<u>11.90%</u>		
<b>Capital Requirement</b>	<b>Required</b>	<b>Held</b>	<b>Required</b>	<b>Held</b>
Tier - I	4.50%	9.72%	4.50%	10.83%
Tier - II	4.50%	1.02%	4.50%	1.07%
<b>Total</b>	<b>9.00%</b>	<b>10.74%</b>	<b>9.00%</b>	<b>11.90%</b>

## Notes to the Financial Statements for the year ended 31 December, 2004

15.6 Percentage of shareholdings at 31 December			2004	2003
			Taka	Taka
	Particulars	Amount	Percentage of holdings	
	2004	2003	2004	2003
Sponsors	434,406,700	313,110,000	43.44%	44.73%
Financial institutions	150,497,000	91,770,000	15.05%	13.11%
Foreign investors	12,715,000	12,810,000	1.27%	1.83%
Non- resident Bangladeshi	537,100	560,000	0.05%	0.08%
General public	401,844,200	281,750,000	40.18%	40.25%
	<b>1,000,000,000</b>	<b>700,000,000</b>	<b>100.00%</b>	<b>100.00%</b>

### 15.7 On the basis of shareholdings at 31 December 2004

Shareholding range	No. of share holders	Shares	Percentage
01 - 499	2,052	235,988	2.36%
500 - 5,000	413	540,711	5.41%
5,001 - 10,000	33	252,775	2.53%
10,001 - 20,000	44	614,174	6.14%
20,001 - 30,000	16	406,147	4.06%
30,001 - 40,000	5	167,759	1.68%
40,001 - 50,000	5	219,069	2.19%
50,001 - 100,000	20	1,513,024	15.13%
100,001 - 1,000,000	32	6,050,353	60.50%
1,000,000 and over	-	-	-
	<b>2,620</b>	<b>10,000,000</b>	<b>100.00%</b>

### 16 Statutory reserve

Balance on 1 January	602,907,103	448,925,103
Add: Addition during the year	212,904,025	153,982,000
Balance at 31 December	<b>815,811,128</b>	<b>602,907,103</b>

### 17 Retained Earnings

Balance on 1 January	24,956,465	1,018,618
Add: Addition during the year	611,938,344	375,455,447
Add: Amount transferred from share premium account	-	256,464,400
Less: Appropriation made during the year	612,904,025	607,982,000
Balance at 31 December	<b>23,990,784</b>	<b>24,956,465</b>

### 18 Contingent liabilities

#### Letters of guarantee ( Note - 18.1)

Letters of guarantee (Local)	3,811,210,946	3,024,763,011
Letters of guarantee (Foreign)	880,041,302	1,769,010,202
Foreign counter guarantees	2,723,865,368	2,747,558,544
	<b>7,415,117,616</b>	<b>7,541,331,757</b>
Less: margins	<b>(233,620,406)</b>	<b>(119,156,518)</b>
	<b>7,181,497,210</b>	<b>7,422,175,239</b>

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<b>Letters of Credit</b>		
Letters of credit (Inland)	265,318,500	144,142,000
Letters of credit (General)	8,205,865,566	3,054,319,872
Back to back L/C	929,850,041	987,711,500
Back to back bills	2,152,139,500	1,669,918,900
Back to back bills (EDF)	95,166,000	31,778,000
Bank's liabilities PAD (DEF)	1,042,451,300	787,420,998
	<b>12,690,790,907</b>	<b>6,675,291,270</b>

<b>Bills for collection</b>		
Outward bills for collection	26,339,995	35,592,425
Outward foreign bills for collection	321,390,000	361,483,640
Inward bills for collection	49,276,862	150,683
Inward foreign bills for collection	598,000	797,000
	<b>397,604,857</b>	<b>398,023,748</b>
Litigation pending against bank (Note - 18.2)	261,896,500	1,855,931,282
	<b>20,531,789,474</b>	<b>16,351,421,539</b>

### 18.1 Letters of guarantee

Money for which the bank is contingently liable in respect of guarantees given favoring:

Directors or officers	-	-
Government	4,215,080,216	4,565,168,308
Banks and other financial institutions	-	20,297,000
Others	3,200,037,400	2,955,866,449
	<b>7,415,117,616</b>	<b>7,541,331,757</b>
Less: Margins	(233,620,406)	(119,156,518)
	<b>7,181,497,210</b>	<b>7,422,175,239</b>

### 18.2 Litigation pending against bank -

<b>Branch/Division</b>		
Head Office	2,316,272	219,760
Motijheel Branch	84,281,902	1,845,436,589
Elephant road	1,281,986	400,000
Agrabad Branch	1,272,290	-
Khulna Branch	13,617,609	-
IBB , Dhaka	22,510,687	9,774,932
Mohakhali	4,964,813	100,001
Kawran Bazar Branch	36,647,142	-
Uttara Branch	3,714,388	-
Jubilee Road Branch	897,000	-
Sylhet Branch	296,263	-
Gulshan Branch	89,978,000	-
Narayanganj Branch	118,148	-
	<b>261,896,500</b>	<b>1,855,931,282</b>

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<b>19 Income statement</b>		
<b>Income:</b>		
Interest, discount and similar income	2,837,010,916	2,355,551,751
Dividend income	49,441	157,926
Fees, commission and brokerage	270,771,163	226,557,863
Gains less losses arising from dealing securities	1,114,751	-
Gains <i>less</i> losses arising from investment securities	-	193,000
Gains <i>less</i> losses arising from dealing in foreign currencies	316,024,325	272,923,446
Income from non-banking assets	-	-
Other operating income	161,579,005	145,827,882
Profit <i>less</i> losses on interest rate changes	-	-
	<b><u>3,586,549,602</u></b>	<b><u>3,001,211,868</u></b>
<b>Expenses:</b>		
Interest, fees and commission	1,616,184,117	1,407,521,835
Losses on loans and advances	109,600,000	-
Administrative expenses	524,591,812	455,955,455
Other operating expenses	149,574,449	104,224,177
Depreciation on banking assets	40,460,880	32,099,954
	<b><u>2,440,411,258</u></b>	<b><u>1,999,801,421</u></b>
	<b><u>1,146,138,344</u></b>	<b><u>1,001,410,447</u></b>
<b>20 Interest / investment income</b>		
Loans (General) / Musharaka	286,986,606	239,207,391
Loans against imported merchandise / Murabaha	69,248,208	54,023,914
Loans against trust receipts	393,768,304	295,976,590
Packing credit	13,924,865	9,547,023
Int. on EDF	5,753,031	7,828,264
House building loan	65,493,844	66,978,488
Lease finance /Izara	195,861,418	156,366,409
Hire purchase	143,477,671	114,559,692
Payment against documents	118,747,004	98,188,563
Cash credit / Bai-Muajjal	443,507,915	388,872,052
Secured overdraft	400,147,316	304,031,549
Consumer credit scheme / Hire purchase	78,981,325	71,675,582
Staff loan	9,432,103	7,947,683
Documentary bills purchased	232,980,809	191,342,849
Interest income from credit card	31,941,885	29,274,302
Other loans and advances / Investments	45	304,882
<b>Total interest on loans &amp; advances</b>	<b><u>2,490,252,349</u></b>	<b><u>2,036,125,233</u></b>
Interest / profit on investments with banks	139,408,505	142,436,312
Interest / profit on Nostro account	11,249,303	9,377,730
	<b><u>2,640,910,158</u></b>	<b><u>2,187,939,275</u></b>
<b>21 Interest / profit paid on deposits and borrowings etc</b>		
Savings bank /Mudaraba savings deposits	156,195,947	136,360,786
Short term deposits	81,804,147	83,069,333
Fixed deposits / Mudaraba term deposits	857,811,721	681,288,264
Bearer certificate of deposits	43,699	1,868,312
Deposits under scheme	473,761,942	435,313,362
Call deposits	9,423,569	45,675,812
Repurchase Agreement (REPO)	5,123,599	2,613,842
Others ( <b>Note-21.1</b> )	32,019,493	21,332,124
	<b><u>1,616,184,117</u></b>	<b><u>1,407,521,835</u></b>

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<b>21.1 Others</b>		
Interest paid on F.C	501,599	1,234,368
Interest paid on N.F.C.D	831,387	2,512,162
Interest / profit paid on R. F.C.D	334,108	654,076
Interest paid on borrowing from Bangladesh Bank	29,817,198	16,478,888
Interest paid on Overseas A/C	535,201	452,630
	<b><u>32,019,493</u></b>	<b><u>21,332,124</u></b>
<b>22 Income from investments</b>		
Interest on treasury bills/Reverse REPO/bonds	193,214,307	164,724,976
Interest on debentures	2,886,452	2,887,500
Dividend on shares	49,441	157,926
	<b><u>196,150,200</u></b>	<b><u>167,770,402</u></b>
<b>23 Commission, exchange and brokerage</b>		
Commission on L/C	175,510,004	132,274,670
Commission on L/G	50,564,330	46,204,079
Commission on export bills	6,172,935	4,491,718
Commission on bills purchased	1,279,057	959,437
Commission on accepted bills	10,096,131	9,348,882
Commission on OBC, IBC etc.	2,369,390	2,086,567
Commission on PO, DD, TT, TC etc.	8,776,186	9,354,736
Commission on banker to the issue	1,097,658	8,019,089
Other commission	14,887,004	13,772,022
	<b><u>270,752,695</u></b>	<b><u>226,511,200</u></b>
Exchange gain (Note - 23.1) - including gain from FC dealings	316,024,325	272,923,446
Brokerage	18,469	46,663
	<b><u>586,795,488</u></b>	<b><u>499,481,309</u></b>
<b>23.1 Exchange gain</b>		
Exchange gain	317,968,410	273,009,699
Less: Exchange loss thereon	1,944,085	86,253
	<b><u>316,024,325</u></b>	<b><u>272,923,446</u></b>
<b>24 Other operating income</b>		
Income from merchant banking	357,074	-
Rent recovered	696,270	761,318
Services and other charges	8,644,280	7,934,315
Credit card income (Note - 24.2)	33,660,981	31,109,491
Postage / telex /SWIFT/ fax recoveries	34,024,410	26,800,102
Incidental charges	21,806,122	22,525,980
Foreign correspondent charges	581,040	1,203,589
Gain from sale of Treasury Bond	1,114,751	193,000
Gain from sale of Fixed Assets	-	99,990
Misc. earnings ( Note - 24.1)	61,808,829	55,393,097
	<b><u>162,693,756</u></b>	<b><u>146,020,882</u></b>

**24.1** Misc. earnings include foreign correspondent charges, recovery of bank charges etc.

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<b>24.2 Credit Card Income</b>		
Annual fees	11,984,599	14,624,380
Late payment fees	4,415,793	3,851,114
Inter-change, mark-up, excess limit, cash advance fees etc.	7,991,503	8,612,099
Others	<u>9,269,085</u>	<u>4,021,898</u>
	<b><u>33,660,981</u></b>	<b><u>31,109,491</u></b>
<b>25 Salaries and allowances</b>		
Basic pay	116,796,644	106,444,453
Allowances	116,197,787	95,678,178
Bonus	97,195,000	89,838,962
Bank's contribution to provident fund	10,859,183	9,293,511
Retirement benefits/Gratuity	<u>3,241,775</u>	<u>1,105,340</u>
	<b><u>344,290,389</u></b>	<b><u>302,360,444</u></b>
<b>26 Rent, taxes, insurance, electricity etc.</b>		
Rent, rate & taxes	46,886,700	45,020,519
Insurance	16,427,220	12,781,927
Power and electricity	<u>16,358,420</u>	<u>13,719,694</u>
	<b><u>79,672,340</u></b>	<b><u>71,522,140</u></b>
<b>27 Legal &amp; professional expenses</b>		
Legal expenses	2,576,945	1,678,621
Other professional charges	<u>2,727,440</u>	<u>1,983,597</u>
	<b><u>5,304,385</u></b>	<b><u>3,662,218</u></b>
<b>28 Postage, stamps, telecommunication etc.</b>		
Postage	4,567,686	3,199,790
Telegram, telex, fax and e-mail	12,052,411	11,526,163
Telephone - Office	13,336,128	10,597,799
Telephone - Residence	<u>931,145</u>	<u>802,095</u>
	<b><u>30,887,370</u></b>	<b><u>26,125,847</u></b>
<b>29 Stationery, printing &amp; advertisement etc.</b>		
Office and security stationery	12,861,667	10,448,882
Computer consumable stationery	8,528,785	6,389,891
Publicity and advertisement	<u>23,138,196</u>	<u>22,182,158</u>
	<b><u>44,528,648</u></b>	<b><u>39,020,931</u></b>
<b>30 Managing Director's Salary and allowances</b>		
Basic Salary	1,904,516	1,920,000
Bonus	1,600,000	1,280,000
House rent allowance	833,226	840,000
Utility allowance	298,387	336,000
House maintenance allowance	<u>500,807</u>	<u>504,000</u>
	<b><u>5,136,936</u></b>	<b><u>4,880,000</u></b>

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<b>31 Directors' fee</b>		
Meeting fees	2,520,000	1,790,000
Other benefits	-	-
	<b>2,520,000</b>	<b>1,790,000</b>
Each Director is paid Tk.2,500/- per meeting per attendance.		
<b>32 Repairs, maintenance and depreciation of fixed assets</b>		
<b>Depreciation</b> - (annexure C may kindly be seen for details)		
Fixed assets	40,460,880	32,099,954
Leased assets	3,355,222	-
	<b>43,816,102</b>	<b>32,099,954</b>
<b>Repairs</b>		
Building	552,402	-
Furniture & fixtures	2,291,565	492,756
Office equipment	3,179,357	3,627,090
Bank's vehicles	1,502,369	1,166,756
Maintenance	970,829	947,273
	<b>8,496,522</b>	<b>6,233,875</b>
	<b>52,312,624</b>	<b>38,333,829</b>
<b>33 Other expenses</b>		
Security and cleaning	20,856,078	13,356,990
Entertainment	14,646,652	10,712,821
Car expenses	25,721,999	20,277,547
Books, magazines & newspapers etc.	638,159	521,922
Liveries & uniforms	67,629	86,210
Medical expenses	1,449,359	501,669
Bank charges & commission paid	996,697	1,475,042
Loss on sale of fixed assets	1,544,708	-
Finance charge for lease assets	1,971,633	-
Subscription to the institutions	8,435,571	7,755,928
Donations	7,223,156	5,712,900
Traveling expenses	8,818,105	6,673,983
Expenses for merchant banking	166,611	
Local conveyance, labor etc.	3,188,972	2,606,361
Business development	1,950,329	1,769,716
Training and internship	3,083,902	1,982,600
Remittance charges	1,184,712	1,139,435
Laundry, cleaning & photographs etc.	1,701,158	1,026,427
Credit Card expenses	10,867,651	12,413,348
Welfare fund	2,196,000	1,600,000
Transfer to Prime Bank Foundation Fund	27,300,000	7,700,000
Miscellaneous expenses	5,565,367	6,911,278
	<b>149,574,449</b>	<b>104,224,177</b>
<b>34 Cash received from other operating activities</b>		
Income from merchant banking operation	357,074	-
Rent recovered	696,270	761,318
Services and other charges	8,644,280	7,934,315
Credit Card Income	33,660,981	31,109,491
Postage/Telex/Fax/Swift charge recoveries	34,024,410	26,800,102
Incidental Charges	21,806,122	22,525,980
Foreign Correspondent Charges	581,040	1,203,589
Gain from sale of Treasury Bond	1,114,751	193,000
Miscellaneous Earnings	61,808,829	55,393,097
	<b>162,693,757</b>	<b>145,920,892</b>

## Notes to the Financial Statements for the year ended 31 December, 2004

	<b>2004</b>	<b>2003</b>
	<b>Taka</b>	<b>Taka</b>
<b>35 Cash paid for other operating activities</b>		
Rent, Rates & Taxes	79,672,340	71,522,140
Legal expenses & other professional charges	5,704,385	4,022,218
Postage & Communication charges etc	30,887,370	26,125,847
Directors Fee	2,520,000	1,790,000
Finance charge for lease assets	1,971,633	-
Donations & Subscriptions	15,658,727	13,468,828
Conveyance & Traveling expenses etc	12,007,077	9,280,344
Business development expenses	1,950,329	1,769,716
Training, Internship expenses	3,083,902	1,982,600
Remittance charges	1,184,712	1,139,435
Miscellaneous expenses	14,232,540	15,039,775
	<u><b>168,873,015</b></u>	<u><b>146,140,903</b></u>
<b>36 Increase / (decrease) of other short term assets</b>		
T & T Bonds & DBBL Bond	410,046,000	111,046,000
Stationary & Stamps	13,229,391	14,568,795
Income receivable	45,742,452	47,568,371
Advance Deposits & advance rent	52,573,923	48,396,733
Branch Adjustment A/C	159,822,581	231,176,987
Suspense A/C	10,410,282	81,019,113
Encashment of PSP/BSP	49,779,373	23,996,484
Accrued interest on investment	286,074,807	166,356,878
Credit card	18,100,845	15,032,503
Sundry Assets	5,800,602	16,337,126
	<u><b>1,051,580,256</b></u>	<u><b>755,498,990</b></u>
Increase /(decrease) during the year	<u><b>(296,081,266)</b></u>	<u><b>(434,402,170)</b></u>
<b>37 Increase / (decrease) of other liabilities</b>		
F.C. held against EDF L/C	128,422,900	78,043,852
Exchange Equalization Fund	4,523,326	4,523,326
Expenditure and other payables	22,931,908	20,333,955
Provision for Bonus	84,739,467	74,400,000
Exigency Fund	5,645,100	5,659,475
Credit card	1,989,484	-
Unearned interest receivable on treasury bills & bonds	684,000,566	609,123,840
Unearned profit receivable - Islamic banking branch	-	135,690
Interest Suspense A/C	23,081,425	27,081,802
Others	215,731,919	421,176,700
	<u><b>1,171,066,095</b></u>	<u><b>1,240,478,640</b></u>
Increase /(decrease) during the year	<u><b>(69,412,545)</b></u>	<u><b>(84,627,308)</b></u>
<b>38 Earning Per Share (EPS)</b>		
Net Profit after tax (Numerator)	<u>611,938,344</u>	<u>375,455,447</u>
Number of ordinary shares outstanding (Denominator)	<u>10,000,000</u>	<u>10,000,000</u>
Earning Per Share (EPS)	<u><b>61.19</b></u>	<u><b>37.55</b></u>

Earning per share has been calculated in accordance with **BAS - 33: Earning Per Share (EPS)**. Previous year's figures have been adjusted for the issue of 3,000,000 Bonus shares (for 2003) during the year.

## Notes to the Financial Statements for the year ended 31 December, 2004

### 39 Number of employees

The number of employees engaged for the whole year or part thereof who received a total remuneration of Tk. 36,000 or above were 894.

### 40 Audit Committee

#### a. Particulars of Audit Committee

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

<i>Name</i>	<i>Status with bank</i>	<i>Status with committee</i>	<i>Educational Qualification</i>
Mr. Masud Reza Bhuiya	Director	Chairman	MBA (Major in Finance) Institute of Business Administration (IBA) University of Dhaka
Mr. Nafis Sikder	Director	Member	BSBA (Bachelor of Science in Business Administration) (Major in Finance as well as in Management Washington University St. Louice, Missouri, U.S.A.
Mr. Md. Delwar Hossain	Director	Member	BSS (Hons) M.S.S

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

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

#### No. of Meetings held by the Committee during the year:

- 10<sup>th</sup> Committee Meeting held on 24.01.2004
- 11<sup>th</sup> Committee Meeting held on 22.02.2004
- 12<sup>th</sup> Committee Meeting held on 17.03.2004
- 13<sup>th</sup> Committee Meeting held on 03.04.2004
- 14<sup>th</sup> Committee Meeting held on 30.05.2004
- 15<sup>th</sup> Committee Meeting held on 08.08.2004
- 16<sup>th</sup> Committee Meeting held on 18.09.2004

#### c. The following steps have been taken for implementation of an effective Internal Control Procedure of the Bank :

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

## Notes to the Financial Statements for the year ended 31 December, 2004

### 41. Related Party Disclosures

#### i) Particulars of Directors of the Bank as on 31-12-2004

Sl. No.	Name	Designation	Present Address	% of shares as on 31.12.2004
01.	Mr. Azam J. Chowdhury	Chairman	East Coast Centre SW(G)-8 Gulshan Avenue Dhaka -1212	0.05
02.	Capt. Imam Anwar Hossain	Vice Chairman	House # 83, Road # 3 Banani, Dhaka - 1213	0.12
03.	Mr. Nafis Sikder	Vice Chairman	Managing Director Palmal Group House # 2/B, Road # 29 Gulshan -1, Dhaka - 1212	0.74
04.	Quazi Saleemul Huq	Director	GQ Building 331/2 Tajuddin Ahmed Road, Moghbar, Dhaka	0.10
05.	Mrs. Ferdousi Islam	Director	299 New DOHS Road # 19/B Mohakhali, Dhaka	0.84
06.	Mrs. Nazma Haque	Director	House # CEN (F)-13 Road # 104 Gulshan, Dhaka	0.12
07.	Mr. Kazi Ariful Islam	Director	House # 29/E, Road # 13 Banani, Dhaka - 1213	0.12
08.	Mrs. Hasina Khan	Director	"Shahana" 1042 Zakir Hossain Road Chittagong	0.10
09.	Mrs. Razia Rahman	Director	52, Park Road Block - K Baridhara, Dhaka.	0.12
10.	Mrs. Gol-E-Afroz Banu	Director	South Breeze Apartment # W 2 8, Gulshan Avenue Gulshan, Dhaka - 1212	0.12
11.	Mrs. Shahnaz Quashem	Director	House # 14/3, Road # 3 Nasirabad Housing Society Chittagong.	0.12
12.	Mrs. Mahanur Ummel Ara (Representative of East Coast Shipping Lines Ltd.)	Director	East Coast Centre SW (G) - 8 Gulshan Avenue Dhaka - 1212	1.73 Shareholding of East Coast Shipping Lines Ltd.
13.	Ms. Saheda Pervin Trisha (Representative of GQ Ball Pen Industries Ltd.)	Director	GQ Building 331/2 Tajuddin Ahmed Road Bara Moghbazar, Dhaka.	1.52 Shareholding of GQ Ball Pen Industries Ltd.
14.	Mr. M. Shahjahan Bhuiyan	Managing Director	Prime Bank Limited 119-120, Motijheel C/A, Dhaka	-

For Directors interests in different entities please refer to Annexure – D.

## Notes to the Financial Statements for the year ended 31 December, 2004

### ii) Significant contracts where Bank is a party and wherein Directors have interest:

Nature of contract	Purpose	Name of Director and Related by	Remarks
Lease agreement with Mr. Md. Nader Khan (Ex-Director of the Bank)	Jubilee Road Branch	Mrs. Hasina Khan (wife of Mr. Md. Nader Khan) Director of the Bank	The lease agreement was approved by Bangladesh Bank vide their Letter ref. # BRPD(P)745 (21) 2003 – 2640 dated 02.07.2003

### iii) Related party Transactions:

(Taka in lac)

Name of party	Related by	Nature of transaction	Amount
East Coast Trading Pvt. Ltd.	Ms. Marina Yasmin Chowdhury	Bank Guarantee	3.92
M/s. EC Distributions Ltd.	Ms. Marina Yasmin Chowdhury	Bank Guarantee	2.75

iv) Significant contracts where Bank is a party and wherein Directors have interest: Nil

v) Shares issued to Directors and Executives without consideration or exercisable at discount: Nil

### vi) Lending Policies to related Parties:

Lending to Related Parties is effected as per requirements of Section 27 (1) of the Bank Companies Act – 1991.

vii) Loan and advances to Directors and their related concern: Nil

viii) Business other than Banking business with any related concern of the Directors as per Section 18(2) of the Bank Companies Act – 1991. Nil

ix) Investments in the Securities of Directors and their related concern: Nil

## 42. Coverage of external Audit:

The external auditors have covered 80% of the risk-weighted assets and have spent around 6,000 hours to complete the audit as per Bangladesh Standards on Auditing. They have audited 17 branches and Head office of the Bank.



Chairman



Vice Chairman



Director



Managing Director

Balance with other Banks - outside Bangladesh (Nostro Account) as at 31 December, 2004

Annexure-A

Name of the Bank	A/C Type	2004			2003		
		FC Amount	Ex. Rate	Equivalent Taka	FC Amount	Ex. Rate	Equivalent Taka
American Express Bank Ltd., Kolkata	CD	\$547,209.64	60.7423	33,238,772.12	(\$58,456.96)	58.3750	(3,412,425)
American Express Bank Ltd., Frankfurt, Germany	CD	€ 3,966.77	82.6460	327,837.67	\$1,798.60	72.8428	131,015
American Express Bank Ltd., New York, USA	CD	\$230,544.05	60.7423	14,003,775.85	\$5,936.97	58.3750	346,571
Arab Bangladesh Bank Ltd. Mumbai	CD	\$26,493.99	60.7423	1,609,305.89	\$105,448.26	58.3750	6,155,542
Bank Nazionale del Lavoro, Rome	CD	€ 1,842.31	82.6460	152,259.55	\$21,487.61	72.8428	1,565,218
Bank of Bhutan, Bhutan	CD	\$37,347.20	60.7423	2,268,554.83	\$13,713.00	58.3750	800,496
Bank of Tokyo Mitsubishi, Japan	CD	JPY 4,644,660.00	0.5850	2,717,126.10	JPY 3,207,258.00	0.5452	1,748,597
Citibank N.A., India	CD	\$77,317.40	60.7423	4,696,436.71	\$311,306.49	58.3750	18,172,516
Citibank N.A., London	CD	€ 37,294.60	82.6460	3,082,249.51	\$201,548.37	72.8428	14,681,348
Citibank N.A., New York, USA	CD	\$187,227.31	60.7423	11,372,617.43	\$2,343.89	58.3750	136,825
Commerzbank, Frankfurt	CD	€ 31,319.10	82.6460	2,588,398.34	\$43,023.72	72.8428	3,133,968
Commonwealth Bank of Australia	CD	AUD 16,372.30	47.0085	769,637.26	AUD 4,255.95	43.4340	184,853
Credit Suisse (First Boston), Switzerland	CD	CHF 14,848.46	53.5646	795,351.82	CHF 31,572.25	46.8670	1,479,697
Habib American Bank, Newyork	CD	\$29,270.61	60.7423	1,777,964.17	\$5,146.31	58.3750	300,416
HSBC, New York, USA	CD	\$4,687.97	60.7423	284,758.08	\$3,371.30	58.3751	196,800
ICICI Bank, India	CD	\$1,255,494.83	60.7423	76,261,643.61	\$254,486.43	58.3750	14,855,645
Mashreq, Bank New York, USA	CD	\$236,917.90	60.7423	14,390,938.16	\$104,425.25	58.3750	6,095,824
National Westminster Bank, London	CD	£4,280.95	116.552	498,954.57	\$12,979.05	103.655	1,345,342
Nepal Bangladesh Bank, Nepal	CD	\$1,057.18	60.7423	64,215.54	\$1,701.78	58.3750	99,341
Peoples Bank, Sri Lanka	CD	\$13,998.48	60.7423	850,299.87	\$265.91	58.3750	15,523
Rupali Bank, Karachi	CD	\$195,693.87	60.7423	11,886,895.76	\$261,657.70	58.3750	15,274,268
Skandinaviska Enskilda, Banken, Sweden	CD	3,111.25 kr	9.1749	28,545.41	52,538.90 kr	8.0205	421,388
Sonali Bank, Calcutta	CD	\$1,881.90	60.7423	114,310.93	\$9,002.12	58.3750	525,499
Standard Chartered Bank, Kolkata, India	CD	\$606,138.98	60.7423	36,818,275.76	\$244,062.01	58.3750	14,247,120
Standard Chartered Bank, New York	CD	\$554,363.72	60.7423	33,673,327.39	\$109,078.67	58.3750	6,367,467
State Bank of India, Kolkata	CD	\$186.31	60.7423	11,316.90	\$69,543.81	58.3750	4,059,620
The Bank of Nova Scotia, Canada	CD	CAD 4,998.43	50.1381	250,611.78	CAD 12,397.31	44.7566	554,861
Unicredito Italiano, Spain	CD	€ 721.17	82.6460	59,601.82	€ 903.60	72.8428	65,821
WACHOVIA Bank N.A	CD	\$1,292.80	60.7423	78,527.65	\$751.79	58.3753	43,886
				<b>254,672,510.48</b>			<b>109,593,042</b>

## Investment in Shares as at 31 December, 2004

### Annexure - B

Sl. #	Name of the company	Type of shares	Face value	No. of shares	Cost of holding	Average cost	Quoted rate per share as on 31.12.04	Total market value at 31.12.04
<b>Quoted</b>								
1	Mutual Trust Bank Ltd.	A	100	60,000	6,250,000	104.17	555.00	33,300,000
2	One Bank Ltd.	A	100	19,607	1,705,000	86.96	437.75	8,582,964
3	Bank Asia Ltd.	A	100	40,238	3,245,000	80.65	709.00	28,528,742
4	Mercantile Bank Ltd.	A	100	79,937	6,395,000	80.00	516.50	41,287,461
5	EXIM Bank	A	100	50	6,500	130.00	752.25	37,613
<b>Unquoted</b>								
1	Central Depository Bangladesh Limited	-	1000000	10	10,000,000	1,000,000.00	-	-
				<b>199,842</b>	<b>27,601,500</b>	<b>1,000,481.77</b>		<b>111,736,779.25</b>

Total market value /book value on investment higher than cost , therefore, no provision has been made in the Financial Statement.

\*CDBL is yet to issue share certificate.

Schedule of Fixed Assets and Leased Assets as at 31 December 2004

Annexure - C

Particulars	Cost				Depreciation				Net book value at 31 December 2004
	Balance at 01 January 2004	Additions during the year	Disposals / adjustments during the year	Balance at 31 December 2004	Balance at 01 January 2004	Charge for the year	On disposals / adjustments during the year	Balance at 31 December 2004	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
<b>Fixed assets</b>									
Land	49,058,380	-	-	49,058,380	-	-	-	-	49,058,380
Building	-	9,794,524	-	9,794,524	-	248,202	-	248,202	9,546,322
Furniture and fixtures	141,033,597	42,366,230	(3,843,954)	179,555,873	30,889,387	12,905,847	(1,853,784)	41,941,450	137,614,423
Office equipment and machinery	174,293,757	35,497,414	(1,513,039)	208,278,132	82,535,542	22,724,019	(1,012,698)	104,246,863	104,031,269
Bank's vehicles	29,253,588	15,106,516	(10,434,533)	33,925,571	15,359,817	4,496,224	(6,975,354)	12,880,687	21,044,884
Library books	529,411	159,154	-	688,565	215,615	86,588	-	302,203	386,362
<b>At 31 December 2004</b>	<b>394,168,733</b>	<b>102,923,838</b>	<b>(15,791,526)</b>	<b>481,301,045</b>	<b>129,000,361</b>	<b>40,460,880</b>	<b>(9,841,836)</b>	<b>159,619,405</b>	<b>321,681,640</b>
<b>At 31 December 2003</b>	<b>317,222,240</b>	<b>79,148,927</b>	<b>(2,202,434)</b>	<b>394,168,733</b>	<b>98,725,744</b>	<b>32,099,954</b>	<b>(1,825,337)</b>	<b>129,000,361</b>	<b>265,168,372</b>
<b>Leased assets</b>									
Vehicles	16,776,112	-	-	16,776,112	-	3,355,222	-	3,355,222	13,420,890
<b>At 31 December 2004</b>	<b>16,776,112</b>	<b>-</b>	<b>-</b>	<b>16,776,112</b>	<b>-</b>	<b>3,355,222</b>	<b>-</b>	<b>3,355,222</b>	<b>13,420,890</b>
<b>At 31 December 2003</b>	<b>-</b>	<b>16,776,112</b>	<b>-</b>	<b>16,776,112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,776,112</b>

Name of the Directors and their interest in different entities

**Annexure - D**

Sl. No.	Name	Status with PBL	Entities where they have Interest	% of Interest
1	2	3	4	5
01	Mr. Azam J. Chowdhury	Chairman	East Coast Shipping Lines Ltd. East Coast Trading (Pvt.) Ltd. EC Securities Limited EC Distribution Limited EC Engineering Co. Ltd. Surma Summit Tanks Terminal Limited EC Powertech Ltd. Delta Soft Limited Green Delta Insurance Co. Ltd.	25.00% 20.00% 89.20% 40.00% 20.00% 10.00% 25.00% 24.50% 0.83%
02	Capt. Imam Anwar Hossain	Vice Chairman	Pragati Insurance Ltd. Ben Ocean Lines Ltd. Ben Marine Lines Bengal Tiger Cement Industries Ltd. Ben Lloyd Lines Ltd. Benlub Pte Ltd. Ocean Wave Shipping Ltd. Commodity & Carriage Jamuna Resort Ltd.	5.00% 25.00% 40.00% 10.00% 10.00% 15.00% 50.00% 100.00% 2.50%
03	Mr. Nafis Sikder	Vice Chairman	Marina Apparels Limited Nafa Apparels Limited Palmal Packaging Limited The Dacca Dyeing Garments Limited	50.00% 50.00% 10.00% 2.94%
04	Qazi Saleemul Huq	Director	GQ Ball Pen Industries Ltd. GQ Industries Ltd. Maladesh International Pvt. Ltd. GQ Properties Ltd. GQ Foods Ltd. GQ Enterprise Ltd. Delta Soft Ltd. Newscorp Ltd.	26.25% 20.00% 0.125% 28.57% 13.34% 25.00% 24.77% 25.00%
05	Quazi Ariful Islam	Director	New Amin Jewelers Ducati Apparels Limited	100.00% 33.33%
06	Mrs. Hasina Khan	Director	Khan Traders Polyexprint Ltd. Pedrollo nk Ltd. Polyexlaminat Ltd. Polytape Ltd. Pedrollo Dairy & Horticulture Ltd. Prime Insurance Co. Ltd. Halda Valley Tea Co. Ltd.	100.00% 15.00% 20.00% 20.00% 20.00% 30.00% 2.67% 10.00%
07	Mrs. Shahnaz Quashem	Director	Associated Oxygen Limited	12.50%
08	Mrs. Nazma Haque	Director	Prime Insurance Company Limited Acorn Limited Asian Gate Limited	2.67% 25.00% 30.00%

## Name of the Directors and their interest in different entities

Sl. No.	Name	Status with PBL	Entities where they have Interest	% of Interest
1	2	3	4	5
09	Mrs. Gol-E-Afroz Banu	Director	Khaled Textile Mills Limited Euroasia Gate Limited Prime Insurance Company Limited	50.00% 50.00% 2.67%
10	Mrs. Razia Rahman	Director	Transworld Bicycle Co. Ltd. Uniglory Home Appliances Ltd. Uniglory Steel Products Ltd. Concept Cycling	36.00% 25.00% 35.00% 100.00%
11	Mrs. Ferdousi Islam	Director	Trusty Associates Company Limited Preema Construction Ltd. Prime Century Ltd. Northern General Insurance Company Ltd.	25.00% 25.00% 25.00% 7.30%
12	Mrs. Mahanur Ummel Ara (Representative of East Coast Shipping Lines Ltd.)	Director	Surma Summit Tanks Terminal Ltd. Prime Insurance & Investment Ltd.	10.00% 12.62%  (Shareholding of East Coast Shipping Lines Ltd.)
13	Mrs. Saheda Pervin Trisha (Representative of GQ Ball Pen Industries Ltd.)	Director	Prime Insurance Company Ltd. GQ Formosa Industries Ltd. Cello – GQ Industries Ltd. GQ Marketing Ltd. Maladesh International Pvt. Ltd. GQ Foods Ltd. GQ Industries Ltd. GQ BPL Ltd. GEP Telecom Ltd Green Land Pharmaceuticals Ltd.	3.00% 52.00% 50.00% 96.77% 99.75% 13.32% 32.86% 50.00% 33.33% 16.67%  (Shareholding of GQ Ball Pen Industries Ltd.)

## Distribution of Profit under Islamic Banking Operation

### Annexure - E

Prime Bank is operating 05 (five) Islamic Banking branches based on Islamic Shariah, which absolutely prohibits receipts and payments of interest in any form. The operation of these 05 (five) branches are totally different from other conventional banking branches as they operate on the basis of profit sharing arrangement.

#### **Fixation of final profit rate for the year 2004 and provisional profit rate for the year 2005**

Normally profit and loss is calculated annually as on 31 December in every year. For the year ended 31 December 2004 60% of total investment income shall be distributed to the different types of Mudaraba depositors (except no cost fund) according to the weightage. The remaining 40% of the investment income will be retained by the Bank to meet establishment, administrative expenses and investment loss off setting reserve.

Provisional profit are applied to the different types of dipositors at the rates to be decided by the Bank from time to time taking into consideration of the industry trend and that of the rates of other islamic banks in Bangladesh. Final rates of profit are declared annually on the basis of income earned from different investments and other business by individual branches and distributed as per weightage of the different deposit products.

Profit to the depositors for the year 2004 has been paid as per following weightage and rates:

<b>Deposit types</b>	<b>Weightage</b>	<b>Final rate of profit for 2004</b>
Mudaraba saving Deposits	0.75	6.25% to 7.25%
Mudaraba short term deposits	0.52	4.25%
Mudaraba term deposits		
36 Months	1.00	8.75% to 9.25%
24 Months	0.98	8.75% to 9.25%
12 Months	0.96	8.50% to 9.00%
06 Months	0.92	8.00% to 8.50%
03 Months	0.88	7.75% to 8.25%
Mudaraba contributory savings scheme	1.05	9.75%
Mudaraba monthly profit deposits scheme	1.02	10.00%
Mudaraba education savings scheme	1.20	11.25%
Mudaraba Hajj savings scheme	1.20	11.25%

## Balance Sheet of Islamic Banking Branches

**Annexure - E(i)**

### Balance Sheet items as at December 31, 2004

	<b>2004 Taka</b>	<b>2003 Taka</b>
<b>PROPERTY AND ASSETS</b>		
<b>Cash:</b>		
Cash in hand (including Foreign Currencies)	16,073,602	8,435,946
Balance with Bangladesh Bank and Sonali Bank (Including Foreign Currencies)	-	-
	<b>16,073,602</b>	<b>8,435,946</b>
<b>Balance with other Banks and Financial Institutions:</b>		
In Bangladesh	156,298	1,208,273
Outside Bangladesh	-	-
	<b>156,298</b>	<b>1,208,273</b>
<b>Money at Call and Short Notice</b>		
	-	-
<b>Investments ( Including Bills):</b>		
General investments etc.	1,846,521,748	1,115,762,934
Bills purchased and discounted	112,796,920	79,956,426
	<b>1,959,318,668</b>	<b>1,195,719,361</b>
<b>Premises and Fixed Assets</b>		
	31,614,460	7,844,184
<b>Other Assets</b>		
	1,349,707,592	1,074,144,015
<b>Total Assets :</b>	<b><u>3,356,870,621</u></b>	<b><u>2,287,351,778</u></b>
<b>LIABILITIES AND CAPITAL</b>		
<b>Liabilities:</b>		
<b>Borrowings from other Banks and Agents</b>		
	-	-
<b>Deposits and other Accounts :</b>		
Current deposits and other accounts, etc.	376,324,541	350,581,065
Bills payable	40,048,719	9,887,790
Mudaraba Savings deposits	1,163,605,354	731,651,744
Mudaraba Term deposits	1,775,223,093	1,192,629,594
	<b>3,355,201,707</b>	<b>2,284,750,193</b>
Other Liabilities	1,668,913	2,601,585
<b>Total Liabilities</b>	<b><u>3,356,870,621</u></b>	<b><u>2,287,351,778</u></b>
<b>Total liabilities</b>	<b><u>3,356,870,621</u></b>	<b><u>2,287,351,778</u></b>
<b>CONTINGENT LIABILITIES:</b>		
<b>Acceptances, Endorsements:</b>		
Letters of Guarantee	64,850,132	14,490,288
Irrevocable Letters of Credit	1,041,818,420	392,313,200
Bills for Collection	16,836,047	16,143,506
Other liabilities:	33,655,474	5,212,981
<b>Total</b>	<b>1,157,160,074</b>	<b>428,159,975</b>
<b>Other commitments:</b>	-	-
<b>Total</b>	<b><u>1,157,160,074</u></b>	<b><u>428,159,975</u></b>

## Profit & Loss Account of Islamic Banking Branches

**Annexure - E(ii)**

### Profit and Loss items for the period ended on December 31, 2004

<b>Particulars</b>	<b>2004</b>	<b>2003</b>
Investment Income	318,036,658	239,282,813
Profit paid on deposits and borrowings etc.	(187,344,828)	(147,347,364)
<b><i>Net investment income</i></b>	<b><i>130,691,830</i></b>	<b><i>91,935,448</i></b>
Commission, exchange and brokerage	21,813,183	9,814,517
Other operating income	11,412,318	5,591,219
<b><i>Total operating income</i></b>	<b><i>163,917,331</i></b>	<b><i>107,341,185</i></b>
Salaries & allowances	18,105,658	11,088,813
Rent, taxes, insurance, lighting etc.	3,713,885	2,272,689
Legal and professional expenses	77,472	75,830
Postage, stamp, telegram and telephone	1,970,899	1,318,388
Printing, stationery, advertisement etc.	973,901	682,250
Repairs, maintenance & depreciation of assets	3,271,302	1,019,006
Other expenses	6,093,861	1,760,171
<b><i>Total operating expenses</i></b>	<b><i>34,206,978</i></b>	<b><i>18,217,147</i></b>
<b><i>Total operating profit</i></b>	<b><i>129,710,352</i></b>	<b><i>89,124,038</i></b>