

Annual Report of Shariah Council, 2005

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 2005, 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. 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 Limited 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 Limited during the year and submitted reports thereon.

The Shariah Council, after reviewing the Shariah Inspection reports, balance sheet and profit & loss account of the year 2005, has 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 preceding years.
- b) Shariah Council observes that awareness about the 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 previous year.
- 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.
- d) A separate Islamic General Account has been introduced so that the money of Islamic Banking Branches would not be mixed up with the traditional Banking system's money.

Shariah Council has given the following suggestions:

- 1) The training of all manpower of the Bank regarding Shariah principles should be strengthened more.
- 2) 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.
- 3) Mudaraba and Musharaka investment should be started on selective basis.
- 4) The inspection by the Muraqibs should be more frequent.
- 5) The officers should be more cautious in implementation of Shariah principles in buying and selling of the goods, while making investment.
- 6) The Bank may offer subsidy in the Hajj savings scheme to encourage more individuals to perform the holy Hajj.

May Allah give us tawfiq to achieve His satisfaction through implementation of Shariah in every sphere of our life.

Ameen.



Ubaidul Haq
Chairman



Nasiruddin Ahmed
Member Secretary

Auditors' Report to the Shareholders of Prime Bank Limited

We have audited the accompanying balance sheet of Prime Bank Limited ("the Bank") as of 31 December 2005 and the related profit and loss account, cash flow statement and statement of changes in equity for the year then ended together with the notes 1-43 thereto. The preparation of these financial statements is the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with Bangladesh Standards on Auditing (BAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial 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 2005 and of the results of its operations and cash flows for the year then ended and comply with the Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit and made due verification thereof;
- ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- iii) the Bank's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns;
- iv) the expenditure incurred was for the purposes of the Bank's business;
- v) the financial position of the Bank at 31 December 2005 and the profit for the year then ended have been properly reflected in the financial statements, and the financial statements have been prepared in accordance with generally accepted accounting principles;
- vi) 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;
- vii) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- viii) the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- ix) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

- x) the information and explanations required by us have been received and found satisfactory;
- xi) no benami and doubtful bank accounts came to our notice in the course of our audit;
- xii) the Bank has no overseas branch; and
- xiii) 80% of the risk-weighted assets have been reviewed spending over 3,800 hours.



Rahman Rahman Huq
Chartered Accountants



S. F. Ahmed & Co.
Chartered Accountants

Dhaka, 20 February 2006

Balance Sheet as at 31 December, 2005

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

Balance Sheet as at 31 December, 2005

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

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


Chairman


Director

M.U. Atia
Director


Managing Director

See annexed auditors' Report to the Shareholders of date.


Rahman Rahman Huq
Chartered Accountants


S. F. Ahmed & Co.
Chartered Accountants

Dhaka, 20 February 2006

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

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

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


Chairman


Director


M.U. Arif
Director


Managing Director

See annexed auditors' report to the Shareholders of date


Rahman Rahman Huq
Chartered Accountants


S. F. Ahmed & Co.
Chartered Accountants

Dhaka, 20 February 2006

Cash Flows Statement for the year ended 31 December, 2005

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

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


Chairman


Director


M.U. ATTA
Director


Managing Director

Dhaka, 20 February 2006

Statement of Changes in Equity for the year ended 31 December 2005

Particulars	Paid up capital Taka	Statutory reserve Taka	Share premium Taka	Proposed		Retained earnings Taka	Total Taka
				Bonus share Taka	Cash dividend Taka		
Balance as at 1 January 2005	1,000,000,000	815,811,128	-	400,000,000	-	23,990,784	2,239,801,912
Changes in accounting policy	-	-	-	-	-	-	-
Restated balance	1,000,000,000	815,811,128	-	400,000,000	-	23,990,784	2,239,801,912
Surplus/deficit on account of revaluation of properties	-	-	-	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-
Net gains and losses not recognized in the income statement	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	568,196,286	568,196,286
Dividends	400,000,000	-	-	(400,000,000)	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Appropriation during the year	-	240,166,857	-	-	-	(240,166,857)	-
Balance as at 31 December 2005	1,400,000,000	1,055,977,985	-	-	-	352,020,213	2,807,998,198

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


Chairman


Director

M.U. ATTA
Director


Managing Director

Liquidity Statement (Analysis of maturity of assets and liabilities) as at 31 December 2005

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	above 5 years	Total
Assets						
Cash in hand	3,350,640,854	-	-	-	-	3,350,640,854
Balance with other banks and financial institutions	252,892,063	150,131,776	-	-	-	403,023,839
Money at call and short notice	1,180,000,000	-	-	-	-	1,180,000,000
Investments	39,449,059	400,000,000	255,000,000	3,150,046,000	95,000,000	3,939,495,059
Loans and advances	6,147,979,548	6,641,280,900	8,579,326,000	8,555,428,060	1,992,098,000	31,916,112,508
Fixed assets including premises, furniture and fixtures	2,513,440	5,026,881	22,620,965	186,059,158	155,897,873	372,118,317
Other assets	125,555,660	36,762,605	133,935,000	48,644,925	-	344,898,190
Non banking assets	-	-	-	-	-	-
Total assets (A):	11,099,030,624	7,233,202,162	8,990,881,965	11,940,178,143	2,242,995,873	41,506,288,767
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	845,369,978	-	100,000,000	-	-	945,369,978
Deposits	9,463,567,046	7,370,668,000	8,450,629,000	5,878,352,000	4,190,745,000	35,353,961,046
Other accounts	668,494,035	-	-	-	-	668,494,035
Provision and other liabilities	51,849,300	97,692,403	244,292,088	1,336,631,719	-	1,730,465,510
Total Liabilities (B):	11,029,280,359	7,468,360,403	8,794,921,088	7,214,983,719	4,190,745,000	38,698,290,569
Net Liquidity Gap (A - B):	69,750,265	(235,158,241)	195,960,877	4,725,194,424	(1,947,749,127)	2,807,998,198


Chairman


Director

M. U. Arif
Director


Managing Director

Highlights

(Taka in million)

Sl no.	Particulars	2005	2004
1	Paid-up Capital	1,400.00	1,000.00
2	Total Capital	3,177.32	2,476.06
3	Capital surplus/(deficit)	307.19	401.53
4	Total Assets	41,506.29	32,361.62
5	Total Deposits	36,022.46	28,069.24
6	Total Loans and Advances	31,916.11	23,219.67
7	Total Contingent Liabilities and Commitments	23,683.08	20,531.79
8	Credit Deposit Ratio	89%	83%
9	Percentage of Classified Loans against Total Loans and Advances	0.96%	1.52%
10	Profit after tax and provision	568.20	611.94
11	Amount of classified loans during current year	308.21	246.23
12	Provisions kept against classified loan	127.00	174.00
13	Provision surplus/(deficit) against classified loan	20.28	52.66
14	Cost of fund	7.07%	6.62%
15	Interest earning Assets	37,438.63	29,137.28
16	Non-interest earning Assets	4,067.66	3,224.34
17	Return on investment (ROI)	6.59%	6.36%
18	Return on Assets (ROA)	1.54%	2.16%
19	Income from Investment	259.52	196.15
20	Earning per Share	40.59	43.71
21	Net Income per Share	40.59	43.71
22	Price Earnign Ratio	16.40	20.13

Notes to the Financial Statements for the year ended 31 December, 2005

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 April 17, 1995 under the license issued by Bangladesh Bank. Presently the bank has 41 branches all over Bangladesh and a booth located at Dhaka Club, Dhaka. Out of the above 41 branches, 05 (five) branches are designated as 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

The Bank 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 2005 and are prepared under the historical cost convention and in accordance with the "First Schedule (Sec-38) of the Bank Companies Act, 1991, BRPD Circular # 14 dated 25 June, 2003, other Bangladesh Bank Circulars, International Accounting Standards and 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-G** and the figures appearing in the annexure have been incorporated in the respective heads of these financial statements as recommended by the 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 currency transactions are converted into equivalent taka using the ruling exchange rates on the dates of respective transaction. Foreign currency balances held in US dollar are converted into taka at weighted average rate of inter-bank 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 current income tax has been made @ 45% as prescribed in the Finance Act 2005 of the accounting profit made by the Bank after considering some of the add backs of income and disallowances of expenditure.

1.2.5 Deferred taxation

Deferred tax liabilities are the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax asset are the amount of income taxes recoverable in future periods in respect of taxable temporary differences. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences arising between the carrying values of assets, liabilities, income and expenditure and their respective tax basis. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date. The impact on the account of changes in the deferred tax assets and liabilities has also been recognised in the profit and loss account.

Notes to the Financial Statements for the year ended 31 December, 2005

1.3 Assets and basis of their valuation

1.3.1 Advances to customers

- a) Loans and Advances of Conventional banking/ Investments of Islamic branches to customers are stated in the Balance Sheet on gross basis.
- b) Interest/profit is calculated on a daily product basis but charged and accounted for on accrual basis. Interest/profit on classified loans and advances is kept in suspense account as per Bangladesh Bank instructions and such interest/profit is not accounted for as income until realised from borrowers [please refer Note - 7.7 (x)]. Interest/profit is not charged on bad and loss loans as per guidelines of Bangladesh Bank. Records of such interest amounts are kept in separate memorandum books.
- c) 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, BRPD Circular no. 9 dated 14 May 2001, BRPD Circular no.02 of February 2005, BRPD Circular no. 09 of August 2005 and BRPD Circular no. 17 dated 06 December 2005. The classification rates are given below:

General provision on general (unclassified) loans and advances	@	1%
General provision on special mention account	@	5%
General provision on small enterprise	@	2%
General provision on consumer financing	@	2%
Specific provision on substandard loans and advances	@	20%
Specific provision on doubtful loans and advances	@	50%
Specific provision on bad/loss loans and advances	@	100%

- d) 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 :

Items	Applicable accounting value
Government treasury bills	At face value (including unearned interest)
T & T bonds and Bangladesh treasury bonds	At cost
Prize bond	At cost
BHBFC-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.

Notes to the Financial Statements for the year ended 31 December, 2005

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

Category of fixed assets	Rate of depreciation
Land	Nil
Building	2.50%
Furniture and fixtures	10%
Office equipment	20%
Library books	20%
Bank's vehicles	20%

- c) For additions during the year, depreciation is charged for the remaining days of the year and for disposal depreciation is charged up to the date of disposal.

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

Amount due from lessees under finance leases are recorded as receivables at the amount of the bank's net investment in the leases (**note-7.2**). 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.

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-13.6**). 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 owned assets.

1.4 Liabilities and provisions

1.4.1 Retirement benefits to the employees

Provident fund

Provident fund benefits are given to the staffs 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 to 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 yearly basis.

Gratuity

The Bank has made provision against gratuity from the year 2005 as per BAS-19.

Welfare fund

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

Notes to the Financial Statements for the year ended 31 December, 2005

Provision for liabilities

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with the Bangladesh Accounting Standard 37-Provisions, Contingent Liabilities and Contingent Assets.

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. It is then kept in interest suspense account and in memorandum account. Interest on classified advances is accounted for on a cash receipt basis.

1.5.2 Profit on investment (Islamic banking)

Mark-up on investment is taken into income account proportionately from profit receivable account. Overdue charge/compensation on classified investments transferred to profit suspense account instead of income account.

1.5.3 Investment income

Income on investments is recognised on accrual basis.

1.5.4 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.

1.5.5 Dividend income on shares

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

1.5.6 Interest paid and other expenses (Conventional banking)

In terms of the provision of the Bangladesh Accounting Standard (BAS) - 1 Presentation of Financial Statements, interest paid and other expenses are recognized on accrual basis.

1.5.7 Profit paid on deposits (Islamic banking)

Profit paid to mudaraba deposits are recognized on accrual basis as per provisional rate. However the final profit distributed among the depositors as per **Annexure-F**.

1.6 Reconciliation of inter-bank and inter-branch account

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 material.

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 through establishment of Internal Control and Compliances. 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.

Notes to the Financial Statements for the year ended 31 December, 2005

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, the 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 the credit division. These are (a) Credit Risk Management Unit, (b) Credit Administration Unit and (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/or the Management. Concentration of credit risk management shown in **note -7.4**.

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. Concentration of single borrower/large loan limit shown in **note-7.6**.

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 Bank's 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 the books of account. 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.

1.7.3 Asset liability management

The Asset Liability Committee (ALCO) of the Bank monitors market risk and liquidity risks of the Bank. The market 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 (NII), 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.

Notes to the Financial Statements for the year ended 31 December, 2005

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 Earnings per share

Earnings per share has been calculated in accordance with BAS 33: Earnings Per Share (EPS) which has been shown on the face of profit and loss account. This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year. Previous year's figures have been adjusted for the issue of 4,000,000 Bonus shares (for 2004).

1.9 Information about business and geographical segments

The Bank reports its operations under the following business segments:

- a) Commercial banking comprising the retail and corporate banking operations of the Bank
- b) Investment banking comprising the treasury of the Bank

Inter-segment transactions are generally based on inter-branch fund transfer measures as determined by the management. Income, expenses, assets and liabilities are specifically identified with individual segments. Based on such allocation, segmental balance sheet as on December 31, 2005 and segmental profit & loss account for the year ended December 31, 2005 has been prepared:

Particulars	Consumer and Commercial Banking		Investment Banking	Total
	Conventional	Islamic		
Income	2,013,873,809	287,511,894	638,583,752	2,939,969,455
Less: Inter segment income	-	(42,906,276)	(490,632,368)	(533,538,644)
Total Income	2,013,873,809	244,605,618	147,951,384	2,406,430,811
Operating Profit (Profit before unallocated expenses and tax)	1,194,834,690	199,673,735	125,832,737	1,520,341,162
Unallocated expenses	-	-	-	-
Provision against loans and advances	-	-	-	(319,506,876)
Profit before tax	-	-	-	1,200,834,286
Income tax expenses including deferred tax	-	-	-	632,638,000
Net profit	-	-	-	568,196,286
Segment assets	28,903,698,323	3,844,974,254	8,757,616,190	41,506,288,767
Segment liabilities	28,903,698,323	3,844,974,254	8,757,616,190	41,506,288,767

The full operations of the Bank were in Bangladesh during the year.

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, 2005

3 Cash

3.1 Cash in hand

	2005 Taka	2004 Taka
In local currency	233,076,587	188,023,553
In foreign currency	40,039,292	15,730,028
	<u>273,115,879</u>	<u>203,753,581</u>

3.2 Balance with Bangladesh Bank and its agent bank(s)

In local currency	1,975,221,002	1,180,482,455
In foreign currency	1,077,341,552	835,418,261
	3,052,562,554	2,015,900,716
Sonali Bank as agent of Bangladesh Bank (Local currency)	24,962,421	28,044,924
	<u>3,077,524,975</u>	<u>2,043,945,640</u>

3.3 Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)

Cash Reserve Ratio and Statutory Liquidity Ratio have been calculated and maintained in accordance with section 33 of Bank Companies Act 1991 and BRPD circular no.11 and 12, dated August 25, 2005.

The statutory Cash Reserve Ratio requirement on the Bank's time and demand liabilities at the rate 5% has been calculated and maintained with Bangladesh Bank in current account and 18% Statutory Liquidity Ratio, including CRR, on the same liabilities has also been maintained in the form of treasury bills, bonds and debentures including FC balance with Bangladesh Bank. Both the reserves are maintained by the Bank in excess of the statutory requirements, as shown below:

a) Cash Reserve Ratio		
Required reserve	1,698,348,000	970,600,000
Actual reserve maintained	1,975,221,002	1,251,752,000
Surplus/(Deficit)	276,873,002	281,152,000
b) Statutory Liquidity Reserve		
Required reserve	6,114,053,000	3,882,389,000
Actual reserve maintained	7,173,309,954	4,964,022,000
Surplus/(Deficit)	1,059,256,954	1,081,633,000
Total required reserve	6,114,053,000	3,882,389,000
Total of actual reserve held	<u>7,173,309,954</u>	<u>4,964,022,000</u>
Total Surplus	<u>1,059,256,954</u>	<u>1,081,633,000</u>

4 Balance with other banks and financial institutions

In Bangladesh (note 4.1)	298,576,051	1,399,122,567
Outside Bangladesh (note 4.2)	104,447,788	254,672,510
	<u>403,023,839</u>	<u>1,653,795,077</u>

Notes to the Financial Statements for the year ended 31 December, 2005

4.1 In Bangladesh

Current account

	2005 Taka	2004 Taka
Agrani Bank	(79,949)	965,863
Arab Bangladesh Bank Ltd.	602,709	5,815,182
Islami Bank BD Ltd.	3,644,738	713,062
Janata Bank	866,370	1,198,520
Pubali Bank Ltd.	6,082,983	11,134,932
Rupali Bank Ltd.	5,545,302	951,759
Sonali Bank	5,679,692	1,128,179
Standard Chartered Bank	15,303,011	6,819,609
United Commercial Bank Ltd.	5,670,602	-
Uttara Bank Ltd.	182,452	845,573
	43,497,910	29,572,679

Short-term deposit accounts

Agrani Bank	241,977	237,980
Janata Bank	4,672,246	3,970,035
The Oriental Bank Ltd.	17,501	17,091
	4,931,724	4,225,105

Savings accounts

Bank Al Falah Ltd.	28,836	27,269
Social Investment Bank Ltd.	58,642	55,695
The Oriental Bank Ltd.	14,892	14,370
Al Arafah Islami Bank Ltd.	44,047	41,873
	146,417	139,207

Fixed deposit receipts

Dhaka Bank Ltd.	50,000,000	250,000,000
Dutch Bangla Bank Ltd.	150,000,000	200,000,000
Jamuna Bank Ltd.	-	100,000,000
Mutual Trust Bank Ltd.	-	100,000,000
National Bank of Pakistan	50,000,000	250,000,000
Southeast Bank Ltd.	-	350,000,000
Standard Chartered Bank	-	15,185,575
The Trust Bank Ltd.	-	50,000,000
Standard Bank Ltd.	-	50,000,000
	250,000,000	1,365,185,575
	298,576,051	1,399,122,567

Notes to the Financial Statements for the year ended 31 December, 2005

4.2 Outside Bangladesh (NOSTRO Accounts)

	2005 Taka	2004 Taka
Current account		
American Express Bank Ltd., Frankfurt, Germany	2,125,001	327,838
American Express Bank Ltd., Kolkata, India	10,772,883	33,238,772
American Express Bank Ltd., New York, USA	-	14,003,776
Arab Bangladesh Bank Ltd., Mumbai, India	2,378,660	1,609,306
Banca Nazionale del Lavoro, Rome	2,996,571	152,260
Bank of Bhutan, Bhutan	1,284,944	2,268,555
Bank of Tokyo Mitsubishi Ltd., Japan	893,778	2,717,126
Citibank N.A., India	5,064,410	4,696,437
Citibank N.A., London, UK	-	3,082,250
Citibank N.A., New York, USA	-	11,372,617
Commerzbank AG, Frankfurt, Germany	6,291,983	2,588,398
Commonwealth Bank of Australia	4,726,131	769,637
Credit Suisse (First Boston), Switzerland	3,345,436	795,352
Habib American Bank, New York, USA	12,803,418	1,777,964
HSBC, New York, USA	21,441,132	284,758
HSBC, London, UK	1,756,894	-
HSBC, Karachi, Pakistan	2,159,793	-
ICICI Bank, India	-	76,261,644
Mashreq Bank, New York, USA	12,317,606	14,390,938
National Westminster Bank Plc, London, UK	-	498,955
Nepal Bangladesh Bank Ltd., Nepal	1,877,086	64,216
Peoples Bank, Sri Lanka	481,045	850,300
Rupali Bank Ltd, Karachi, Pakistan	2,774,470	11,886,896
Skandinaviska Enskilda, Banken, Sweden	685,398	28,545
Sonali Bank, Kolkata, India	333,824	114,311
Standard Chartered Bank, Kolkata, India	1,837,304	36,818,276
Standard Chartered Bank, New York, USA	2,039,763	33,673,327
State Bank of India, Kolkata	994,602	11,317
SMBC, Tokyo, Japan	2,832,330	-
The Bank of Nova Scotia, Canada	-	250,612
Unicredito Italiano, Spain	233,326	59,602
Wachovia Bank N.A	-	78,528
(Annexure -A may kindly be seen for details)	104,447,788	254,672,510

4.3 Maturity grouping of balance with other banks and financial institutions

Payable on demand	147,960,340	284,259,111
Up to 1 month	104,931,723	669,410,680
Over 1 month but not more than 3 months	150,131,776	650,125,286
Over 3 months but not more than 1 year	-	50,000,000
Over 1 year but not more than 5 years	-	-
Over 5 years	-	-
	403,023,839	1,653,795,077

Notes to the Financial Statements for the year ended 31 December, 2005

5 Money at call and short notice

	2005 Taka	2004 Taka
Banking company		
Sonali Bank	800,000,000	-
Dhaka Bank Limited	-	70,000,000
Arab Bangladesh Bank Limited	20,000,000	-
Bank Asia Limited	100,000,000	-
National Credit and Commerce Bank Limited	30,000,000	-
HSBC, Bangladesh	50,000,000	-
Commercial Bank of Ceylon Limited	80,000,000	-
	1,080,000,000	70,000,000
Non-Banking Financial institutions		
Investment Corporation of Bangladesh	100,000,000	-
Industrial Promotion and Development Company of Bangladesh Limited	-	200,000,000
Bangladesh Industrial and Finance Company Limited	-	200,000,000
Industrial and Infrastructure Development Finance Company Limited	-	200,000,000
Industrial Development Leasing Company of Bangladesh Limited	-	40,000,000
Phoenix Leasing Company Limited	-	50,000,000
Premier Leasing Company Limited	-	100,000,000
Delta Brac Housing Limited	-	190,000,000
International Leasing and Financial Services Limited	-	130,000,000
	100,000,000	1,110,000,000
	1,180,000,000	1,180,000,000

6 Investments

Government securities

Treasury bills-at face value(note - 6.1)

2 Years Treasury bills

5 Years Treasury bills

1,470,000,000	820,000,000
1,770,000,000	1,770,000,000
3,240,000,000	2,590,000,000

Government bonds

Prize bonds

Government bonds - (note 6.3)

1,623,100	1,164,900
581,046,000	381,046,000
582,669,100	382,210,900
3,822,669,100	2,972,210,900

Other investments

Debentures of HBFC-bearing interest rate @ 5.5% (note 6.4)

DBBL bond (bearing interest rate @10%)

Shares (Annexure -B may kindly be seen for details)

50,000,000	55,000,000
29,000,000	29,000,000
37,825,959	27,601,500
116,825,959	111,601,500
3,939,495,059	3,083,812,400

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

6.2 Maturity grouping of investments

On demand

Up to 1 month

Over 1 month but not more than 3 months

Over 3 months but not more than 1 year

Over 1 year but not more than 5 years

Over 5 years

39,449,059	28,766,400
-	-
400,000,000	-
255,000,000	250,000,000
3,150,046,000	2,750,046,000
95,000,000	55,000,000
3,939,495,059	3,083,812,400

Notes to the Financial Statements for the year ended 31 December, 2005

6.3 Government bonds

Name of the bond	Rate of interest	2005 Taka	2004 Taka
3 years T & T bond	8.40%	10,000,000	10,000,000
3 years T & T bond	8.45%	10,000,000	10,000,000
3 years T & T bond	8.50%	10,000,000	10,000,000
3 years T & T bond	8.48%	10,000,000	10,000,000
3 years T & T bond	8.53%	10,000,000	10,000,000
3 years T & T bond	8.55%	10,000,000	10,000,000
3 years T & T bond	8.58%	10,000,000	10,000,000
3 years T & T bond	8.61%	10,000,000	10,000,000
3 years T & T bond	10.40%	20,000,000	-
3 years T & T bond	10.45%	30,000,000	-
3 years T & T bond	10.48%	50,000,000	-
5 years Bangladesh government treasury bond	7.50%	329,000,000	299,000,000
10 years Bangladesh government treasury bond	8.50%	70,000,000	-
5 years Bangladesh treasury bond (RMG)	5.00%	2,046,000	2,046,000
		581,046,000	381,046,000

6.4 Debentures of Bangladesh House Building Finance Corporation - at redeemable value

Principal	100,000,000	100,000,000
Redeemed up to 31 December 2005	50,000,000	45,000,000
Book value	50,000,000	55,000,000

7 Loans and advances

Inside Bangladesh

Secured overdraft / Quard against TDR	4,634,827,341	3,793,676,461
Cash credit / Murabaha	6,491,931,520	4,627,608,384
Loans (General)	5,453,151,694	2,836,960,176
House building loans	526,543,043	374,413,454
Loans against trust receipt	4,900,217,364	3,905,174,376
Payment against document	556,707,818	1,149,588,088
Consumer credit scheme	983,800,715	676,437,427
Lease finance / Izara (note - 7.2)	1,688,636,741	1,179,999,484
Hire purchase	1,874,623,843	1,289,471,122
Other loans and advances (including Bai-muajjal)	1,884,517,757	1,453,915,279
	28,994,957,836	21,287,244,251

Outside Bangladesh

	-	-
	28,994,957,836	21,287,244,251

Bills purchased and discounted (note-8)

Payable Inside Bangladesh

Inland bills purchased	797,697,365	296,301,020
<i>Payable Outside Bangladesh</i>		
Foreign bills purchased and discounted	2,123,457,307	1,636,128,034
	2,921,154,672	1,932,429,054
	31,916,112,508	23,219,673,305

Notes to the Financial Statements for the year ended 31 December, 2005

7.1 Residual maturity grouping of loans and advances including bills purchased and discounted

	2005 Taka	2004 Taka
Repayable on demand	3,594,690,508	3,793,676,461
Up to 1 month	2,553,289,040	1,697,668,000
Over 1 month but not more than 3 months	6,641,280,900	2,918,452,000
Over 3 months but not more than 1 year	8,579,326,000	7,324,764,000
Over 1 year but not more than 5 years	8,555,428,060	6,476,338,844
Over 5 years	1,992,098,000	1,008,774,000
	<u>31,916,112,508</u>	<u>23,219,673,305</u>

7.2 Investment in lease/Izara finance

Lease rental receivable within 1 year	768,952,311	545,306,974
Lease rental receivable within 5 years	1,489,823,558	929,745,988
Lease rental receivable after 5 years	54,160,485	-
Total lease/Izara rental receivable	2,312,936,354	1,475,052,962
Less: Unearned interest receivable	624,299,613	295,053,478
Net investment in lease/Izara finance	<u>1,688,636,741</u>	<u>1,179,999,484</u>

7.3 Loans and Advances under the following broad categories

Loans	17,868,198,975	12,865,959,405
Cash credit	6,491,931,521	4,627,608,384
Overdraft	4,634,827,340	3,793,676,462
	28,994,957,836	21,287,244,251
Bills purchased and discounted (Note-8)	<u>2,921,154,672</u>	<u>1,932,429,054</u>
	<u>31,916,112,508</u>	<u>23,219,673,305</u>

7.4 Loans and advances on the basis of significant concentration including bills purchased and discounted

a) Loans and advances to Directors of the Bank	-	-
b) Loans and advances to Chief Executive and other senior executives	55,025,000	42,915,000
c) Loans and advances to customers group:		
i) Commercial lending	7,330,975,000	7,345,711,125
ii) Export financing	4,126,461,000	1,960,243,075
iii) House building loan	526,543,043	352,598,000
iv) Consumers credit scheme	983,800,715	646,850,000
v) Small and medium enterprises	342,626,000	491,353,000
vi) Special program loan	-	91,641,000
vii) Staff loan	239,322,508	220,092,000
viii) Other loans and advances	6,015,518,242	3,811,469,065
	19,565,246,508	14,919,957,265
d) Industrial Loan		
i) Agricultural Industries	520,068,000	1,098,591,000
ii) Textile Industries	2,410,340,000	2,238,543,035
iii) Food and allied Industries	1,527,495,000	35,009,000
iv) Pharmaceutical Industries	979,153,000	751,473,000
v) Leather, Chemical, Cosmetics etc.	382,474,000	315,849,000
vi) Tobacco Industries	369,065,000	358,417,000
vii) Cement and Ceramic Industries	518,282,000	397,424,000
viii) Service Industries	584,414,000	225,309,000
ix) Transport and Communication Industries	833,458,000	1,018,603,000
x) Other Industries	4,171,092,000	1,817,583,005
	12,295,841,000	8,256,801,040
Total loans and advances	<u>31,916,112,508</u>	<u>23,219,673,305</u>

Notes to the Financial Statements for the year ended 31 December, 2005

7.5 Geographical location-wise

	2005 Taka	2004 Taka
Inside Bangladesh		
Dhaka Division	22,938,372,710	15,996,450,000
Chittagong Division	5,505,085,872	4,590,325,000
Khulna Division	893,339,495	988,697,500
Sylhet Division	627,280,056	500,601,300
Barisal Division	378,622,998	246,299,505
Rajshahi Division	1,573,411,377	897,300,000
	31,916,112,508	23,219,673,305
Outside Bangladesh	-	-
	31,916,112,508	23,219,673,305

7.6 Detail of large loan

Number of clients with amount of outstanding and classified loans to whom loans and advances sanctioned exceeds 10% (15% for 2004) of total capital of the Bank. Total capital of the Bank was taka 3,177.32 million as at 31 December 2005 (Tk 2,476.06 million in 2004).

Number of clients	50	22
Amount of outstanding advances	23,082,768,000	11,831,857,000
Amount of classified advances	Nil	Nil
Measures taken for recovery	Not applicable	Not applicable

Name of clients	Outstanding (Taka in million)		Total (Taka in million)	Total (Taka in million)
	Funded	Non-funded		
BSA Group	118.52	1,113.45	1,231.97	-
Bay Fishing Corpn Ltd	187.17	654.41	841.57	748.32
Masud & Brothers	212.14	195.90	408.03	511.02
Confidence power group	377.84	127.82	505.66	-
KDS Group	210.20	156.09	366.29	-
Joint venture of China National Machinery Import and Export Corporation Bangladesh and Xuzhou Coal Mining Group	-	518.40	518.40	-
Essential Drugs Co. Ltd	293.74	25.59	319.33	-
Reza Construction Ltd	91.75	236.75	328.50	-
Roshawa Group	119.19	264.39	383.59	-
Ripon Motors & Allied Concern	444.74	116.61	561.35	-
Monico Ltd & Allied Concern	57.23	374.33	431.56	-
City Group	239.85	378.27	618.12	-
Annata Group	33.43	318.56	351.99	-
Biswas Group	191.32	196.26	387.58	-
Eastern Housing Ltd	188.38	141.74	330.13	-
Altex Group	276.39	60.00	336.39	-
Color Master Limited	326.20	165.32	491.52	-
Talha Spinning Mills Ltd	375.74	-	375.74	526.39
Nassa Group	428.51	251.71	680.22	649.90
Birds A & Z Ltd	136.59	187.16	323.75	-
Ayman Group	206.22	286.32	492.54	-
Anwar Trading	261.16	-	261.16	686.06
Legend Group	492.77	0.38	493.14	656.45
DAF Ctg. Accessories Ltd	369.64	165.12	534.76	511.55
Abdul Monem Ltd	154.96	47.46	202.42	423.61
Robintex Group	210.97	156.84	367.81	-
PHP NOF Galvg. Mills Ltd	329.99	100.00	429.99	429.30

Notes to the Financial Statements for the year ended 31 December, 2005

Name of clients	Outstanding (Taka in million)		2005	2004
	Funded	Non-funded	Total (Taka in million)	Total (Taka in million)
Abul Khair Group	482.64	14.28	496.93	491.50
IPDC of Bangladesh	350.00	-	350.00	-
China National Electric Wire & Cable Import & Export	-	576.08	576.08	-
China National Machinery Import and Export Corp.	-	499.80	499.80	-
Square Group	62.96	317.32	380.28	382.73
Pacific Group	70.00	191.60	261.60	600.70
AK Khan Group	98.57	666.20	764.77	601.76
Purbani Group	239.75	315.24	554.99	1,036.37
Rahmat Textiles Ltd	365.88	5.42	371.30	412.87
Rangs Group	367.25	85.59	452.84	-
Popular Diagnostic Group	334.58	72.37	406.94	789.94
A.R. Group	359.36	-	359.36	728.85
HP Group	329.71	65.40	395.11	-
Mir Group	377.02	33.13	410.15	-
One Spinning Mills Ltd	86.64	269.07	355.71	-
Nasir Group	306.36	8.20	314.56	-
Evince Group	598.48	402.37	1,000.85	-
Babylon Group	94.01	326.31	420.31	380.60
Popular Jute Group	602.62	-	602.62	-
Project Builders Ltd	241.47	227.93	469.40	400.06
NRG Spinning Mills Ltd	-	366.95	366.95	-
Aman Group	342.48	9.08	351.56	-
Namnam Group	-	-	-	452.48
The Asia Pacific Refineries Ltd	-	-	-	411.43
Alliance Group	147.11	200.04	347.15	-
	12,191.49	10,891.22	23,082.77	11,831.86

7.7 Particulars of loans and advances

	2005 Taka	2004 Taka
i) Loans considered good in respect of which the Bank is fully secured	20,583,089,044	20,026,655,105
ii) Loans considered good against which the Bank holds no security other than the debtors' personal guarantee	3,087,008,587	2,283,926,125
iii) Loans considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	8,246,014,877	909,092,075
iv) Loans adversely classified; provision not maintained there against	-	-
	31,916,112,508	23,219,673,305
v) Loans due by directors or officers of the banking company or any of them either separately or jointly with any other persons	294,347,508	263,007,000
vi) Loans due from companies or firms in which the directors of the Bank have interest as directors, partners or managing agents or in case of private companies as members	-	-
vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either separately or jointly with any other person.	294,347,508	263,007,000

Notes to the Financial Statements for the year ended 31 December, 2005

	2005	2004
	Taka	Taka
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 have interest as directors, partners or managing agents or in the case of private companies, as members	<u><u>-</u></u>	<u><u>-</u></u>
ix) Due from banking companies		
x) Classified loans and advances		
a) Classified loans and advances on which interest has not been charged	<u>513,534,000</u>	<u>352,730,000</u>
b) Provision on classified loans and advances (for detail see note-13.2)	<u>126,997,334</u>	<u>173,998,919</u>
c) Provision kept against loan classified as bad debts	<u>67,413,000</u>	<u>67,546,000</u>
d) Interest credited to Interest Suspense Account (Note-13.3)	<u>39,304,671</u>	<u>23,081,425</u>
xi) Cumulative amount of written off loan		
Opening Balance	<u>296,063,692</u>	<u>76,036,000</u>
Amount written off during the year	<u>246,479,389</u>	<u>220,027,692</u>
	<u>542,543,081</u>	<u>296,063,692</u>
Amount realised against loan previously written off	<u>380,000</u>	<u>-</u>
The amount of written off loan for which law suits have been filed	<u>449,408,662</u>	<u>296,063,692</u>

7.8 Classification of loans and advances

Unclassified loans and advances (including staff loan)	<u>31,402,578,508</u>	<u>22,866,943,305</u>
Special mention account (SMA)	<u>205,322,000</u>	<u>-</u>
Sub-standard	<u>198,175,000</u>	<u>231,306,000</u>
Doubtful	<u>23,302,000</u>	<u>33,693,000</u>
Bad/Loss	<u>86,735,000</u>	<u>87,731,000</u>
	<u>31,916,112,508</u>	<u>23,219,673,305</u>

7.9 Particulars of required provision for loans and advances

Status	Base for provision	Rate (%)		
General Provision				
Loans and advances (Excluding SMA)	<u>31,402,500,000</u>	<u>*Various</u>	<u>354,562,850</u>	<u>226,039,363</u>
Special mention account(SMA)	<u>203,277,000</u>	<u>5</u>	<u>10,163,850</u>	<u>-</u>
			<u>364,726,700</u>	<u>226,039,363</u>

*General provision is kept @ 1% on general loans and advances and 2% on small enterprise financing and consumer financing.

Status	Base for provision	Rate (%)		
Classified-specific provision				
Sub-standard	<u>159,769,000</u>	<u>20</u>	<u>31,953,800</u>	<u>41,025,800</u>
Doubtful	<u>14,853,000</u>	<u>50</u>	<u>7,426,500</u>	<u>12,766,500</u>
Bad/Loss	<u>67,413,000</u>	<u>100</u>	<u>67,413,000</u>	<u>67,546,000</u>
			<u>106,793,300</u>	<u>121,338,300</u>
Required provision for loans and advances			<u>471,520,000</u>	<u>347,377,663</u>
Total provision maintained (note - 13.2)			<u>491,797,334</u>	<u>405,731,919</u>
Excess/(Short) provision at 31 December 2005			<u>20,277,334</u>	<u>58,354,256</u>

Notes to the Financial Statements for the year ended 31 December, 2005

8 Bills purchased and discounted

	2005 Taka	2004 Taka
Payable in Bangladesh	797,697,365	296,301,020
Payable outside Bangladesh	2,123,457,307	1,636,128,034
	<u>2,921,154,672</u>	<u>1,932,429,054</u>

8.1 Maturity grouping of bills purchased and discounted

Payable within one month	1,107,871,672	493,197,406
Over one month but less than three months	1,442,051,000	847,460,749
Over three months but less than six months	358,546,000	586,177,899
Six months or more	12,686,000	5,593,000
	<u>2,921,154,672</u>	<u>1,932,429,054</u>

9 Fixed assets including premises, furniture and fixtures

Cost		
Land	49,058,380	49,058,380
Building	9,994,524	9,794,524
Furniture and fixtures	229,847,944	179,555,873
Office equipment and machinery	249,888,505	208,278,132
Bank's vehicles	39,960,648	33,925,571
Library books	802,493	688,565
	<u>579,552,493</u>	<u>481,301,045</u>
Less: Accumulated depreciation	207,434,176	159,619,405
Net book value at the end of the year (See Annexure-C for details)	<u>372,118,317</u>	<u>321,681,640</u>

10 Other assets

Stationery and stamps	11,999,015	13,229,391
Income receivable(note-10.1)	42,887,160	45,742,452
Advance deposits and advance rent	59,028,229	52,573,923
Branch adjustments accounts (note-10.2)	41,164,515	159,822,581
Suspense account (note -10.3)	6,940,365	10,410,282
Encashment of PSP/BSP	82,668,500	49,779,373
Interest accrued on treasury bills, bond etc.	8,291,600	286,074,807
Credit card	38,364,537	18,100,845
Sundry assets (note -10.4)	49,041,492	5,800,601
Leased assets -net off accumulated depreciation (see Annexure -C)	4,512,777	13,420,890
	<u>344,898,190</u>	<u>654,955,145</u>

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

10.2 Branch adjustments account represents outstanding Inter-branch and Head Office transactions (Net) originated but yet to be responded by the balance sheet date. However, the unrespondent entries of 31.12.2005 (position as of 12.02.2006) are given below:

	Number of Unrespondent entries		Unrespondent entries (Amount-Taka)	
	Dr	Cr	Dr	Cr
Up to 3 months	55	127	2,364,685	9,619,165
Over 3 months but within 6 months	-	-	-	-
Over 6 months but within 1 year	-	-	-	-
Over 1 year but within 5 years	-	-	-	-
	<u>55</u>	<u>127</u>	<u>2,364,685</u>	<u>9,619,165</u>

Notes to the Financial Statements for the year ended 31 December, 2005

10.3 Suspense account includes amount paid against opening of proposed branches, advance against TA/ DA, suspense others etc.

10.4 Sundry assets include sundry prepaid payments including payment to Temenos, demand draft paid without advice, clearing adjustments account etc.

11 Borrowings from other banks, financial institutions and agents

	2005	2004
	Taka	Taka
In Bangladesh (Note-11.1)	783,734,000	383,734,000
Outside Bangladesh (Note-11.2)	161,635,978	-
	945,369,978	383,734,000

11.1 In Bangladesh

Bangladesh Bank (Islami investment bond's fund)	100,000,000	-
Refinance against export credit from Bangladesh Bank	383,734,000	383,734,000
Call loan from BASIC Bank	300,000,000	-
Total	783,734,000	383,734,000

11.2 Outside Bangladesh

American Express Bank Ltd., New York, USA	75,304,949	-
Citibank N.A., London, UK	1,481,775	-
Citibank N.A., New York, USA	63,361,742	-
ICICI Bank, India	19,332,979	-
National Westminster Bank, London, UK	1,621,982	-
The Bank of Nova Scotia, Canada	11,566	-
Wachovia Bank N.A	520,985	-
(Annexure-A.1 may kindly be seen for details)	161,635,978	-

11.3 Security against borrowings from other banks, financial institutions and agents

Secured (Bill of Exchange and DP note)	100,000,000	-
Unsecured	845,369,978	383,734,000
	945,369,978	383,734,000

11.4 Maturity grouping of borrowings from other banks, financial institutions and agents

Payable on demand	461,635,978	-
Up to 1 month	383,734,000	-
Over 1 month but within 3 months	-	-
Over 3 months but within 1 year	100,000,000	-
Over 1 year but within 5 years	-	383,734,000
Over 5 years	-	-
	945,369,978	383,734,000

12 Deposit and other accounts

Inter-bank deposits	816,674,000	1,503,576,000
Other deposits	35,205,781.081	26,565,666.650
	36,022,455.081	28,069,242.650

Notes to the Financial Statements for the year ended 31 December, 2005

12.1 Deposits and other accounts

	2005 Taka	2004 Taka
Current deposits and other accounts		
Current/Al-wadeeah current deposits	2,079,852,777	1,831,572,648
Foreign currency deposits	654,160,167	499,180,599
Security deposits receipts	165,206,233	123,621,946
Sundry deposits (note - 12.2)	3,046,133,373	2,454,607,542
	5,945,352,550	4,908,982,735
Bills payable		
Pay orders issued	637,811,162	423,958,361
Pay slips issued	8,453,803	3,318,127
Demand draft	22,229,070	26,349,023
T. T. payable	-	13,600
Traveler's cheque issued	-	923
	668,494,035	453,640,033
Savings bank /Mudaraba savings deposits		
	3,493,363,190	3,578,930,185
Fixed deposits		
Fixed deposits / Mudaraba fixed deposits	18,782,529,296	12,835,861,435
Short term deposits	1,776,630,593	1,966,040,464
Non resident taka deposits	2,696,201	2,391,701
Scheme deposits	5,353,389,216	4,323,396,096
	25,915,245,306	19,127,689,696
	36,022,455,081	28,069,242,650

12.2 Sundry deposits

F.C. held against back to back L/C	975,348,270	737,357,773
Sundry creditors	55,588,322	174,270,645
Risk fund and service charges (CCS and lease finance)	19,231,431	16,277,319
Sale proceeds of PSP/BSP	55,157,150	56,275,263
Margin on Letters of guarantee	282,054,862	261,596,045
Margin on Letters of credit	780,586,100	588,405,832
Margin on FDBP/ IBP, export bills etc	66,652,617	55,746,478
Lease deposits	66,131,933	70,669,864
Interest on EDF loan	22,343,503	24,465,946
Interest/ profit payable on deposits	557,502,074	338,106,103
Dues to government agencies	51,688,094	34,418,464
Others	113,849,017	97,017,810
	3,046,133,373	2,454,607,542

12.3 Maturity analysis of inter-bank deposits

Payable on demand	496,641,000	-
Up to 1 month	260,033,000	803,576,000
Over 1 month but within 3 months	60,000,000	700,000,000
Over 3 months but within 1 year	-	-
Over 1 year but within 5 years	-	-
Over 5 years but within 10 years	-	-
Over 10 years	-	-
	816,674,000	1,503,576,000

Notes to the Financial Statements for the year ended 31 December, 2005

12.4 Maturity analysis of other deposits

	2005 Taka	2004 Taka
Payable on demand	4,757,921,046	5,243,505,967
Up to 1 month	3,948,972,000	3,441,813,650
Over 1 month but within 3 months	7,310,668,000	4,965,335,000
Over 3 months but within 1 year	8,450,629,000	6,900,321,000
Over 1 year but within 5 years	5,878,352,000	3,229,234,000
Over 5 years but within 10 years	4,190,704,021	2,331,817,000
Over 10 years	40,979	-
	<u>34,537,287,046</u>	<u>26,112,026,617</u>

Maturity analysis of other accounts(bills payable)

Payable on demand	668,494,035	453,640,033
Up to 1 month	-	-
Over 1 month but within 3 months	-	-
Over 3 months but within 1 year	-	-
Over 1 year but within 5 years	-	-
Over 5 years but within 10 years	-	-
Over 10 years	-	-
	<u>668,494,035</u>	<u>453,640,033</u>
	<u>35,205,781,081</u>	<u>26,565,666,650</u>

13 Other Liabilities

Foreign currency held against L/Cs	172,625,878	128,422,900
Exchange equalization account (note - 13.4)	4,523,326	4,523,326
Expenditure and other payables	34,849,300	22,931,908
Provision for bonus	84,439,200	84,739,467
Exigency fund	5,645,100	5,645,100
Provision for income tax (note - 13.1)	493,448,252	288,569,460
Credit card	(30,891,896)	1,989,484
Unearned interest on treasury bills / bond	342,930,044	684,000,565
Provision for gratuity	50,000,000	-
Fund for PBF and WF	31,721,538	-
Accumulated provision for loans and advances (note - 13.2)	491,797,334	405,731,919
Interest suspense account (note - 13.3)	39,304,671	23,081,425
Other provision (note - 13.5)	5,500,000	5,500,000
Obligation under finance lease (note - 13.6)	4,572,763	13,702,672
Total	<u>1,730,465,510</u>	<u>1,668,838,226</u>

13.1 Provision for income tax

Advance tax		
Balance of advance income tax on 1 January	1,251,255,142	1,034,813,706
Paid during the year	555,904,900	319,754,341
Settlement for previous years	(128,145,692)	(103,312,905)
	1,679,014,350	1,251,255,142
Provision		
Balance of provision on 1 January	1,539,824,602	1,190,837,507
Provision of previous year	128,145,692	-
Provision made during the year		
Current tax	557,500,000	452,300,000
Deferred tax (note-13.1a)	75,138,000	-
Settlement for previous years	(128,145,692)	(103,312,905)
	<u>2,172,462,602</u>	<u>1,539,824,602</u>
Net balances at 31 December	<u>493,448,252</u>	<u>288,569,460</u>

* Corporate tax position of the bank is shown in **annexure-D**

Notes to the Financial Statements for the year ended 31 December, 2005

13.1a Deferred tax liability

	2005	2004
	Taka	Taka
Deferred tax assets		
Opening balance as on January 01,2005	-	-
Add: Addition during the year	208,356	-
Closing balance as on December 31,2005	208,356	-
Deferred tax liability		
Opening balance as on January 01,2005	-	-
Add: Addition during the year	75,346,356	-
Closing balance as on 31 December 2005	75,346,356	-
Deferred tax	75,138,000	-

13.2 Accumulated provision for loans and advances

Movement in specific provision on classified loans:

Provision held at the beginning of the year	173,998,919	249,443,700
Less: Fully provided debts written off during the year	(233,821,461)	(95,844,781)
Add: Recoveries of amounts previously written off	380,000	-
Add: Specific provision made during the year for other accounts	-	-
Less: Recoveries and provision no longer required	-	-
Add: Net charge to profit and loss account	186,439,876	20,400,000
Provision held at the end of the year	126,997,334	173,998,919

Movement in general provision on unclassified loans

Provision held at the beginning of the year	231,733,000	171,733,000
Add: General provision made during the year	133,067,000	60,000,000
Provision held at the end of the year	364,800,000	231,733,000
	491,797,334	405,731,919

13.3 Interest suspense account

Balance at the beginning of the year	23,081,425	27,081,802
Add: Amount transferred to "interest suspense" account during the year	46,795,174	20,208,623
Less: Amount recovered from "interest suspense" account during the year	(17,914,000)	(7,503,000)
Less: Amount written-off during the year	(12,657,928)	(16,706,000)
Balance at the end of the year	39,304,671	23,081,425

Notes to the Financial Statements for the year ended 31 December, 2005

13.4 Exchange equalization account

Balance as on 1 January	4,523,326	4,523,326
Add: Addition during the year	-	-
	<u>4,523,326</u>	<u>4,523,326</u>

13.5 Other provision (classified assets)

Balance as on 1 January	5,500,000	4,000,000
Add: Addition during the year	-	1,500,000
	<u>5,500,000</u>	<u>5,500,000</u>

13.6 Obligation under finance lease

	2005 Taka	2004 Taka
Minimum lease rental payable		
Within 1 year	2,467,560	5,962,359
Above 1 year but within 5 years	2,742,196	11,007,432
	<u>5,209,756</u>	<u>16,969,791</u>
Less: Finance charges payable	636,993	3,267,119
Obligation under finance lease	<u>4,572,763</u>	<u>13,702,672</u>

14 Share capital

14.1 Authorized capital

40,000,000 ordinary shares of Taka. 100.00 each	<u>4,000,000,000</u>	<u>1,000,000,000</u>
---	----------------------	----------------------

The Bank increased its authorized capital from Taka 1000.00 million to Taka 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.

14.2 Issued, subscribed and fully paid up capital:

3,000,000 ordinary shares of Taka 100.00 each issued for cash	300,000,000	300,000,000
11,000,000 ordinary shares of Taka 100.00 each issued as bonus shares	1,100,000,000	700,000,000
	<u>1,400,000,000</u>	<u>1,000,000,000</u>

14.3 Initial public offer (IPO)

Out of the total issued, subscribed and fully paid up capital of the Bank 2,000,000 ordinary shares of Taka 100.00 each amounting to Taka 200,000,000 was raised through public offering of shares in 1999.

Notes to the Financial Statements for the year ended 31 December, 2005

14.4 Capital adequacy ratio

In terms of section 13(2) of the Bank Companies Act 1991 and Bangladesh Bank BRPD circulars no. 01,14 and 10, dated January 08, 1996, November 16,1996 and November 25, 2002 respectively, required capital of the Bank at the close of business on 31 December 2005 was Taka 2,870,136,180 as against available core capital of Taka 2,807,998,198 and supplementary capital of Taka 369,323,326, making a total of Taka 3,177,321,524 thereby showing a surplus capital/equity of Taka 307,185,344 at that date. Details are shown below:

Core capital(Tier-I)			
Paid up capital	1,400,000,000	1,000,000,000	
Proposed issue of bonus share	-	400,000,000	
Statutory reserve(note-15)	1,055,977,985	815,811,128	
Surplus in profit and loss account/Retained earnings (note-16)	352,020,213	23,990,784	
	2,807,998,198	2,239,801,912	
Supplementary capital (Tier-II)			
1% General provision (note-13.2)	364,800,000	231,733,000	
Exchange equalization (note-13.4)	4,523,326	4,523,326	
	369,323,326	236,256,326	
A) Total capital	3,177,321,524	2,476,058,238	
Total assets including off-balance sheet items	65,189,372,129	53,091,201,520	
B) Total risk weighted assets	31,890,402,000	23,050,344,000	
C) Required capital based on risk weighted assets (9% on B)	2,870,136,180	2,074,530,960	
D) Surplus (A-C)	307,185,344	401,527,278	
Capital adequacy ratio	9.96%	10.74%	

Capital requirement	2005		2004	
	Required	Held	Required	Held
Tier - I	4.50%	8.80%	4.50%	9.72%
Tier - II	4.50%	1.16%	4.50%	1.02%
Total	9.00%	9.96%	9.00%	10.74%

14.5 Percentage of shareholdings at the closing date

Particulars	Amount (Taka)			
	2005	2004	2005	2004
Sponsors	607,533,300	434,406,700	43.40%	43.44%
Financial institutions	176,378,300	150,497,000	12.60%	15.05%
Foreign investors	12,715,000	12,715,000	0.91%	1.27%
Non- resident Bangladeshi	384,900	537,100	0.03%	0.05%
General public	602,988,500	401,844,200	43.07%	40.18%
	1,400,000,000	1,000,000,000	100.00%	100.00%

Notes to the Financial Statements for the year ended 31 December, 2005

14.6 Shareholding range on the basis of shareholdings at 31 December 2005

Shareholding range	Number of share holders	Shares	Percentage
01 - 500	3,511	424,771	3.03%
501 - 5,000	696	952,479	6.80%
5,001 - 10,000	50	346,333	2.47%
10,001 - 20,000	35	497,736	3.56%
20,001 - 30,000	19	483,703	3.46%
30,001 - 40,000	23	797,763	5.70%
40,001 - 50,000	11	507,300	3.62%
50,001 - 100,000	23	1,740,428	12.43%
100,001 - 1,000,000	36	8,249,487	58.92%
1,000,000 and over	-	-	-
	4,404	14,000,000	100.00%

15 Statutory reserve

	2005 Taka	2004 Taka
Balance on 1 January	815,811,128	602,907,103
Add: Addition during the year (20% of pre-tax profit)	240,166,857	212,904,025
Balance at 31 December	1,055,977,985	815,811,128

16 Retained earnings/Movement of Profit and Loss Account

Balance on 1 January	23,990,784	24,956,465
Add: Addition during the year	568,196,286	611,938,344
Less: Transfer to statutory reserve	(240,166,857)	(212,904,025)
Less: Issue of bonus shares	-	(400,000,000)
Balance at 31 December	352,020,213	23,990,784

17 Contingent liabilities

17.1 Letters of guarantee

	2005 Taka	2004 Taka
Letters of guarantee (Local)	4,534,852,583	3,811,210,946
Letters of guarantee (Foreign)	1,244,659,900	880,041,302
Foreign counter guarantees	2,840,279,855	2,723,865,368
	8,619,792,338	7,415,117,616
Less: Margin	(282,054,862)	(233,620,406)
	8,337,737,476	7,181,497,210

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

Directors or officers	667,000	-
Government	4,348,204,000	4,215,080,216
Banks and other financial institutions	1,975,000	-
Others	4,268,946,338	3,200,037,400
	8,619,792,338	7,415,117,616
Less: Margins	(282,054,862)	(233,620,406)
	8,337,737,476	7,181,497,210

17.2 Irrevocable Letters of Credit

Letters of credit (Inland)	246,294,000	265,318,500
Letters of credit (General)	7,099,669,280	8,205,865,566
Back to back L/C	2,109,963,500	929,850,041
Back to back bills	2,736,804,000	2,152,139,500
Back to back bills (EDF)	74,002,000	95,166,000
Bank's liabilities PAD (DEF)	2,665,878,500	1,042,451,300
	14,932,611,280	12,690,790,907
Less: Margin	(780,586,100)	-
	14,152,025,180	12,690,790,907

Notes to the Financial Statements for the year ended 31 December, 2005

17.3 Bills for collection

	2005	2004
	Taka	Taka
Outward local bills for collection	67,113,131	26,339,995
Outward foreign bills for collection	554,091,000	321,390,000
Inward local bills for collection	53,360,000	49,276,862
Inward foreign bills for collection	-	598,000
	674,564,131	397,604,857
Less: Margins	(64,454,785)	-
	<u>610,109,346</u>	<u>397,604,857</u>

17.4 Litigation filed by the Bank

Head Office	4,304,611	2,316,272
Motijheel Branch	67,178,193	84,281,902
Elephant Road Branch	1,007,487	1,281,986
Mouchak Branch	564,475	-
Khatunganj Branch	273,500	-
Agrabad Branch	1,815,299	1,272,290
Khulna Branch	59,763,912	13,617,609
IBB, Dilkusha Branch	26,969,420	22,510,687
Moulvibazar Branch	98,404,149	-
Mohakhali Branch	4,964,814	4,964,813
Kawran Bazar Branch	51,902,144	36,647,142
Uttara Branch	15,392,397	3,714,388
Jublee Road Branch	2,963,674	897,000
IBB, Amberkhana Branch	205,520	-
Sylhet Branch	294,264	296,263
Gulshan Branch	89,978,000	89,978,000
Dhanmondi Branch	170,124	-
Narayanganj Branch	339,825	118,148
Barishal Branch	589,069	-
Bogra Branch	80,211	-
Jessore Branch	12,706,268	-
New Eskaton Branch	9,001,632	-
Banani Branch	199,000	-
Court Road Branch	340,674	-
	<u>449,408,662</u>	<u>261,896,500</u>

18 Income statement

Income:

Interest, discount and similar income (note-18.1)	3,705,012,942	2,837,010,916
Dividend income (note-21)	26,087	49,441
Fees, commission and brokerage (note-18.2)	322,552,486	270,771,163
Gains <i>less</i> losses arising from dealing in securities	-	1,114,751
Gains <i>less</i> losses arising from investment securities	-	-
Gains <i>less</i> losses arising from dealing in foreign currencies (note-22.1)	404,835,342	316,024,325
Income from non-banking assets	-	-
Other operating income (note-23)	245,013,557	161,579,005
Profit <i>less</i> losses on interest rate changes	-	-
	4,677,440,414	3,586,549,602

Expenses:

Interest, fees and commission (note-20)	2,271,009,603	1,616,184,117
Losses on loans and advances	-	109,600,000
Administrative expenses (note-18.3)	671,676,311	521,236,590
Other operating expenses (note-33)	161,993,936	149,574,449
Depreciation on banking assets (note-32)	52,419,402	43,816,102
	<u>3,157,099,252</u>	<u>2,440,411,258</u>
	<u>1,520,341,162</u>	<u>1,146,138,344</u>

Notes to the Financial Statements for the year ended 31 December, 2005

18.1 Interest, discount and similar income

	2005 Taka	2004 Taka
Interest income/Profit on investment (note-19)	3,445,519,545	2,640,910,158
Investment on treasury bills/Reverse REPO/Bonds (note-21)	256,605,897	193,214,307
Interest on debentures (note-21)	2,887,500	2,886,452
	<u><u>3,705,012,942</u></u>	<u><u>2,837,010,916</u></u>

18.2 Fees, commission and brokerage

Commission (note-22)	322,492,787	270,752,695
Brokerage (note-22)	59,699	18,469
	<u><u>322,552,486</u></u>	<u><u>270,771,163</u></u>

18.3 Administrative expenses

Salary and allowances (note-24)	464,213,203	344,290,389
Rent, taxes, insurance, electricity etc. (note-25)	92,755,716	79,672,340
Legal expenses (note-26)	6,608,091	5,304,385
Postage, stamp, telecommunication etc. (note-27)	36,525,073	30,887,370
Stationery, printings, advertisement etc. (note-28)	54,154,447	44,528,648
Managing Director's salary and fees (note-29)	5,164,000	5,136,936
Directors' fees (note-30)	1,281,499	2,520,000
Auditors' fees	418,000	400,000
Repair of Bank's assets (note-32)	10,556,281	8,496,522
	<u><u>671,676,311</u></u>	<u><u>521,236,590</u></u>

19 Interest / investment income

Loans (General) / Musharaka	473,625,312	286,986,606
Loans against imported merchandise / Murabaha	174,014,469	69,248,208
Loans against trust receipts	571,028,415	393,768,304
Packing credit	14,968,640	13,924,865
Interest on EDF	13,068,514	5,753,031
House building loan	55,761,056	65,493,844
Lease finance /Izara	178,712,212	195,861,418
Hire purchase	203,835,586	143,477,671
Payment against documents	115,024,227	118,747,004
Cash credit / Bai-Muajjal	586,534,511	443,507,915
Secured overdraft	480,212,199	400,147,316
Consumer credit scheme / Hire purchase	109,266,010	78,981,325
Staff loan	11,696,594	9,432,103
Documentary bills purchased	254,611,172	232,980,809
Interest income from credit card	32,028,021	31,941,885
Other loans and advances / Investments	344,213	45
Total interest on loans and advances	3,274,731,151	2,490,252,349
Interest/profit on balance with other banks and financial institutions	45,526,431	93,785,147
Interest/profit on call loans	82,296,101	45,623,358
Interest / profit received from foreign banks	42,965,862	11,249,303
	<u><u>3,445,519,545</u></u>	<u><u>2,640,910,158</u></u>

Notes to the Financial Statements for the year ended 31 December, 2005

20 Interest / profit paid on deposits and borrowings etc

	2005 Taka	2004 Taka
a) Interest/profit paid on deposits;		
Savings bank /Mudaraba savings deposits	172,019,617	156,195,947
Short term deposits	70,932,938	81,804,147
Fixed deposits / Mudaraba term deposits	1,467,261,673	857,811,721
Bearer certificate of deposits	-	43,699
Deposits under scheme	506,129,656	473,761,942
Call deposits	11,695,752	9,423,569
Repurchase agreement (REPO)	6,708,213	5,123,599
Others (Note-20.1)	7,560,976	1,667,094
b) Interest/profit paid on local bank accounts	27,024,040	29,817,198
c) Interest/profit paid on foreign bank accounts	1,676,738	535,201
	<u>2,271,009,603</u>	<u>1,616,184,117</u>

20.1 Others

Interest paid on F.C	2,935,044	501,599
Interest paid on N.F.C.D	2,476,311	831,387
Interest / profit paid on R. F.C.D	2,149,621	334,108
	<u>7,560,976</u>	<u>1,667,094</u>

21 Investment income

Interest on treasury bills/Reverse REPO/Bonds	256,605,897	193,214,307
Interest on debentures	2,887,500	2,886,452
Dividend on shares	26,087	49,441
	<u>259,519,484</u>	<u>196,150,200</u>

22 Commission, exchange and brokerage

Commission on L/Cs	201,690,717	175,510,004
Commission on L/Gs	57,193,447	50,564,330
Commission on export bills	7,425,500	6,172,935
Commission on bills purchased	1,824,794	1,279,057
Commission on accepted bills	19,201,107	10,096,131
Commission on OBC, IBC etc.	3,262,877	2,369,390
Commission on PO, DD, TT, TC etc.	10,611,260	8,776,186
Commission for services rendered to issue of shares	4,511,985	1,097,658
Other commission	16,771,100	14,887,004
	<u>322,492,787</u>	<u>270,752,695</u>
Exchange gain (note - 22.1) - including gain from FC dealings	404,835,342	316,024,325
Brokerage	59,699	18,469
	<u>727,387,828</u>	<u>586,795,488</u>

22.1 Exchange gain

Exchange gain	417,907,817	317,968,410
Less: Exchange loss	(13,072,475)	(1,944,085)
	<u>404,835,342</u>	<u>316,024,325</u>

Notes to the Financial Statements for the year ended 31 December, 2005

23 Other operating income

	2005 Taka	2004 Taka
Income from merchant banking	1,113,033	357,074
Rent recovered	933,100	696,270
Service and other charges	13,469,890	8,644,280
Credit card income (Note-23.2)	44,478,662	33,660,981
Postage / telex /SWIFT/ fax recoveries	38,622,374	34,024,410
Incidental charges	48,152,341	21,806,122
Foreign correspondent charges	72,950	581,040
Gain from sale of treasury bond	-	1,114,751
Gain from sale of fixed assets	977,873	-
Miscellaneous earnings (Note-23.1)	97,193,334	61,808,829
	<u>245,013,557</u>	<u>162,693,756</u>

23.1 Miscellaneous earnings include syndication fee, service charges, recovery of bank charges etc.

23.2 Credit card income

Annual fees	16,762,978	11,984,599
Late payment fees	5,808,884	4,415,793
Inter-change, mark-up, excess limit, cash advance fees etc.	10,995,655	7,991,503
Others	10,911,145	9,269,085
	<u>44,478,662</u>	<u>33,660,981</u>

24 Salaries and allowances

Basic pay	153,161,939	116,796,644
Allowances	138,405,121	116,197,787
Bonus	103,244,625	97,195,000
Bank's contribution to provident fund	13,990,273	10,859,183
Retirement benefits and gratuity	55,411,245	3,241,775
	<u>464,213,203</u>	<u>344,290,389</u>

25 Rent, taxes, insurance, electricity etc.

Rent, rate and taxes	54,354,122	46,886,700
Insurance	18,696,404	16,427,220
Power and electricity	19,705,190	16,358,420
	<u>92,755,716</u>	<u>79,672,340</u>

26 Legal expenses

Legal expenses	4,530,291	2,576,945
Other professional charges	2,077,800	2,727,440
	<u>6,608,091</u>	<u>5,304,385</u>

27 Postage, stamps, telecommunication etc.

Postage	5,125,544	4,567,686
Telegram, telex, fax and e-mail	15,317,069	12,052,411
Telephone - office	15,029,742	13,336,128
Telephone - residence	1,052,718	931,145
	<u>36,525,073</u>	<u>30,887,370</u>

Notes to the Financial Statements for the year ended 31 December, 2005

28 Stationery, printing and advertisements etc.

	2005 Taka	2004 Taka
Office and security stationery	15,249,393	12,861,667
Computer consumable stationery	8,560,037	8,528,785
Publicity and advertisement	30,345,017	23,138,196
	<u>54,154,447</u>	<u>44,528,648</u>

29 Managing Director's salary and fees

Basic salary	1,920,000	1,904,516
Bonus	1,600,000	1,600,000
House rent allowance	840,000	833,226
Utility allowance	300,000	298,387
House maintenance allowance	504,000	500,807
	<u>5,164,000</u>	<u>5,136,936</u>

30 Directors' fees

Meeting fees	905,000	2,520,000
Other benefits	376,499	-
	<u>1,281,499</u>	<u>2,520,000</u>

Each Director is paid Tk.2,500/- per meeting per attendance.

31 Charges on loan losses

Loan -written off	-	109,600,000
Interest waived	-	-
	<u>-</u>	<u>109,600,000</u>

32 Depreciation and repair of Bank's assets

Depreciation - (see annexure C for details)

Fixed assets	50,143,909	40,460,880
Leased assets	2,275,494	3,355,222
	<u>52,419,403</u>	<u>43,816,102</u>

Repairs

Building	991,088	552,402
Furniture and fixtures	2,656,221	2,291,565
Office equipment	3,936,798	3,179,357
Bank's vehicles	1,788,451	1,502,369
Maintenance	1,183,723	970,829
	<u>10,556,281</u>	<u>8,496,522</u>
	<u>62,975,684</u>	<u>52,312,624</u>

Notes to the Financial Statements for the year ended 31 December, 2005

33 Other expenses

	2005 Taka	2004 Taka
Security and cleaning	21,971,607	20,856,078
Entertainment	13,946,635	14,646,652
Car expenses	30,684,254	25,721,999
Books, magazines & newspapers etc.	665,812	638,159
Liveries and uniforms	113,490	67,629
Medical expenses	202,149	1,449,359
Bank charges and commission paid	1,708,807	996,697
Loss on sale of fixed assets	1,884,303	1,544,708
Finance charge for lease assets	1,140,996	1,971,633
Subscription to institutions	8,912,946	8,435,571
Donations	1,080,100	7,223,156
Traveling expenses	6,565,373	8,818,105
Expenses for merchant banking	2,183,040	166,611
Local conveyance, labour etc.	3,882,506	3,188,972
Business development	7,123,851	1,950,329
Training and internship	3,065,309	3,083,902
Remittance charges	1,988,407	1,184,712
Laundry, cleaning and photographs etc.	2,134,342	1,701,158
Credit card expenses	14,262,626	10,867,651
Welfare fund	1,982,596	2,196,000
Prime Bank Foundation Fund	29,738,943	27,300,000
Miscellaneous expenses	6,755,844	5,565,367
	<u>161,993,936</u>	<u>149,574,449</u>

34 Provision for loan

Provision for bad and doubtful loans and advances	186,439,876	20,400,000
Provision for unclassified loans and advances	133,067,000	60,000,000
	<u>319,506,876</u>	<u>80,400,000</u>

35 Receipts from other operating activities

Income from merchant banking operation	1,113,033	357,074
Rent recovered	933,100	696,270
Service and other charges	13,469,890	8,644,280
Credit card income	44,478,662	33,660,981
Postage/Telex/Fax/Swift charge recoveries	38,622,374	34,024,410
Incidental charges	48,152,342	21,806,122
Foreign correspondent charges	72,950	581,040
Gain from sale of treasury bond	-	1,114,751
Miscellaneous earnings	97,193,334	61,808,829
	<u>244,035,685</u>	<u>162,693,757</u>

Notes to the Financial Statements for the year ended 31 December, 2005

36 Payments for other operating activities

	2005 Taka	2004 Taka
Rent, rates and taxes	92,755,716	79,672,340
Legal expenses	7,026,091	5,704,385
Postage and communication charges etc	36,525,073	30,887,370
Directors' fees	1,281,499	2,520,000
Finance charges for leased assets	1,140,996	1,971,633
Donations and subscriptions	9,993,046	15,658,727
Conveyance and traveling expenses etc	10,447,879	12,007,077
Business development expenses	7,123,850	1,950,329
Training, internship expenses	3,065,309	3,083,902
Remittance charges	1,988,407	1,184,712
Miscellaneous expenses	50,516,012	14,232,540
	<u>221,863,878</u>	<u>168,873,015</u>

37 Increase/decrease of other assets

T & T bonds and DBBL bond	610,046,000	410,046,000
Stationery and stamps	11,999,016	13,229,391
Income receivable	42,887,160	45,742,452
Advance deposits and advance rent	59,028,229	52,573,923
Branch adjustment account	41,164,515	159,822,581
Suspense account	6,940,365	10,410,282
Encashment of PSP/BSP	82,668,500	49,779,373
Accrued interest on investment	8,291,600	286,074,807
Credit card	38,364,537	18,100,845
Sundry assets	49,041,492	5,800,602
	<u>950,431,414</u>	<u>1,051,580,256</u>
Increase/decrease during the year	<u>101,148,842</u>	<u>(296,081,266)</u>

38 Increase/decrease of other liabilities

F.C. held against EDF L/C	172,625,878	128,422,900
Exchange equalization fund	4,523,326	4,523,326
Expenditure and other payables	34,849,300	22,931,908
Provision for bonus	84,439,200	84,739,467
Exigency fund	5,645,100	5,645,100
Credit card	(30,891,896)	1,989,484
Unearned interest receivable on treasury bills and bonds	342,930,044	684,000,566
Provision for loans and advances	382,730,334	405,731,919
Interest Suspense Account	39,304,671	23,081,425
	<u>1,036,155,957</u>	<u>1,361,066,095</u>
Increase /decrease during the year	<u>(324,910,138)</u>	<u>(69,412,545)</u>

39 Earning per share (EPS)

Net profit after tax (Numerator)	<u>568,196,286</u>	<u>611,938,344</u>
Number of ordinary shares outstanding (Denominator)	<u>14,000,000</u>	<u>14,000,000</u>
Earning per share (EPS)	<u>40.59</u>	<u>43.71</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 4,000,000 bonus shares (for 2004) during the year.

Notes to the Financial Statements for the year ended 31 December, 2005

40 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 1,024.

41 Audit committee

a. Particulars of audit committee

Pursuant to the BRPD Circular no. 12 dated 23.12.2002, the Audit Committee of the Board of Directors consisted of the following 03 (three) members of the Board:

Name	Status with Bank	Status with Committee	Educational Qualification
Qazi Saleemul Huq	Chairman	Chairman	MBA, IBA, Dhaka University
Capt. Imam Anwar Hossain	Director	Member	Graduation from Jaldia Marine Academy
Mrs. Mahanur Ummel Ara	Director	Member	Graduate

b. Meetings held by audit committee with senior management to consider and review the Bank's Financial Statements:

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

Number of meetings held by the committee during the year

17th Committee Meeting held on 16.02.2005
 18th Committee Meeting held on 23.02.2005
 19th Committee Meeting held on 15.05.2005
 20th Committee Meeting held on 14.09.2005
 21th Committee Meeting held on 12.12.2005

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 its report regularly to the Board of Directors of the Bank mentioning its review and recommendations on internal control system, compliance of rules and regulations and establishment of good governance within the organization.

42 Related Party Disclosures

i) Particulars of Directors of the Bank as on 31 December 2005

Sl. no.	Name of the persons	Designation	Present Address	% of shares as on 31.12.05
1	Qazi Saleemul Huq	Chairman	GQ Building 331/2 Tajuddin Ahmed Road Bara Moghbazar, Dhaka	0.28
2	Mrs. Nazma Haque	Vice-Chairperson	House no. CEN (F)-13 Road no. 104, Gulshan, Dhaka	0.61
3	Mrs. Ferdousi Islam	Vice-Chairperson	299 New DOHS Road no. 19/B, Mohakhali, Dhaka	1.38

Notes to the Financial Statements for the year ended 31 December, 2005

Sl. no.	Name of the persons	Designation	Present Address	% of shares as on 31.12.05
4	Mr. Azam J. Chowdhury	Director	East Coast Centre SW (G)-8 Gulshan Avenue Dhaka-1212	0.23
5	Capt. Imam Anwar Hossain	Director	House no. 83, Road no. 3 Banani, Dhaka-1213	0.66
6	Mr. Nafis Sikder	Director	Managing Director Palmal Group House no. 2/B, Road no. 29 Gulshan-1, Dhaka-1212	0.90
7	Mr. Kazi Ariful Islam	Director	House no. 129/E, Road no. 13 Banani, Dhaka-1213	0.23
8	Mrs. Hasina Khan	Director	"Shahana" 1042, Zakir Hossain Road Chittagong	0.46
9	Mrs. Razia Rahman	Director	52, Park Road Block-K, Baridhara, Dhaka	0.83
10	Mrs. Shahnaz Quashem	Director	House no. 14/3, Road no. 3 Nasirabad Housing Society Chittagong	0.30
11	Ms. Saheda Pervin Trisha	Director	Station Road, Rangpur	0.13
12	Mrs. Mahanur Ummel Ara (Representative of East Coast Shipping Lined Limited)	Director	East Coast Centre SW (G)-8, Gulshan Avenue Dhaka-1212	1.54 Share Holding of East Coast Shipping Lines Ltd.
13	Mrs. Gol-E-Afroz Banu (Representative of GQ Ball Pen Industries Limited)	Director	GQ Building 331/2 Tajuddin Ahmed Road Bara Moghbazar, Dhaka	1.34 Share Holding of GQ Ball Pen Industries Ltd.
14	Mr. M. Shahjahan Bhuiyan	Managing-Director	Prime Bank Limited 119-120 Motijheel CA, Dhaka-1000	-

For directors Interest in different entities please refer to **Annexure-E**

Notes to the Financial Statements for the year ended 31 December, 2005

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

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

iii) Related Party transactions

(Taka in million)			
Name of party	Related by	Nature of transaction	Amount
East Coast Trading Pvt. Ltd.	Mrs. Marina Yasmin Chowdhury	Bank Guarantee	0.39
M/s. EC Distributions Ltd.	Mrs. Marina Yasmin Chowdhury	Bank Guarantee	0.28

Note: The facilities are covered fully by cash collateral

- 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) Investment in the Securities of Directors and their related concern Nil

43 Event after the Balance Sheet date

The Board of Directors' of the Bank in its 241st Board meeting dated 18 February 2006 to 20 February 2006 has decided to declare stock dividend at the ratio of 1:4 amounting to Tk 350,000,000.


Chairman


Director


M.U. Atia
Director


Managing Director

Balance with other banks-Outside Bangladesh (Nostro Account) as at 31 December 2005

Annexure-A

Name of the Bank	Account Type	2005			2004		
		FC Amount	Exchange Rate	Equivalent Taka	FC Amount	Exchange Rate	Equivalent Taka
American Express Bank Ltd., Kolkata, India	CD	\$ 162,707.79	66.2100	10,772,883	\$ 547,209.64	60.7423	33,238,772
American Express Bank Ltd., Frankfurt, Germany	CD	€ 27,118.61	78.3595	2,125,001	€ 3,966.77	82.6460	327,838
American Express Bank Ltd., New York, USA	CD	\$ -	-	-	\$ 230,544.05	60.7423	14,003,776
Arab Bangladesh Bank Ltd., Mumbai, India	CD	\$ 35,925.99	66.2100	2,378,660	\$ 26,493.99	60.7423	1,609,306
Banca Nazio, del Lavoro, Rome, Italy	CD	€ 38,241.32	78.3595	2,996,571	€ 1,842.31	82.6460	152,260
Bank of Bhutan, Bhutan	CD	\$ 19,407.10	66.2100	1,284,944	\$ 37,347.20	60.7423	2,268,555
Bank of Tokyo Mitsubishi, Japan	CD	JPY 1,591,484.41	0.5616	893,778	JPY 4,644,660.00	0.5850	2,717,126
SMBC, Tokyo, Japan	CD	JPY 5,043,323.00	0.5616	2,832,330	JPY -	-	-
Citibank N.A., India	CD	\$ 76,490.11	66.2100	5,064,410	\$ 77,317.40	60.7423	4,696,437
Citibank N.A., London , UK	CD	€ -	-	-	€ 37,294.60	82.6460	3,082,250
Citibank N.A., New York, USA	CD	\$ -	-	-	\$ 187,227.31	60.7423	11,372,617
Commerz Bank, Frankfurt , Germany	CD	€ 80,296.36	78.3595	6,291,983	€ 31,319.10	82.6460	2,588,398
Commonwealth Bank of Australia	CD	AUD 97,956.58	48.2472	4,726,131	AUD 16,372.30	47.0085	769,637
Credit Suisse (First Boston), Switzerland	CD	CHF 66,544.99	50.2733	3,345,436	CHF 14,848.46	53.5646	795,352
Habib American Bank, New York, USA	CD	\$ 193,375.90	66.2100	12,803,418	\$ 29,270.61	60.7423	1,777,964
HSBC, New York, USA	CD	\$ 323,835.25	66.2100	21,441,132	\$ 4,687.97	60.7423	284,758
HSBC, Karachi, Pakistan	CD	\$ 32,620.34	66.2100	2,159,793	\$ -	-	-
HSBC, London, UK	CD	\$ 15,464.30	113.6097	1,756,894	\$ -	-	-
ICICI Bank, India	CD	\$ -	66.2100	-	\$ 1,255,494.83	60.7423	76,261,644
Mashreq Bank, New York, USA	CD	\$ 186,038.46	66.2100	12,317,606	\$ 236,917.90	60.7423	14,390,938
National Westminster Bank, London, UK	CD	£ -	113.6097	-	£ 4,280.95	116.5523	498,955
Nepal Bangladesh Bank, Nepal	CD	\$ 28,350.49	66.2100	1,877,086	\$ 1,057.18	60.7423	64,216
Peoples Bank, Sri Lanka	CD	\$ 7,265.45	66.2100	481,045	\$ 13,998.48	60.7423	850,300
Rupali Bank, Karachi, Pakistan	CD	\$ 41,904.10	66.2100	2,774,470	\$ 195,693.87	60.7423	11,886,896
Skandinaviska Enskilda, Banken, Sweden	CD	KR 82,258.94	8.3322	685,398	KR 3,111.25	9.1749	28,545
Sonali Bank, Kolkata, India	CD	\$ 5,041.90	66.2100	333,824	\$ 1,881.90	60.7423	114,311
Standard Chartered Bank, Kolkata, India	CD	\$ 27,749.65	66.2100	1,837,304	\$ 606,138.98	60.7423	36,818,276
Standard Chartered Bank, New York, USA	CD	\$ 30,807.47	66.2100	2,039,763	\$ 554,363.72	60.7423	33,673,327
State Bank of India, Kolkata	CD	\$ 15,021.92	66.2100	994,602	\$ 186.31	60.7423	11,317
The Bank of Nova Scotia, Canada	CD	CAD -	-	-	CAD 4,998.43	50.1381	250,612
Unicredito Italiano, Spain	CD	€ 2,977.64	78.3595	233,326	€ 721.17	82.6460	59,602
WACHOVIA Bank N.A	CD	\$ -	-	-	\$ 1,292.80	60.7423	78,528
				104,447,788			254,672,510

Borrowing from foreign Banks-Outside Bangladesh (NOSTRO Account) as at 31 December 2005

Annexure-A.1

Name of the Bank	Account Type	2005			2004		
		FC Amount	Exchange Rate	Equivalent Taka	FC Amount	Exchange Rate	Equivalent Taka
American Express Bank Ltd., New York, USA	CD	USD 1,137,365.19	66.2100	75,304,949	-	-	-
Citibank N.A., London, UK	CD	GBP 18,909.97	78.3595	1,481,775	-	-	-
Citibank N.A., New York, USA	CD	USD 956,981.45	66.2100	63,361,742	-	-	-
ICICI Bank, India	CD	USD 291,994.85	66.2100	19,332,979	-	-	-
Mashreq Bank, New York, USA	CD	USD -	-	-	-	-	-
National Westminster Bank, London, UK	CD	GBP 14,276.79	113.6100	1,621,982	-	-	-
The Bank of Nova Scotia, Canada	CD	CAD 203.61	56.8034	11,566	-	-	-
WACHOVIA Bank N.A	CD	USD 7,868.67	66.2100	520,985	-	-	-
				161,635,978			

Investment in shares as at 31 December 2005

Annexure-B

Sl. no.	Name of the company	Type of shares	Face value Taka	Number of shares	Cost of holding Taka	Average cost Taka	Quoted rate per share as on 31.12.05 Taka	Total market value as at 31.12.05 Taka
Quoted								
1	Mutual Trust Bank Ltd.	A	100	72,000	6,250,000	86.81	437.75	31,518,000
2	One Bank Ltd.	A	100	22,940	1,705,000	74.32	290.25	6,658,335
3	Bank Asia Ltd.	A	100	50,297	3,245,000	64.52	478.75	24,532,362
4	Mercantile Bank Ltd.	A	100	99,920	6,395,000	64.00	388.50	38,818,920
5	EXIM Bank Ltd.	A	100	70	6,500	92.86	505.50	35,385
6	Agrani Insurance	A	100	50	5,000	100.00	67.75	3,388
7	Grameen Mutual Fund-1	A	10	500,000	5,000,000	10.00	15.80	7,900,000
8	Aftab Automobiles	A	100	17,398	5,219,459	300.00	323.75	5,632,667
Unquoted								
1	Central Depository Bangladesh Limited (CDBL)	-	1,000,000.00	10	10,000,000	1,000,000.00		-
				762,685	37,825,959	-		115,099,056.50

Total market value of investment being higher than cost, therefore no provision has been made in the Financial Statements.

Schedule of Fixed and Leased Assets as at 31 December 2005

Annexure-C

Particulars	COST				DEPRECIATION				Net book value as on 31.12.05 Taka
	Opening Balance as on 01.01.05 Taka	Additions during the year Taka	Disposals/ Adjustments during the year Taka	Total Balance as on 31.12.05 Taka	Opening Balance as on 01.01.05 Taka	Charge for the year Taka	On disposals/ Adjustments during the year Taka	Total Balance as on 31.12.05 Taka	
Fixed assets									
Land	49,058,380	-	-	49,058,380	-	-	-	-	49,058,380
Building	9,794,524	200,000	-	9,994,524	248,202	253,663	-	501,865	9,492,658
Furniture and fixtures	179,555,873	54,035,336	(3,743,265)	229,847,944	41,941,450	16,283,925	(954,630)	57,270,745	172,577,198
Office equipment and machinery	208,278,132	44,212,898	(2,602,525)	249,888,505	104,246,863	25,554,955	(1,374,508)	128,427,310	121,461,194
Bank's vehicles	33,925,571	6,447,122	(412,045)	39,960,648	12,880,687	7,962,741	-	20,843,428	19,117,220
Library books	688,565	113,928	-	802,493	302,203	88,624	-	390,827	411,666
At 31 December 2005	481,301,045	105,009,283	(6,757,835)	579,552,493	159,619,405	50,143,909	(2,329,138)	207,434,176	372,118,317
At 31 December 2004	394,168,733	102,923,838	(15,791,526)	481,301,045	129,000,361	40,460,880	(9,841,836)	159,619,405	321,681,640
Leased assets									
Vehicles (note-10)	16,776,112	-	(7,403,854)	9,372,258	3,355,222	2,275,494	(771,235)	4,859,481	4,512,777
At 31 December 2005	16,776,112	-	(7,403,854)	9,372,258	3,355,222	2,275,494	(771,235)	4,859,481	4,512,777
At 31 December 2004	16,776,112	-	-	16,776,112	-	3,355,222	-	3,355,222	13,420,890

Statement of Tax Position as at 31 December 2005

Annexure-D

Accounting year	Assessment year	Tax provision as per accounts Taka	Tax as per assessment order Taka	Tax paid Taka	Excess/(Shortage) of provision Taka	Excess/(Shortage) of tax paid Taka	Present status
1995	1996-1997	-	-	1,473,387	-	1,473,387	Final
1996	1997-1998	11,835,000	1,584,924	4,000,000	10,250,076	2,415,076	Final
1997	1998-1999	25,000,000	23,247,863	23,364,984	1,752,137	117,121	Final
1998	1999-2000	6,954,644	7,857,330	26,212,850	(902,686)	18,355,520	Final. However, the Dept. referred to High Court
1999	2000-2001	110,868,000	103,312,905	81,180,878	7,555,095	(22,132,027)	Final subject to rectification
2000	2001-2002	165,755,000	159,081,565	146,341,426	6,673,435	(12,740,139)	Final subject to rectification
2001	2002-2003	222,102,650	268,743,630	247,455,962	(46,640,980)	(21,287,668)	Final subject to rectification u/s-173
2002	2003-2004	278,700,000	312,590,120	337,138,495	(33,890,120)	24,548,375	DCT level final
2003	2004-2005	394,455,000	322,124,551	341,341,907	72,330,449	19,217,356	DCT level final
	Total	1,215,670,294	1,198,542,888	1,208,509,889	17,127,406	9,967,001	

Name of Directors and their interest in different entities

Annexure-E

Sl no.	Name of Directors	Status with PBL	Entities where they have interest	% of Interest
1	Qazi Saleemul Huq	Chairman	GQ Ball Pen Industries Limited GQ Industries Limited Maladesh International (Pvt.) Limited GQ Properties Limited GQ Foods Limited GQ Enterprise Limited Delta Soft Limited Newscorp Limited	26.25 20.00 0.13 28.57 13.34 25.00 24.77 25.00
2	Mrs. Nazma Haque	Vice Chairperson	Prime Insurance Company Limited Acorn Limited Asian Gate Limited	2.67 25.00 30.00
3	Mrs. Ferdousi Islam	Vice Chairperson	Trusty Associates Company Limited Preema Construction Limited Prime Sanctuary Limited Northern General Insurance Company Limited	25.00 25.00 25.00 7.30
4	Mr. Azam J. Chowdhury	Director	East Coast Shipping Lines Limited East Coast Trading (Pvt.) Limited EC Securities Limited EC Distribution Limited EC Engineering Company Limited Surma Summit Tanks Terminal Limited EC Powertech Limited Delta Soft Limited Green Delta Insurance Company Limited	25.00 20.00 89.20 40.00 20.00 10.00 25.00 24.50 0.83
5	Capt. Imam Anwar Hossain	Director	Pragati Insurance Limited Ben Ocean Lines Limited Ben Marine Lines Bengal Tiger Cement Industries Limited Ben Lloyd Lines Limited Ocean Wave Shipping Limited Commodity & Carriage Jamuna Resort Limited Prime Cement Limited	5.00 25.00 40.00 8.50 10.00 50.00 100.00 2.50 30.00
6	Mr. Nafis Sikder	Director	Marina Apparels Limited Nafa Apparels Limited Palmal Packaging Limited The Dacca Dyeing Garments Limited Ayesha Clothing Company Limited Ayesha Fashion Limited Ayesha Washing Limited	50.00 50.00 10.00 2.94 80.00 80.00 80.00
7	Mr. Kazi Ariful Islam	Director	New Amin Jewelers Ducati Apparels Limited	100.00 33.33

Name of Directors and their interest in different entities

SI no.	Name of Directors	Status with PBL	Entities where they have interest	% of Interest
8	Mrs. Hasina Khan	Director	Khan Traders Polyexprint Limited Pedrollo nk Ltd. Polyexlamine Limited Polytape Limited Pedrollo Dairy & Horticulture Limited Prime Insurance Company Limited Halda Valley Tea Company Limited	100.00 15.00 20.00 20.00 20.00 30.00 2.67 10.00
9	Mrs. Shahnaz Quashem	Director	Associated Oxygen Limited	12.50
10	Mrs. Razia Rahman	Director	Transworld Bicycle Company Limited Uniglory Home Appliances Limited Uniglory Steel Products Limited Concept Cycling	36.00 25.00 35.00 100.00
11	Ms. Saheda Pervin Trisha	Director	VIP Shahadat Cold Storage VIP Shahadat Poultry & Hatchery Prime Insurance Company Limited	25.00 15.00 0.35
12	Mrs. Mahanur Ummel Ara (Representative of East Coast Shipping Lines Limited)	Director	Surma Summit Tanks Terminal Limited Prime Finance & Investment Limited	10.00 12.62
13	Mrs. Gol-E-Afroz Banu (Representative of GQ Ball Pen Industries Limited)	Director	Prime Insurance Company Limited GQ Formosa Industries Limited Cello –GQ Industries Limited GQ Marketing Limited Maladesh International (Pvt.) Limited GQ Foods Limited GQ Industries Limited GQ BPL Limited GEP Telecom Limited Green Land Pharmaceuticals Limited	3.00 52.00 50.00 96.77 99.75 13.32 32.86 50.00 33.33 16.67

Distribution of Profit under Islamic banking operation

Annexure-F

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 2005 and provisional profit rate for the year 2006

Normally profit and loss is calculated annually as on 31 December in every year. For the year ended 31 December 2005, 70% of total investment income shall be distributed to the different types of Mudaraba depositors (except no cost fund) according to the weightage. The remaining 30% 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 depositors 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 2005 has been paid as per following weightage and rates:

Deposit types	Weightage	Final rate of profit for 2005 %
Mudaraba saving Deposits	0.75	6.25
Mudaraba short term deposits	0.52	4.15 - 5.15
Mudaraba term deposits		
36 Months	1.00	8.60 - 10.75
24 Months	0.98	8.60 - 10.75
12 Months	0.96	8.60 - 10.75
06 Months	0.92	7.85 - 10.50
03 Months	0.88	7.60 - 10.50
Mudaraba contributory savings scheme	1.05	9.00 - 9.50
Mudaraba monthly profit deposits scheme	1.02	9.00 - 9.15
Mudaraba education savings scheme	1.20	10.75 - 11.25
Mudaraba Hajj savings scheme	1.20	9.00 - 9.50
Special deposit scheme	1.02	9.00 - 9.15
Lakhpoti	1.05	9.00 - 9.50

Balance Sheet of Islamic Banking Branches as at 31 December, 2005

Annexure-G

	2005 Taka	2004 Taka
PROPERTY AND ASSETS		
Cash:		
Cash in hand (including Foreign Currencies)	19,211,602	16,073,602
Balance with Bangladesh Bank its agent bank(s) (Including Foreign Currencies)	-	-
	19,211,602	16,073,602
Balance with other banks and financial institutions		
In Bangladesh	163,918	156,298
Outside Bangladesh	-	-
	163,918	156,298
Money at Call and Short Notice		
	-	-
Investments (Including Bills):		
General investments etc.	3,169,407,288	1,846,521,748
Bills purchased and discounted	397,929,488	112,796,920
	3,567,336,776	1,959,318,668
Fixed assets including premises, furniture and fixtures	37,574,573	31,614,460
Other Assets	220,687,385	1,349,707,592
Non - banking assets	-	-
Total Assets :	3,844,974,254	3,356,870,621
LIABILITIES AND CAPITAL		
Liabilities:		
Borrowings from other banks, financial institutions and agents	100,000,000	-
Deposits and other Accounts :		
Al-wadeeah Current deposits and other accounts, etc.	517,538,405	376,324,541
Bills payable	40,279,194	40,048,719
Mudaraba Savings deposits	674,741,323	1,163,605,354
Mudaraba Term deposits	2,511,642,356	1,775,223,093
	3,744,201,279	3,355,201,707
Other Liabilities	772,975	1,668,913
Total liabilities	3,844,974,254	3,356,870,621
OFF BALANCE SHEET ITEMS		
Contingent Liabilities		
Acceptances, Endorsements		
Letters of Guarantee	173,435,464	64,850,132
Irrevocable Letters of Credit	1,056,080,300	1,041,818,420
Bills for Collection	1,687,667	16,836,047
Other contingent liabilities	33,713,360	33,655,474
	1,264,916,791	1,157,160,074
Other commitments:	-	-
Total Off-Balance Sheet Items including contingent liabilities	1,264,916,791	1,157,160,074

Profit & Loss Account of Islamic Banking Branches for the year ended 31 December 2005

Particulars	Annexure-G(i)	
	2005 Taka	2004 Taka
Investment Income	425,212,640	318,036,658
Profit paid on deposits and borrowings etc.	(246,760,746)	(187,344,828)
<i>Net investment income</i>	<i>178,451,893</i>	<i>130,691,830</i>
Commission, exchange and brokerage	49,826,630	21,813,183
Other operating income	16,327,095	11,412,318
<i>Total operating income</i>	<i>244,605,618</i>	<i>163,917,331</i>
Salaries and allowances	25,180,648	18,105,658
Rent, taxes, insurance, electricity etc.	4,953,145	3,713,885
Legal expenses	1,274,706	77,472
Postage, stamp, telecommunication etc.	2,272,284	1,970,899
Stationery, printing, advertisement etc.	1,283,905	973,901
Depreciation and repair of Bank's assets	4,931,376	3,271,302
Other expenses	5,035,820	6,093,861
<i>Total operating expenses</i>	<i>44,931,883</i>	<i>34,206,978</i>
<i>Total operating profit</i>	<i>199,673,735</i>	<i>129,710,352</i>