

**An Internship Report on**  
**“Comparative Study of Financial Performance**  
**Between Mutual Trust Bank Ltd and One Bank Ltd.”**



মিউচুয়াল ট্রাস্ট ব্যাংক লিমিটেড  
Mutual Trust Bank Ltd.  
*you can bank on us*



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**“Comparative Study of Financial Performance**  
**Between Mutual Trust Bank Ltd and One Bank Ltd.”**

**Submitted to**

S I Nusrat A Chaudhury

Associate Professor

Department of Business Administration

Head, Career Counseling Center

East West University

**Submitted by**

Fahmida Rahman

ID# 2004-3-10-012

Department of Business Administration

East West University

29 April, 2010





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## Letter of Transmittal

Date : 29 April, 2010

To : S I Nusrat A Chaudhury, Associate Professor  
Department of Business Administration  
East West University, Dhaka

From : Fahmida Rahman  
2004-3-10-012

Subject : Submission of Internship Report.

Dear Sir

As per requirement of the degree completion, I here by submit my internship report titled "Comparative Study of Financial Performance Between Mutual Trust Bank Ltd and One Bank Ltd ".Thank you very much for the help you provided me during my internship period.

Now, I would like to request you to please accept my report and oblige me with the honor of completing my internship under your supervision. I would be available anytime you need me for clarification or anything of that sort.

Thank you

Sincerely yours

Fahmida Rahman

Fahmida Rahman

ID# 2004-3-10-012



## **Acknowledgment**

The successful completion of this report might never be possible in time without the help some person whose inspiration and suggestion made it happen. First of all I want to thank my honorable Sir S I Nusrat A Chaudhury for helping me out with directions time to time when I needed it most. I also want to thank the Internship and placement office for giving me the chance to do my internship in MTBL where I learned; even working under pressure can be fun.

I also want to thank Md. Abul Kalam Azad, Branch Manager of Dholaikhal under whom I did my internship. I also want to thanks, Md. Emran Khan( Branch Deputy Manager of Dholaikhal) , Md. Zahidul Islam( Senior Officer), Ferdousi Begum( Assistant Officer), and all others who time to time helped me to do my work.

Without the help and support of them this report might never see this completion.

## Executive Summary

This report was originated in result of my internship, which I did, as must requirement of BBA program. This report was done based on my learning of 12 weeks internship in Mutual Trust Bank Limited. The objective of this report was to gain knowledge from on the job experience and at the same time about MTBL and analyzing the financial performance, based on the knowledge that I gathered in the BBA courses. Mutual Trust Bank Limited (MTBL) is the successor of Bank of Credit and Commerce Limited. In 1999 when the bank collapsed the operation of this bank was taken by MTBL with all its assets and liabilities. Since then it is successfully operating its operation. Now it has 36 branches all over Bangladesh and concentrating on corporate, consumer and treasury banking.

The report gives idea about the financial performance of the Mutual Trust Bank Ltd and One Bank Ltd. Both are leading local commercial banks in Bangladesh. At first report in corporate financial profile of both the leading bank MTBL and OBL. It mentions the performances of profitability of these banks which are compared. Profit of MTBL grew BDT in mil 305 of 2008, BDT in mil 210 of 2007 and in mil 478 of 2006. Compare the EPS of these two banks because earnings per share simply indicate the earnings that each share able to generate over a period of one year. So that investor will take their decision which will be a good decision for investing. . At the same time, it contains some ratio analysis which will give an idea about the performance of both the banks, such as liability to equity ratio, asset to liability ratio, price earning ratio, capital adequacy ratio. At last the report includes the experience of mine. It mentions the work that I learn in the office. It is about CIB summery, FSS Financial spread sheet, Checklist of a corporate client where I have to calculate drawing power diary note, Credit summation, 6 months key figure (sales, borrowings, net worth, and net profit).

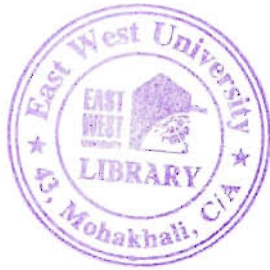


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# Chapter 1: Introduction





### **1.1 Background:**

As a student of the Business Administration, East West University of Bangladesh it was compulsory to do internship in an organization and I have met that obligation with the support of Mutual Trust Bank Ltd. I have carried out my internship in Mutual Trust Bank Ltd. So, as an integral part of my graduation and as a great opportunity of acquiring knowledge about banking, this internship report has been prepared.

### **1.2 Objective:**

The specific objectives for this report are:

1. To study the profile of Mutual Trust Bank Limited, this will include history of the Bank, current status of Bank, its products, organizational structure, mission and vision.
2. To get an overall idea about the performance of the Mutual Trust Bank Limited.
3. To compare the financial performance of MTBL with other bank.
4. To acquire in-depth knowledge, over MTBL Corporate division's work flow and their inter division dependencies.
5. To fulfill the requirement of the internship program under BBA program.

### **1.3 Scope:**

I have discussed the performance of MTBL and OBL over the years 2006, 2007 and 2008. I think the report will helpful to know about the overview of the bank, its financial performance and its other department such as Corporate Banking Division, Consumer Banking, SME Banking & its facilities. But the report is only concentrating on the financial performance of MTBL and which will compare other bank.

### **1.4 Limitations:**

I have not used any primary data. Three months time is not enough for arranging an internship in a well recognized organization and preparing a Report on specific topic is

very difficult. Due to delay arrangement of my internship at Mutual Trust Bank Limited after my final Exam (BBA), I have faced very difficult to collect all the required information in such a short period. The bankers are very busy with their jobs, which lead a little time to consult with them.

### **1.5 Methodology:**

Information have used to prepare this report has been collected from the Secondary source mainly. The raw data were collected from Mutual Trust Bank Ltd., One Bank Ltd, Annual reports of those banks & web sites. An open discussion method took place among us to gather information & identify the problems. The universal report writing software MICROSOFT WORD 'XP and EXCEL were used to process all necessary research writing, calculations & tables.

### **1.6 Possible Outcome:**

I have evaluated the performance of MTBL and OBL to financial analysis.

### **1.7 Organization of the Report:**

This report is broadly organized into different parts. The first Chapter is on the introductory part. The second Chapter is on the banking sector in Bangladesh. The third Chapter is on the overview of the organization itself. The fourth Chapter is the meaning of financial statement. The fifth Chapter concentrates on the project. Finally six Chapter contains my work experience, Problems, recommendations and the conclusion.



# **Chapter 2: Banking Sector in Bangladesh**

## **2.1 Brief History of Banks in Bangladesh:**

Before the liberation war there was a branch office of the former State Bank of Pakistan in Bangladesh. Other than that there were seventeen large commercial banks, two of which were controlled by Bangladeshi interests and three by foreigners other than West Pakistanis. There were fourteen smaller commercial banks .

Virtually all banking services were concentrated in urban areas. The newly independent government immediately designated the Dhaka branch of the State Bank of Pakistan as the central bank and renamed it the Bangladesh Bank.

Initially Bangladesh bank was responsible for regulating currency, controlling credit and monetary policy, and administering exchange control and the official foreign exchange reserves. The Bangladesh government initially nationalized the entire domestic banking system and proceeded to reorganize and rename the various banks. Foreign-owned banks were permitted to continue doing business in Bangladesh. But later they also permitted the private investors to start banking activities, and gradually the number of private banks and their dominance is increasing day by day.

## **2.2 Industry Analysis:**

Commercial banks are the Banks that accept deposits from the public and lend them mainly to commerce for short periods. As they finance mainly commerce, they are called commercial banks. They are also called deposit banks, as they accept deposit from the public and lend them for short and long periods.

Banking sector has a vital role to play in the economic activities and development of any country. This sector is much more important in a developing country like Bangladesh. The whole scenario of the economy of a country can be ascertained by examining the condition of the banking sector. In Bangladesh, the banking sector dominates the financial sector and macroeconomic management largely depends on the performance of the banking sector. Banking sector grew primarily in the public sector with main emphasis on restructuring of the financial system and development needs of the war-torn economy with gradual liberalization in subsequent years. It was increasingly felt that banks should be allowed in the private sector for giving a fillip to development process

on the basis of private initiative. In the 80's for the first time a number of banks in the private sector were allowed. Subsequently in the mid 90's some more banks in private sector also commenced operations. Finally, in 1999, 3rd generation of private sector banks was given permission to operate. As a result while up to 80's public sector banks dominated financial sector, banks in the private sector were given increased responsibility with the passage of time.

Private commercial banks are divided into three groups according to their commencement of business. They are familiar in the name of 1st generation, 2nd generation and 3rd generation banks.

#### **2.2.1 1st Generation Banks (Established 1982-1988):**

National Bank Limited, The City Bank Limited, United Commercial bank Limited, AB Bank Limited, IFIC Bank Limited, Islami Bank Bangladesh Limited and Al-Baraka Bank Bangladesh Limited.

#### **2.2.2 2nd Generation Banks (Established 1992-1996):**

Eastern Bank Limited, Prime Bank Limited, National Credit & Commerce Bank Limited, Southeast Bank Limited, Dhaka Bank Limited, Al Arafa Islami Bank Limited, Social Investment Bank Limited and Dutch-Bangla Bank Limited.

#### **2.2.3 3rd Generation Banks (Established 1999 to present):**

Mercantile Bank Limited, Standard Bank Limited, One Bank Limited, EXIM Bank Limited, Premier Bank Limited, Mutual Trust Bank Limited, First Security Bank Limited, Bank Asia Limited, The Trust Bank Limited, Jamuna Bank, BRAC Bank Limited and Shahjalal Bank Limited.

### **2.3 Industry's dominant economic features:**

It is extremely important for a firm to understand the dominant economic features of the relevant industry, as the character and structure of different industries are significantly different. The basic economic traits in the banking industry are as follows:

**2.3.1 Customers:** As on June 2006, there are 42,134,125 number of deposits accounts and 12,348,201 number of advance accounts in the banks. Normally the customers are businesses firms, household and other banks and this is growing rapidly.

**2.3.2 Degree of vertical integration:** No opportunity for vertical integration, but horizontal integration is possible.

**2.3.3 Ease of entry and exit barrier:** The main entry barrier is huge resource requirement. Moreover to set up a bank parliament approval is required.

**2.3.4 Scale economies:** As all banks do not have similar cost of fund so the scale of economies is strong. Costs of fund differences exist as different banks deposits cost are different and amount of classified advances are different. Those who have less classified advance they have advantages in cost of fund.

**2.3.5 Learning and experience curve effects:** Not very strong for older banks but it is strong for the newer banks because as they are new they will learn various skills of this industry day by day and it will have impact on their day-to-day operations.

**2.3.6 Capacity utilization:** Costs are sensitive to capacity utilization. In this industry, capacity utilization means effective use of human resources. Relationship marketing is the heart of this industry. So, the banks that are efficient in this regard they are able to reap the profit better than others.

**2.3.7 Industry profitability:** Industry profitability mostly depends on the national economy, macro environmental factors and individual bank's ability to make good advance.



## **2.4 Companies in the strongest/weakest position:**

Nationalized commercial banks are the market leaders in banking industry of Bangladesh but due to their poor service quality, their image is quite low. On the other hand though foreign banks have very little market share and limited geographic coverage, they are highly known for their quality service. Private commercial banks fall between these groups.

## **2.5 Existing Banks Operating in Bangladesh:**

The commercial banking system dominates Bangladesh's financial sector. Bangladesh Bank is the Central Bank of Bangladesh and the chief regulatory authority in the sector. The banking system consists of four nationalized commercial Banks, around forty private commercial banks, nine foreign multinational banks and some specialized banks .

### **2.5.1 Central Bank:**

Bangladesh Bank is the central bank of our country. It performs all the functions that a central bank of any country is expected to perform, and such functions include maintaining the price stability through economic and monetary policy measures, managing the country's foreign exchange and the gold reserve and regulating the banking sector of the country .

### **2.5.2 Nationalized Commercial Banks (NCBs):**

The banking system of Bangladesh is dominated by the 4 Nationalized Commercial banks, which together controlled more than 54% of deposits and operated 3388 branches (54% of the total) as of December 31, 2004. The nationalized commercial banks are:

- Sonali Bank
- Janata Bank
- Agrani Bank
- Rupali Bank

### **2.5.3. Private Commercial Banks (PCBs):**

Private banks are the highest growth sector due to the dismal performances of government banks (above). They tend to offer better service and products.

- AB Bank Limited
- BRAC Bank Limited
- Eastern Bank Limited
- Dutch Bangla Bank Limited
- Dhaka Bank Limited
- Islami Bank Bangladesh Ltd
- Pubali Bank Limited
- Uttara Bank Limited
- IFIC Bank Limited
- National Bank Limited
- The City Bank Limited
- United Commercial Bank Limited
- NCC Bank Limited
- Prime Bank Limited
- SouthEast Bank Limited
- Al-Arafah Islami Bank Limited
- Social Investment Bank Limited
- Standard Bank Limited
- One Bank Limited
- Exim Bank Limited
- Mercantile Bank Limited
- Bangladesh Commerce Bank Limited
- Mutual Trust Bank Limited
- First Security Bank Limited
- The Premier Bank Limited
- Bank Asia Limited
- Trust Bank Limited
- Shahjalal Bank Limited
- Jamuna Bank Limited



#### **2.5.4. Foreign Banks:**

- Citigroup
- HSBC
- Standard Chartered Bank
- Commercial Bank of Ceylon
- State Bank of India
- Habib Bank
- National Bank of Pakistan
- Woori Bank
- Bank Alfalah
- ICB Islami Bank ✓

#### **2.5.5. Specialized Banks:**

- Grameen Bank
- Bangladesh Krishi Bank
- Bangladesh Shilpa Bank
- Rajshahi Krishi Unnayan Bank
- Bangladesh Shilpa Rin Sangstha
- Basic Bank Ltd (Bank of Small Industries and Commerce)
- Bangladesh Somobay Bank Limited(Cooperative Bank)
- The Dhaka Mercantile Co-operative Bank Limited (DMCBL)

# **Chapter 3: An Overview of Mutual Trust Bank Limited**



### **3.1 Company Profile:**

The Company was incorporated on September 29, 1999 under the Companies Act 1994 as a public company limited by shares for carrying out all kinds of banking activities with Authorized Capital of Tk. 38,00,000,000 divided into 38,000,000 ordinary shares of Tk. 100 each.

The Company was also issued Certificate for Commencement of Business on the same day and was granted license on October 05, 1999 by Bangladesh Bank under the Banking Companies Act 1991 and started its banking operation on October 24, 1999. As envisaged in the Memorandum of Association and as licensed by Bangladesh Bank under the provisions of the Banking Companies Act 1991, the Company started its banking operation and entitled to carry out the following types of banking business:

- (i) All types of commercial banking activities including Money Market operations.
- (ii) Investment in Merchant Banking activities.
- (iii) Investment in Company activities.
- (iv) Financiers, Promoters, Capitalists etc.
- (v) Financial Intermediary Services.
- (vii) Any related Financial Services.

The Company (Bank) operates through its Head Office at Dhaka and 36 branches. The Company/ Bank carry out international business through a Global Network of Foreign Correspondent Banks.

### **3.2. Objective of Mutual Trust Bank Ltd:**

The objective of the Mutual Trust Bank Limited is specific and targeted to its vision and to position itself in the mindset of the people as 'a bank with difference'. The objectives of the Mutual Trust Bank Limited are as follows;

1. To mobilize the savings and channeling it out as loan or advance as the company approve.

2. To establish, maintain, carry on, transact and undertake all kinds of investment and financial business including underwriting, managing and distributing the issue of stocks, debentures, and other securities.
3. To finance the international trade both in import and export.
4. To carry on the foreign exchange business, including buying and selling of foreign currency, traveler's Cheque issuing, international credit card issuance etc.
5. To develop the standard of living of the limited income group by providing Consumer Credit.
6. To finance the industry, trade and commerce in both the conventional way and by offering customer friendly credit service.
7. To encourage the new entrepreneurs for investment and thus to develop the country's industry sector and contribute to the economic development.

### **3.3 Mission and Vision:**

#### **Our Vision:**

To be the bank first choice by creating exceptional value for our clients, investors and employees.

#### **Our Mission:**

We aspire to be the most admired financial institution in the country, recognized as a dynamic innovative and client focused company that offers an array of products and services in the search for excellence and to create an impressive economic value.

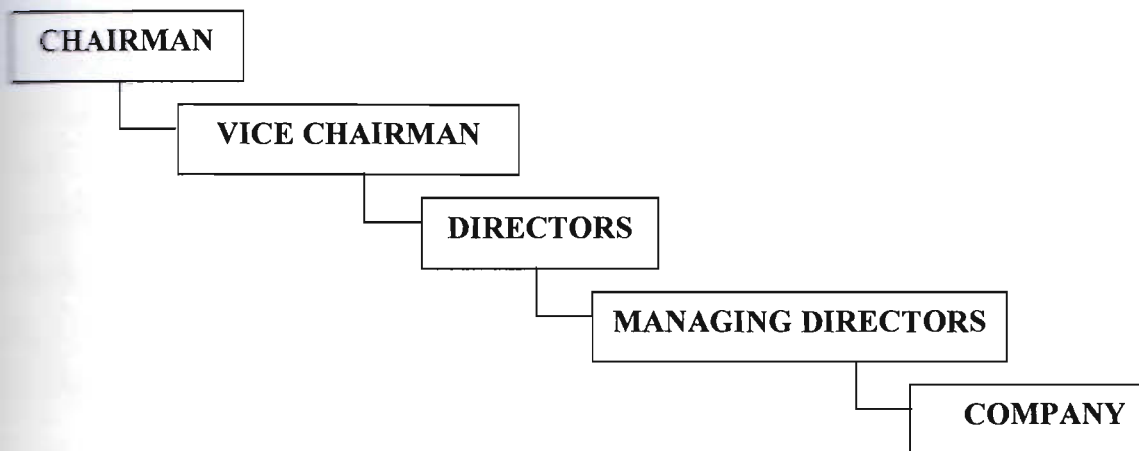
### **3.4 Structure:**

The organization structure and corporate of Mutual Trust Bank Limited (MTBL) strongly reflect its determination to establish, uphold and gain a stronger footing as an organization which is customer-oriented and transparent in its management.

### **3.5 Board of Directors:**

In Mutual Trust Bank Limited, the board of directors has been conceived as the sources of all power headed by its chairman. It is legislative body of the bank board can delegate

its power and authority to professionals, but can not delegate, relinquish or avoid their responsibilities. The board of directors of the bank consists of 13 members who are reputed business personalities and leading industrialists of the country.



**Figure:** Hierarchy of Board of Directors

### **3.6 Board Committees:**

The Board of Directors who also decides on the composition of each committee determines the responsibilities of each committee.

### **3.7 Executive Committees:**

AB routine matter beyond delegated powers of management are decided upon by or routed through the Executive Committee, subject to ratification by the Board of Directors.

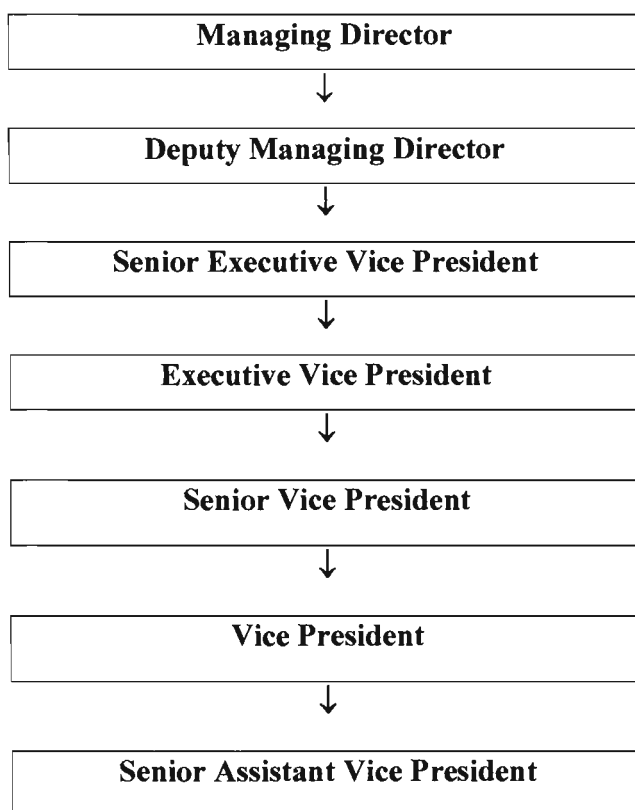
### **3.8 Polio Committee:**

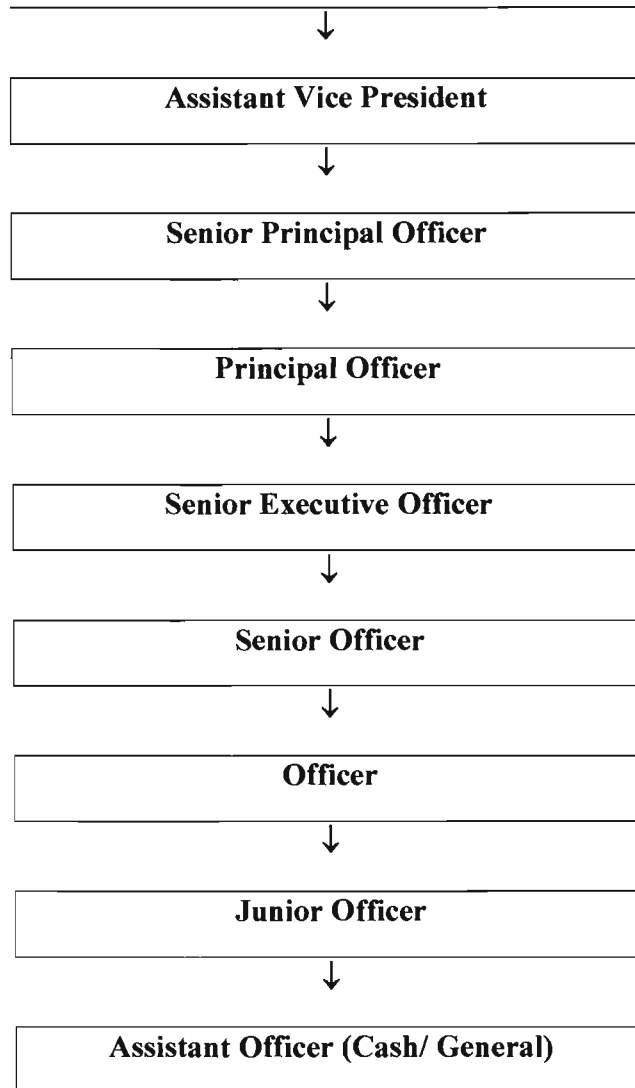
All matter relating to the principles, policies, rules, and regulation, ethics etc. for operation and management of the bank are recommended by the Committee to the Board of Directors.

### **3.9 Management:**

The management of the bank is vastly on a Board of Directors, for overall supervision and directions on policy matters by the board. The power of general supervision and control of the affairs of the bank is exercised by the president and managing director of the bank who is the chief executive officer. Above all, the bank will be manned and managed by a galaxy of talented professionals proficient in the individual fields and dedicated to the cause of the bank.

#### **3.9.1. Management Hierarchy:**





### 3.10 Departments:

It would be very difficult to control the system effectively, if the jobs are not organized considering their interrelationship and are not allocated in a particular department. If the departments are not fitted for the particular works mere would be random situation and the performance of a particular department would not be measured. Mutual Trust Bank Limited has done this work very well. There are-

- MDs Secretariat
- Board Division
- Internal Control & Compliance Division

- ICC Audit Department
- ICC Compliance Unit » ICC Monitoring Unit
- Human resource Division
  - Research & Dev. Department
  - MIS Department
- General Services Division
  - Security & Printing Stationery
- Financial Administration Division
  - Reconciliation Department
  - FAD Section-1
  - FAD Section-2
- Credit Division
  - CIS Department
  - Syndication Department
  - Credit Processing & Approval
- International Division
  - Correspondent Banking Dept
  - Remittance Department
  - SWIFT Department
- Merchant Banking Division
- Card Division
- SME & Consumer Banking Division
  - SME Banking Department
  - Consumer banking Department





- Treasury Department
  - Asset Liability Mgt. Department
  - Treasury Dept. (Front Office)
  - Treasury Dept (Bade office)
  
- Banking Operations Department
  - Anti Money Laundering
  - Test Key Department
  
- Corporate Banking Department
- Credit Administration Department
- Credit Monitoring Cell
- Credit Recovery Cell
- ID Department
- Business Development Marketing
- Public Relations Department
- Share Department
- Engineering Department
- Training Institute

### 3.11. Branches:

Trust Bank Limited is a fast growing commercial bank in our country. It has established a good operating network throughout the country. It has 36 Branches throughout the country till now.

#### **Dhaka Division**

❖ 21 Branches

#### **Chittagong Division**

❖ 8 Branches

#### **Sylhet Division**

❖ 2 Branches

#### **Rajshahi Division**

❖ 3 Branches

**Barishal Division**

❖ 1 Branch

**Khulna Division**

❖ 1 Branch

**3.12 Corporate Information:**

Mutual Trust Bank Ltd.

Established in 1999

**Head office**

68, Dilkusha C/A, Dhaka

Phone: 717 0138, 717 0139, 717 0140

Fax: 880-2-9569762,

SWIFT- MTBLBDDH

Telex: 632173 MTB HO BJ

E-mail: mtbl@bangta.net

**3.13. Services:**

**3.13.1 Consumer Banking:**

We are to satisfy all clients, regardless of how big or small they may be. Individuals are counseled on the best type of accounts suitable to them such as Current, Savings, Short Term Deposits, Fixed Deposits, Consumer Asset and Liability Products, etc

Apart from die conventional banking operations MTB strives to introduce an array of products and services and already launched a number of consumer banking products with of popularizing consumer banking operations and offer higher return to its clients.

Our Consumer Banking Products are-

1. Brick by Brick Savings Scheme
2. Monthly Benefit Plan
3. Double Saver
4. Triple Saver
5. MTB Education Plan

6. MTB Millionaire Plan
7. MTB Unique Savings Plan
8. Best Invest Plan
9. MTB Festival Savings Plan

#### **3.13.2 Foreign Trade:**

MTB provides a wide range of banking services to all types of commercial concerns such as Import & Export Finance and Services, Investment Advice, Foreign Remittance and other specialized services as required. Although we are a private commercial Bank, we have a strong global network that helps us to undertake international trade smoothly and efficiently.

#### **3.13.3 Import Business:**

Trust Bank supports its customers by providing facilities throughout the import process to ensure smooth running of their business. The facilities are:

- a. Import Letter of Credit
- b. Post Import Financing (LIM, LTR etc)
- c. Import collection services & Shipping Guarantees

#### **3.13.4 Export Business:**

Mutual Trust Bank offers extra cover to its customers for the entire export process to speed up receipt of proceeds. The facilities are:

- a. Export Letters of Credit advising
- b. Pre-shipment Export Financing
- c. Export documents negotiation
- d. Letters of Credit confirmation

#### **3.13.5 Remittance:**

Mutual Trust Bank provides to its customers the following services:

- a. Inward/ Outward Remittance Services
- b. TT/DD Issue
- c. DD/ Cheque collection
- d. Endorsements
- e. Travelers Cheque Issuance

**3.14 Correspondent Banking:**

The objective of our correspondent banking operations is to strengthen our existing relationship with foreign and financial institutions around the globe as well as exploring new relationships. In addition to that, we provide assistance in marketing the products of the correspondent banks.

At present MTB is maintaining relationships with 30 (thirty) foreign correspondents and the number is growing everyday. Currently the bank has 18 (eighteen) NOSTRO A/Cs with large foreign banks abroad. The bank is a "SWIFT" member and its Bank Identification Number or BIC is 'MTBLBBBH'.

**3.15 Remittance Services:**

Mutual Trust Bank maintains a strong network with the Exchange Houses worldwide for ensuring better remittance services for its customers. The Bank having a network of 30 branches has established remittance arrangements with a number of exchange houses to facilitate wage earners to remit their money to Bangladesh. The following is the list of exchange houses having arrangement with al Mutual Trust Bank Ltd.

<b>Exchange House Name</b>	<b>Service Available</b>	<b>Presence</b>
UAE Exchange Centre LLC web: <a href="http://www.useexchange.com">http://www.useexchange.com</a>	1. Taka Draft Arrangement 2. EFT Using XPIN 3. TT Arrangement	Global
Wall Street Exchange Centre LLC web: <a href="http://www.wallstreetcorp.com">http://www.wallstreetcorp.com</a>	1. TT Arrangement	UAE
Instant Cash Worldwide Ltd.	1. Taka Draft Arrangement	Global Locations

		List
Al Ahalia Money Exchange Bureau	1. TT Arrangement 2. Taka Draft Arrangement	UAE
Route of Asia Money Exchange Ltd.	1. TT Arrangement	UK
Bangladesh Money Transfers (UK) Ltd.	1. TT Arrangement	UK
Instant Exchange UK Ltd.	1. TT Arrangement	UK
Money link UK Ltd. web: bttfr//www. money hnknk.	1. TT Arrangement	UK
Trust Exchange Co. W1.L.	1. Taka Draft Arrangement 2. TT Arrangement	Qatar

### 3.16 Web:

The Internet has brought about a revolutionary change in the world leading to convergence of communication and computing technologies. In order to provide round the clock and up to date information on the Bank to the trade and business communities worldwide, the IT Team of Mutual Trust Bank Limited has developed a web for the ft can be accessed under the domain name: [www.mutualtrustbank.com](http://www.mutualtrustbank.com)

### 3.17 SWIFT:

The Bank has become the member of SWIFT Alliance Access, a multi-branch secure financial messaging system provided by the Society for Worldwide Inter-bank Financial Telecommunication [SWIFT], Belgium. With the activation of the SWIFT system the Bank enjoys instant, low-cost, speedy and reliable connectivity for L/C transaction, fund transfers, message communication and other worldwide financial activities.

### 3.18 Products:

#### 3.18.1 Deposit Products:

1. Brick by Brick Savings Scheme
2. Monthly Benefit Plan
3. Unique Savings Plan
4. Festival Savings Plan

5. Education Plan
6. Double Saver Plan
7. Triple Saver Plan
8. Millionaire Plan
9. Best Invest Plan

### **3.18.2 Loan Products:**

1. Small Business Loan
2. Home Loan
3. Home Repair Loan
4. Auto Loan
5. MTB Life Line
6. CC Hypo



### **3.18.3 Visa Card:**

1. Local Classic Credit Card
2. Local Gold Credit Card
3. Prepaid International Travel Money Card
4. Prepaid Local Gift Card
5. Visa Electron Debit Card

## **3.19 MTBL's Risk Management Strategy and System**

### **3.19.1 Risk in Business:**

Profit and loss is the outcome of all businesses. Risk, which is inherent in any business including bank, is an important factor that interplay between profit and loss. For instance, when capital which is mainly the funds invested by the owners of the bank has been placed there then the owners face some risks – the risk that the bank will earn a less-than satisfactory return on the owners funds or even fail, with stockholders recovering little or nothing. If the bank ends up with a less than satisfactory return on its owner's capital, then its profit may decline because of the risk element inherent in the process.

There are many techniques and ways that have been suggested by the Risk Management Group but no single technique can be taken best in all situations. In capital budgeting there are two categories of techniques: - a) techniques that consider only the sponsor risk b) techniques that consider the project in the context of the market.

### 3.19.2 Sources of risk

In any credit financing, as risk is inherent, so it is utmost important that sources of risk be ascertained and analyzed before taking any decision on credit. There are many sources of risk and the main sources are project specific risk, competitive risk, industry specific risk, market risk and international risk.

- **Project specific risk** – This risk may arise from low income and cash flow due to wrong estimation and calculation of project profile or mismanagement.
- **Competitive risk**- unanticipated competition during or after competition will jeopardize the company profitability.
- **Industry specific risk**: Changes in the government and fiscal policy and unexpected technological changes will increase risk of any credit financing.
- **Market risk**: Macroeconomic factors like GDP, interest rate, inflation etc affect business, so any changes in these factors will have an impact on business and on its operation and profitability.
- **International risk**: For a foreign project, the monetary exchange rate, fiscal policy and the political activity of host country may have adverse affect on project profitability.

### 3.19.3 Key Risk in Banking

Banks deal with capital and credit wherein they themselves get involved in different types of risk. These include credit risk, completion risk, financial risk liquidity risk, interest rate risk, political risk, operational risk, management risk, and business risk.

#### 3.19.3.1 Credit Risk:

Banks make loans and take security that are nothing more then promise to pay and if the customers fail to pay some or all of the interest and principal they become defaulters.

Then the credit becomes worthless and this risk is known as credit risk. There are four major indicators of credit risk

- a) The ratio of nonperforming assets to total loans and leases
- b) The ratio of net charge offs of loans to total loans
- c) The ratio of annual provision for loan losses to total loan or to equity capital
- d) The ratio of non-performing assets to equity capital

### **3.19.3.2 Completion risk:**

This is the most crucial risk of sponsors of business. This is associated with (a) shortfall in sponsors resources (b) delay in collecting major machinery and equipment (c) unavailability of required number of qualified staff and qualified sub-contractors (d) failure of the project to perform to expected capacity, output .

### **3.19.3.3 Financial risk:**

This is the risk concerned with both the lenders and its customers. These include the following

- a. Variability of exchange rates
- b. Interest rates
- c. World commodity prices which affect energy supplies and raw materials.
- d. Decrease in the world price of the product produced by the project
- e. Inflation
- f. International trends in trade, tariffs and protection

One instance where the bank incurs financial risk maybe when the firm that took the loan from the bank never received payment for goods supplied or works completed to its customers. For example, in the cases of borrowers in the construction sector, it can be seen that many firms took loans to complete certain work orders, but were not paid after the completion of the work. As a result, these firms were unable to pay back the loans. Another instance may be the burrower suffers increases in raw materials prices, which it was unable to pass on to the customers. This is quiet enviable in the shipping business where the buyer had to purchase scrap ships at a relatively higher price but could not pass on the cost increase to the customers because of poor demand. This affected the borrowers negatively and therefore made it difficult for them to repay the loan



#### **3.19.3.4 Political risk:**

This risk is the attitudes of different political parties and includes:

- (a) There may be future changes to existing legislation related to tax, import duties, custom procedures, ownership, foreign exchange laws and environmental litigation, leading to adverse impact on the project.
- (b) Future government may decide to confiscate or nationalize project facilities.
- (c) Permit, licenses and other approval from the government are not granted in a timely fashion.
- (d) War, revolution or political violence breaks out in the country, negatively affecting project performance

Defenses against the these risks are :

- to obtain protection against changes in law and similar events through the implementation agreement with the host government.
- political risk insurance.
- Other undertaking from the government that licenses and permits will be granted in a timely fashion and be transferable to lenders in the event project failure.

#### **3.19.3.5 Liquidity Risk:**

Liquidity risk measures whether the firm has sufficient cash and borrowing capacity to meet customer needs for withdrawal and other customers need and providing loans to people when they demand it. For Eastern Bank Limited, the liquidity risk has increased very slightly since the proportion of cash plus marketable securities has increased less proportionately than total assets. However to deal with this liquidity risk, the Asset Liability Committee of Eastern Bank has engaged in money market operations.

#### **3.19.3.6 Interest rate risk:**

Interest rate risk is the probability that rising or falling interest rates will adversely affect the margin of interest revenues over interest expenses or resulting in decreasing the value of net worth. An indicator of interest rate risk is the the ratio of interest sensitive assets to interest sensitive liabilities.

### **3.19.3.7 Interest sensitive Assets:**

In MTBL the interest sensitive asset exceeded one that is interest sensitive assets was more than interest sensitive liabilities and under such circumstances if the interest rate falls the Bank will be vulnerable to losses. On the other hand, when the interest rate increases, the rate of earnings as well as total earnings will increase at a higher rate than the interest sensitive liabilities of the bank.

### **3.19.3.8 Operational risk:**

The bank may face risks of not getting back the money that they lent out to the customers and incur operational risks, because the customer may face problem in running their operations smoothly.

For instance some of the borrowers are unable to meet supply order or work order on time and therefore may have to suffer huge losses, which resulted in their not being able to pay the bank. There are plenty of instances in the RMG sector where the client are unable to meet shipping deadlines because of political unrest, labor unrest, electricity problems etc. which resulted in a stock lot situation. At times, the client had to send shipment by air to meet deadlines or had to receive partial payment for late shipment. Because of these losses, many borrowers may be unable to pay their debt.

# **Chapter 4: Financial Statement**



#### 4.1 Financial Statements:

Statements that reflect the collection, tabulation, and financial summarization of the accounting data. Financial statements are the starting point for analysis as they report data about income, cash flows, assets & liabilities that users can tailor to their needs. To do so they need to understand the information provided by financial statement and the shortcomings of the data. In addition, financial statement users must be able to rearrange the information provided in a manner consistent with objectives. Five statements are involved:

- I. **Income statement:** The income statement, often called the statement of income or statement of earnings, is the report that measures the success of enterprise operations for a given period of time. The business and investment community uses this report to determine profitability, investment value and credit worthiness. It provides investors and creditors with information that helps them predict the amounts, timing, and uncertainty of future cash flows.
- II. **Balance sheet:** The balance sheet sometimes referred to as the statement of financial position, reports the assets, liabilities, and stockholders equity of a business enterprise at a specified date. This financial statement provides information about the nature and amounts of investments in enterprise resources, obligations to creditors, and the owners' equity in net resources. It therefore helps in predicting the amounts, timing and uncertainty of future cash flows.
- III. **Statement of cash flows:** The statement of cash flows reports cash receipts, cash payments, and net change in cash resulting from operating, investing, and financing activities of an enterprise during a period, in a format that reconciles the beginning and ending cash balances.

- IV. Statement of retained earnings:** The statement of retained earnings, which reconciles the balance of the retained earnings account from the beginning to the end of the period. This financial statement shows the utilization of profits of the company i.e., dividend declared, amount transferred to general reserve or any other reserve are shown in this account.
- V. Statement of changes in Equity:** This statement shows changes in equity. *IAS 1* Presentation of Financial Statements requires the following regarding statement of changes in equity.
- a) The net profit or loss for the period.
  - b) Each item of income and expense, gain or loss which, as required by other standards, is recognized directly in Equity, and the total of these items; and
  - c) The cumulative effect of changes in accounting policy and the correction of fundamental errors dealt with under the benchmark treatment in *IAS 8*.

In addition, an enterprise should present, either with in this statement or in the notes:

- d) Capital transactions with owners and distributions to owners.
- e) The balance of accumulated profit or loss at the beginning of the period and at the balance sheet date, and the movements for the period; and
- f) Reconciliation between the carrying amount of each class of equity capital, share premium and each reserve at the beginning and the end of the period, separately disclosing each movement.

#### **4.2 Nature of Financial Statements:**

Financial statements are prepared for the purpose of presenting a periodical review or report by the management and deal with the state of investment in business and result achieved during the period under review. They reflect a combination of recorded facts, accounting concepts and conventions and personal judgments. From this it is clear that three things affect financial statements i.e., **recorded facts, accounting conventions and personal judgments**. Only those facts, which are recorded in the business books, will be

reflected in the financial statements. For example, fixed assets are recorded in the books at cost price and shown in the balance sheet at cost price irrespective of their market or realizable price. Again financial statements are prepared by following certain principles, which are in use for a long time.

The following points reflect truly the nature of financial statements of business entities:

- ❖ These are reports or summarized reviews about the performance, achievements and weaknesses of the business.
- ❖ These are prepared at the end of the accounting period so that various parties may take decisions of their future actions in respect of the relation ship with the business.
- ❖ The reliability of financial statements depends on the reliability of accounting data. These statements cannot be said to be true and fair representatives of the strengths or profitability of the concern if there are numerous frauds and defalcations in the accounts.
- ❖ These statements are prepared as per accounting concepts and conventions.
- ❖ These statements are influenced by the personal judgment of the accountant though he is expected to be more in his approach. These judgments may relate to valuation of inventory, depreciation of fixed assets and while making distinction between capital and revenue.

### 4.3 Importance of Financial Statements:

The information given in the financial statements is very useful to a number of parties as given below:

- ◆ **Owners:** The owners provide funds for the operations of a business and they want to know whether their funds are being properly utilized or not. The financial statements prepared from time to time satisfy their curiosity.
- ◆ **Creditors:** Creditors (i.e., suppliers of goods and services on credit, bankers and other lenders of money) want to know the financial position of a concern before giving loans or granting credit. The financial statements help them in judging such position.

- ◆ **Investors:** Prospective investors, who want to invest money in a firm, would like to make an analysis of the financial statements of that firm to know how safe proposed investment will be.
- ◆ **Employees:** Employees are interested in the financial position of a concern they serve, particularly when payment of bonus depends upon the size of the profits earned. They would like to know that the bonus being paid to them is correct; so they become interested in the preparation of correct Profit and Loss Account.
- ◆ **Government:** Central and State Governments are interested in the financial statements because they reflect the earnings for a particular period for purposes of taxation. Moreover, these financial statements are used for compiling statistics concerning business that, in turn, help in compiling national accounts.
- ◆ **Consumers:** Consumers are interested in the establishment of good accounting control so that cost of production may be reduced with the resultant reduction of the prices of goods they buy.
- ◆ **Managers:** Management is the art of getting things done through others. This requires that the subordinates are doing work properly. Financial statements are an aid in this respect because they serve the manager is appraising the performance of the subordinates. Actual results achieved by the employees can be measured against the budgeted performance they were expected to achieve and remedial action can be taken if the performance is not up the mark.

#### 4.4 Limitations of Financial Statements:

The following are the main limitations of the financial statements:

- **Interim and not final reports:** Financial Statements do not depict the exact position and are essentially interim reports. The exact position can be only known if the business is closed.
- **Lack of precisions and definiteness:** Financial statements may not be realistic because these are prepared by following certain basic concepts and conventions. For example, going concern concept gives us an idea that business will continue and assets are to be recorded at cost but the book value at which the asset is

shown may not be actually realizable. Similarly, by following the principle of conservatism the financial statements will not reflect the true position of the business.

- **Lack of objective judgment:** Financial statements are influenced by the personal judgment of the accountant. He may select any method for depreciation, valuation of stock, amortization of fixed assets and treatment of deferred revenue expenditure. Such judgment if based on integrity and competency of the accountant will definitely affect the preparation of the financial statements.
- **Record only monetary facts:** Financial statements disclose only monetary facts, i.e., those transactions are recorded in the books of accounts, which can be measured in monetary terms. Those transactions which can not be measured in monetary terms such as, conflict between production manager and marketing manager may be very important for a business concern but not recorded in the business books.
- **Historical in nature:** These statements are drawn after the actual happening of the events. They attempt to present a view of the past performance and have nothing to do with the accounting for the future. Modern management is forward looking but these statements do not directly help them in making future estimates and taking decisions for the future.
- **Scope of manipulations:** These statements are sometimes prepared according to the needs of the situation or the whims of the management. A highly efficient concern may conceal its real profitability by disclosing loss or minimum profit whereas an inefficient concern may declare dividend by wrongly showing profit in the profit and loss account. For this under or over valuation of inventory, over or under charge of depreciation, excessive or inadequate provision for anticipated losses and other such manipulations may be resorted to. Window dressing may also be resorted to in order to show better financial position of a concern than its real position.
- **Inadequate information:** There are many parties who are interested in the information given in the financial statements but their objectives and requirements differ. The financial statements as prepared under the provisions of the **Companies**



**Act, 1956**, fail to meet the needs of all. These are mainly prepared to safeguard the interest of shareholders.

#### **4.5 Analysis of financial statement:**

Analysis is the process of critically examining in detail accounting information given in the financial statements. For the purpose of analysis, individual items are studied; their relationships with other related figures established, the data is sometimes rearranged to have better understanding of the information with the help of different techniques or tools for the purpose. Analyzing financial statements is a process of evaluating relationship between component parts of financial statement to obtain a better understanding of firm's position and performance. In the words of **Myer**, "Financial statements analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trend of these factors as shown in a series of statements". The analysis of financial statements thus refers to the treatment of the information contained in the financial statements in a way so as to afford a full diagnosis of the profitability and financial position of the firm concerned. For this purpose financial statements are classified methodically, analyzed and compared with the figures of previous years or other similar firms.

#### **4.6 Meaning of interpretation:**

Analysis and interpretation are closely related. Interpretation is not possible without analysis and without interpretation analysis has no value. Various account balances appear in the financial statements. These account balances do not represent homogeneous data so it is difficult to interpret them and draw some conclusions. This requires an analysis of the data in the financial statements so as to bring some homogeneity to the figures shown in the financial statements. Interpretation is thus drawing of inference and stating what the figures in the financial statements really mean. Interpretation is dependent on interpreter himself. Interpreter must have experience, understanding and intelligence to draw correct conclusions from the analyzed data.

In the words of **Kennedy and Memullar**, "The analysis and interpretation of financial statements are an attempt to determine the significance and meaning of the financial

statements data so that a forecast may be made of the prospects for future earnings, ability to pay interest and debt maturities (both current and long-term), and probability of a sound dividend policy.”

The most important objective of the analysis and interpretation of financial statements is to understand the significance and meaning of financial statements data to know the strength and weakness of a business undertaking so that a forecast may be made of the future prospects of that business undertaking.

#### **4.7 Objective (or Uses) of Financial Analysis:**

In short, the main objectives of analysis of financial statements are to assess:

- I. The present and future earnings capacity or profitability of the concerns,
- II. The operational efficiency of the concern as a whole and of its various parts or departments,
- III. The short-term and long-term solvency of the concern for the benefit of the debenture holders and trade creditors,
- IV. The comparative study in regard to one firm with another firm or one department with another department,
- V. The possibility of developments in the future by making forecasts and preparing budgets,
- VI. The financial stability of a business concern,
- VII. The real meaning and significance of financial data and so on.



# **Chapter 5: Financial Profile of MTBL And OBL**

## Financial Profile of MTBL

### 5.1 Investment:

The investment of this bank stood at taka 5,606 million in 2008, taka 3,956 million of 2007, and taka 2,821million of 2006 thus registering an increase of 29.43% in 2008 and 28.69% in 2007.

### 5.2 Equity Profile:

At the end of the year 2008, the total shareholder's equity of the bank was TK 2,480 million where as in 2007 it was only TK 2,041 million and in 2006 TK1,903 million. So, the equity increased by 439 million in 2008 and 138 million in 2007. Changes in shareholder's equity are given below:

**Table 1:** changes in shareholder's equity (in million)

Particulars	2008(million)	2007(million)	2006(million)
Paid in Capital	1496	997	950
Share Premium		100	100
Statutory Reserve	701	590	511
Revaluation Gain on Investment in HTM securities	3	118	
General Reserve	87	105	39
Retained Earnings	193	131	303
Total Shareholders Equity	2480	2041	1903

### 5.3 Assets of MTBL:

The Bank's total asset was Tk 38,965 million on December 31, 2008 as against Tk 32,179 million on December 31, 2007 and TK 25,188 million on December 31, 2006.

The composition of its assets in 2008, 2007 and 2006 is given below:

**Table 2:** Composition of MTBL's Asset in 2008, 2007 and 2006

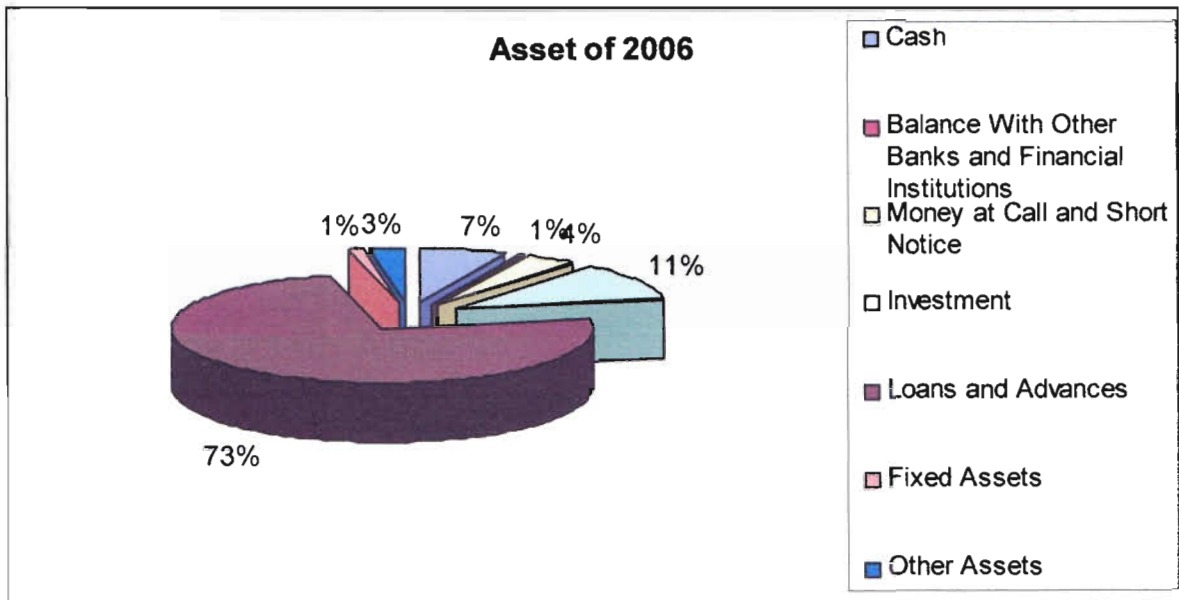
Properties	2008	2007	2006
Cash	2,002	2,229	1,646
Balance With Other Banks and Financial Institutions	703	1,832	175
Money at Call and Short Notice	510		970
Investment	5,606	3,956	2,821
Loans and Advances	28,529	22,683	18,591
Fixed Assets	369	301	267
Other Assets	1,246	1,178	718
Total Assets and Property	38,965	32,179	25,188

### 5.3.1 Growth in Assets:

**Table 3:** Growth in Asset in 2008, 2007 and 2006

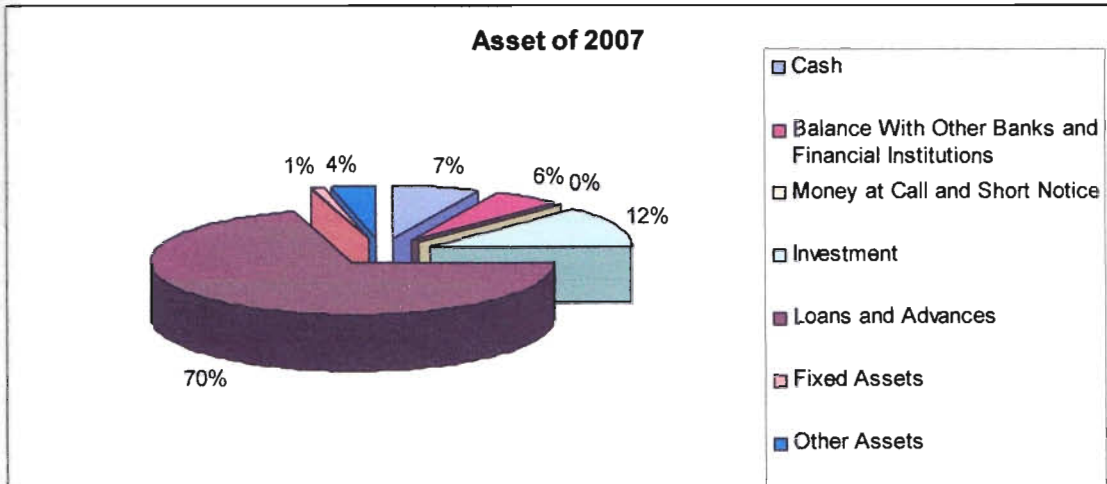
Year	2,008	2,007	2,006
Total Asset and Property	38,965	32,179	25,188

MTBL's assets have grown steadily over the years. In the year 2008 it stood at Tk. 38,965 million, Tk. 32,179 million in 2007 and Tk 25,188 million showing an increase of 17.42% in 2008 and 21.73% in 2007.

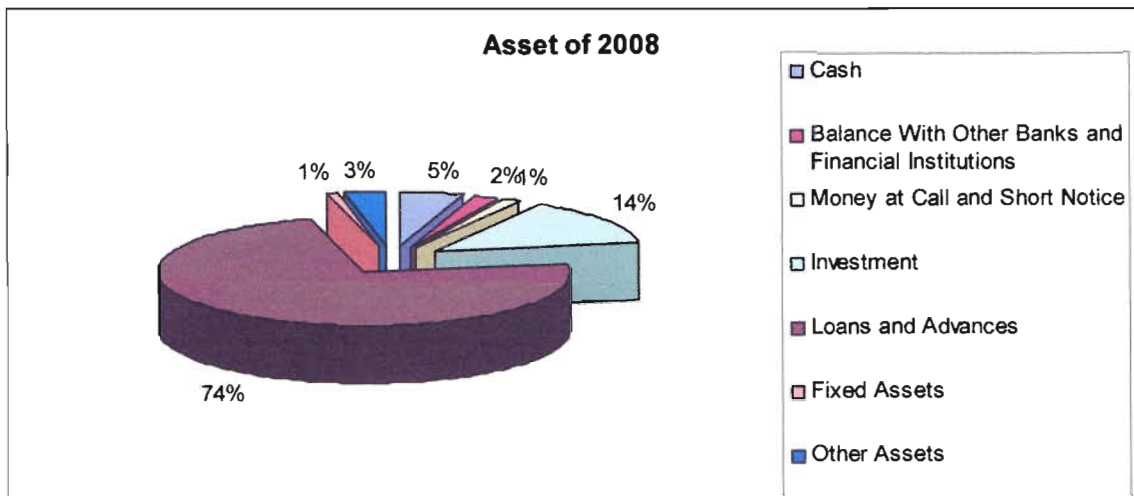


**Graph 1:** Asset of 2006





**Graph 2: Asset of 2007**



**Graph 3: Asset of 2008**

## 5.4 Growth and Development of MTBL:

### 5.4.1 Deposits:

**Table 4: Type of Deposits**

Types of Deposits	2008 (million)	2007(million)	2006(million)
Current Deposits	5,419	3,933	2,804
Bills Payable	447	525	196

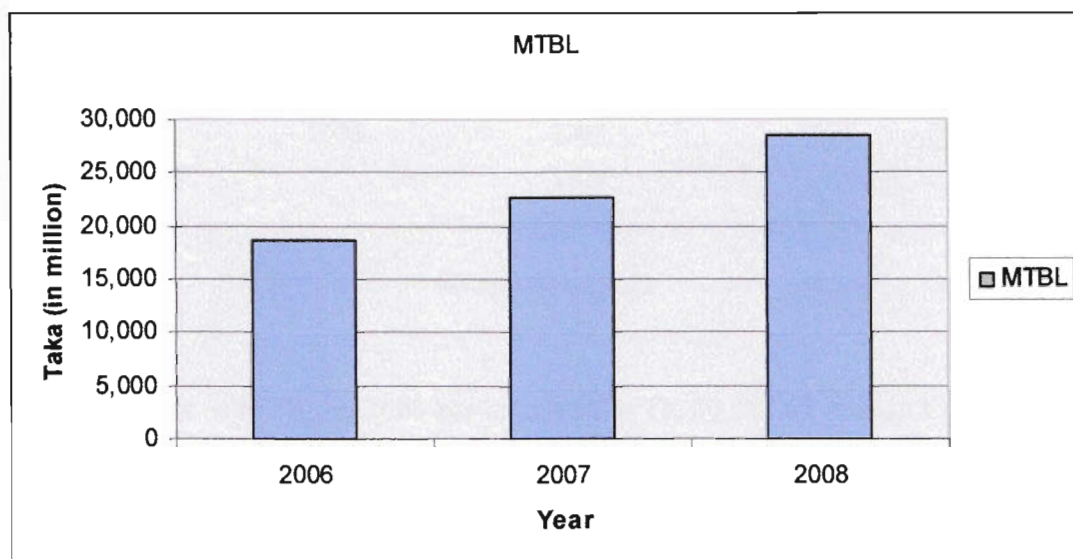
Savings Deposits	2,943	2,147	1,439
Fixed Deposits	22,360	16,334	16,519
Deposits Products	2,649	1,836	1,304
Total Deposits	33,818	24,775	22,262

#### 5.4.2 Loans & Advances:

**Table 5:**Loans and Advances

Particulars	2006	2007	2008
MTBL	18,591	22,683	28,529

#### Year wise Loan and Advances



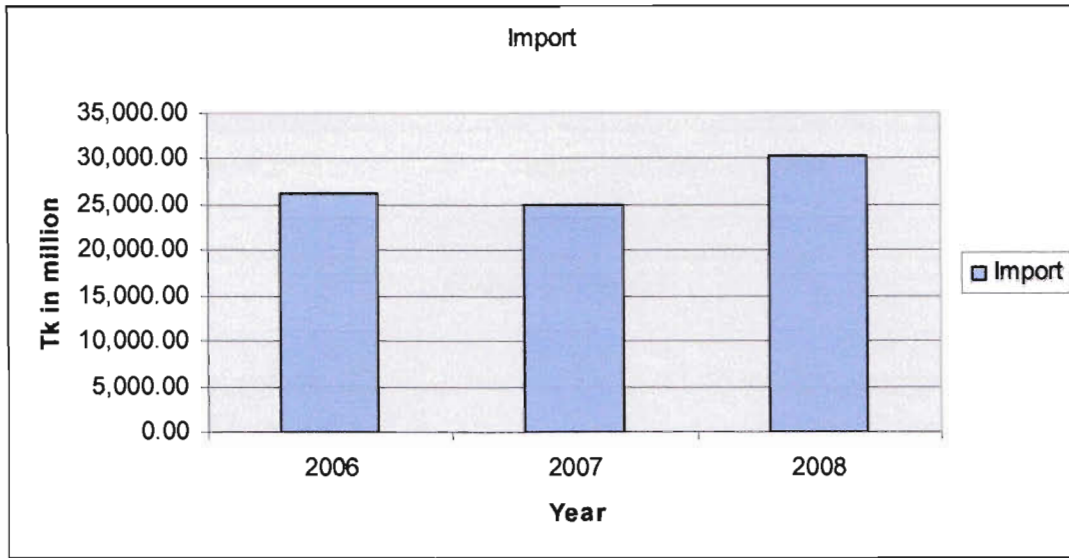
**Graph 4:**Loan and Advances

The total loans and advances of the bank were Tk.28,529 million showing an increase of 20.49% only over the year 2008 as against in the year 2007 and Tk 22683 million showing an increase of 18.03% only over the year 2007 as against in the year 2007 .

### 5.4.3 Import and Export Business:

**Table 6: Imports and Export**

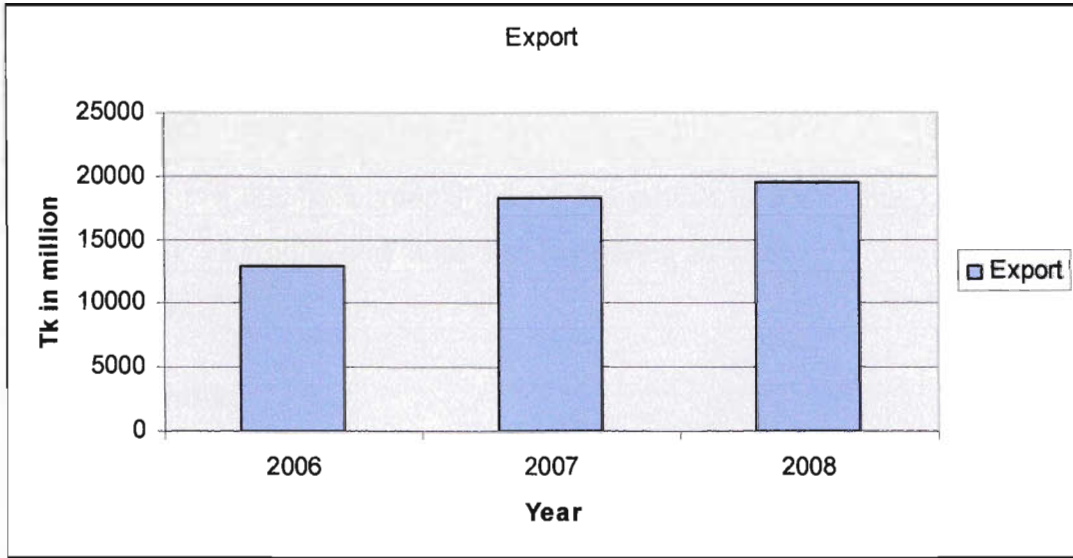
Particulars	2006	2007	2008
Import	26,255.29	24,872.07	30,381.61
Export	12943.26	18281.46	19,463.23



**Graph 5: Import**

Import Volume of MTBL in 2008 has increased to TK 30,381.62 million Compared to TK 24,872.02 million of 2007 reflecting a growth of 22.15%.and 2007 reduced to Tk 24872.07 million compared to Tk 6255.29 million of 2006 registering a slowdown by 5.27%.





**Graph 6 :Export**

In 2007 the export volume of MTBL reached Tk.18281.46 million compared to previous years volume of Tk.12, 943.26 reflecting a sound growth of 41.24%.In 2008 the export of MTBL has increased to Tk. 19,463.23 million compare to previous years volume of Tk. 18,281.46 reflecting a growth of 6.46%.

#### 5.4.4 No. of Employees:

**Table 7:Employees**

Banks	2006	2007	2008
MTBL	470	578	739

#### 5.4.5 No. of Branches:

**Table 8:Branches**

Banks	2006	2007	2008
MTBL	25	30	36

## Financial Profile of OBL

### 5.5 Investment:

The investment of this bank stood at taka 3,715 million in 2008, taka 3,587 million of 2007, and taka 3,321million of 2006 thus registering an increase of 3.45% in 2008 and 7.42% in 2007.

### 5.6 Equity Profile:

At the end of the year 2008, the total shareholder's equity of the bank was TK 2,312 million where as in 2007 it was only TK 1,829 million and in 2006 TK1,515 million. So, the equity increased by 483 million in 2008 and 314 million in 2007. Changes in shareholder's equity are given below:

**Table 9:** changes in shareholder's equity (in millions)

Particulars	2006	2007	2008
Paid-up Capital	888	1,038	1,298
Statutory Reserve	380	526	688
Surplus in Profit & loss Account	3	2	3
Revaluation Reserve For HTM securities	6	4	64
Proposed Bonus Share	150	259	259
Proposed Cash Dividend	88		
Total Shareholders' equity	1,515	1,829	2,312

### 5.7 Assets of OBL:

The Bank's total asset was Tk 31,741 million on December 31, 2008 as against Tk 27,472 million on December 31, 2007 and TK 23,140 million on December 31, 2006.

The composition of its assets in 2006, 2007 and 2008 is given below:

**Table 10:** Composition of OBL's Asset in 2006, 2007 and 2008

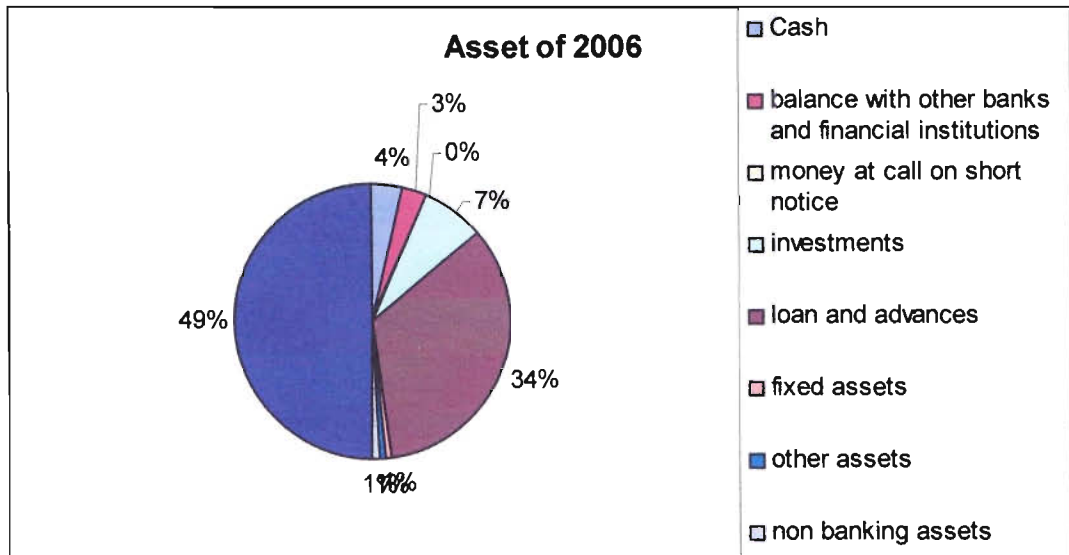
Properties	2006	2007	2008
Cash	1,679	2,044	2,590
balance with other banks and financial institutions	1,416	684	478
money at call on short notice		150	170
Investments	3,321	3,587	3,715
loan and advances	15,681	19,709	23,287

fixed assets	246	351	408
other assets	461	614	767
non banking assets	336	333	326
<b>Total Assets and Property</b>	<b>23,140</b>	<b>27,472</b>	<b>31,741</b>

**5.7.1 Growth in Assets:**

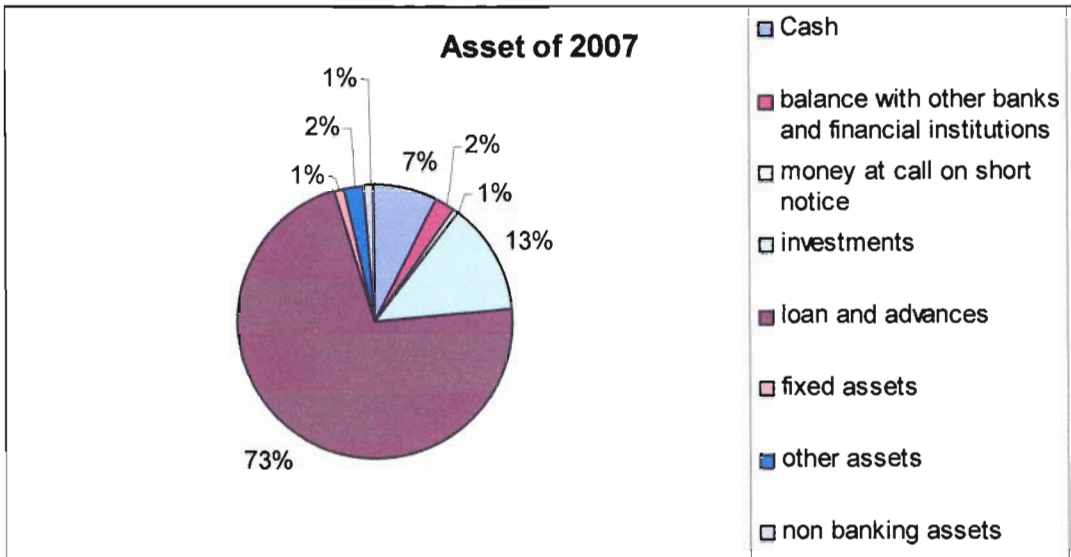
**Table 11: Growth in Asset in 2006, 2007 and 2008**

<b>Year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Total Asset and Property	23,140	27,472	31,741

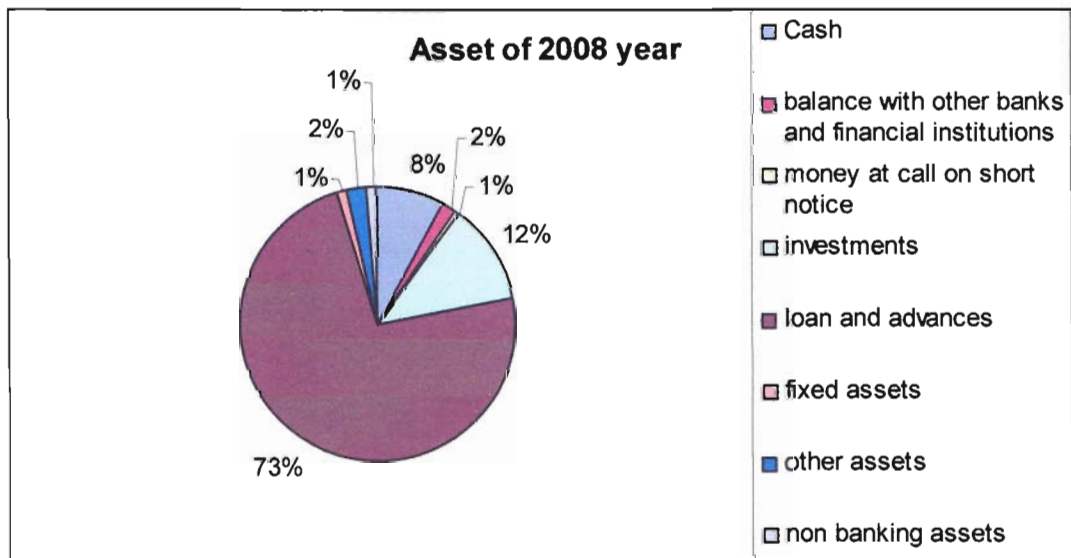


**Graph 7: Asset of 2006**





**Graph 8: Asset of 2007**



**Graph 9: Asset of 2008**

## 5.8 Growth and Development of OBL

### 5.8.1 Deposits:

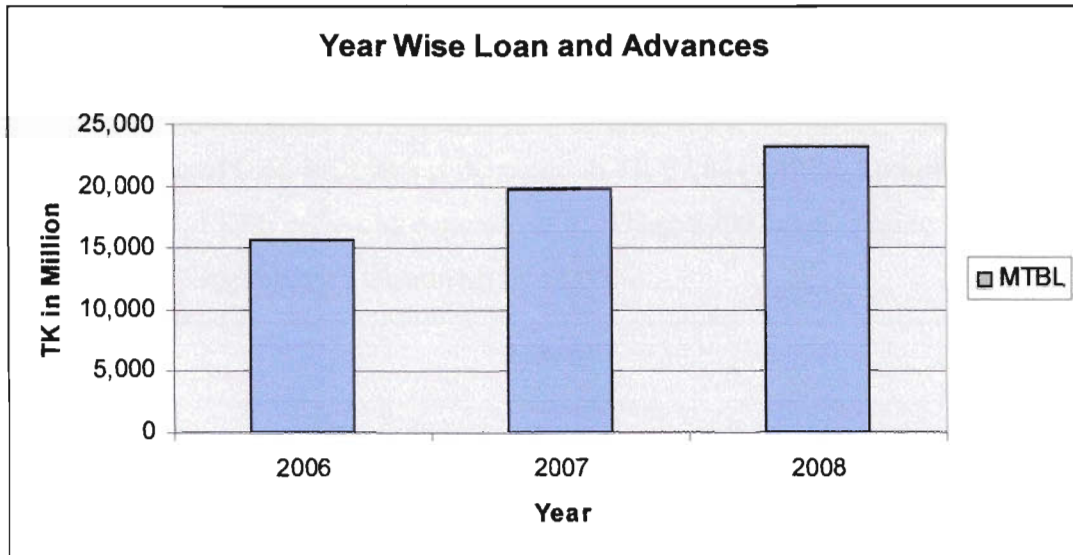
Table 12: Type of Deposits

Types of Deposit	2006(million)	200 7(million)	2008( million)
Current Account	2,516	3,157	3,505
Bills Payable	160	531	317
Savings Account	803	1,322	1,723
Term Deposits	20,253	24,484	27,861
Total Deposits	23,732	29,497	33,406

### 5.8.2 Loans & Advances:

Table 13: Year wise Loan

Particulars	2006	2007	2008
MTBL	15,681	19,709	23,287



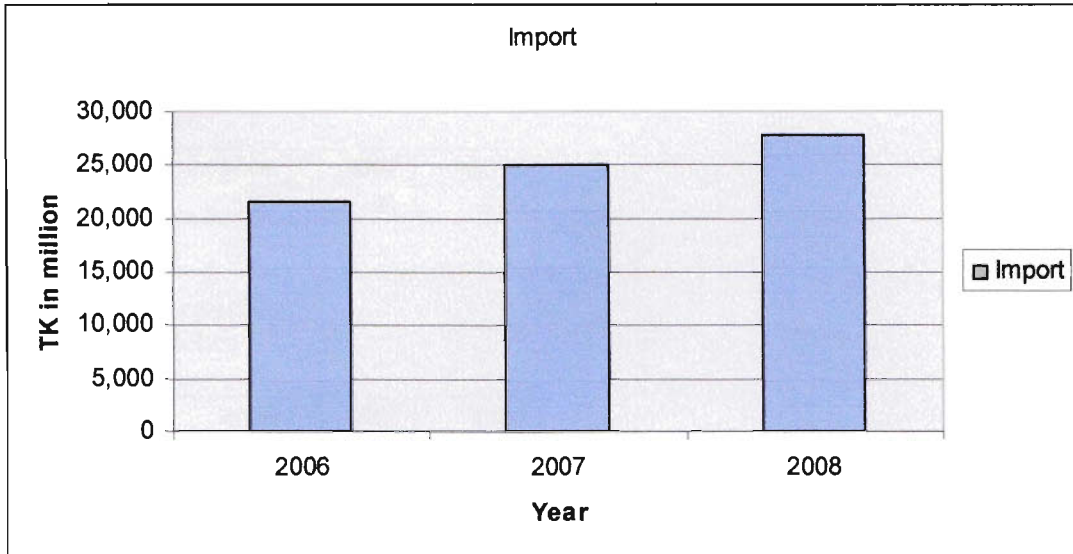
Graph 10: Loan and Advances

The total loans and advances of the bank were Tk.23, 287 million showing an increase of 32.70% only over the year 2008 as against in the year 2007 and Tk 19709 million showing an increase of 20.44% only over the year 2007 as against in the year 2006 .

### 5.8.3 Import and Export Business:

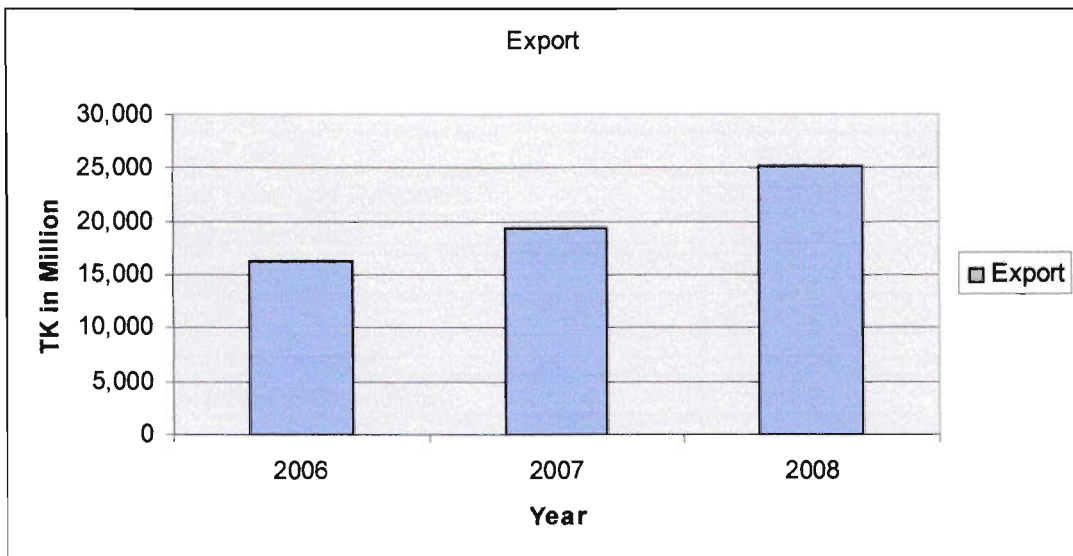
**Table 15: Import and Export**

Particulars	2006	2007	2008
Import	21,601	25,133	27,844
Export	16,360	19,413	25,214



**Graph 11: Import**

Import Volume of OBL in 2008 has increased to TK 27,844 million Compared to TK 25,133million of 2007 reflecting a growth of 9.74%.and 2007 compared to TK 21,601 million of 2006 registering a slowdown by 14.05%.



**Graph 12: Export**

In 2008 the export volume of MTBL reached Tk.25, 214 million compared to previous years volume of Tk.19,413 reflecting a sound growth of 23.00%.In 2007 the export of MTBL has increased to TK. 19,413 million compare to previous years volume of Tk. 16,360 reflecting a growth of 15.73%.

#### 5.8.4 No of employees:

**Table 16:**Employees

<b>Banks</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
OBL	580	781	859

#### 5.8.5 No. of Branches

**Table 17:**Branches

<b>Banks</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
OBL	23	30	32

### 5.9 Financial performance of MTBL and OBL:

#### 5.9.1 Financial Highlights of MTBL:

**Table 18:** Financial Profile(TK in Millions)

<b>SL No</b>	<b>Particulars</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
1	Authorized Capital	3800	3800	1000
2	Paid Up Capital	1,496.88	997.92	950.4
3	Shareholders' Equity	2,483.09	2,044.30	1,904.80
4	Total Capital	2,888.33	2370.95	2114.53
5	Total Asset	38,964.97	32,181.90	25,983.92
6	Total Deposit	33,820.41	24,776.92	22,264.05
7	Total Loan and Advances	28,529.35	22,683.23	18,591.52
8	Total Investment	5,606.49	3,956.53	2,821.62
9	Export	19,463.24	18,282	12,943
10	Import	30,381.62	24,866.00	26,255.29
11	Operating Income	1,843.90	1,188.34	1,284.86
12	Operating Expenditure	648.81	424.48	315.39
13	Profit After Provision and Tax	305.03	210.8	478.28
14	Dividend-Cash			20%
15	Bonus Share	18%	25%	5%
16	Contingent Liabilities	11,467.71	10,916.14	9,671.39
17	Return On Assets(ROA)	0.78%	0.66%	1.82%

18	Classified Loans as % of Total Loans and Advances	4.92%	2.39%	1.03%
19	Lending Deposits Ratio	84.36%	91.55%	83.50%
20	Capital Adequacy Ratio	10.39%	10.19%	11.83%
21	Price Earnings Ratio	15.18%	40.30%	7.14%
22	No of Branches	36	30	25
23	No of Employees	739	578	470
24	Return On Equity(ROE)	12.28%	10.38%	25.11%

### 5.9.2 Financial Highlights of OBL:

**Table 19:** Financial highlight(TK in Millions)

SL No	Particulars	2008	2007	2006
1	Authorized Capital	4,150	1,200	1200
2	Paid Up Capital	1,299.00	1,039	888
3	Shareholders' Equity	2,314.80	1,832.70	1,518.82
4	Total Capital	2,658.00	2,107	1,650
5	Total Asset	31,744.00	27,475.00	23,143.00
6	Total Deposit	27,861.00	24,484.00	20,253.00
7	Total Loan and Advances	23,287.00	19,709.00	15,681.00
8	Total Investment	3,715.00	3,587.00	3,321.00
9	Export	25,214.00	19,413	16,360
10	Import	27,844.00	25,133.00	21,601.00
11	Operating Income	1,108.00	929.00	674.00
12	Operating Expenditure	708	598	452
13	Profit After Provision and Tax	422	405	347
14	Dividend-Cash			10%
15	Bonus Share	20%	25%	17%
16	Contingent Liabilities	10,261.04	10,153.66	8,031.60
17	Return On Assets(ROA)	3.74%	3.67%	3.12%
18	Classified Loans as % of Total Loans and Advances	4.23%	3.10%	1.44%
19	Lending Deposits Ratio	83.58%	80.50%	77.43%
20	Capital Adequacy Ratio	11.02%	10.25%	10.03%
21	Price Earnings Ratio	10.08%	13.18%	7.32%
22	No of Branches	32	30	23
23	No of Employees	859	781	580
24	Return On Equity(ROE)	18.23%	22.09%	22.84%

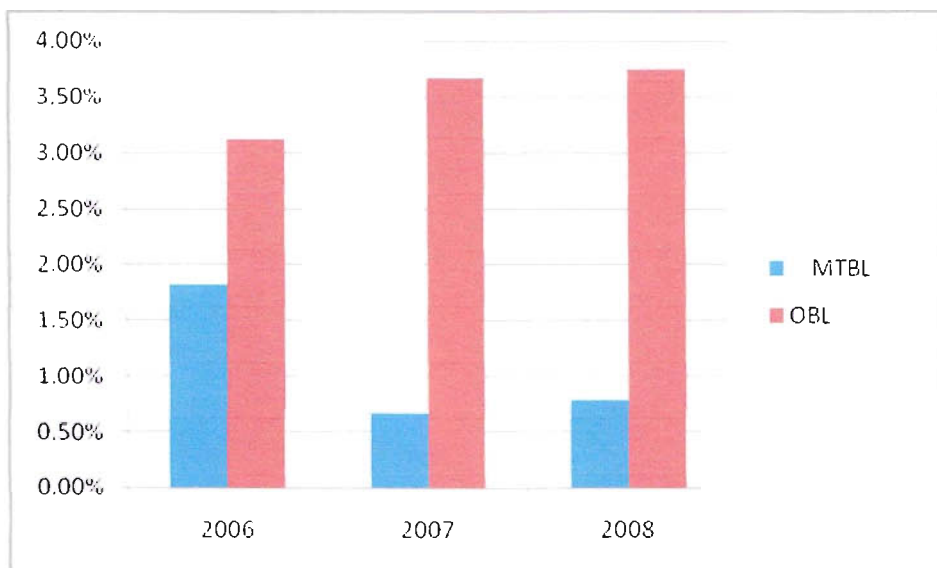




**5.9.3 Return On Asset:**

**Table 20:ROE**

Bank	2006	2007	2008
MTBL	1.82%	0.66%	0.78%
OBL	3.12%	3.67%	3.74%



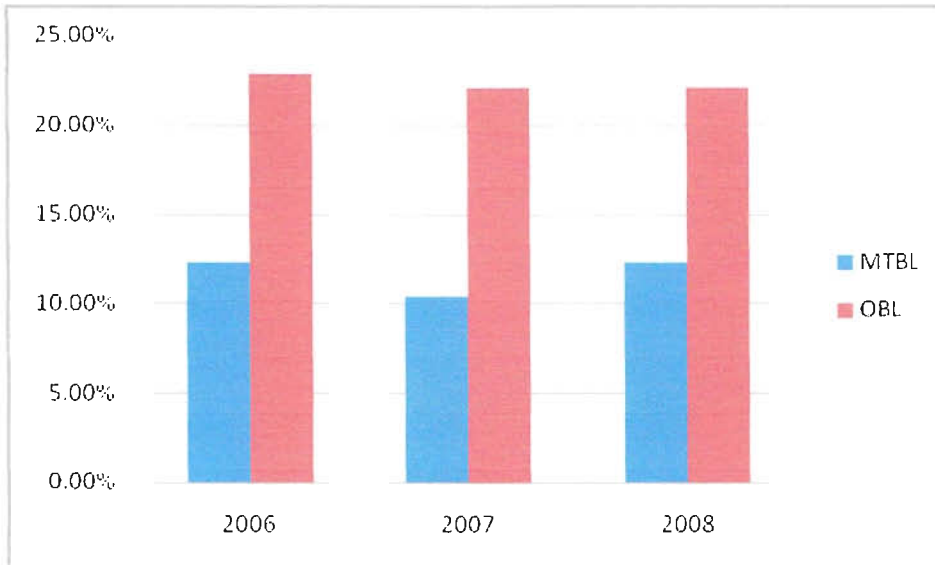
**Graph 13:Return on Asset**

ROA tells us how much profit a company is able to generate for each dollar of assets invested. Increasing trend of this ratio is an indicator of good financial health of the company. In this case we find that ROA has an increasing trend, which indicates that the company is able to increase their amount of profit from year to year against their assets invested. The Return of Asset of OBL is higher than MTBL over the year 2006, 2007, and 2008.

**5.9.4 Return On Equity:**

**Table 21:ROE**

Bank	2006	2007	2008
MTBL	12.28%	10.38%	12.28%
OBL	22.84%	22.09%	22.09%



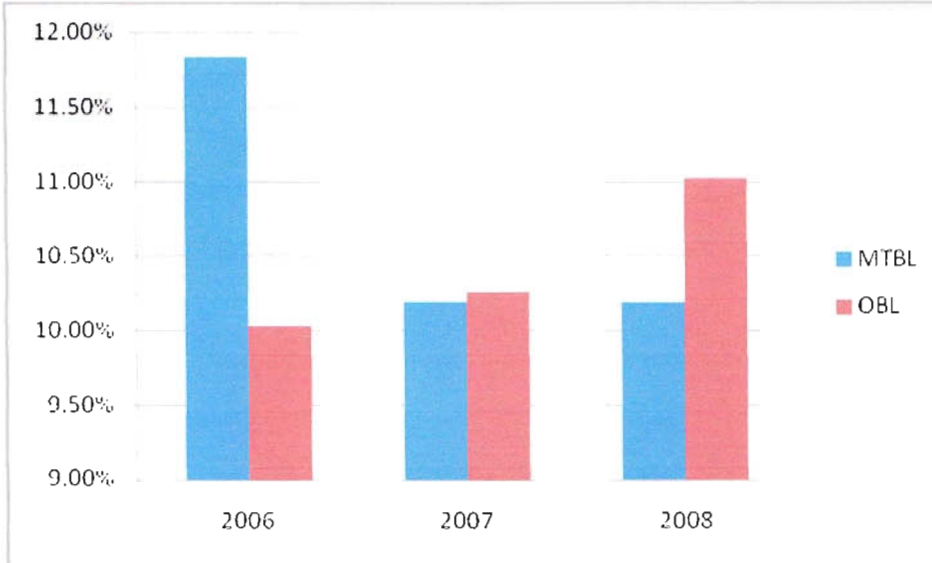
**Graph 14:Return on Equity**

ROE is a comprehensive indicator of a firm's performance because it provides an indication of how well managers are employing the funds invested by the firm's shareholders to generate return. In this case we find that ROE of three year are almost same. In year 1 and year 2 it remains same but in year 3 decreases slightly. The Return of Asset of OBL is higher than MTBL over the year 2006, 2007, and 2008.

### 5.9.5 Capital Adequacy Ratio:

**Table 22:Capital Adequacy Ratio**

Bank	2006	2007	2008
MTBL	11.83%	10.19%	10.19%
OBL	10.03%	10.25%	11.02%



**Graph 15:Capital Adequacy Ratio**

In 2006 the Capital Adequacy of MTBL is very higher than OBL, in 2007 they are same but in 2008 Capital Adequacy of OBL is higher than MTBL.

# **Chapter 6: Work Experience, Problems, Conclusion and Recommendations**

## **6.0 Experience of work in Mutual Trust Bank Ltd:**

I worked at MTBL from February 7th, 2010 to April 20th, 2010 and I gathered lots of experience, which I may not gather if I did not work here. During the period of my internship work experience with MTBL, they placed me in Dholaikhal Branch. I acquired knowledge on:

### **6.1 CIB-Credit Information Bureau:**

Refers to the assessment of a loan proposal from different points of view to decide whether the bank should go for finance or not . The study of the borrower specially justifying credit status of the borrower. It helps the banker to ensure selection of right type of loan proposals and right type of borrower. For selecting the borrower security should not only thing to be relied upon. So responsibility of the bankers to investigate the client from different view point such as- the strength and weakness of the client so that the client will able to repay the bank loan as per repayment schedule with profit. And for this reason MTBL request to Bangladesh Bank for CIB report, where all the information is included about the loan. MTBL seen how much loan facilities they take from the other bank, the client pay it or not. When MTBL get the CIB report, they input this into their CIB summery software, where automatically information generated. Then MTBL send it to the Credit Administration Department.

### **6.2 FSS-Financial Spread Sheet:**

*FSS* is a process that provides a quick method of assessing business trends and efficiency of an organization. It helps to assess borrower's ability to repay. Realistically shows business trends and allow comparisons to be made within industry. It is an important tool in disciplined organized approach to credit analysis. For customers where total facilities exceed Taka 5.00 lac, loan policies require that bank should receive financial statements in an acceptable format at least once a year. For all Government owned and quasi Government companies and companies listed on Stock Exchange, FSS are to be prepared. The spreadsheet is to be completed by an officer preparing the loan proposal.

### 6.2.1 Various parts of FSS:

A typical FSS consists of six worksheets as follows:

- Balance sheet
- Income statement
- Cash flow statement
- Ratio Analysis
- Debt Service Coverage
- Y and Z Score



### 6.3 Checklist of a Corporate client:

It means to check MTBL has the entire document or not in the client's file. MTBL have checklist format where I have to only check whether they have the documents or not such documents are-

- monthly stock report- to check whether they have all the monthly report or not
- Drawing power diary note- calculates the drawing power, how much margin the client have, how much they can windrow.
- quarterly call report- it is a report about RM visit the client office quarterly
- Market intelligence diary report- it is a report about whether client have any market information or not.,
- past due- to check in BO account whether they any past due or not
- credit memorandum expiry-check whether the facility is renew or enhancement, when is the expire date
- insurance policy review-check the review date of insurance policy
- interest rate review- check the date of interest rate review
- 3 months projection of sales- compares the actual sales with projection sales etc

EBL have to done this checklist because every 3 months or 6 months Audit come, and for this bank have to do this checklist.

#### **6.4 Problems:**

- There are insufficient service stations for withdrawing and depositing money in the branch offices and for that reason often long queues are made thus increase the waiting time for the customers and eventually results in customer dissatisfaction.
- All the money available in the bank are not always well utilized sometimes they remain as idle money.
- A serious problem is occurring for the last few months that the ATM booths often becomes unusable mostly because of problems in ATM machines
- Often this is found that there is no money in the ATM machines but customers are waiting for withdrawing money.
- They signify on their internet banking system but this has lots of problems and thus this is not convenient for the customers to use.
- Employees in MTBL get lower salary for which they sometimes lose the motivation.
- Except few branch offices most of the branch offices have insufficient space.
- Although the number of MTBL booth is increasing but that is not adequate in comparison of its major competitors.
- The information given about the Bank's features and many other things in the website is backdated.

#### **6.5 Conclusions:**

Banking is highly complex service. It is actually a number of services under one roof. Since banks deal with customer's hard earned cash and finances business, it is natural that they would be extremely conscious about the services rendered. Therefore it is the duty of the Bank to protect clients' interest. The success of a financial organization largely depends on the service quality, promotional activity, personnel effort and distribution. For MTBL, hope is shining on the horizon. It has already taken out steps to venture more market in the form of syndication, merchant banking, issuing credit card etc. There should be more innovation in the products and services of MTBL. By doing so, MTBL can sustain and even improve its sound growth of profitability in the long run. After considering performance of MTBL we can say:

- The General Banking Services provided by the bank are of good standard.
- Credit (loans & advances) is growing because of the efficiency of the

Credit Officers and proper policy making by the department.

- The bank is performing remarkably poor in the field of guarantee.
- Foreign trade financing (esp. import & remittance) is growing because of the quality services provided by the Officers.
- Even though the profit of the bank is gradually increasing the growth rate is falling sharply due to intensive competition.
- Introduction of the new IT platform of Flexcube (banking software) has started to increase accuracy and productivity of the employees.

## **6.6 Recommendations:**

- In the branches of MTBL there should be more number of service stations for withdrawing and depositing money so that it reduces the customer waiting time.
- There should be more efficient capital management and investment analysts appointed so that idle money does not remain in the bank.
- They should frequently keep their conscious observation to monitor that the ATM machines in all the booths are usable and adequate cash is there.
- They should increase their ATM booths substantially in order to compete with its competitors.
- They should update the information in the website in a regular basis.
- MTBL should increase the space in the branch offices as their client size is increasing day by day and also introduce new branches in various places of the country for expansion.
- The managers should be sent to different training programs on a regular basis to improve their knowledge base which would help them to improve their efficiency.
- Employees of Mutual Trust Bank Ltd should be provided a better salary package in order to keep them otherwise they may switch to another job for higher salary.
- Management should be more decentralized to provide faster services to the clients.
- In order to remain as the market leading company they should emphasize much on retain the existing customer base and also should try to attract new customers.
- In the loan approval procedure the evaluation of creditworthiness of the clients should be more authoritarian in order to reduce the chance of defaulter.



- SME loan of Mutual Trust Bank Ltd has already gained to the business people but there is an objection about the interest rate where the bank should be more aware and also try to decrease the interest rate. Because of higher rate of interest defaulter rate may increase which would ultimately affect the profitability of the bank.

## **Bibliography:**

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5. <http://www.photius.com/countries/bangladesh/economy>
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7. [http://en.wikipedia.org/wiki/Bangladesh\\_Bank](http://en.wikipedia.org/wiki/Bangladesh_Bank)

# Appendix

## Balance Sheet

As at December 31, 2007

<u>Property and Assets</u>	Notes	2007 Taka	2006 Taka
<b>Cash:</b>		<b>2,229,610,768</b>	<b>1,646,850,653</b>
In hand (including Foreign Currency)	3.00	282,768,190	233,425,245
With Bangladesh Bank and its agent Bank (including Foreign Currency)	4.00	1,946,842,578	1,413,425,408
<b>Balance with other Banks &amp; Financial Institutions :</b>	<b>5.00</b>	<b>1,832,356,768</b>	<b>959,529,891</b>
In Bangladesh		1,439,820,992	783,960,394
Outside Bangladesh		392,535,776	175,569,497
<b>Money at Call and Short Notice</b>	<b>6.00</b>	-	<b>970,000,000</b>
<b>Investments:</b>	<b>7.00</b>	<b>3,956,528,943</b>	<b>2,821,618,030</b>
Government		3,896,852,621	2,757,594,256
Others		59,676,322	64,023,774
<b>Loans and Advances:</b>	<b>8.00</b>	<b>22,683,227,657</b>	<b>18,591,520,631</b>
Loans, Cash Credit, Overdrafts etc.		19,842,731,679	16,356,416,377
Bills Purchased and Discounted		2,840,495,978	2,235,104,254
<b>Fixed Assets including premises, furniture &amp; fixtures</b>	<b>9.00</b>	<b>301,871,321</b>	<b>276,186,202</b>
<b>Other Assets</b>	<b>10.00</b>	<b>1,178,300,763</b>	<b>718,210,820</b>
Non-banking assets		-	-
<b>Total Property and Assets</b>		<b>32,181,896,220</b>	<b>25,983,916,227</b>
<b><u>Liabilities and Capital</u></b>			
<b>Borrowings from other Banks, Financial Institutions &amp; agents</b>	<b>11.00</b>	<b>3,100,000,000</b>	-
<b>Deposits and other accounts:</b>	<b>12.00</b>	<b>24,776,924,968</b>	<b>22,264,045,989</b>
Current Deposits & Other Accounts		3,933,377,877	2,804,119,941
Bills Payable		525,372,428	196,727,245
Savings Deposits		2,147,296,683	1,439,402,890
Fixed Deposits		16,334,144,998	16,519,124,214
Deposit-Products		1,836,732,982	1,304,671,699
<b>Other Liabilities</b>	<b>13.00</b>	<b>2,260,674,080</b>	<b>1,815,066,517</b>
<b>Total Liabilities</b>		<b>30,137,599,048</b>	<b>24,079,112,006</b>
<b>Capital/Shareholders' Equity:</b>			
Paid up Capital	14.00	997,920,000	950,400,000
Share Premium	15.00	100,000,000	100,000,000
Statutory reserve	16.00	590,235,286	511,124,778
Revaluation Gain on Investments in HTM Securities		118,770,634	-
General reserve	17.00	105,679,443	39,894,207
Retained Earnings	18.00	131,691,609	303,361,816
<b>Total Shareholders' Equity</b>		<b>2,044,297,172</b>	<b>1,904,804,221</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>32,181,896,220</b>	<b>25,983,916,227</b>

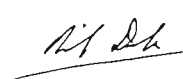
## Balance Sheet

As at December 31, 2007


Notes	2007 Taka	2006 Taka
<b>Off-Balance Sheet items</b>		
<b>Contingent Liabilities:</b>		
19.00		
Letter of Guarantee	3,273,141,620	3,044,696,931
Irrevocable Letter of Credit	4,209,198,800	3,882,172,100
Bills for Collection	414,794,688	125,492,382
Other Contingent Liabilities	3,019,004,650	2,619,029,500
	<b>10,916,139,758</b>	<b>9,671,390,913</b>
<b>Other Commitments</b>		
Documentary credits and short term trade related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn note issuance and revolving underwriting facilities	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-
Claim against the bank not acknowledged as debt	-	-
Litigation pending against Bank	-	-
<b>Other memorandum items</b>		
Value of Travellers' cheque on hand	-	-
Value of Bangladesh Sanchay Patra on hand	-	-
<b>Total Off Balance Sheet Items including contingent liabilities</b>	<b>10,916,139,758</b>	<b>9,671,390,913</b>

The annexed notes form an integral part of these accounts


  
Samson H Chowdhury  
Chairman

  
Dr. Arif Dowla  
Vice Chairman

  
Syed Manzur Elahi  
Director

  
Kazi Md. Shafiqur Rahman  
Managing Director

Signed as per annexed report on even date

  
HOWLADAR YUNUS & CO.  
Chartered Accountants

Dated: Dhaka  
April 20, 2008

## Profit and Loss Account

For the year ended December 31, 2007

Particulars	Notes	2007 Taka	2006 Taka
Interest Income	20.00	2,846,923,194	2,340,970,021
Less: Interest Paid on Deposits & Borrowings etc.	22.00	2,292,357,531	1,708,636,136
<b>Net Interest Income</b>		<b>554,565,663</b>	<b>632,333,885</b>
Income from Investments	23.00	162,414,761	184,398,535
Commission, Exchange & Brokerage	24.00	384,923,249	401,448,414
Other operating Income	25.00	86,433,422	66,684,925
		<b>633,771,432</b>	<b>652,531,874</b>
<b>Total Operating Income</b>		<b>1,188,337,095</b>	<b>1,284,865,759</b>
<b>Less: Operating Expenditure:</b>			
Salary & Allowances	26.00	200,707,950	158,532,358
Managing Director's Remuneration		3,600,000	2,400,000
Directors' fees	27.00	620,000	425,000
Rent, Tax, Insurance, Electricity etc.	28.00	55,774,763	40,192,847
Legal Expenses		1,803,966	525,939
Postage, Stamps, Telegram & Telephone	29.00	17,467,763	12,665,039
Audit Fee		100,000	60,000
Printing, Stationery, Advertisement etc.	30.00	16,486,886	13,126,422
Depreciation on & repairs to Bank's property	31.00	36,830,497	28,336,491
Other Expenditures	32.00	91,092,730	59,129,548
<b>Total Operating Expenditure</b>		<b>424,484,555</b>	<b>315,393,644</b>
<b>Profit Before Provision</b>		<b>763,852,540</b>	<b>969,472,115</b>
Less: Provision against Loans & Advances including Off Balance Sheet Items	33.00	368,300,000	95,000,000
Provision against Other assets		-	-
		<b>368,300,000</b>	<b>95,000,000</b>
<b>Profit Before Tax</b>		<b>395,552,540</b>	<b>874,472,115</b>
Less: Provision for Tax	34.00	184,750,423	396,192,716
Current Tax		187,264,238	393,512,452
Deferred Tax		(2,513,815)	2,680,264
<b>Net Profit After Tax</b>		<b>210,802,117</b>	<b>478,279,399</b>
Retained Surplus brought forward		303,384,976	211,305,448
		<b>514,187,093</b>	<b>689,584,847</b>


## Profit and Loss Account

For the year ended December 31, 2007

	Notes	2007 Taka	2006 Taka
<b>Appropriations:</b>			
Bonus Share Issued during the year		47,520,000	86,400,000
Cash dividend paid during the year		190,080,000	120,960,000
Transferred to General Reserve		65,784,976	3,945,448
Statutory Reserve		79,110,508	174,894,423
		382,495,484	386,199,871
Retained Surplus, Carried forward		<b>131,691,609</b>	<b>303,384,976</b>
Earnings per Share	35.00	21.12	47.93

The annexed notes form an integral part of these accounts

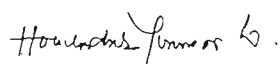
  
Samson H Chowdhury  
Chairman

  
Dr. Arif Dowla  
Vice Chairman

  
Syed Manzur Elahi  
Director

  
Kazi Md. Shafiqur Rahman  
Managing Director

Signed as per annexed report on even date

  
HOWLADAR YUNUS & CO.  
Chartered Accountants

Dated: Dhaka  
April 20, 2008



Balance Sheet  
As at December 31, 2008

Ref.	Property and Assets	Notes	2008 Taka	2007 Taka
1.15 (i)	Cash:		2,002,306,380	2,229,610,768
1.15 (ii)	In hand (Including Foreign Currency)	3.00	278,725,615	282,768,190
	With Bangladesh Bank and its agent Bank (including Foreign Currency)	4.00	1,723,580,765	1,946,842,578
1.15 (iii)	Balance with other Banks & Financial Institutions :	5.00	703,052,945	1,832,356,768
	In Bangladesh		452,574,171	1,439,820,992
	Outside Bangladesh		250,478,774	392,535,776
1.15 (iv)	Money at Call and Short Notice	6.00	510,000,000	
1.15 (v), 1.15 (vi), 1.15 (d) HRS, 7.8 (i)	Investments:	7.00	5,606,491,938	3,956,528,943
	Government		5,366,331,230	3,896,852,621
	Others		240,160,708	59,676,322
1.15 (vii), 1.15 (viii), 7.8 (ii)	Loans and Advances:	8.00	28,529,345,619	22,683,227,657
	Loans, Cash Credit, Overdrafts etc.		25,502,054,876	19,842,731,677
	Bills Purchased and Discounted		3,027,340,743	2,840,495,980
1.15 (ix)	Fixed Assets including premises, furniture & fixtures	9.00	367,190,769	301,871,321
1.15 (x), 1.15 (xi), 1.15 (xii), 1.15 (xiii)	Other Assets	10.00	1,246,586,472	1,178,300,777
	Non-banking assets		-	-
	Total Property and Assets		38,964,974,123	32,181,896,220
	<u>Liabilities and Capital</u>			
1.15 (xiv)	Borrowings from other Banks, Financial Institutions & agents	11.00	-	3,100,000,000
1.15 (xv)	Deposits and other accounts:	12.00	33,820,407,506	24,776,924,195
	Current Deposits & Other Accounts		5,419,895,459	3,933,377,877
	Bills Payable		447,472,338	525,372,428
	Savings Deposits		2,943,076,237	2,147,296,683
	Fixed Deposits		22,360,677,789	16,334,144,998
	Deposit-Products		2,649,285,723	1,836,721,182
1.15 (xvi), 1.15 (xvii)	Other Liabilities	13.00	2,661,471,919	2,260,671,110
	Total Liabilities		36,481,879,425	30,137,599,048
	Capital/Shareholders' Equity:			
1.15 (xviii), 1.15 (xix)	Paid up Capital	14.00	1,496,880,000	997,920,000
1.15 (xx)	Share Premium	15.00	-	100,000,000
1.15 (xxi), 1.15 (xxii)	Statutory Reserve	16.00	701,941,921	590,211,286
	Revaluation Gain on Investments in HTM Securities		3,057,073	118,711,334
1.15 (xxiii), 1.15 (xxiv)	General Reserve	17.00	87,891,054	105,679,443
1.15 (xxv), 1.15 (xxvi)	Retained Earnings	18.00	193,324,670	131,691,609
	Total Shareholders' Equity		2,483,094,698	2,044,297,172
	Total Liabilities and Shareholders' Equity		38,964,974,123	32,181,896,220



**Balance Sheet**  
**As at December 31, 2008**

Off-Balance Sheet Items

**Contingent Liabilities:**

Letter of Guarantee  
Irrevocable Letter of Credit  
Bills for Collection  
Other Contingent Liabilities

Notes  
19.00

2008  
Taka

3,176,517,832  
3,669,672,271  
654,554,759  
3,966,966,200  
11,467,711,011

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  
Claim against the bank not acknowledged as debt  
Litigation pending against Bank

-  
-  
-  
-  
-  
-  
-

Other Memorandum Items

Value of Travellers' Cheque on hand  
Value of Bangladesh Sanchoy Patra on hand

-  
-

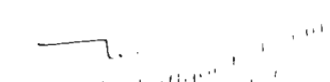
**Total Off Balance Sheet Items including Contingent Liabilities**

11,467,711,011

  
Samson H Chowdhury  
Chairman

  
Dr. Arif Dowla  
Vice Chairman

  
Syed Manzur Elahi  
Director

  
Kazi Md. Shafiqul Kabir  
Managing Director

Signed as per annexed report on even date

Dated: Dhaka  
March 24, 2009

  
Kazi Md. Shafiqul Kabir  
Managing Director

Profit and Loss Account  
For the year ended December 31, 2008

Ref.	Particulars	Notes	2008 Taka	2007 Taka
	Interest Income	21.00	3,529,718,692	2,846,923,194
	Less: Interest Paid on Deposits & Borrowings etc.	22.00	2,792,584,222	2,292,357,531
	Net Interest Income		737,134,470	554,565,663
	Income from Investments	23.00	454,838,339	162,414,761
	Commission, Exchange & Brokerage	24.00	517,512,796	384,923,249
	Other operating Income	25.00	134,414,800	86,433,422
			1,106,765,935	633,771,432
	Total Operating Income		1,843,900,405	1,188,337,095
	Less: Operating Expenditure:			
	Salary & Allowances	26.00	303,004,065	200,707,950
	Managing Director's Remuneration		4,200,000	3,600,000
	Directors' fees	27.00	596,000	620,000
	Rent, Tax, Insurance, Electricity etc.	28.00	87,840,969	55,774,763
	Legal Expenses		754,317	1,803,966
	Postage, Stamps & Telephone	29.00	28,288,179	17,467,763
	Audit Fee		200,000	100,000
	Printing, Stationery, Advertisement etc.	30.00	27,475,722	16,486,886
	Depreciation on & Repairs to Bank's Property	31.00	47,872,953	36,830,497
	Other Expenditures	32.00	148,579,803	91,092,730
	Total Operating Expenditure		648,812,007	424,484,555
	Profit Before Provision		1,195,088,398	763,852,540
	Less: Provision against Loans & Advances including Off Balance Sheet Items	33.00	632,732,000	368,300,000
	Less: Provision against Merchant Banking Investment in Shares		3,823,323	-
	Less: Provision against Other Assets		-	-
			636,555,323	368,300,000
	Profit Before Tax		558,533,075	395,552,540
	Less: Provision for Tax	34.00	253,501,790	184,750,423
	Current Tax		251,339,884	187,264,238
	Deferred Tax		2,161,906	(2,513,815)
	Net Profit After Tax		305,031,285	210,802,117
	Retained Surplus Brought Forward		131,691,609	303,384,976
			436,722,894	514,187,093

Profit and Loss Account  
For the year ended December 31, 2008

<u>Appropriations:</u>	Notes	2008 Taka	2007 Taka
Bonus Share Issued during the year		131,691,609	47,520.000
Cash dividend paid during the year		-	190,080.000
Transferred to General Reserve		-	65,784.976
Transferred to Statutory Reserve		111,706,615	79,110.508
		<u>243,398,224</u>	<u>382,495.484</u>
Retained Surplus, Carried Forward		<u>193,324,670</u>	<u>131,691,609</u>
 Earnings Per Share	 35.00	 <u>21.07</u>	 <u>14.80</u>

The annexed notes form an integral part of these accounts

  
Samson H Chowdhury  
Chairman

  
Dr. Arif Dowla  
Vice Chairman

  
Syed Manzur Elahi  
Director

  
Kazi Md. Shafiqur Rahman  
Managing Director

Signed as per annexed report on even date

Dated: Dhaka  
March 24, 2009

  
Chartered Accountants



# Balance

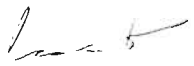
As at 31 December 2008

	Note	2008 Taka	2007 Taka
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>			
Cash in hand (including foreign currencies)	3	218,739,008	202,348,191
Balance with Bangladesh Bank and its agents bank (Including foreign currencies)	4	2,371,277,041	1,841,956,423
		2,590,016,049	2,044,304,614
Balance with other banks and financial institutions	5		
In Bangladesh		373,926,895	433,769,541
Outside Bangladesh		104,778,265	251,081,590
		478,705,180	684,841,131
Money at call on short notice	6	170,000,000	150,000,000
<b>Investments</b>			
	7		
Government		2,716,072,662	2,361,797,310
Others		999,360,253	1,026,287,110
		3,715,433,135	3,587,478,621
<b>Loans and Advances</b>			
	8		
Loans, cash credit, overdrafts		20,640,831,879	17,900,181,678
Bills purchased or discounted		2,746,569,350	1,609,121,600
		23,287,401,229	19,709,302,397
Fixed Assets including premises, furniture & fixtures	9	408,637,775	351,961,692
Other Assets	10	767,554,563	614,238,003
Non-banking Assets	11	326,159,348	333,178,144
<b>Total Property and Assets</b>		<b>31,743,907,279</b>	<b>27,475,304,603</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
Borrowings from other banks, financial institutions and agents	12	190,163,000	205,595,000
<b>Deposits and other accounts</b>			
	13		
Current accounts and other accounts		3,505,278,776	3,157,940,732
Bills payable		317,369,757	531,282,490
Savings deposits		1,723,607,102	1,322,708,482
Terms deposits		22,315,145,969	19,472,211,121
		27,861,421,604	24,484,152,836
Other Liabilities	14	1,377,440,810	952,849,541
<b>Total Liabilities</b>		<b>29,429,025,414</b>	<b>25,642,597,377</b>
<b>Capital/Shareholders' equity</b>			
Paid-up Capital	15	1,298,743,800	1,038,995,100
Statutory Reserve	16	688,265,213	526,832,104
Surplus in Profit & Loss Account	17	3,375,601	2,595,009
Revaluation Reserve For HTM Securities		64,748,451	4,536,229
Proposed Bonus Share		259,748,800	259,748,700
<b>Total Shareholders' equity</b>		<b>2,314,881,865</b>	<b>1,832,707,226</b>
<b>Total Liability and Shareholders' equity</b>		<b>31,743,907,279</b>	<b>27,475,304,603</b>

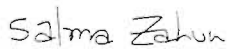
As at 31 December 2008

	Note	2008 Taka	2007 Taka
<b>OFF BALANCE SHEET ITEMS</b>			
<b>CONTINGENT LIABILITIES</b>			
Acceptances and Endorsements		5,463,912,188	4,330,590,442
Letters of Guarantee	45	1,889,256,726	1,329,903,682
Irrevocable Letters of Credit		2,874,302,305	4,433,841,939
Bills for Collection		33,575,756	9,329,666
		10,261,046,975	10,153,665,729
<b>Other Contingent Liabilities</b>			
Claims lodged with but not recognized by the Bank		-	-
Other exchange contracts		-	-
<b>Total Contingent Liabilities</b>		10,261,046,975	10,153,665,729
<b>Other Commitments:</b>			
Documentary Credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Indrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal stands, facilities, credit lines and other commitments		-	-
<b>Total other commitments</b>		-	-
<b>Total off-Balance Sheet items including contingent liabilities</b>		10,261,046,975	10,153,665,729

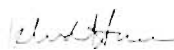
These Financial Statements should be read in conjunction with the annexed notes



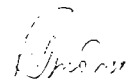
A.S.M. Shahidullah Khan  
Chairman



Salma Zahur  
Vice Chairperson



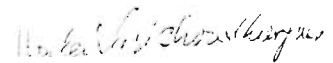
Dr. Khaled Hasan  
Director



Farman R. Chowdhury  
Managing Director

Auditors' Report to the Shareholders  
See annexed report of date

Dhaka: 6 May, 2009



Hoda Vasi Chowdhury & Co  
Chartered Accountants

# Profit &

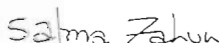


For the year ended 31 December 2008


	Note	2008 Taka	2007 Taka
Interest income	18	3,153,814,254	2,696,594,599
Interest paid on deposits & borrowings etc	19	(2,477,833,040)	(2,059,259,383)
Net interest income		675,981,214	637,335,216
Income from investments	20	503,643,269	362,153,425
Commission, Exchange and Brokerage	21	525,145,570	446,345,247
Other operating income	22	110,625,235	81,556,964
Total operating income		1,815,595,288	1,527,692,842
Salaries and allowances	23	298,705,394	264,871,659
Rent, taxes, insurance, electricity etc	24	100,891,547	66,314,344
Legal expenses	25	3,322,459	2,171,656
Postage, stamps, telecommunication etc.	26	34,392,532	32,679,650
Directors fees	27	656,000	434,000
Auditors fee		80,000	70,000
Charges against Non-banking assets	11(a)	7,018,796	-
Stationery, Printings, advertisements etc.	28	53,445,192	49,274,162
Managing Directors salary and allowances	29	3,575,157	2,577,371
Depreciation, leasing expense and leasehold work's assets	30	11,875,779	52,976,230
Other expenses	31	93,820,493	77,680,224
Total operating expenses		707,783,349	598,439,496
Profit before provision and tax		1,107,811,939	929,253,346
Provision for loans and advances			
Specific provision	14(f)	200,049,952	144,171,586
General provision	14(g)	48,754,595	3,579,293
		248,804,547	147,750,879
Provision for off-balance sheet items	14(j)	51,842,141	51,768,329
		(300,646,688)	(198,519,208)
Profit before tax for the year		807,165,251	730,734,137
Current tax expense	14(b)	(366,202,839)	(318,075,395)
Deferred tax expense	14(c)	(19,000,000)	(7,751,691)
Profit after tax for the year		421,962,412	404,907,051
Profit transferred from the Previous year	17	2,595,039	3,588,515
		424,557,451	408,495,566
Appropriations:			
Statutory Reserve		(161,433,050)	(143,146,827)
Proposed Bonus Shares (20% - 2007, 25% of Paid-up Capital)		(259,748,800)	(259,748,700)
		(421,181,850)	(402,895,527)
Retained Surplus carried forward		3,375,601	2,595,039
Earning per share	46	32.49	31.18

These Financial Statements should be read in conjunction with the annexed notes.

  
A.S.M. Shahidullah Khan  
Chairman

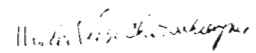
  
Salma Zahur  
Vice Chairperson

  
Dr. Kholeed Hasan  
Director

  
Farman R. Chowdhury  
Managing Director

Dhaka: 6 May, 2009

Auditors' Report to the Shareholders  
See annexed report on date

  
Hoda Vasi Chowdhury & Co  
Chartered Accountants



# Balance Sheet

As at 31 December 2007

	Note	2007 Taka	2006 Taka
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>			
Cash in hand ( including foreign currencies)	3	202,348,191	131,601,689
Balance with Bangladesh Bank and its agent's bank (Including foreign currencies)	4	1,841,956,423	1,548,175,071
		2,044,304,614	1,679,776,760
<b>Balance with other banks and financial institutions</b>	5		
In Bangladesh		433,759,541	1,169,604,078
Outside Bangladesh		251,081,590	238,463,845
		684,841,131	1,416,057,923
<b>Money at call on short notice</b>	6	150,000,000	—
<b>Investments</b>	7		
Government		2,561,197,510	2,590,757,632
Others		1,026,281,111	730,873,802
		3,587,478,621	3,321,131,434
<b>Loans and Advances</b>	8		
Loans, cash credit, overdraft etc.		17,900,130,376	14,488,153,321
Bills purchased and discounted		1,809,121,521	1,195,240,395
		19,709,302,397	15,683,393,717
<b>Fixed Assets including premises, furniture &amp; fixture</b>	9	351,961,693	246,115,501
<b>Other Assets</b>	10	614,238,003	451,552,226
<b>Non-banking Assets</b>	11	333,178,144	336,895,645
<b>Total Property and Assets</b>		<u>27,475,304,603</u>	<u>23,143,134,406</u>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
Borrowings from other banks, financial institutions and agents	12	205,595,000	761,226,000
<b>Deposits and other accounts</b>	13		
Current accounts and other accounts		3,157,940,732	2,516,261,946
Bills payable		531,292,490	160,991,438
Savings deposits		1,322,708,482	603,172,027
Term deposits		19,472,211,132	16,772,917,767
		24,484,152,836	20,253,343,178
<b>Other Liabilities</b>	14	952,849,541	609,744,477
<b>Total Liabilities</b>		<u>25,642,597,377</u>	<u>21,624,313,655</u>
<b>Capital/Shareholders' equity</b>			
Paid-up Capital	15	1,038,995,100	838,030,000
Statutory Reserve	16	526,832,163	330,685,336
Surplus in Profit & Loss Account	17	2,594,964	3,583,515
Revaluation Reserve For HTM Securities		4,536,224	6,753,800
Proposed Bonus Share		259,748,775	150,965,100
Proposed Cash Dividend		—	83,803,000
<b>Total Shareholders' equity</b>		<u>1,832,707,226</u>	<u>1,518,820,751</u>
<b>Total Liability and Shareholders' equity</b>		<u>27,475,304,603</u>	<u>23,143,134,406</u>





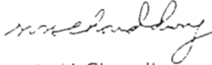
# Balance Sheet

	<u>Note</u>	<u>2007 Taka</u>	<u>2006 Taka</u>
<b>OFF BALANCE SHEET ITEMS</b>			
<b>CONTINGENT LIABILITIES</b>			
Acceptances and Endorsements		4,330,590,442	3,802,771,528
Letter of Guarantee	45	1,329,903,682	1,343,134,975
Irrevocable Letter of Credit		4,483,841,939	2,861,845,832
Bills for Collection		<u>9,329,666</u>	<u>23,552,709</u>
<b>Total Contingent Liabilities</b>		<b>10,153,665,729</b>	<b>8,031,605,054</b>
<b>Other Commitments:</b>			
Documentary Credits and short term trade-related transactions		—	—
Forward assets purchased and forward deposits placed		—	—
Indrawn note issuance and revolving underwriting facilities		—	—
Undrawn formal standby facilities, credit lines and other commitments		—	—
<b>Total other commitments</b>		<b>—</b>	<b>—</b>
<b>Total off-Balance Sheet items including contingent liabilities</b>		<b><u>10,153,665,729</u></b>	<b><u>8,031,605,054</u></b>

These Financial Statements should be read in conjunction with the annexed notes.

  
Farmon R. Chowdhury  
Managing Director

  
A.S.M. Shohidullah Khan  
Director

  
M.H. Choudhury  
Director

  
Hefazatur Rahman  
Second Vice Chairman

Auditors' Report to the Shareholders  
See annexed report of date

Dhaka: May 6, 2008

  
ATA KHAN & CO  
Chartered Accountants



# Profit & Loss Statement

For the year ended 31 December 2007




	Note	2007 Taka	2006 Taka
Interest income	18	2,696,896,599	2,157,116,627
Interest paid on deposits & borrowings etc.	19	(2,059,259,383)	(1,758,699,812)
Net interest income		637,637,216	398,416,815
Income from investments	20	362,153,425	283,708,985
Commission, Exchange and Brokerage	21	446,345,247	377,808,453
Other operating income	22	81,556,954	63,200,568
<b>Total operating income</b>		<b>1,527,692,842</b>	<b>1,127,134,819</b>
Salaries and allowances	23	264,871,659	192,808,945
Rent, taxes, insurance, electricity etc.	24	86,314,344	70,217,711
Legal expenses	25	2,171,856	1,827,229
Postage, stamps, telecommunication etc.	26	32,679,650	28,216,082
Directors fees	27	424,000	724,500
Auditors fee		70,000	70,000
Stationery, Printings, advertisements etc.	28	49,274,162	32,541,223
Managing Directors salary and allowances	29	2,577,371	3,001,250
Depreciation, leasing expense and repair of bank's assets	30	82,976,230	61,341,978
Other expenses	31	77,030,225	61,647,884
<b>Total operating expenses</b>		<b>598,439,497</b>	<b>452,416,802</b>
<b>Profit before provision and tax</b>		<b>929,253,345</b>	<b>674,718,017</b>
Provision for loans and advances			
Specific provision	14(e)	(144,171,586)	(3,160,845)
General provision	14(f)	(3,579,294)	(7,703,178)
		(147,750,879)	(80,864,023)
Provision for other assets	14(i)	—	392,012
Provision for off-balance sheet items	14(j)	50,768,329	—
		(198,519,208)	(31,778,036)
<b>Profit before tax for the year</b>		<b>730,734,137</b>	<b>592,939,981</b>
Current tax expense	14(b)	(318,075,395)	(27,519,970)
Deferred tax expense	14(c)	(7,751,691)	(8,479,423)
<b>Profit after tax for the year</b>		<b>404,907,051</b>	<b>346,940,586</b>
Profit transferred from the Previous year	17	3,583,515	15,099,025
		408,490,566	361,939,611
<b>Appropriations:</b>			
Statutory Reserve		(146,146,827)	(118,587,996)
Proposed Bonus Shares (25%; 2006: 17% of Paid-up Capital)		(259,748,775)	(150,963,100)
Proposed Cash Dividend (10%; 2006: 10% of Paid-up Capital)		—	(38,803,000)
		(405,895,602)	(308,354,096)
<b>Retained Surplus carried forward</b>		<b>2,594,964</b>	<b>3,583,515</b>
<b>Earnings per share</b>	46	<b>38.97</b>	<b>39.06</b>

These Financial Statements should be read in conjunction with the annexed notes.

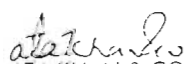
  
Farman R. Chowdhury  
Managing Director

  
A.S.M Shahidullah Khan  
Director

  
M H Choudhury  
Director

  
Hafazatur Rahman  
Second Vice Chairman

Auditors' Report to the Shareholders:  
See annexed report of date

  
ATA KHAN & CO.  
Chartered Accountants

Dhaka: May 6, 2008