

# Annual Report 2006



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195 Motijheel Commercial Area  
Dhaka-1000, Bangladesh

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**Annual Report  
2006**



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Dr. Salehuddin Ahmed, Governor, Bangladesh Bank, Dr. Md. Nurul Amin, Secretary, Ministry of Industries & Chairman, BASIC Bank Ltd. and Mr. A.H. Ekbal Hossain, Managing Director, BASIC Bank Ltd. at the inauguration ceremony of the on-line banking system.



## BASIC Bank Limited

Bangladesh Small Industries and Commerce Bank Limited  
(A State Owned Scheduled Bank)

### Registered Office

Bana Shilpa Bhaban  
73, Motijheel Commercial Area  
Dhaka-1000, Bangladesh

### Head Office

Sena Kalyan Bhaban (6th floor)  
195, Motijheel Commercial Area  
Dhaka-1000, Bangladesh

### Incorporation

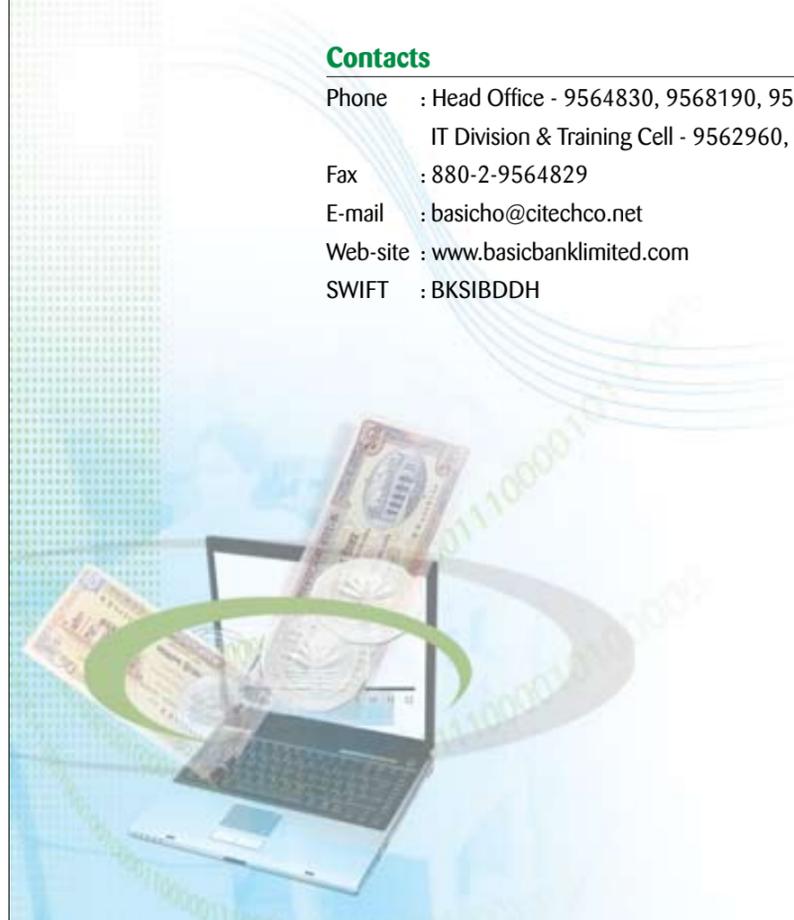
August 2, 1988

### Commercial Operation

January 21, 1989

### Contacts

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IT Division & Training Cell - 9562960, 9555087  
Fax : 880-2-9564829  
E-mail : [basicho@citechco.net](mailto:basicho@citechco.net)  
Web-site : [www.basicbanklimited.com](http://www.basicbanklimited.com)  
SWIFT : BKSIBDDH



## Profile

The BASIC Bank Limited (Bangladesh Small Industries and Commerce Bank Limited) established as a banking company under the Companies Act 1913 launched its operation in 1989. It is governed by the Banking Companies Act 1991.

The Bank started as a joint venture enterprise of the BCC Foundation with 70 percent shares and the Government of Bangladesh with 30 percent shares. The BCC Foundation being nonfunctional following the closure of the BCCI, the Government of Bangladesh took over 100 percent ownership of the Bank on 4th June 1992.

Adjudged as one of the soundest banks in Bangladesh, BASIC Bank is unique in its objectives. It is a blend of development and commercial banking functions.

Steady growth in client base and their high retention rate since Bank's inception testify to the immense confidence they repose on its services. Diversified products in both liability and assets sides particularly a wide range of lending products related to development of small industries and micro enterprises, and commercial and trading activities attract entrepreneurs from varied economic fields. Along with promotion of products special importance is given to individual clients through providing personalized services. In fact individuals matter in this Bank. This motto has been followed for development of clientele as well as human resources of the Bank.



## Our Approach

As a blend of development and commercial banking we provide our clients with a full range of service to help them grow their assets and net worth. We place particular emphasis on small balance sheet size composed of quality assets and steady and sustainable growth. We offer term loans to clients, especially to develop small scale enterprises. We also provide full-fledged commercial banking services like collection of deposits, short term trade finance, working capital finance in processing and manufacturing units and financing and facilitating international trade.

We attach special importance to technical and advisory support to small scale industries in order to enabling them to run their enterprises successfully.

Micro Credit to the urban poor through linkage with NGOs with a view to facilitating their access to the formal financial market for the mobilization of resources is another diversification of our services.

We provide an environment in which our staff members feel they can exercise their initiative and judgement within a clearly established framework. Our Bank is the leader in offering excellent career opportunity in transparent and participative management culture.

Coping with the competitive and rapidly changing financial market of the country, BASIC Bank maintains close connections with its clients, the regulatory authorities, the shareholders (the Government of Bangladesh), other banks and financial institutions.



## Board of Directors

as on December 31, 2006

**Dr. Md. Nurul Amin** **Chairman**  
Secretary  
Ministry of Industries  
Govt. of the People's Republic of Bangladesh

**Dr. Mohammad Tareque** **Director**  
Secretary - In Charge  
Finance Division  
Ministry of Finance  
Govt. of the People's Republic of Bangladesh

**Mr. S. R. Osmani** **Director**  
Chairman  
Bangladesh Small and Cottage Industries Corporation (BSCIC)

**Mr. Md. Mosharraf Hossain Bhuiyan** **Director**  
Additional Secretary  
Ministry of Establishment  
Govt. of the People's Republic of Bangladesh

**Mr. Md. Ehsanul Hoque** **Director**  
Director General  
Chief Advisor's Office

**Mr. Md. Asaduzzaman Khan** **Director**  
Executive Director  
Bangladesh Bank

**Mr. A. H. Ekbal Hossain** **Managing Director**

**Mr. Abdul Qayum Mohammad Kibriya** **Company Secretary**

**Howladar, Yunus & Co.** **Company Auditor**  
Chartered Accountants  
67 Dilkusha Commercial Area  
Dhaka-1000 Bangladesh



as on December 31, 2006

**Dr. Mohammad Tareque** **Convener**

**Mr. Md. Mosharraf Hossain Bhuiyan** **Member**

**Mr. Md. Asaduzzaman Khan** **Member**

### Recent changes in the Board of Directors

- i) In May 2007, Ministry of Finance appointed Mr. Mohammad Mahbubur Rahman, Additional Secretary, Ministry of Finance, as Director of the Bank in place of Dr. Mohammad Tareque, Secretary - In Charge of the same ministry.
- ii) In May 2007, Ministry of Finance appointed Mr. Mustafa Mohiuddin, Joint Secretary, Ministry of Commerce as Director in place of Mr. Md. Mosharraf Hossain Bhuiyan, Additional Secretary, Ministry of Establishment.



Notice is hereby given that the 18th Annual General Meeting of BASIC Bank Limited (Bangladesh Small Industries and Commerce Bank Limited) will be held on Thursday, May 31, 2007 at 12:00 noon at Sena Kalyan Bhaban, 195 Motijheel C/A, Dhaka-1000 to transact the following business:

1. To receive, consider and adopt the Directors' Report and Audited Statements of Accounts along with the Auditor's Report thereon for the year ended December 31, 2006;
2. To declare dividend for the year ended December 31, 2006;
3. To elect Directors in place of those who will retire in accordance with the provisions of Articles 105, 106 and 107 of the Articles of Association of the Bank and the retiring Directors are eligible for re-election/ re-nomination;
4. To appoint Auditors of the Bank as per Article 144 of the Articles of Association of the Bank for the term until the next Annual General Meeting and to fix their remuneration as per Article 145 of the Articles of Association of the Bank;

Any other business with the permission of the Chair.

By order of the Board of Directors

Abdul Qayum Mohammad Kibriya  
Company Secretary

Dated: Dhaka  
May 14, 2007



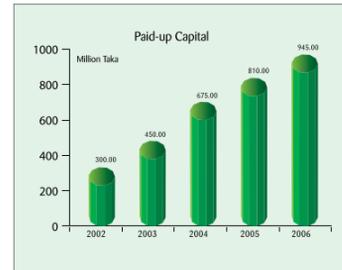


## Progress at a glance

2006 2005 2004

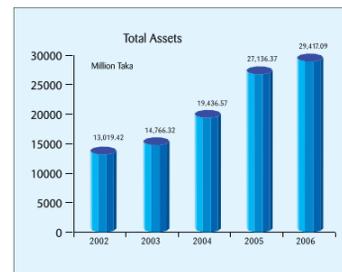
## From the Balance Sheet (Million Taka)

Authorized Capital	2,000.00	2,000.00	2,000.00
Paid-up Capital	945.00	810.00	675.00
Reserve and Surplus	1,294.00	916.14	816.23
Shareholders' Equity	2,239.00	1,726.14	1,491.23
Fixed Assets	154.52	135.78	101.41
Total Assets	29,417.09	27,136.37	19,436.57
Deposits	24,084.65	22,325.58	15,509.18
Long-term Debt	830.06	937.51	839.61
Loans and Advances	19,000.00	15,339.35	12,000.15
Placement & Investment	8,212.23	10,236.82	6,098.51



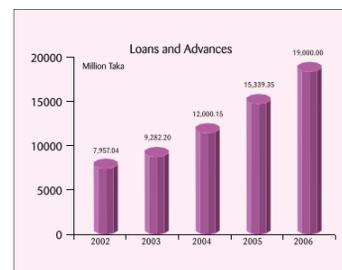
## From the Income Statement (Million Taka)

Gross Income	2,870.32	2,228.21	1768.85
Gross Expenditure	1,858.69	1,599.77	1241.63
Profit before Tax	1,011.62	628.44	527.22
Profit after Tax	554.14	285.49	291.48
Tax Paid (cumulative)	2,245.16	1,777.70	1,434.76



## Others (Million Taka)

Import Business	17,804.27	14,094.96	12,507.80
Export Business	15,463.74	11,097.23	7,908.00



## Financial Ratios (Percentage)

Capital Adequacy Ratio	11.98	11.77	12.49
Capital Fund to Deposit Liabilities	10.34	10.36	10.47
Liquid Assets to Deposit Liabilities	40.42	58.01	50.56
Loan to Deposit Liabilities	78.89	69.74	77.37
Earning Assets to Deposit Liabilities	112.99	114.56	116.70
After Tax Return on Average Assets	1.96	1.23	1.70
Net profit to Gross Income	19.31	12.81	16.48
Interest Margin Cover	211.72	214.56	205.07
After Tax Return on Equity	27.82	17.75	21.27
SMI/SSI Loan and Micro			
Credit to Total Loan	53.43	50.66	62.21

Number of Branches	28	27	27
Number of Employees	651	601	578

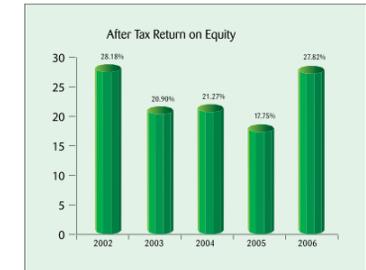
**Authorized Capital**  
**TK. 2,000 Million**

## Progress at a glance

2003 2002 2001 2000 1999

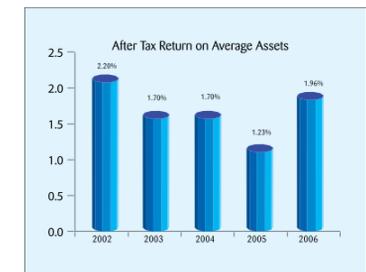
## From the Balance Sheet (Million Taka)

Authorized Capital	2,000.00	500.00	500.00	500.00	500.00
Paid-up Capital	450.00	300.00	300.00	240.00	160.00
Reserve and Surplus	799.29	712.90	461.39	457.77	424.43
Shareholders' Equity	1,249.29	1,012.90	761.35	697.77	584.43
Fixed Assets	73.49	76.68	65.73	51.11	37.83
Total Assets	14,766.32	13,019.42	9,721.93	7730.67	7,173.17
Deposits	11,266.54	10,021.24	7,512.62	5,845.15	5,647.93
Long-term Debt	690.95	676.51	582.82	555.98	368.85
Loans and Advances	9,282.20	7,957.04	6,260.78	4,618.73	3,960.11
Placement & Investment	4,361.93	3,988.76	2,605.23	2,462.17	2,021.19



## From the Income Statement (Million Taka)

Gross Income	1,558.52	1,290.66	1,041.76	877.48	794.59
Gross Expenditure	1,004.85	856.15	685.64	573.30	528.01
Profit before Tax	553.67	434.51	356.12	304.18	266.58
Profit after Tax	236.39	251.55	213.67	173.34	159.95
Tax Paid (cumulative)	1,199.02	881.73	698.76	556.31	425.47



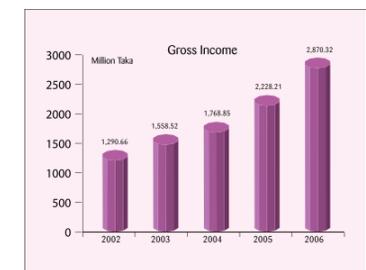
## Others (Million Taka)

Import Business	9,882.80	8,645.00	7,542.80	7,948.00	7,391.10
Export Business	6,933.90	5,557.60	5,957.90	5,557.00	5,060.30

## Financial Ratios (Percentage)

Capital Adequacy Ratio	12.57	13.20	12.49	15.30	14.27
Capital Fund to Deposit Liabilities	10.65	10.11	10.13	11.94	10.34
Liquid Assets to Deposit Liabilities	51.05	54.80	51.47	59.52	59.09
Loan to Deposit Liabilities	82.39	79.40	83.34	79.02	66.71
Earning Assets to Deposit Liabilities	121.10	119.20	118.01	117.74	85.34
After Tax Return on Average Assets	1.70	2.20	2.45	2.33	2.50
Net profit to Gross Income	15.17	19.35	20.51	19.75	20.45
Interest Margin Cover	210.87	187.00	173.91	150.67	112.67
After Tax Return on Equity	20.90	28.18	28.06	27.04	30.21
SMI/SSI Loan and Micro					
Credit to Total Loan	59.16	63.00	50.18	46.96	40.09

Number of Branches	26	26	25	25	23
Number of Employees	523	510	497	453	417



**Paid-up Capital**  
**TK. 945 Million**



**Progress at a glance** 1998 1997 1996 1995 1994

**From the Balance Sheet (Million Taka)**

Authorized Capital	500.00	500.00	100.00	100.00	100.00
Paid-up Capital	80.00	80.00	80.00	80.00	80.00
Reserve and Surplus	394.48	258.34	163.73	105.96	53.49
Shareholders' Equity	474.48	338.34	243.73	185.96	133.49
Fixed Assets	41.96	36.39	25.45	21.27	21.37
Total Assets	5620.57	4350.14	3962.55	3280.16	2,609.85
Deposits	4,551.48	3,541.60	3,357.05	2,773.73	2,241.33
Long-term Debt	344.61	273.29	196.45	166.08	119.68
Loans and Advances	3,218.90	2,630.90	1,724.81	1,561.29	1,112.24
Placement & Investment	2,040.72	1,395.59	1,320.43	995.57	483.90

**From the Income Statement (Million Taka)**

Gross Income	591.64	440.46	311.43	291.62	232.87
Gross Expenditure	364.73	268.83	207.41	191.66	181.51
Profit before Tax	226.91	171.63	104.02	99.96	51.36
Profit after Tax	136.15	94.61	57.77	52.48	25.68
Tax Paid (cumulative)	318.84	228.08	151.06	104.81	57.33

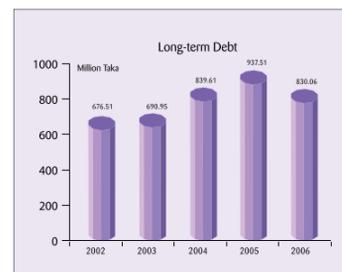
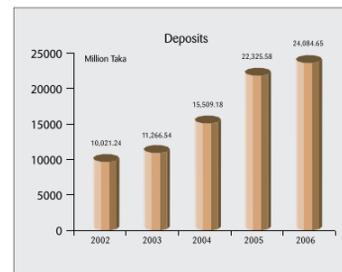
**Others (Million Taka)**

Import Business	7,208.20	7,017.56	4,986.10	4,657.86	2,613.50
Export Business	4,420.20	3,754.87	2,609.30	1,783.09	1,227.08

**Financial Ratios (Percentage)**

Capital Adequacy Ratio	14.01	12.45	12.39	Not introduced	
Capital Fund to Deposit Liabilities	10.42	9.55	7.26	6.70	5.96
Liquid Assets to Deposit Liabilities	62.29	59.58	70.42	66.22	68.17
Loan to Deposit Liabilities	66.81	69.86	47.82	54.17	49.62
Earning Assets to Deposit Liabilities	115.56	113.69	99.57	97.52	74.04
After Tax Return on Average Assets	2.73	2.28	1.60	1.78	1.04
Net profit to Gross Income	23.01	21.48	18.54	18.00	11.03
Interest Margin Cover	192.07	194.64	112.45	109.68	60.33
After Tax Return on Equity	28.69	27.96	23.70	28.22	21.28
SMI/SSI Loan and Micro					
Credit to Total Loan	42.21	35.83	40.99	43.44	46.25

<b>Number of Branches</b>	<b>22</b>	<b>21</b>	<b>19</b>	<b>18</b>	<b>17</b>
<b>Number of Employees</b>	<b>372</b>	<b>351</b>	<b>315</b>	<b>300</b>	<b>238</b>



**Shareholders' Equity**  
**TK. 2,239 Million**

**Progress at a glance** 1993 1992 1991 1990 1989

**From the Balance Sheet (Million Taka)**

Authorized Capital	100.00	100.00	100.00	100.00	100.00
Paid-up Capital	80.00	80.00	80.00	80.00	80.00
Reserve and Surplus	27.81	10.48	4.83	4.36	1.09
Shareholders' Equity	107.81	90.48	84.83	84.36	81.09
Fixed Assets	20.82	16.26	15.15	14.08	7.62
Total Assets	2,321.13	1,646.95	991.37	661.91	406.73
Deposits	1,977.60	1,367.36	843.79	529.19	317.72
Long-term Debt	122.18	125.80	30.00	30.00	-
Loans and Advances	986.61	715.75	432.80	200.00	66.45
Placement & Investment	672.29	553.61	404.60	341.11	287.52

**From the Income Statement (Million Taka)**

Gross Income	197.67	126.70	98.80	61.11	28.42
Gross Expenditure	163.01	117.52	95.33	52.22	24.28
Profit before Tax	34.66	9.18	3.47	8.89	4.14
Profit after Tax	17.33	4.13	2.87	3.27	1.09
Tax Paid (cumulative)	31.65	14.32	9.27	8.67	3.05

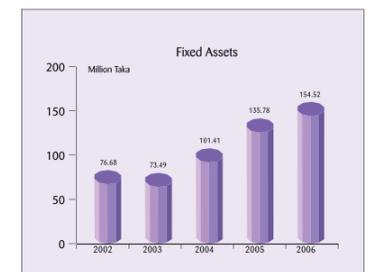
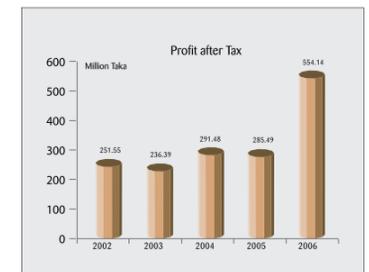
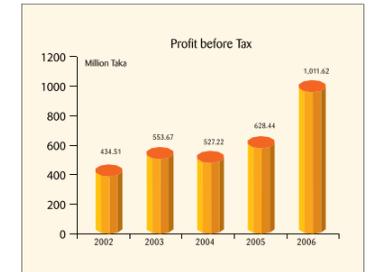
**Others (Million Taka)**

Import Business	1,851.13	1,656.70	1,144.16	582.39	296.41
Export Business	718.63	365.50	115.64	36.76	-

**Financial Ratios (Percentage)**

Capital Adequacy Ratio				Not introduced	
Capital Fund to Deposit Liabilities	5.45	6.62	10.05	15.94	25.52
Liquid Assets to Deposit Liabilities	66.91	75.59	61.21	81.86	104.05
Loan to Deposit Liabilities	49.89	52.35	51.29	37.79	20.91
Earning Assets to Deposit Liabilities	83.69	92.70	101.48	102.99	111.41
After Tax Return on Average Assets	0.76	0.23	0.23	0.39	0.35
Net profit to Gross Income	8.77	3.26	2.90	5.35	3.84
Interest Margin Cover	84.98	57.85	82.15	102.43	123.1
After Tax Return on Equity	17.48	4.71	3.39	3.95	1.34
SMI/SSI Loan and Micro					
Credit to Total Loan	22.16	15.38	15.56	23.84	28.12

<b>Number of Branches</b>	<b>16</b>	<b>13</b>	<b>10</b>	<b>7</b>	<b>3</b>
<b>Number of Employees</b>	<b>196</b>	<b>159</b>	<b>124</b>	<b>100</b>	<b>48</b>



**Fixed Assets**  
**TK. 155 Million**

## Chairman and Directors' Report



Board of Directors of BASIC Bank Limited

### Dear Shareholders,

It gives me immense pleasure to welcome you at the 18th Annual General Meeting of the Shareholders of BASIC Bank Limited. I am pleased to present the Annual Report for the year 2006 of BASIC Bank Limited which is a clear manifestation of the progress made during the year and an optimistic outlook towards a brighter future of the Bank.

I will start by reviewing the most important features of the world economy during the past year 2006 and then briefly provide you with the features and forecasts of Bangladesh economy followed by the Bank's main activities and achievements during the reporting year and future strategies.

### The World Economy

#### *Year 2006: Continued Strong World Economy*

The International Monetary Fund (IMF) estimated that the global economy grew 5.4 percent in 2006, higher than a 4.9 percent expansion in 2005, making the past four years the fastest growing period since 1970s. The robust growth was mainly credited to the vigorous expansion of developed economies in the first half of last year, particularly in the first quarter, and the sustained fast growth of China, India and other major developing economies.

The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), in its latest Survey The Economic and Social Survey for Asia and the Pacific 2007, reported that developing Asia-Pacific countries has largely driven the dynamic growth seen in the world economy in 2006. The Survey said expansion was concentrated in industrial and service sectors leading Asia Pacific developing economies to report growth of 7.9% in 2006, up from 7.6% the previous year - marking the eighth straight consecutive year of expansion.

Among the world's three largest economies, only the euro-zone economy has maintained a relatively strong trend of growth. The U.S. and Japanese economies have slowed down considerably since the second quarter last year.

Curbed by a drastic slump in investment in the housing industry, the U.S. year-on-year economic growth nose-dived to 2.6 percent in the second quarter and dropped further to 2 percent in the third quarter, from a lofty 5.6 percent in the first quarter.

The Japanese economy, which is currently plagued by the problem of weak individual consumption, grew 2.7 percent year on year in the first quarter last year, but slowed to 1.1 percent and 0.8 percent in the second and third quarters.

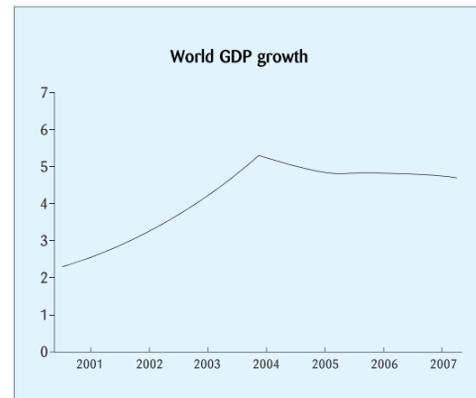
In contrast, compared with the same period in 2005, the euro-zone economy grew 2.2 percent, 2.8 percent and 2.7 percent, respectively, in the first three quarters last year.

#### *Year 2007: Soft Landing or Hard Landing?*

Notwithstanding the ups and downs of financial markets recently, the world economy is set for another good year in 2007. The world economy, which has grown rapidly for four years in a row, is expected to advance at a slower pace in 2007 as some leading developed economies, including the United States, started to lose momentum last year<sup>1</sup>. People are still worried about lots of things: housing prices, recession, profits, inflation, interest rates, the auto industry, Iraq, Iran, North Korea, and this year's bird flu - global warming.

<sup>1</sup> World economy to slow down slightly in 2007, China View, January 4, 2007: <http://www.chinaview.cn>

The economic slowdown in the USA, and in particular the slowdown in the property market, was bound to affect growth but should not lead to a recession, thanks notably to businesses' sound financial footing, sustained growth in the emerging countries and the reactivity of monetary policy.

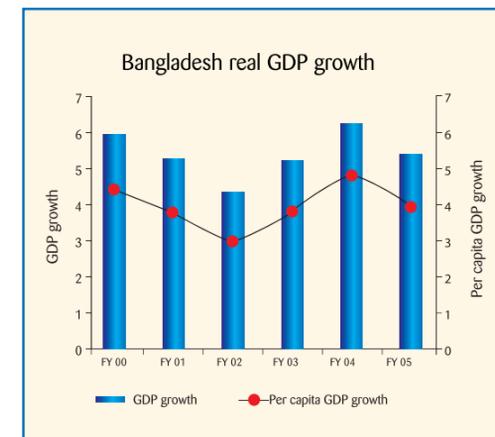


As regards to China, the economy's potential remains enormous with solid growth of more than 10%, controlled inflation and a strictly-regulated exchange rate. In the realm of external finances, China has become one of the leading players in terms of official reserves. However, special attention must be paid to the growing commercial and social tensions, the recent acceleration in credit, and to the higher prices of raw materials which make businesses more vulnerable.

India is developing in very favourable business conditions: growth has now reached 8%, and demand is strong. India remains relatively distanced from international financial fluctuations. A few weaknesses should, however, be noted: the continued high growth in credit, the increase in the budgetary deficit, insufficient savings, and the deepening of the external deficit.

In the Euro Zone, despite financial conditions which remain favourable to investment, a boom in consumption and sustained external demand, numerous structural problems have still to be resolved: the drift in public finances, reforms of the goods and services market as well as of the job market.

In Japan, the economic upturn is continuing at a moderate pace. The Yen should become progressively stronger against the Dollar. However, the vital clean-up of public finances has still to be carried out.



*The Global Outlook in Summary*

The International Monetary Fund expects global growth to run at a healthy 4.9 percent in 2007. The overview of the world economic outlook projections, as incorporated in the World Economic Outlook - Spillovers and Cycles in the Global Economy, April 2007, is as follows:

constraints to become more severe, with inflation possibly progressing even as growth decelerates (mini stagflation), (ii) if it becomes difficult to avoid both inflation and a downturn, moves toward risk reduction will strengthen in financial markets, and (iii) if human-to-human transmission of avian influenza is confirmed, there may be major repercussions for the international division of labor, in which east asia plays a key role.

(Annual percent change)

	Real GDP growth		
	2005	2006	2007
World output	4.9	5.4	4.9
Advanced economies	2.5	3.1	2.5
United States	3.2	3.3	2.2
Euro Area	1.4	2.6	2.3
Japan	1.9	2.2	2.3
United Kingdom	1.9	2.7	2.9
Canada	2.9	2.7	2.4
Other advanced economies	3.9	4.3	3.8
Other emerging markets and developing countries	7.5	7.9	7.5
Central and eastern Europe	5.5	6.0	5.5
Developing Asia	9.2	9.4	8.8
Western Hemisphere	4.6	5.5	4.9
Middle East	5.4	5.7	5.5
Commonwealth of Independent States	6.6	7.7	7.0
Africa	5.6	5.5	6.2

*The Risks Ahead for the World Economy*

Can the world economy sustain its continuing pace of growth? Well, history suggests that when things look so rosy, one should always ask, "What might go wrong?" Although the future is an impossible place, every year the world's thinktankers have a go at forecasting it. Economists from around the world have identified three major risks that threaten the world economy<sup>2</sup>. These are: (i) factors like resource nationalism will cause supply-side

**The Bangladesh Economy<sup>3</sup>**

*Year 2006*

The economy of Bangladesh had gone through a crucial time for last couple of years. It had to face several downside risks including political disruption and infrastructure constraints, particularly power shortage. Nevertheless, at 6 percent over the past 4 years, strong GDP growth has been underpinned by more market-oriented economic policies, a dynamic garment sector, and substantial inflows of overseas workers' remittances. An overview of performance

<sup>2</sup> World Focus, Sumitomo Shoji Research Institute, January 2007: <http://www.sumitomocorp.co.jp>

<sup>3</sup> Sources: 1. Annual Report 2005-2006, Bangladesh Bank: <http://www.bangladesh-bank.org> 2. Bangladesh Quarterly Economic Update, Asian Development Bank, December 2006: <http://www.adb.org> 3. Asian Development Outlook 2007, Asian Development Bank

of the Bangladesh economy in FY06 in respect of growth in GDP and its three major components - agriculture, industry and services is appended below:

### *Economic Growth*

Growth in GDP has trended up in recent years, reaching 6.7% in FY06, driven by improved domestic and external demand. This performance was reflected in a steady expansion in industry, lifted by export-oriented manufacturing, and in continued services buoyancy.

### *Agriculture*

Aus, the first rice crop of the year, was planted on 0.9 million hectares and produced 1.51 million tons. This was 13.7% lower than the 1.75 million tons in FY06 - the result of insufficient rain during June-July. Harvest of the second rice crop, aman is now complete. Aman is cultivated on approximately 5.1 million hectares, down from 5.4 million hectares in FY2006. Although aman production is expected to be good, it is unlikely to reach FY2006 production of 10.8 million tons. Scanty rainfall during the full sowing season and short supply of fertilizer, insecticide, and other inputs affected the aman harvest in many parts of the country.

### *Industry and Services*

The industry sector, lifted by export-oriented manufacturing, continues to show robust performance. The services sector is also expanding in line with rapid growth in industry. Manufacturing expansion is supported by a turnaround in manufacturing exports, industrial imports (raw materials and capital machinery), and expansion of industrial credit. But emerging infrastructure constraints, particularly power shortages, held back the growth potential in manufacturing. The output

of small-scale manufacturing also registered strong performance with 11.4% growth; the increase covered food items, textiles, leather, apparel, wood products, paper products, chemicals, metal products, and nonmetallic mineral products. Production of non-manufacturing items also increased with gas production increasing by about 9.3% and electricity by 5.1%.

### *Inflation and Exchange Rates*

The point-to-point inflation rate increased steadily to 7.3% in October 2006 from 6.8% in July 2006, but declined to 6.1% in December. Movement in food prices was the main cause of changes in the inflation rate. Government borrowing from the banking system also contributed to inflation. For FY07, annual average inflation is projected to decline slightly to 7% from 7.2% in FY06.

Reflecting market conditions, the exchange rate of the Taka against the Dollar showed volatility in the first half of FY2007. The Taka remained stable during June-August 2006, appreciated during September-October, and depreciated in November before appreciating again in December.

### *Fiscal Management*

The Government's low revenue collection (10.6% of GDP in FY06) constrains its efforts to allocate resources for infrastructure development and poverty reduction. Although tax reforms reduced the revenue role of trade taxes, this was not matched by revenues augmented through increased collection of income and domestic consumption taxes. During the first 7 months of FY07, taxes under the National Board of Revenue increased by only 9.1% compared with the annual target of 19.2%.

### *Monetary Policy*

Despite attempts to contain monetary expansion, money supply continued to grow rapidly mainly because of sharp expansion in domestic credit. Broad money (M2) grew by 22.3% annually to December 2006 compared with the 17.2% growth in December 2005. Responding to higher credit demand, private sector credit growth increased to 19.4% and net credit growth to the Government increased to 35.9% in December 2006.

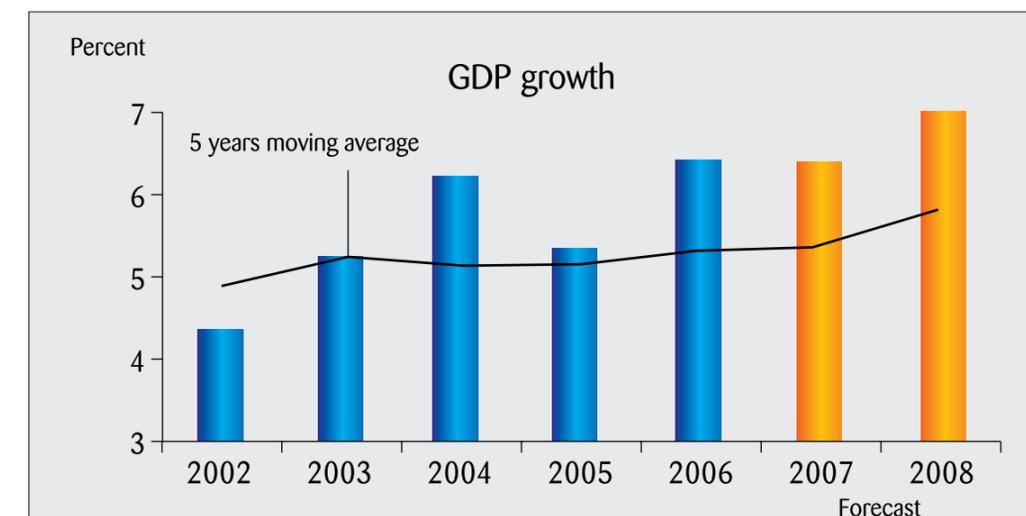
### *External Sector*

Unlike the fiscal scenario, external sector developments are encouraging. Exports in FY07 continued the robust performance. With 25.8% growth during the first half of FY07, exports exceeded the target set for the period by 3.6%. The impressive growth was led by knitwear growing at 32%, followed by frozen food at 26.7%, and woven garments at 24.1%, and leather at 12.5%. Import growth increased sharply to 20.7% during July-November 2006 from moderate growth of 10.9% in the corresponding period of 2005.

### *Year 2007*

GDP growth is forecast at 6.5% in FY07 and 7.0% in FY08, driven by a robust performance in industry and services, says the Asian Development Bank (ADB) in its Asian Development Outlook 2007. The report says Trends in the first half of FY07 point to a significant pickup in economic activity. Although agricultural growth in FY07 is likely to moderate from the post-flood recovery in FY06, it is still expected to be above trend. The harvest of the major summer crop-aman-has been good, though slightly below that of a year ago. In FY07, inflation is projected to decline slightly to 7.0% and to 6.0% in FY08.

Key development challenges facing Bangladesh include upgrading the physical infrastructure, augmenting efficiency in the financial sector, stimulating greater foreign direct investment (FDI), and strengthening governance. Deficiencies in key infrastructure, such as power, ports, railways, and roads, seriously hamper export growth, investment, and opportunities for transport integration with neighbors.



**The Bank***A Dynamic Business with Excellent Momentum*

Despite the consequences of the market challenges, the modest interest rates and continuing heightened security concerns around the globe during 2006, the Bank has performed very well and achieved reasonable profit growth, both in absolute terms and in relation to its peers. The Bank's overall prudent strategy has led to a growth of 25.12 percent in net operating profits. During the year, the Bank also has strengthened its liquidity position and stability.

*A Bird's Eye View*

Year 2006 was fairly a good year for the Bank in the face of severe competition in the banking industry and changing global and national economic scenario. The Board of Directors was happy with the overall performance of the Bank, particularly for maintaining quality of assets and improving shareholders' value.

The total assets of the Bank increased to Taka 29,417 million at the end 2006 from Taka 27,155 million in the previous year. The growth rate was 8.33 percent. Deposit rose from Taka 22,325 million in 2005 to Taka 24085 million in 2006 showing a growth rate of 7.88 percent. Loans and advances stood at Taka 19000 million as on December 31, 2006 against Taka 15,339 million at the end of 2005, recording a growth rate of 23.87 percent compared to 27.82 percent in the previous year. All out efforts were made to improve the recovery rate and control of non-performing loans and advances. The recovery rate of project loans remained stable in the neighborhood of 88 percent and the proportion of non-performing loans to total loans decreased to 3.70 percent in 2006 from 4.55 percent in 2005. Emphasis on the maintenance of quality of assets remained the centerpiece of the Bank's business strategy.

Year 2006 was another period of high growth in loans and advances with 23.87 percent increase in

conjunction with 27.82 percent increase in 2005. Growth of industrial finance was moderate and loans to small and medium industries was 53.43 percent of total loans and advances. The industrial loan of Tk.1224 crore was distributed among 15 sectors. Textile sector registered the highest concentration being 17.30 percent of industrial loans and 11.12 percent of total loans. Textile sector is followed by: food & allied industries 13.70 percent of industrial loans and 8.85 percent of total loans, engineering 13.60 percent of industrial loans and 8.76 percent of total loans and chemical & allied industries 9.7 percent of industrial loans and 6.23 percent of total loans.

Since starting of the micro-credit Scheme in 1994, the Bank has been providing funds to NGOs for on-lending to their members. Micro-credit of the bank increased by 6.19% to Tk.35.92 crore during the reporting year. The Bank was quite successful to utilize its fund satisfying all conditionality and national priorities. The Bank also successfully utilized a soft term fund of a German financial institute KfW and special agro-based industrial development fund provided by the Government of Bangladesh.

The Bank's financing of import business increased from Taka 14,095 million in 2005 to Taka 17,804 million in 2006 registering growth of 26.32 percent. On the other hand, Bank's export finance increased to Tk.15464 million in 2006 from Taka 11,097 million in 2005 registering growth of 39.35 percent.

Bank's income rose by 28.82 percent in 2006 compared to 25.82 percent increase in 2005 while its expenditure increased by 16.18 percent in 2006 compared to 25.40 percent in 2005. Profit before provision rose by 25.12 percent in 2006 against 26.62 percent in 2005. Profit after provision for loan loss and diminution in value of investment increased by 60.98 percent in 2006 against 19.20 percent in 2005. After tax net profit stood at Taka 554 million

*Capital Structure and Ratios*

At the end of the year 2006 Bank's capitalization stood at Tk.2,239 million for tier 1 and 11.98 percent for total capital against the total risk weighted assets exceeding the required minimum levels of 4.50 percent and 9 percent respectively. Thus the Bank was able to maintain the confidence of investors and depositors while providing a lucrative return to the Government, the sole shareholder of the Bank. Details of the capital structure are as follows:

and we know where they can be applied to good effect. These skills continue to deliver strong organic growth, ahead of natural market growth. Indeed, the quality and depth of the Bank's management has been a key differentiator and source of competitive advantage for the Bank.

In conformity with the aspiring objective of accelerating small-scale industrial growth and to attain a greater share of such industry in the

Year	2006	2005
<b>Core Capital (Tier 1)</b>	(Amount in million taka)	
Paid up capital	945.00	810.00
Statutory reserve	883.45	681.13
Other reserve and surplus	410.54	253.73
<b>Total of Tier 1 Capital</b>	<b>2238.99</b>	<b>1744.86</b>
<b>Supplementary Capital (Tier 2)</b>		
1% general provision on unclassified loans	250.53	218.99
Assets revaluation reserve	-	6.88
<b>Total of Tier 2 capital</b>	<b>250.53</b>	<b>225.87</b>
<b>Total Capital</b>	<b>2489.52</b>	<b>1970.73</b>
<b>Risk weighted assets</b>	<b>20782.19</b>	<b>16739.20</b>
<b>Capital Ratios to risk weighted assets</b>		
Tier 1 Capital	10.78%	10.42%
Tier 2 Capital	1.20%	1.35%
<b>Total Capital</b>	<b>11.98%</b>	<b>11.77%</b>

in 2006 compared to Taka 285 million in 2005.

*Strategies for Growth*

The Bank is ambitious for growth and can demonstrate its about one-and-a-half decade long track record of asset and profit expansion and exceptional returns to its shareholders. We have clear strategies in place to maintain this level of performance. We know the markets and segments in which growth can be achieved, we are confident in the skills that management and staff have developed

country's GDP, the Bank in the reporting year has placed particular emphasis on financing projects under small scale and micro industry of cost up to Tk 1.00 crore. The Bank will continue to pursue this strategy so as to make a true difference in this respect and to keep on its image as one of country's most successful and profitable financial services companies.

*Technology*

The Board attaches great importance to acquisition and use of appropriate information technology in the Bank. Computers are being used in the Bank for its day to day operation since inception. Both Windows and UNIX based Local Area Network (LAN) have been installed in the Head Office and different Branches. The Bank had its own Banking Software developed in 1991, and since then this software is being used for performing normal banking transactions. Besides, SWIFT is being used in the AD Branches and the Head Office of the Bank for trade finance-related operations like documentary credit, documentary collections, fund transfer, guarantee, etc with optimum security. Reuters 3000extra HTA is being used at the Head Office for offering the best exchange rates to the Bank's customers as well as for other treasury functions. Internet based money transfer facility through MoneyGram Payment Systems Inc. is being introduced in all the Branches of the Bank. To enhance the performance and to ease the day-to-day operations, the Bank is continuously pursuing its efforts in the development of different software by its own software development team. Some noteworthy software that the Bank has already developed and is successfully using are Personal Information Management System (PIMS), Foreign Exchange Return System, Loan Classification System, CIB System, CTR-STR System, Car Maintenance System, Payroll System, Sanchaya Patra System, Nostro Account and Inter-Branch Reconciliation System etc.

The Bank is always striving to meet the complex dynamic needs of its customers. To further enhance customer care and increase employee efficiency, the Bank, with the approval of the Board, has undertaken a project for introducing Centralized Online Banking System. The implementation of the System has been inaugurated on March 22, 2007. It is expected that

the Head Office and all the Branches of the Bank will be brought under this System by the end of this year. The Online System which includes integrated Core Banking, Trade Finance, Treasury and Internet Banking solutions along with SWIFT, ATM, POST etc. interfaces will allow the Bank offer its customers new products and better services. Deposit/withdrawal of cash from any Branch of the Bank during office hours, transfer of funds and payment of utility bills any time through ATM and the Internet and query on account related information, existing products, services, tariffs etc. any time through the Internet and mobile phone are some of the benefits that the customers will enjoy after completion of the project. IVR (Interactive Voice Response) and other state-of-the-art Delivery Channels will also be introduced in phases.

*Dividend*

As per Article no. 130 of the Memorandum and Articles of Association of the Bank, unless otherwise decided by the shareholders at least fifty percent (50%) of the net profit (after tax) to be reinvested in the capital of the Company and to that extent bonus

**Dividend & Earning Per Share (EPS)**

	2006	2005	2004
<b>Cash Dividend (Million)</b>	60.00	60.00	50.60
<b>Stock Dividend (Million)</b>	302.40	135.00	135.00
<b>EPS</b>	58.64	35.21	35.99



shares to be issued to the shareholders in lieu of cash dividend. Also in maintaining the competitive edge and creating a strong financial base the board of directors with a view to improving its equity by issuing bonus shares to its existing shareholders and accordingly, is pleased to propose to its sole shareholder, the Ministry of Finance, subject to approval of the Annual General Meeting, 08 bonus share against each 25 shares amounting to Tk.302.40 million and 6.35% cash dividend amounting to Tk. 60.00 million.

*The Board*

I want to acknowledge the continued support of my fellow directors, who have devoted themselves diligently to their Board duties throughout the year. The increasing complexity of the corporate governance environment has added significantly to the responsibilities placed upon the directors. We are fortunate in the mix of skills, experience and achievement across the spectrum of industry, commerce and public affairs that is represented on the Board. These skills continue to be of great value to me and to the Bank management.

*Audit Committee of the Board of Directors*

The Audit Committee of the Board of Directors of 2006 consists of three directors namely, Dr. Mohammad Tareque, Mr. Md. Mosharraf Hossain Bhuiyan and Mr. Md. Asaduzzaman Khan. The Committee reviewed the financial statements of the Bank from time to time and made a significant contribution to the development of internal control system for conducting banking operations efficiently and in a disciplined manner. The Committee met six times during the reporting year.

*Employees*

The Bank's ongoing success speaks to the excellence of its team. BASIC Bank has a well-diversified pool of human resources with high academic background. There is also a positive demographic characteristic - most employees are comparatively young in age yet rich in experiences. BASIC value its employees' strong work ethic, deep loyalty to the Bank, and dedication to helping their customers, communities and each other. I thank them for their valuable contributions to the performance of the Bank.

In an increasingly competitive market for highly skilled staff, we are focusing on providing a stimulating corporate environment and attractive compensation packages. This facilitates challenging career opportunities and avenues for improvement. The Bank attaches a great importance to the development of human resources and recruits regularly fresh graduates with outstanding academic achievements. As at the end of 2006 the total employee strength was 651.

**Deposit, Loans & Advances and Profit (Million Taka)**

	2006	2005	2004
<b>Deposit</b>	24,085	22,326	15,509
<b>Loans &amp; Advances</b>	19,000	15,339	12,000
<b>Profit before tax &amp; Provision</b>	1,092	872	689

## Chairman and Directors' Report

### Acknowledgement

The preceding discussions indicate that the Bank has continued to succeed in attaining satisfactory results in the face of an ever more competitive market, thanks to the collective efforts made by the Bank's management, employees, valued clients and well-wishers.

The Board deeply appreciates the sense of commitment and enthusiasm of the employees and is confident that their relentless efforts will contribute to the progress of the Bank in the coming years.

The Board extends its gratitude to Bangladesh Bank, Ministry of Finance, Ministry of Industries,

Bangladesh Small and Cottage Industries Corporation and Prime Minister's Office for their cooperation and support in making the 100 percent government owned Bank a success story. The Board also thanks the NGOs working with BASIC Bank in expanding the micro credit program in its efforts towards active participation in national poverty alleviation program.

On behalf of the Board

Chairman



Dr. Md. Nurul Amin, Chairman, BASIC Bank Ltd. inaugurating the Dewanhat Branch, Chittagong

## Special Events



Managing Director and Senior Executives of BASIC Bank Ltd. with Nobel Laureate Dr. Muhammad Yunus



Executives of BASIC Bank Limited



Head Office Executives of BASIC Bank Limited

## Management Review

2006 was yet another successful year for BASIC Bank. Its emphasis on credit quality and customer's services yielded the desired: growth in profit, capital, assets and shareholders' value. We were fortunate to be able to muster adequate resources, both financial and human, and make such achievement. The years ahead will witness the Bank's growing commitment to maintaining the highest standards in all its spheres of activity.

### Financial Resources

#### Bank's Assets:

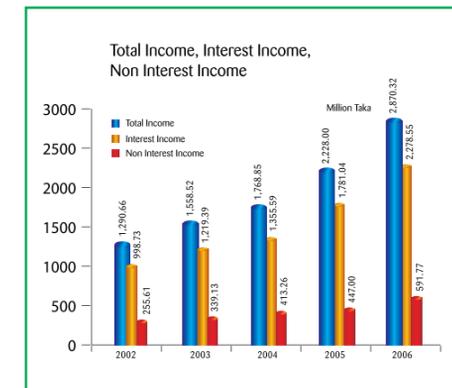
During the year 2006, total assets of the bank increased by 8.33% to Taka 29,417.09 million from taka 27,136.37 million in 2005. As expected, loans and advances comprised the largest share in the assets portfolio of the Bank constituting 64.59 percent. Balances with other banks and financial institutions and Investment were the second and the third largest constituents being 14.26 percent and 11.13 percent of the assets portfolio respectively. Money at call and short notice came next in size with 2.55 percent of total assets.

#### Loans and Advances:

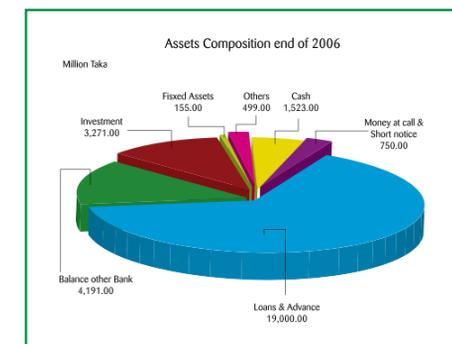
Loans and advances consist of industrial loans, micro credit, commercial loans and bills increased by 23.86 percent to Taka 19,000.00 million compared to Taka 15,339.35 million in 2005.

#### Industrial Loans:

The industrial loan reflected a significant growth of 22.59 percent over the previous year. Total outstanding industrial loans including term and working capital stood at Taka 12,243.56 million at the end of 2006 compared to Taka 9,987.50 million of 2005. Total outstanding term loan stood at Taka 3,897.12 million as on December 31, 2006 compared to Taka 3,517.85 million in 2005 reflecting a growth of 10.78 percent. The outstanding working capital finance extended to industrial units stood at Taka 8,346.44 million at the end of the reporting period compared to Taka 6,469.71 million in 2005. Growth rate here was 29.00 percent. BASIC Bank's services are specially directed towards promotion and development of small industries. Its exposure to small and medium industries sector accounted for 53.43 percent of the total loans and advances. During the year total



**Total Assets**  
**TK. 29,417 Million**



of 159 projects were sanctioned term loan. Out of which 89 were new and the rest were under BMRE of the existing projects. As on 31 December, 647 projects were in the portfolio of the bank. The textile sector including garments being one of the major contributors to national economy dominated the loan portfolio of the Bank. Other sectors financed include engineering; food and allied industries; chemicals, pharmaceuticals and allied industries; paper, board, printing and packaging; and other non-metallic goods, leather and jute products. Recovery rate of project loan was 89 percent.

**Micro Credit:**

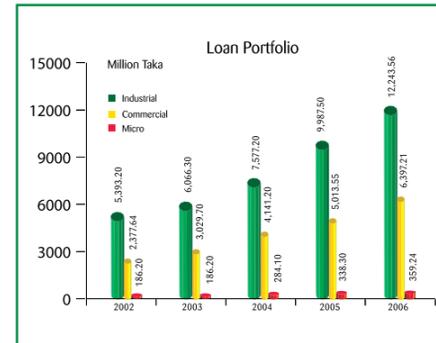
BASIC Bank also provides micro credit to the poor for generation of employment and income on a sustainable basis, particularly in urban and suburban areas. At the end of 2006, total amount of Taka 359.24 million remained outstanding as against Taka 338.30 million in 2005. Recovery rate during this period remained at a highly satisfactory level of 100.00 percent.

**Commercial Credit:**

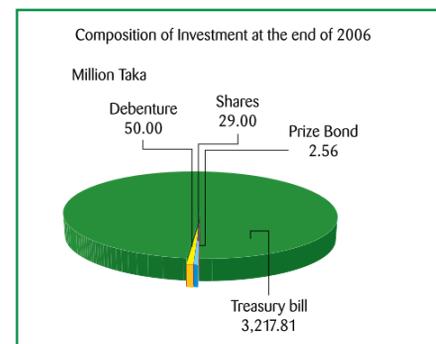
The Bank also supports development of trade, business and other commercial activities in the country. It covers the full range of services to the exporters and importers extending various facilities such as cash credit, export cash credit, packing credit, short term loans, local and foreign bills purchase facilities. As on December 31 2006, total outstanding commercial loans stood at Taka 6,397.21 million compared to Taka 5,013.55 million in 2005.

**Non-performing Loan:**

Classified (non-performing) loans and advances was 3.70 percent at the end of the year under review from 4.55 percent in 2005. Adjustment of one big loan through an exit program, approved by the Board, if works successfully, the non-performing loan will be reduced substantially by 2007. The client has already deposited Tk.101.00 million and is expecting to adjust the rest shortly. The total non-performing loan will then come down below 2.00 percent. In absolute term classified loans and advances stood at Taka 703.27 million in 2006 from Taka 698.44 million in 2005. Additional provision made in 2006 was Taka 80.39 million against classified and unclassified loans and advances. Total cumulative provision made for loans and advances amounted to Taka 573.74 million as



**Deposit**  
**TK. 24,085 Million**



on December 31, 2006. During the year 2006 loan amount of Taka 0.05 million was written off under the guidelines of Bangladesh Bank and Taka 4.44 million was recovered against written-off loans.

**Export/Import:**

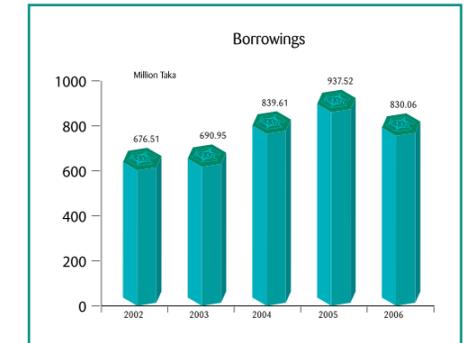
The bank achieved substantial growth in both in import and export in 2006. The Bank handled total import business of Taka 17,804.27 million and export business of Taka 15,463.74 million in 2006. The import and export business grew by 26.32 percent and 39.34 percent respectively. Major items of exports were ready made knit & woven garments, sweater, jute & jute products, leather and leather goods, handicrafts etc. Items of import included mainly industrial raw materials, garments accessories, capital machinery, food items, electronic consumer goods, chemicals, tyres and tubes, reconditioned vehicles and other essential commodities.

**Investment and Placements:**

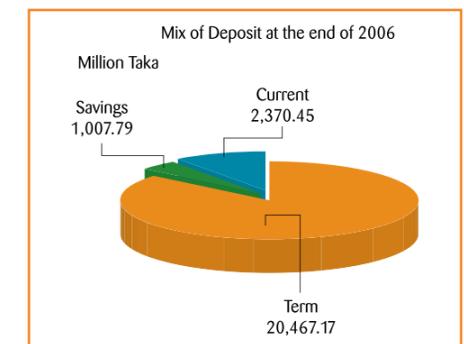
Investment at the end 2006 was for Taka 3,270.87 million, compared to Taka 4,540.55 million in previous year. Investment was concentrated in approved securities such as Government Treasury Bills, Reverse repo and a few debentures and shares. During the year 2006, treasury bills including reverse repo had the largest share (98.32%) in the investment portfolio. Debentures, shares in listed and unlisted companies and prize bond altogether constituted 1.67 percent. BASIC's placement in different Banks in Bangladesh and outside Bangladesh was Taka 4,191.37 million in 2006 compared to Tk 4,126.27 million in 2005.

**Fixed Assets and other Receivables:**

At the end of 2006 the fixed assets increased by 13.80 percent to Taka 154.52 million from Taka 135.78 million in 2005 and other assets increased to Taka 498.75 million from Taka 289.91 million in the previous year. Fixed assets included vehicles, equipment and computer, furniture and fixtures and leased assets. On the other hand, other assets included advance income tax, stock of stationery, security deposits, sundry debtors, and suspense account.



**Loans & Advances**  
**TK. 19,000 Million**





### Liabilities and Shareholders' Equity

#### Deposit:

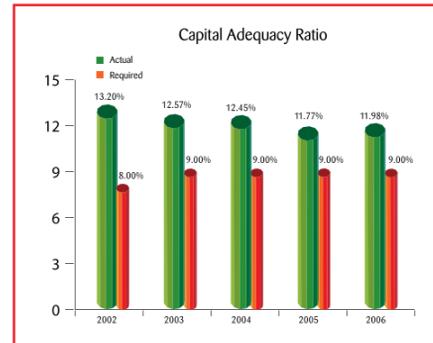
Deposit constitutes the core of BASIC Bank's fund mobilization. Total deposit of the Bank at the end of 2006 stood at Taka 24,084.66 million (81.95% of Total liabilities) compared to Taka 22,325.58 million (82.27% of Total liabilities) in 2005. The actual deposit in 2005 Tk 2,232.56 crore includes Tk 330.00 crore received from BTRC in last week of December 2005 and the same was encashed in first week of January 2006. This deposit was with BASIC Bank for a very short period. So, the effective deposit in 2005 has been calculated to be Tk 1,902.56 crore (Tk 2,232.56 crore-330.00 crore). So, the growth of deposit was 26.55 percent. During 2006, the fixed term deposit increased to Taka 20,467.17 million from Taka 19,461.78 million in 2005. Savings bank deposit increased to Taka 1007.79 million in 2006 compared to Taka 793.43 million in 2005. Deposit in current and other accounts including bills payable increased to Taka 2,370.45 million in 2006 from Taka 1,890.61 million in 2005

#### Borrowing:

Borrowings were made from various sources for long term funding specially for financing development-banking activities. The Bank enjoys a credit line facility from KfW, a German development bank for financing micro-credit scheme and small-scale industries. It has also utilized an ADB credit line for financing small industries. Besides, another loan Tk 745.35 million was also received from ADB for financing Agro business development. Another source is Bangladesh Bank. Total outstanding borrowing against utilization of funds from the above sources in 2006 is Taka 830.06 million against Taka 937.52 million in 2005. An amount of Tk 250.00 million was allocated by the GOB and disbursed to BASIC Bank to finance Agro-based industry. BASIC was included in this scheme for its outstanding performance.

#### Equity:

The bank started its journey with paid-up capital of Tk. 80.00 million in 1989 and the same had increased to Taka 945.00 million in 2006. The bank has decided to issue 8 bonus share for every 25 shares and the paid-up capital of the bank would thus be raised to Taka 1,247.40 million if the proposed bonus share is approved. Cash



**Micro Credit**  
**TK. 359 Million**



dividend of Taka 60.00 million has also been proposed for the year 2006. With this cash dividend of Taka 475.63 million would be paid to the government.

**Statutory reserve:** As per section 24 of the Bank Company Act-1991 20% of profit before tax needs to be transferred to Statutory Reserve. Accordingly, the statutory reserve of the bank will stand at Taka 883.45 million after transfer of an amount of Taka 202.32 million from the profit of 2006.

**Shareholders' equity** of the Bank would increase by Taka 494.14 million to Taka 2,238.99 million in 2006 from Taka 1,744.85 million in 2005 registering a sustainable growth rate of 28.32 percent.

### Financial Results

#### Income:

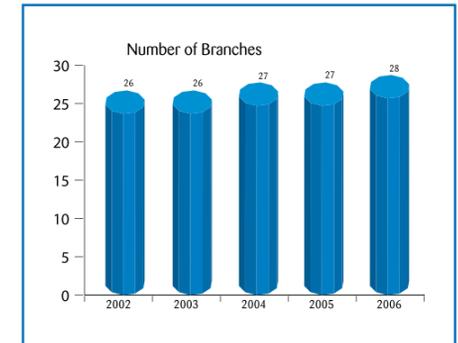
The Bank's total income was 28.82 percent higher than that of previous year. Interest income from loans and advances increased by 27.93 percent while other operating income increased by 25.69 percent over 2005. Investment income rose by 38.88 percent over 2005 due to increase in investment and yield on government securities. Commission income was higher by 29.17 percent.

#### Expenses:

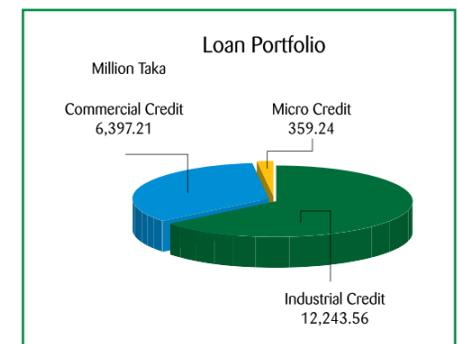
The total expenditure was 16.18 percent higher than that of 2005. Salary and allowances to employees increased by 25.62 percent mainly due to annual increment, promotion of existing employees and fresh recruitment. General and administrative expenses (excluding salary and allowances) increased by 17.39 percent. Hiring of new space for IT and training cell mainly contributed to this increase.

#### Contribution to Exchequer

From the very inception, BASIC Bank has been posting profit and paying income tax to the Government. The cumulative figure of contribution to the Government exchequer by way of corporate tax up to December 31, 2006 amounted to Taka 2,245.16 million, which is more than 28 times the amount of original paid-up capital of the Bank.



**Loans to SMI**  
**57%**



**Economic Value Added (EVA) statement for the year ended 31 December 2006:**

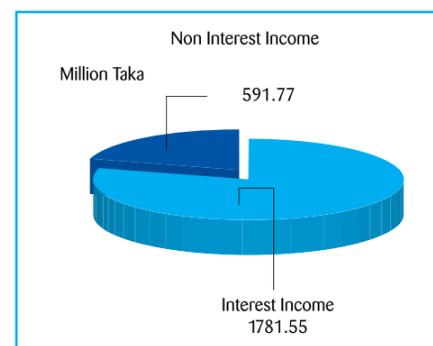
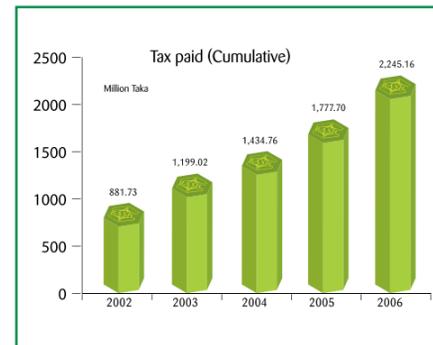
Economic Value Added (EVA) is the most recent innovation in measuring corporate performance. It is also the best measure of a firm's intrinsic value and the best tool of aligning Management and Owners' interest. The EVA is an estimate of the amount by which earnings exceed or fall short of the required minimum return for shareholders or lenders at comparable risk.

Particulars	2006 Taka	2005 Taka
Shareholders' equity	2,238,997,627	1,744,859,133
Add: Provision for loans and advances	573,744,423	493,833,768
	<b>2,812,742,050</b>	<b>2,238,692,901</b>
Earnings:		
Profit after tax	554,138,494	285,494,792
Add: Provision for loans and advances	80,393,610	242,300,000
	<b>634,532,104</b>	<b>527,794,792</b>
Average 14% in 2006 and 13.75% in 2005 (based on weighted average rate of sanchay patra issued by the Bangladesh Government plus 2% risk factor)	<b>353,600,447</b>	<b>276,143,138</b>
<b>Economic Value Added</b>	<b>280,931,657</b>	<b>251,651,654</b>

For our Bank EVA of Tk.280.93 Million truly represents the net increase of the intrinsic value of the organization and, therefore, owners' interest during the accounting year 2006 and this is 11.63% higher than that of year 2005.

**Branch Network**

A great deal of investment for developing the physical resource base of the Bank has been made. BASIC Bank has its presence in all the major industrial and commercial centers of Bangladesh in order to cater to the need of industry and trade. At the end of 2006, there were twenty-eight conveniently located branches throughout Bangladesh – ten branches in the capital city of Dhaka, six in Chittagong and one each in Narayanganj, Narsingdi, Rahshahi, Saidpur, Bogra, Khulna,



Jessore, Sylhet, Moulvibazar Comilla, Barisal and Sirajganj. Besides these, the bank has three bill collection booths at Ramna, Sher-e-Bangla Nagar and Gulshan exchange Office of BTTB, Dhaka. A Foreign Exchange booth was opened at Osmani Int'l Airport, Shylhet in April '05 for mobilizing foreign exchange. This is one of the areas where BASIC Bank is relatively lagging behind. The Bank has already signed an agreement with Placid NK Corporation, USA for obtaining foreign currency remittances. The bank is expected to sign agreement with Tele Money transfer, London, UK and MoneyGram International, Minneapolis, USA in near future to ensure flow of inward remittance. Some similar agreement with companies located in Saudi Arabia and UAE are going to be finalized shortly.

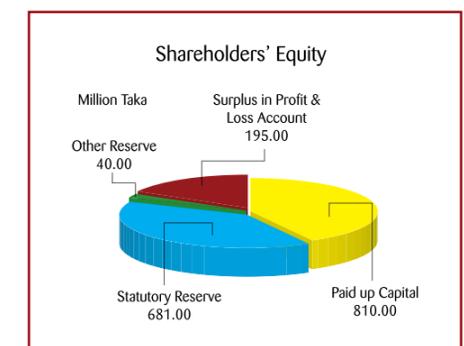
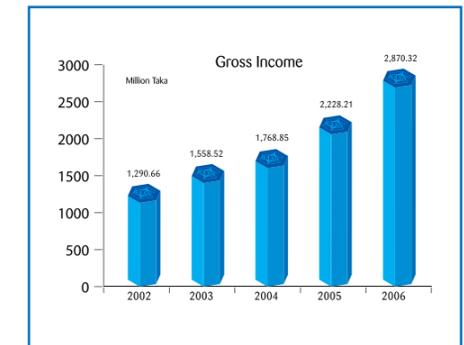
**Risk Management**

In banking environment no reward can be expected without risk. In this backdrop, the management has established a formal program for managing the business risk faced by the Bank. Considering the present non-performing loan position of the country, BASIC Bank is very much cautious about its investment. Every loan proposal is placed under careful scrutiny before approval. Proposals of large amount of loans need approval of the Board of Directors. Internal Audit team and Recovery team exercise close monitoring on every loan transaction.

Management regularly reviews the Bank's overall assets and liabilities position and makes necessary changes in its mix as and when required. The Bank also has a liquidity policy to ensure financial flexibility to cope with unexpected future cash demands.

**Head Office and Board of Directors**

The responsibility of making policies and operational guidelines is vested with the Board of Directors. The Board consists of the executives from the Government of Bangladesh and the Bangladesh Bank who are appointed by the Government. The Managing Director is the Chief Executive of the Bank who is an ex-officio member of the Board. Four General Managers acting under him and nine Divisional Heads are performing daily operational activities of the Bank. The Managers of the branches being responsible functionally to the Heads of Departments in the Head Office and report direct to the Managing Director.





## Management Review

### Human Resources:

BASIC has a well-diversified pool of human resource, which is composed of personnel with high academic background. Also, there is a positive demographic characteristic. Most employees are comparatively young in age yet mature in experience. As at end 2006 the total employee strength was 651.

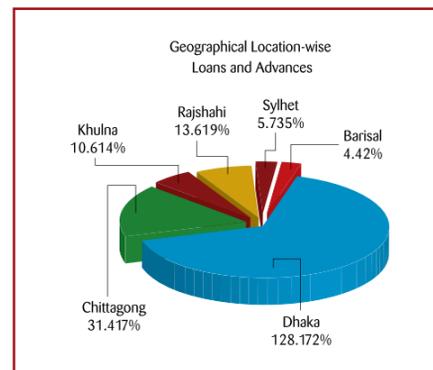
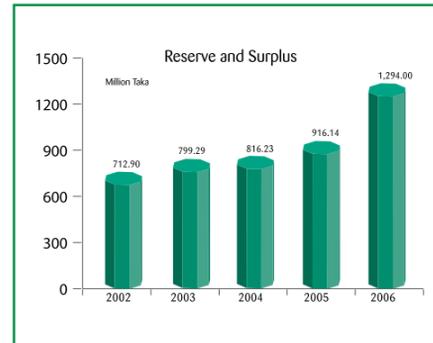
The Bank follows a strict recruitment policy in order to ensure that only the best people are recruited. The Bank, so far, has recruited four batches of entry-level management staff, all of whom have got excellent academic background.

Intensive training program, on a regular basis, is being imparted to employees of both management and non-management levels to meet the challenges in the banking industry and to help employees to adapt the changes and new working conditions. Human resource is the main driving force and quality human resources are the key sources for the success of today's banking business. Keeping this view in mind and recognizing the importance of training for professional excellence BASIC Bank Ltd. has established its own training institute in 2005 with modern facilities. In 2006 the institute arranged 17 training courses and provided training to as many as 370 employees of the bank. The bank also sends its employees to BIBM and other local and foreign institutions with a view to sharpening their knowledge base.. During the year 2006, a total of 520 employees of the Bank were provided with training in various fields. Out of them 16 employees participated in training courses held abroad.

In 2006 total 93 employees of various stages was given promotion which is almost 14.00 percent of total employees of the bank.

### Automation

The Bank is providing off-line computerized banking service to all its customers since its inception. To accelerate the speedy and accurate account ledger maintained and to make available all potential international banking products, the bank has already been in the process of implementing centralized On-line Banking system. It is expected that within the end of 2007 the bank will be able to serve its customers through the new system including ATM and internet banking facilities.



## Management Review

### Outlook

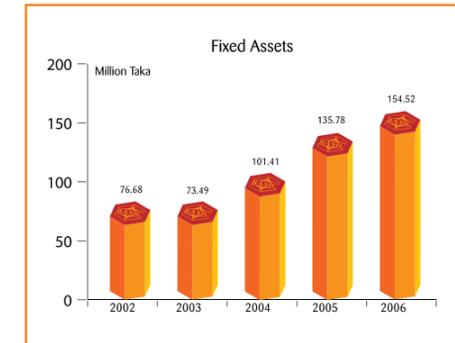
We expect to continue to maintain strong competitive edge in banking sector in Bangladesh in the years ahead. Through our specialization and integrated approach, we aim to build a strong position in the industrial development of Bangladesh. We also plan to maintain our focus on managing capital and costs to maximize shareholders' value. In this environment, we expect to make further gains in revenue, income and return on capital.

### Acknowledgement

The management of the bank takes this opportunity to express its thanks and gratitude to the Board of Directors for their invaluable counsel. The management also places on record its appreciation for the employees of all levels for their efforts and devotion in carrying out their tasks and duties. Sincere thanks of the management also goes to the Government, the sole shareholder of the bank, the Ministry of Finance, valued clients, well wishers, stakeholders, Bangladesh Bank and all its patrons like KfW, ADB for their confidence, continued support and cooperation.

### Conclusion

In view of overall performance we had a good year 2006. We are confident to excel towards growth and expect further progress in operating performance and achievement of targets set for 2007.



PRASIC

Financial  
Statements



Auditors' Report to the Shareholders

Balance Sheet

Off Balance Sheet Items

Profit and Loss Account

Cash Flow Statement

Statement of Changes in Equity

Liquidity Statement

Notes to the Financial Statement



Agreement with CRISL, the credit rating agency of the Bank

We have audited the accompanying Balance sheet of the BASIC Bank Limited as at 31 December 2006 and the related Profit and loss account and the statement of Cash flows for the year then ended. These financial statements are the responsibility of the Bank management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Subject to note no. 2.09 (b) and 9.00 (e) in our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS) give a true and fare view of the state of the Bank's affairs as of 31 December 2006 and of the result of its operations and it's Cash Flows for the year then ended and comply with the applicable section of Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994 and other applicable laws and regulations. We also report that:

- |   |  |
|---|--|
| <p>(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;</p> <p>(b) In our opinion proper books of accounts are required by law have been kept by the Bank so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches not visited by us;</p> <p>(c) The Bank's Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account and returns;</p> <p>(d) The expenditure incurred was for the purpose of Bank's business;</p> <p>(e) The financial position for the Bank at 31 December 2006 and the profit for the year then ended have been properly reflected in the financial statements &amp; the financial statements have been prepared in</p> | <p>accordance with the generally accepted accounting principles;</p> <p>(f) The financial statements have been drawn up in conformity with the Bank Companies Act 1991 and in accordance with the accounting rules regulations issued by Bangladesh Bank;</p> <p>(g) Adequate provisions have been made for advances and other assets which are in our opinion, doubtful of recovery;</p> <p>(h) The financial statements conform to the prescribed standard set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;</p> <p>(i) The records and statements submitted by the branches have been properly maintained and consolidated in the financial statements; and</p> <p>(j) The information and explanations required by us have been received and found satisfactory.</p> |
|---|--|

Dated: Dhaka  
April 25, 2007

*Howladar Yunus*  
HOWLADAR YUNUS & CO.  
Chartered Accountants



## Balance Sheet

As on 31 December, 2006

	Notes	2006 Taka	2005 Taka
<b>Property &amp; Assets</b>			
<b>Cash</b>		<b>1,522,871,378</b>	<b>1,134,502,530</b>
In hand (including foreign currency)	3	228,750,752	161,443,147
Balance with Bangladesh Bank and Sonali Bank (including foreign currency)	4	1,294,120,626	973,059,383
<b>Balance with other Banks and financial institutions</b>	6	<b>4,191,369,656</b>	<b>4,126,271,315</b>
In Bangladesh		3,927,113,757	3,805,065,207
Outside Bangladesh		264,255,899	321,206,108
<b>Money at call and short notice</b>	7	<b>750,000,000</b>	<b>1,570,000,000</b>
<b>Investments</b>	8	<b>3,270,874,460</b>	<b>4,540,550,760</b>
Government		3,241,864,700	4,486,541,000
Others		29,009,760	54,009,760
<b>Loans and advances</b>		<b>19,000,004,688</b>	<b>15,339,350,847</b>
Loans, cash credit, overdraft etc.	9	17,075,598,785	13,759,050,937
Bills purchased and discounted	10	1,924,405,903	1,580,299,910
Fixed Assets including premises, furniture & fixture	11	154,524,607	135,781,666
Other assets	12	498,748,464	289,913,558
Deferred Tax Assets	36	28,701,686	18,720,005
Non-banking assets		-	-
<b>Total Assets</b>		<b>29,417,094,939</b>	<b>27,155,090,681</b>
<b>Liabilities and capital</b>			
<b>Liabilities</b>			
<b>Borrowings from other Banks, financial institutions &amp; agents</b>	13	<b>830,065,983</b>	<b>937,515,570</b>
<b>Deposit and other accounts</b>	14	<b>24,084,659,391</b>	<b>22,325,581,340</b>
Current deposit and other accounts etc		2,370,449,860	1,890,614,702
Bills payable		239,250,562	179,750,613
Savings bank deposits		1,007,791,880	793,430,624
Fixed Deposit (Term deposits)		20,467,167,089	19,461,785,401
Other liabilities	15	2,263,371,938	2,147,134,639
<b>Total Liabilities</b>		<b>27,178,097,312</b>	<b>25,410,231,549</b>
<b>Capital/Shareholders equity</b>			
Paid up capital	16	945,000,000	810,000,000
Statutory reserve	17	883,456,765	681,132,608
Other reserve	18	40,000,000	40,000,000
Surplus in Profit and Loss Account	19	370,540,862	213,726,525
<b>Total shareholders' equity</b>		<b>2,238,997,627</b>	<b>1,744,859,133</b>
<b>Total liabilities and shareholders' equity</b>		<b>29,417,094,939</b>	<b>27,155,090,681</b>

The accompanying notes form (1 to 44) an integral part of the Financial Statements

 Managing Director
  Director
  Director
  Chairman

Signed as per our annexed report of even date

  
 HOWLADAR YUNUS & CO.  
 Chartered Accountants

Dated: Dhaka  
April 25, 2007



## Off Balance Sheet Items

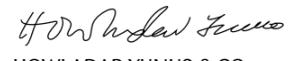
As on 31 December, 2006

	Notes	2006 Taka	2005 Taka
<b>Contingent liabilities</b>	20	<b>8,579,394,196</b>	<b>6,102,505,592</b>
Acceptances and endorsements		1,363,586,855	1,478,879,097
Letter of Guarantee		1,569,211,066	1,281,896,120
Irrevocable letter of credit		4,387,159,800	2,400,765,002
Bills for collection		1,194,159,075	876,424,173
Other contingent liabilities		65,277,400	64,541,200
<b>Other commitments</b>			
Documentary credits and short term trade related transaction		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal stand by facilities, credit lines and other commitments		-	-
<b>Total commitments</b>		<b>-</b>	<b>-</b>
<b>Total off balance sheet items including contingent liability</b>		<b>8,579,394,196</b>	<b>6,102,505,592</b>

The accompanying notes form (1 to 44) an integral part of the Financial Statements

 Managing Director
  Director
  Director
  Chairman

Signed as per our annexed report of even date

  
 HOWLADAR YUNUS & CO.  
 Chartered Accountants

Dated: Dhaka  
April 25, 2007



## Profit and Loss Account

For the year ended 31st December 2006

	Notes	2006 Taka	2005 Taka
Interest income	21	2,278,549,727	1,781,042,342
Interest on deposits and borrowings	22	(1,315,864,251)	(983,984,740)
<b>Net interest income</b>		<b>962,685,476</b>	<b>797,057,602</b>
Investment income	23	225,733,106	162,531,620
Commission, exchange and brokerage	24	307,290,200	237,894,276
Other operating income	25	58,749,929	46,739,759
<b>Total operating income (A)</b>		<b>1,554,458,711</b>	<b>1,244,223,257</b>
Salaries and allowance	26	292,206,732	226,462,431
Rent, tax, insurance, lightings etc.	27	44,155,004	41,231,700
Legal expenses	28	1,375,225	1,306,209
Postage, stamp, telegram, telephone	29	21,673,470	21,019,983
Auditors fee		120,000	90,000
Stationery, printing, advertising etc.	30	18,180,340	13,604,312
Managing Directors salaries		1,910,000	1,621,000
Directors' fee	31	422,500	324,500
Depreciation and repairs of fixed assets	32	43,170,735	33,371,997
Other expenses	33	39,230,311	32,452,668
<b>Total operating expenditure (B)</b>		<b>462,444,317</b>	<b>371,484,800</b>
<b>Profit before provision (C) = (A - B)</b>		<b>1,092,014,394</b>	<b>872,738,457</b>
Provision for Loan & Advances	15 (a) & (b)	80,393,610	242,300,000
Provision for diminution in value of investments			-
Interest Subsidy Adjustment			2,000,000
<b>Total provision (D)</b>		<b>80,393,610</b>	<b>244,300,000</b>
<b>Profit before tax (C-D)</b>		<b>1,011,620,784</b>	<b>628,438,457</b>
Provision for income tax	35	467,463,971	342,943,664
Deferred Tax (Income)/Expenses	36	(9,981,681)	262,284
<b>Profit after tax for the year</b>		<b>457,482,290</b>	<b>343,205,948</b>
Appropriation :			
Statutory reserve	17	202,324,157	125,687,691
<b>Retained earnings for the year carried forward</b>		<b>351,814,337</b>	<b>159,544,818</b>
Earning Per Share (EPS)	42	58.64	35.21

The accompanying notes form (1 to 44) an integral part of the Financial Statements

  
 Managing Director

  
 Director

  
 Director

  
 Chairman

Signed as per our annexed report of even date

  
 HOWLADAR YUNUS & CO.  
 Chartered Accountants
Dated: Dhaka  
April 25, 2007

## Cash Flow Statement

For the year ended 31st December 2006

	Notes	2006 Taka	2005 Taka
<b>Cash flows from operating activities</b>			
Interest received in cash		2,322,359,212	1,797,554,901
Interest payments		(1,166,162,508)	(808,680,630)
Dividend received		4,920,340	5,314,400
Fees and Commission received in cash		307,290,200	237,894,276
Recovery of loans and advances in cash previously written off		4,439,712	2,041,269
Cash paid to employees		(257,876,464)	(209,092,495)
Cash paid to suppliers		(18,180,340)	(13,604,312)
Income tax paid		(296,255,115)	(292,384,372)
Received from other operating activities	37	53,013,833	44,698,490
Paid for other operating activities	38	(119,118,468)	(104,961,379)
<b>Cash flows before changes in operating assets and liabilities</b>		<b>834,430,402</b>	<b>658,780,148</b>
<b>Increase / Decrease in operating assets and liabilities :</b>			
Statutory deposits		876,121,000	780,318,560
Purchase/sales of Trading Securities		1,243,192,500	(2,290,000,000)
Loans and advances to other Banks		-	-
Loans and advances to Customers		(3,660,653,841)	(3,339,205,724)
Other assets	39	(173,599,945)	(13,828,169)
Deposits from other Banks		28,949,000	1,058,036
Deposit from customers		854,008,051	6,035,027,784
Trading Liabilities		-	-
Other Liabilities	40	(179,538,859)	126,966,940
<b>A Net cash from operating activities</b>		<b>(177,091,692)</b>	<b>1,959,117,575</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of securities		27,500,000	2,500,000
Cash payments for purchase of securities		(1,016,200)	(86,300)
Purchase of fixed assets		(50,398,179)	(59,638,233)
Sales of fixed assets		1,922,847	737,801
<b>B Net cash from investing activities</b>		<b>(21,991,532)</b>	<b>(56,486,732)</b>
<b>Cash flows from financing activities</b>			
Increase/ (Decrease) of long term borrowing		(107,449,587)	97,904,882
Payment of dividend		(60,000,000)	(50,625,000)
<b>C Net cash from financing activities</b>		<b>(167,449,587)</b>	<b>47,279,882</b>
<b>Net Increase/Decrease in cash cash equivalent (A+B+C)</b>		<b>(366,532,811)</b>	<b>1,949,910,725</b>
Effects of exchange rate changes on cash and cash equivalent		-	-
Opening cash and cash equivalent		6,830,773,845	4,880,863,120
<b>Closing cash and cash equivalent</b>	41	<b>6,464,241,034</b>	<b>6,830,773,845</b>
<b>Analysis of Closing Cash and Cash Equivalent</b>			
Cash in hand and balance with Bangladesh Bank		1,522,871,379	1,134,502,530
Cash with other bank		4,191,369,655	4,126,271,315
Money at call and short notice		750,000,000	1,570,000,000
<b>Total</b>		<b>6,464,241,034</b>	<b>6,830,773,845</b>

The accompanying notes form (1 to 44) an integral part of the Financial Statements

  
 Managing Director

  
 Director

  
 Director

  
 Chairman

Signed as per our annexed report of even date

  
 HOWLADAR YUNUS & CO.  
 Chartered Accountants
Dated: Dhaka  
April 25, 2007



## Statement of Changes in Equity

For the year ended December 31, 2006

Particulars	Paid up capital Taka	Statutory reserve Taka	Other reserve Taka	Profit and Loss Taka	Total Taka
Balance at January 01, 2006	810,000,000	681,132,608	40,000,000	213,726,524	1,744,859,132
Changes in accounting policies (Deferred Tax effect upto 2004)					
Restated balance		202,324,157			202,324,157
Retained surplus	-	-	-	351,814,337	351,814,337
Transferred to Other Reserve	-	-	-	-	-
Cash Dividend paid during the year				(60,000,000)	(60,000,000)
Dividend distribution Tax				-	-
Issuance of bonus share	135,000,000			(135,000,000)	-
<b>Balance as on December 31, 2006</b>	<b>945,000,000</b>	<b>883,456,765</b>	<b>40,000,000</b>	<b>370,540,861</b>	<b>2,238,997,627</b>

The accompanying notes form (1 to 44) an integral part of the Financial Statements

  
 Managing Director

  
 Director

  
 Director

  
 Chairman

Signed as per our annexed report of even date

  
 HOWLADAR YUNUS & CO.  
 Chartered Accountants
Dated: Dhaka  
April 25, 2007

## Liquidity Statement

For the year ended December 31, 2006

Particulars	Not more than 1 month	1-3 month	3-12 month	1-5 year	Above 5 year	Total
	Taka	Taka	Taka	Taka	Taka	Taka
<b>Assets :</b>						
Cash in hand	1,522,871,378	-	-	-	-	1,522,871,378
Balance with other banks and financial institution	321,369,656	3,870,000,000	-	-	-	4,191,369,656
Money at call and short notice	750,000,000	-	-	-	-	750,000,000
Investments	102,557,200	596,807,500	2,120,000,000	429,009,760	22,500,000	3,270,874,460
Loans and advances	1,287,075,861	1,167,768,866	7,898,880,482	7,843,641,645	802,637,833	19,000,004,688
Fixed Assets including premises, furniture & fixture	-	-	-	116,782,340	37,742,266	154,524,605
Other assets	12,490,502	253,492,582	25,302,154	221,032,598	15,132,313	527,450,150
Non-banking assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>3,996,364,598</b>	<b>5,888,068,948</b>	<b>10,044,182,636</b>	<b>8,610,466,343</b>	<b>878,012,412</b>	<b>29,417,094,938</b>
<b>Liabilities</b>						
Borrowings from Bangladesh Bank, Other banks, Financial Institutions and Agents	-	-	19,705,180	6,389,000	803,971,803	830,065,983
Deposit and other accounts	4,739,403,014	3,022,934,125	8,042,555,005	8,254,996,833	24,770,414	24,084,659,391
Provision & Other liabilities	19,266,343	938,541,894	409,897,481	895,661,350	4,869	2,263,371,937
<b>Total Liabilities</b>	<b>4,758,669,357</b>	<b>3,961,476,019</b>	<b>8,472,157,666</b>	<b>9,157,047,183</b>	<b>828,747,086</b>	<b>27,178,097,311</b>
<b>Net Liquidity Gap</b>	<b>(762,304,760)</b>	<b>1,926,592,929</b>	<b>1,572,024,970</b>	<b>(546,580,840)</b>	<b>49,265,327</b>	<b>2,238,997,627</b>

The accompanying notes form (1 to 44) an integral part of the Financial Statements

  
 Managing Director

  
 Director

  
 Director

  
 Chairman

Signed as per our annexed report of even date

  
 HOWLADAR YUNUS & CO.  
 Chartered Accountants
Dated: Dhaka  
April 25, 2007

**1.00 Legal Status**

1.01 BASIC Bank Limited was incorporated as a banking company under the Companies Act, 1913. In 2001 the Bank has changed its earlier name 'Bank of small Industries and Commerce Bangladesh Limited and registered the new name with the Registrar of Joint Stock Companies. Initially the bank started its operation as a joint venture enterprise of the BCC Foundation, a welfare trust in Bangladesh and the Government of People's Republic of Bangladesh. In June 4, 1992 the Government of Bangladesh took over the entire share of the Bank. BASIC Bank is a scheduled bank. It operates with 28 branches in Bangladesh.

**1.02 Objective**

The objective of the BASIC Bank Limited is unique in blending development financing and commercial banking. The Memorandum and Articles of Association of BASIC Bank Limited stipulate that at least fifty percent of its loan able funds shall be used for financing Small and Medium Scale Industries.

**2.00 Significant Accounting Policies****2.01 Basis of Preparation of Financial Statement**

- a) The financial statements of the Bank are made up to December 31, 2006 and are prepared under the historical cost convention, on a going concern basis and in accordance with the "first schedule (Sec- 38) of the Bank Companies Act, 1991 as amended by the Bangladesh Bank vide BRPD circular No. 14 dated 25 June, 2003 and other Bangladesh Bank circulars, International Financial Reporting Standards (IFRS) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and other laws and rules applicable in Bangladesh. All inter-branch account balances and transactions among the head office and the branch have been taken into accounts.
- b) The accounting policies and methods of computation used in the preparation of the financial statements for the year ended 31st December 2006 are consistent with those adopted in the financial statement regarding accounting of deferred tax required under Bangladesh Accounting Standard (BAS) – 12. In the current year the company has adopted BAS – 12 as adopted by Institute of Chartered Accountants of Bangladesh (ICAB) which is considered as a change in the accounting policies. The particulars, computations and consequential effects have been shown under note #19.00 and 36.00.

**2.02 Foreign Currencies Translation**

Foreign currencies transactions are converted into equivalent taka using the ruling exchange rates on the date of transactions. Foreign currencies balances held in US Dollar at the year end are translated in to taka currency at the weighted average rate of inter bank market as determined by Bangladesh Bank. Balances held in foreign currencies other than US Dollar are converted into Mid value of the selling and buying rate of the transaction date of the year of the bank.

**2.03 Investment**

Investments in Government Treasury Bills are stated at face value and present value while investment in bonds and debentures are stated at cost. Investments in shares are accounted for at cost or market price which ever is lower. Income on Government Treasury Bills is recognized proportionately over the period of the instrument and unearned income on such Treasury Bills is shown in the Balance Sheet under the head 'Other Liabilities'. Dividend income from shares is recognized in the period in which it is declared.

**2.04 Loans and Advances and Interest Thereon**

Loans and advances have been stated at gross value. Interest is calculated on a daily product basis and charged quarterly. Interest on classified loans and advances is not credited to income are kept in interest suspense account until it is realized. Besides, no interest is charged on classified loans and advances from the date of filing suits against the borrowers. Commission and fee income are generally accounted for on the date the transaction. Provision for loans and advances are made on the basis of information furnished by the branches and instructions contained in Bangladesh Bank. BCD Circular No. 12 dated 4 September 1995, BRPD Circular No.16 dated 6 December 1998, BRPD Circular No.9 dated 14 May 2001, BRPD Circular No.20 dated 20 December 2005 and BRPD circular No. 5 dated 05 June 2006 at the following rates:

**2.05 Fixed Assets and Depreciation**

Fixed assets are stated at cost less accumulated depreciation. Rates and methods of charging depreciation are as follows:

Particulars of Assets	Rate of Dep.	Method of Depreciation
Furniture and Fixture	10%	Reducing balance method
Machinery and Equipment	20%	Reducing balance method
Computer and Copier	20%	Straight Line method
Vehicles	25%	Straight Line method
Leasehold buildings		Straight Line method over the lease hold period

Depreciation has been charged on fixed assets from the date of acquisition and suspended on the date of disposal.

**2.06 Earning Per Share**

Earning per share (EPS) has been calculated in accordance with BAS-33 which has been shown on the face of profit and loss account. This has been calculated by dividing the basic earnings by the weighted average of the number of ordinary shares outstanding during the year. Previous year's EPS have also been adjusted considering 1,350,000 bonus shares issued for the year 2005.

**2.07 Income Taxes:****a) Current Tax:**

Provision for Income Tax has been made @ 45% as prescribed in the Finance Act, 2006 of accounting profit made by the bank after considering some of the taxable add backs of income and disallowance of expenditures.

**b) Deferred Tax:**

For the first time, the company has adopted deferred tax during the year under review in compliance with the provisions of Bangladesh Accounting Standard (BAS – 12) "Income Taxes". The company's policy of recognition of deferred tax assets/liabilities is based on temporary difference (Taxable or deductible) between the carrying amount (Book Value) of assets and liabilities for financial reporting purposes and its tax base, and accordingly, deferred tax income/expenses has been considered to determine net profit after tax and Earnings Per Share (EPS). The first time adoption of a BAS is considered as a changes in accounting policy and accordingly, in compliance with the provisions of BAS -8: Net Profit for the period, Fundamental Errors and Changes in Accounting Policies., opening retained earnings of 2005 has been adjusted with effect upto 2004 and comparative figures for 2005 has been restated.

**2.08 Risk Management**

Risk is inherent in all the core business areas of a bank. Managing risks properly is one of the main pillars of banking business. To ensure sustainable growth and performance, proper and sound risk management practice is of vital importance. As a commercial bank BASIC Bank Ltd. attaches full importance to manage the risk involved in its business. The risk management of the bank covers a wide spectrum of risk issues but the 5 (five) core risk areas of banking are; Credit Risk, Foreign Exchange Risk, Internal Control and Compliance Risk, Money Laundering Risk and Asset Liability Management Risk. The principal objective of risk management is to safeguard the bank's capital, financial resources, profitability and market reputation. To this effect, the bank took the following steps under the guidelines of Bangladesh Bank.

**(a) Credit Risk Management**

Credit risk is the possibility that a borrower or counter party will fail to meet its obligations in accordance with agreed terms. The failure may result from unwillingness of the counter party or decline in his/her financial condition. Credit risk, therefore, arises from the bank's dealing with or lending to corporate, individuals, other banks or financial institutions. A separate Credit Division has been formed at Head Office since the inception of the bank, which is assigned with the duties of marketing and assessment of credit products, maintaining effective relationship with the customer and exploring new business opportunities. In line with Bangladesh Bank guidelines the bank has segregated marketing, approval and monitoring/recovery functions. The credit risk management includes borrower risk analysis, financial statement analysis, industrial analysis, historical performance of the customer, security of the proposed credit facility and market reputation of the borrower etc. BASIC Bank Ltd. takes its lending decision based on the credit risk assessment report by appraisal team. In determining Single Borrowing/Large Loan limit, the instructions of Bangladesh Bank are strictly followed.

**(b) Foreign Exchange Risk Management**

Foreign Exchange Risk is defined as the potential change in earnings arising due to change in market prices. The market directly affects each country's bond, equities, private property, manufacturing and all assets that are available to foreign investors. Foreign exchange rates also play a major role in determining who finances government deficits, who buys equities in companies and literally affects and influences the economic scenario. Due to high risk market the role of treasury operations is crucial. As per Bangladesh Bank's guidelines the bank has segregated the Front and Back office for Treasury Operations. Front Office independently conducts the transactions and the Back Office is responsible for verification of the deals and passing of their entries in books of accounts. All Nostro accounts are reconciled on monthly basis and all foreign exchange transactions are revalued at Mark-to-Market rate as determined by Bangladesh Bank.

**(c) Internal Control and Compliance Risk Management**

Internal Control and Compliance (ICC) is a critical component of Bank management and foundation for the safe and sound operation of banking organization. A system of strong internal control and compliance can help to ensure that the goals and objectives of a banking organization will be met, that the bank will achieve long-term profitability targets, and maintain reliable financial and managerial reporting. Operational loss may arise from error and fraud due to lack of strong internal control and compliance culture.

Effective Internal Control & Compliance system can help to ensure that the bank will comply with laws and regulations as well policies, plans, internal rules and procedures, and decrease the risk of unexpected losses or damage to the bank's reputation. To this effect, the bank has formed an ICC Division headed by Senior Executive. The ICC Division has been segregated to three units, which are Audit & Inspection unit, compliance unit and Monitoring unit. The Bank has also developed an Internal Control & Compliance Policy duly approved by the Board of Directors. To ensure effective control DCFCL's, Loan Documentation Check list and Quarterly Operations Report have been developed and implemented. The Audit and Inspection Team undertakes periodic and special audit. The Audit Committee of Board of Directors plays an effective role in providing bridge between the board and management. The committee reviews the financial reporting process, the system of internal control, the audit process and the bank's process for compliance with laws, regulations and code of conduct.

**(d) Money Laundering Prevention**

Money laundering has been identified as a major threat to the financial services community, It is important that the management of Banks and other Financial Institutions view prevention of money laundering as part of their risk management strategies and not simply as a stand-alone requirement that is being imposed by the legislation. Anti-Money Laundering Guideline of the bank was approved by the Board of Directors of the bank in its 188th meeting held on January 31, 2006. As per the guideline A Central Anti-Money Laundering Compliance Unit (CCU) has been formed at Head Office. General Manager (Operation and Administration) is acting as Chief Anti-Money Laundering Compliance Officer (CAMLCO). The Deputy General Manager of Branch Control & establishment Division has been made the Head of this Central Compliance Unit who will work directly under the CAMLCO. This unit will monitor and review all anti-money laundering issues. A senior level executive from each branch has been nominated to act as Branch Anti-Money Laundering Compliance Officer (BAMLCO). The bank is providing training to the employees on regular basis. New employees are getting orientation to the Anti-Money Laundering issues through foundation course. Sound Know Your Customer and Transaction monitoring policies have been taken to recognize the risk associated with accounts. A detailed work plan has been formulated to complete KYC procedures for the accounts commenced prior to April 30, 2002. It is the requirement of Bangladesh Bank to report cash transaction of 5 lac in a single day in a single account and suspicious transaction as and when detected. ICT Division of the Bank has developed software to report the same to Bangladesh. Internal control and compliance policies have been implemented to cheque that an effective Anti-Money Laundering system is in force.

**(e) Asset Liability Management**

Asset / liability management has become an almost universally accepted approach to risk management. Since capital and profitability are intimately linked, BASIC Bank Ltd. is managing its asset / liability in order to ensure sustained profitability so that the bank can maintain and augment its capital resources. The asset/liability, management committee (ALCO) usually makes decisions, which is responsible for the financial direction of the bank. The ALCO's goal is to manage the sources and uses of funds, identify balance sheet management issues like balance sheet gaps, interest rate gap etc. ALCO also reviews liquidity contingency plan and implements liability pricing strategy for the bank.

**2.09 Employees' Benefits Scheme****(a) Provident Fund**

The Bank operates a contributory provident fund which benefits are given to the staff of the bank in accordance with the provident fund rules. The national board of revenues approved the provident fund as a recognized provident fund. The fund is operated by a Board of Trustees consisting of six members (03 members from management and other 02 member from the Board Of Directors) of the Bank. All confirmed employees of the Bank are contributing monthly to the fund a sum equal to 10% of basic salary as a subscription of the firm. The bank also contributes equal amount of the employee's contribution to the fund. Interest earned from the investment is credited to the members' account on yearly basis after examining the fund by Auditor.

**(b) Gratuity Fund**

The Bank made a provision of a gratuity fund at the discretion of the management to an employee on his ceasing to be the Bank's service or in the event of his death, to his legal heirs / nominees or successors. The management of the bank has decided to create provision for incremental amount of gratuity each year and to provide a portion of the shortfall Tk. 46,000,323.10. As such, incremental requirement of Tk. 16,879,126 as on 31-12-2006 and 10% of shortfall Tk. 4,600,032 total Tk. 21,479,158 (16879126+4,600,032) has been provided in 2006. The rest of shortfall will be provided in following years as 15% in 2007, 20% in 2008, 25% in 2009 and 30% in 2010.

**(c) Benevolent Fund**

The benevolent fund subscribed by monthly contribution of the employees. The bank also contributes to the fund @0.5% of profit before tax at the end of the year. The fund is established to cover the accidental coverage in the event of death or permanent disabilities of the employees.

**(d) Superannuation Fund**

The Bank operates a contributory superannuation fund to give benefit to employees at the time of retirement and also cover group term life insurance. Employees are contributing to the fund monthly and the bank also contributes a lump sum amount from the gross profit at the end of the year.

**2.10 Capital Expenditure Commitment**

There was no capital expenditure contracted but incurred or provided for at December 31, 2006 besides, there was no material capital expenditure authorized by the board but not contracted for at December 31, 2006.

**2.11 Subsequent Events**

There is no other significant event occurred between the Balance Sheet date and the date when the financial statements were authorized for issue by the Board of Directors

**2.12 Related Party Transaction**

There are no related party transactions requiring disclosure under ISA- 24.

**2.13 Audit Committee**

Members of the Audit Committee of the Board of Directors:

Name	Status with the Bank	Status with the Committee	Educational Qualification
Dr. Mohammad Tareque	Director	Convener	Ph. D in Economics (Boston University)
Mr. Md. Mosharraf Hossain Bhuiyan	Director	Member	MA in Economics (University of Dhaka)
Mr.Md.Asaduzzaman Khan	Director	Member	BA (Hons), MA, (University of Dhaka) MA in Banking & Finance (UK)

**No. of Meeting held during the year 2006:**

16th Meeting of the audit Committee held on 13.04.06  
17th Meeting of the audit Committee held on 19.06.06  
18th Meeting of the audit Committee held on 27.09.06  
19th Meeting of the audit Committee held on 09.10.06  
20th Meeting of the audit Committee held on 26.12.06

**Steps Have Been Taken**

As per guidelines enunciated in BRPD Circular No. 12 dated December 23, 2002 of Bangladesh Bank the Audit Committee of the Board of Directors of the bank has been playing an important role with regard to the process of publication of financial statements and development of internal control system for conducting banking operations efficiently and in a disciplined manner. Besides, pursuant to the instructions of the said Circular the Audit Committee is placing its report to the Board of directors of the Bank on its findings and recommendations acknowledging the background and purpose of constitution of the Committee.

**General**

(a) Figures of previous year have been rearranged wherever necessary to conform to current year's presentation.

(b) Figures appearing in these financial statements have been rounded off to the nearest Taka.

**3.00 Cash in hand (Including foreign currencies)**

In local currency  
In foreign currency

**Total**

2006 Taka	2005 Taka
184,369,626	153,023,091
44,381,126	8,420,056
<b>228,750,752</b>	<b>161,443,147</b>

**4.00 Balance with Bangladesh Bank and Sonali Bank (Including foreign currency)****In local currency**

Bangladesh Bank  
Sonali Bank (acting as agent of Bangladesh Bank)

**Sub-total****In Foreign Currency**

Bangladesh Bank-US\$  
Bangladesh Bank-UKP  
Bangladesh Bank-EURO

**Total**

1,132,142,487	857,687,182
51,537,160	16,611,061
<b>1,183,679,647</b>	<b>874,298,243</b>
109,709,912	98,238,828
359,829	197,882
371,238	324,430
<b>110,440,979</b>	<b>98,761,140</b>
<b>1,294,120,626</b>	<b>973,059,383</b>

**5.00 Statutory Deposit**

Cash Reserve Ratio and Statutory Liquidity Ratio have been calculated and maintained as per Section 33 of the Bank companies Act 1991 and subsequent BCD Circular No. 13 dated 24.05.1992, BRPD Circular No. 12 dated 20.09.1999, BRPD Circular No. 22 dated 06.11.2003 & BRPD Circular No.05 dated 21.07.2004 and BRPD Circular No.11 dated 25.08.2005.

**5.01 Cash Reserve Ratio (CRR):**

5% of Average Demand and Time Liabilities:

Required

Maintained

**Surplus (deficit)**

1,147,928,000	904,561,000
5.00%	5.00%
1,181,847,000	953,284,000
5.14%	5.26%
<b>33,919,000</b>	<b>48,723,000</b>

**5.02 Statutory Liquidity ratio (SLR):****18%,13% of Average Demand & Time Liabilities:**

Required Reserved

Maintained

Surplus(deficit)

**Total surplus (deficit)**

4,132,541,000	2,351,859,000
18%	13.00%
4,493,989,000	2,478,596,830
19.57%	13.70%
361,448,000	126,737,830
<b>361,448,000</b>	<b>175,460,830</b>



	2006 Taka	2005 Taka
<b>6.00 Balance with other banks and financial institutions</b>		
In Bangladesh (Note-6.01)	3,927,113,757	3,805,065,207
Out Side Bangladesh (Note-6.02)	264,255,899	321,206,108
<b>Total</b>	<b>4,191,369,656</b>	<b>4,126,271,315</b>
<b>6.01 In Bangladesh,</b>		
<b>Current account</b>		
Sonali Bank	27,640,038	540,833
Rupali Bank Ltd.	9,062,850	24,067,850
Janata Bank	3,000,456	5,000,455
<b>Sub-total</b>	<b>39,703,344</b>	<b>29,609,138</b>
<b>Short term Deposit</b>		
Sonali Bank	5,050,422	56,487
Bangladesh Krishi Bank	25,084	23,037
Rupali Bank Ltd.	12,312,413	21,554,051
Agrani Bank	22,494	3,822,494
<b>Sub-total</b>	<b>17,410,413</b>	<b>25,456,069</b>
<b>Fixed Deposit</b>		
Bangladesh Commerce Bank Ltd.	100,000,000	200,000,000
The Oriental Bank Ltd.	200,000,000	200,000,000
Social Investment Bank Ltd.	-	100,000,000
Premier Bank Ltd.	200,000,000	200,000,000
IPDC	500,000,000	800,000,000
NCC Bank Ltd.	-	200,000,000
Arab Bangladesh Bank Ltd.	250,000,000	-
Southeast Bank Ltd.	300,000,000	300,000,000
Prime Bank Ltd.	300,000,000	100,000,000
Dhaka Bank Ltd.	300,000,000	300,000,000
Jamuna Bank Ltd.	200,000,000	200,000,000
Shajalal Islami Bank Ltd.	200,000,000	200,000,000
National Bank Ltd.	-	200,000,000
Eastern Bank Ltd.	300,000,000	200,000,000
Mercantile Bank Ltd.	350,000,000	350,000,000
Dutch-Bangla Bank Ltd.	270,000,000	-
Trust Bank Ltd.	-	200,000,000
United Commercial Bank	200,000,000	-
Bank Asia	200,000,000	-
<b>Sub-total</b>	<b>3,870,000,000</b>	<b>3,750,000,000</b>
<b>Grand-Total</b>	<b>3,927,113,757</b>	<b>3,805,065,207</b>

All fixed deposits are normally placed for short term maturities up to a maximum of 3 months at the approximate market rates.

#### 6.02 Investment in Fixed Deposit with the Oriental Bank Ltd.

As part of regular process of investing surplus fund with other bank an amount was placed with Oriental Bank Ltd. in 1997. At one stage it went upto taka 42.00 crore. This has now come down to taka 20.00 crore. The bank (Oriental) is now in financial crisis and can not pay the money. The matter has been informed to the board. One of the board members is the administrator of the bank. The management is closely pursuing for repayment of the money.

#### 6.03 Outside Bangladesh (Nostro Accounts)

	2006 Taka	2005 Taka
AMEX Newyork	16,651,319	6,488,218
Bank of Tokyo-Mitsubishi London	40,583,813	1,803,399
Rupali Bank Karachi	1,949,833	446,997
Bank of Tokyo-Mitsubishi Japan	7,905,733	4,170,137
Mashreq Bank PSC UAE	494,088	470,353
Mashreq Bank New york	9,975,409	1,901,080
CITI Bank Mumbai	498,048	3,172,617
Sonali Bank Calcutta	1,650,657	471,345
Bank of Cylon	337,593	184,596
AMEX (Kolkata)	3,009,260	686,173
CITY Bank New york (Import)	14,988,822	7,353,871
CITY Bank New york (Export)	93,648,442	235,518,569
State Bank of India	587,012	562,745
Standard Chartered Import New York	22,948,420	18,515,337
Standard Chartered Bank London	4,838,482	8,073,160
Standard Chartered Bank Mumbai	9,559,493	15,083,509
ICICI Bank Ltd.	1,255,849	832,547
HSBC Bank Ltd. New york	13,879,901	5,529,324
Dresdner Bank Frankfurt -Euro	3,448,169	3,633,456
Banque de Commerce, Geneva	155,798	163,784
AMEX Frankfurt	1,785,335	374,117
UNION bank of California New York	-	5,770,774
Wachovia Bank N.Y	14,104,421	-
<b>Total</b>	<b>264,255,899</b>	<b>321,206,108</b>

**Annexure-A** may kindly be seen for currency wise and exchange rate wise details.

#### 6.04 Maturity grouping of balance with other banks and financial institutions

	2006 Taka	2005 Taka
On demand	303,959,243	350,815,246
Upto 1 month	17,410,413	25,456,069
Over 1 month but not more than 3 months	3,870,000,000	3,750,000,000
Over 3 months but not more than 1 year	-	-
Over 1 year but not more than 5 years	-	-
Over 5 years	-	-
<b>Total</b>	<b>4,191,369,656</b>	<b>4,126,271,315</b>

#### 7.00 Money at call on short notice

	2006 Taka	2005 Taka
Trust Bank Ltd.	150,000,000	50,000,000
Dhaka Bank Ltd.	-	200,000,000
Sonali Bank	200,000,000	300,000,000
Prime Bank Ltd.	-	300,000,000
NCC Bank Ltd.	-	70,000,000
IFIC Bank Ltd.	-	150,000,000
Mercantile Bank Ltd.	-	300,000,000
Eastern Bank Ltd.	150,000,000	200,000,000
Southeast Bank Ltd.	150,000,000	-
Arab Bangladesh Bank Ltd.	100,000,000	-
<b>Total</b>	<b>750,000,000</b>	<b>1,570,000,000</b>



	2006 Taka	2005 Taka
<b>8.00 Investments</b>		
<b>A. Government Securities</b>		
<b>Treasury Bills (at face value)- Note 8.01</b>		
02 years Government Treasury Bills	150,000,000	520,000,000
05 years Government Treasury Bills	1,800,000,000	1,800,000,000
01 day Reserve Repo – Bangladesh Bank	100,000,000	1,800,000,000
364 Days G.T Bill- Reserve Repo.	970,000,000	340,000,000
91 Days G. T. Bill (at present value)	196,807,500	-
	<u>3,216,807,500</u>	<u>4,460,000,000</u>
<b>Debentures</b>		
20 years HBFC Debenture - 5.5%	22,500,000	25,000,000
<b>Others</b>		
Prize Bond	2,557,200	1,541,000
<b>Sub-Total</b>	<u><b>3,241,864,700</b></u>	<u><b>4,486,541,000</b></u>
<b>B. Other Investments</b>		
Non convertible Debentures-GSP Finance	-	25,000,000
Shares in listed companies (Annexure-B)	12,808,000	12,808,000
Share of Karmasangsthan Bank	10,000,000	10,000,000
Equity of Grameen I.T. Park	4,201,760	4,201,760
Share of CDB Ltd.	2,000,000	2,000,000
<b>Sub Total</b>	<u><b>29,009,760</b></u>	<u><b>54,009,760</b></u>
<b>Grand Total</b>	<u><b>3,270,874,460</b></u>	<u><b>4,540,550,760</b></u>
<b>8.01.1 Treasury bills include unearned interest thereon and corresponding credit is shown in other liabilities</b>		
<b>8.01.2 Amount of assets pledge as security:</b>		
Assets Pledged as security:		
Liabilities to banks	-	-
Liabilities to Customers	-	-
Total	<u>-</u>	<u>-</u>
<b>8.02 Maturity grouping of investments</b>		
On demand	102,557,200	1,801,541,000
Upto 1 month	-	-
Over 1 month but not more than 3 months	596,807,500	-
Over 3 months but not more than 1 year	2,120,000,000	340,000,000
Over 1 year but not more than 5 years	429,009,760	2,374,009,760
Over 5 years	22,500,000	25,000,000
<b>Total</b>	<u><b>3,270,874,460</b></u>	<u><b>4,540,550,760</b></u>

	2006 Taka	2005 Taka
<b>9.00 Loans and Advances</b>		
<b>1) Maturity wise distribution of loans and advances including bills purchased and discounted</b>		
Payable on demand	845,147,715	572,007,392
Not more than 3 months	1,609,697,014	1,703,910,997
Above 3 months but not more than 1 year	7,898,880,482	7,439,641,025
Above 1 year but not more than 5 years	7,843,641,644	5,316,903,493
More than 5 years	802,637,833	306,887,940
<b>Total</b>	<u><b>19,000,004,688</b></u>	<u><b>15,339,350,847</b></u>
<b>2) Loans and Advances</b>		
<b>a. Loans, cash credit, overdraft etc;</b>		
<b>i) Inside Bangladesh</b>		
Loans:		
Loan General	2,256,538,941	1,612,536,388
Term Loan	4,201,992,960	3,608,892,748
Loan secured (Shares and bond)	14,688,408	9,779,305
Loan secured (others)	161,321,108	158,594,615
	<u>6,634,541,417</u>	<u>5,389,803,056</u>
Cash credit	4,791,364,917	4,136,471,136
Overdraft	2,359,512,849	1,925,801,657
Others:		
Loan Against Foreign Bill	243,541,872	50,141,427
Loan Against Packing Credit	300,718,443	277,694,282
Payment Against Document	440,220,644	203,058,333
Loan against Trust Receipts	2,247,900,087	1,700,407,817
Loan against Imported Merchandise	57,798,556	75,673,229
	<u>3,290,179,602</u>	<u>2,306,975,088</u>
<b>ii. Outside Bangladesh</b>	-	-
<b>Sub-Total:</b>	<u><b>17,075,598,785</b></u>	<u><b>13,759,050,937</b></u>
<b>b. Bills discounted &amp; purchased:</b>		
<b>i. In side Bangladesh:</b>		
Local bills purchased/LADB	1,624,888,915	1,296,077,817
Out side Bangladesh:		
Foreign bills purchased and discounted	299,516,988	284,222,093
<b>Sub-Total:</b>	<u><b>1,924,405,903</b></u>	<u><b>1,580,299,910</b></u>
<b>Total Loans and Advances:</b>	<u><b>19,000,004,688</b></u>	<u><b>15,339,350,847</b></u>
<b>c) Disclosure of Loans &amp; Advances according to significant concentration :</b>		
i. Advances to directors	-	-
ii. Advances to Managing directors and other senior executives	247,820,699	167,220,557
iii. Advance to Customer group	6,508,626,989	5,184,579,443
iv. Advance to Industrial sector (Note-e)	12,243,557,000	9,987,550,847
<b>Total</b>	<u><b>19,000,004,688</b></u>	<u><b>15,339,350,847</b></u>

d) **Loans and Advances allowed to each customer group exceeding 10% (15% for 2004) of banks total capital fund which is computed of taka. 24.65 (Taka 29.58 in 2005 as 15%) crore of the Bank as at 31 December 2006 (Note-16.01).**

Number of the clients	11	7
Amount of outstanding advances	Tk.48,598.00 Lac	Tk.37,916.00 Lac
Amount of recovery	Tk.957.12 Lac	Tk.48.35 Lac
Amount of classified advances	Tk. 3,265.00 Lac	Tk.4059.00 Lac

Name of the Clients/Group	Outstanding balance		Total Tk. In Lac	Classification Status
	Funded ( In Lac )	Non-funded ( In Lac )		
R.M. Steel Mills Ltd.	3,298	-	3,298	UC
Mithun Talu Group	5,723	628	6,351	UC
Doel Group	3,186	79	3,265	BL
Max Sweeter BD Ltd	3,596	461	4,057	UC
Meghna (Fresh) Group	1,809	890	2,699	UC
Sanji-Well Group	5,228	3,017	8,245	UC
Ananda Shipyard Group	3,746	5,704	9,450	UC
A.H. Jute Spin. & Belting Ltd	3,104	-	3,104	UC
Fabian Group	2,659	198	2,857	UC
Usha Paragon Group	2,361	105	2,466	UC
M. Hossain Cotton Spinning Mills Ltd.	2,806	-	2,806	UC
<b>Total</b>	<b>37,516</b>	<b>11,082</b>	<b>48,598</b>	

e) **Details of stuck up advance against which no specific provision has been made considering the reason stated below although a lump sum provision of taka 50.00 lacs has been made on prudence basis. The details of such advances are as follows:**

**M/s. Max Sweater (BD) Limited.**

The company has been banking with BASIC Bank since 2002. During political turmoil in the last part of 2006 which hit the garments factories in particular, BASIC Bank had to provide additional fund to the company. The situation has now improved a lot. The Board declassified the loan on March 2007 which the Bangladesh Bank classified on qualitative judgment. The company has, in the meantime, adjusted Tk. 50.00 lac in TOD account. Within June 2007 entire TOD is expected to be adjusted. Therefore the loan account was treated as regular as on 31.12.2006.

**M/s. Altamira**

M/s. Altamira, a client of our main branch, was availing a C.C (Hypo.) limit of Tk. 45.00 lac which expired on 31-12-2006 with outstanding balance of Tk. 50.72 lac. Besides, a liability of Tk. 2.39 lac against sanctioned term of Tk. 5.00 lac will expire on 30.09.2007. However, the loan is well covered by mortgage property valued at Tk. 123.00 lac. Being pursued the client has assured to make down payment for rescheduling the liability. The loan is expected to be regularized within May 2007. So, considering the above facts the accounts of the client has been treated as regular on objective criteria as on December 2006.

**E.U. Sweater**

M/s. E.U. Sweater, a 100% export oriented sweater knitting unit, has been availing various credit facilities from our Shantinagar Branch since 2003 and maintaining its loan accounts regular. The client suffered huge loss in stock and exportable finished/semi-finished goods in 2005 as it was caught by fire. As such, the client could not execute its running export orders and forced to stop production. The insurance company in March 2007 offered to make payment of Tk. 86.48 lac towards settlement of claim made by the company for Tk. 137.00 lac. The Bank has given its acceptance to the offer. With the proceeds the entire liability of the client could be rescheduled enabling the company to resume its normal business operation. So, considering the above facts the accounts of the client has been treated as regular on objective criteria as on December 2006.

f) **Sector wise distribution of Loans & Advances (Industrial term and working capital loans)**

**Industrial sector (Tk. In Lac)**

	2006 Taka	2005 Taka
1. Food & Allied Ind.	16,810	13,710
2. Textile	44,324	36,191
3. Jute Prod. & Allied Ind.	11,913	6,334
4. Forest Prod. & Allied Ind.	115	227
5. Paper, Board, Printing, Pub. & Packag.	4,400	4,026
6. Tannery Leather & Rubber Prod.	1,912	1,404
7. Chem. Pharm. & Allied Ind	12,453	12,950
8. Glass, Crmc. & Other Non-Metal. Pr.	686	712
9. Engineering	16,649	11,431
10. Electrical & Electronics Ind.	1,221	1,249
11. Service Ind.	8,243	6,271
12. Misc. Industries	3,382	4,537
13. Ind. Not Elsewhere Classified	326	832
<b>Total</b>	<b>122,436</b>	<b>99,875</b>

g) **Geographical location-wise loans & advances (Tk. in lac)**

**Inside Bangladesh**

	2006 Taka	2005 Taka
Dhaka Division	128,172	104,374
Chittagong Division	31,417	29,967
Khulna Division	10,614	3,787
Rajshahi Division	13,619	9,809
Sylhet Division	5,735	5,027
Barisal Division	442	430
<b>Total</b>	<b>190,000</b>	<b>153,394</b>

**Outside Bangladesh**

**Nil Nil**

h) **Distribution of loan and advances according to BCD circular by Bangladesh Bank:**

	2006 Taka	2005 Taka
Total unclassified loan:	17,954,336,526	14,521,987,958
SMA	342,398,238	118,919,767
Total classified loan:		
Sub-standard	27,157,497	71,335,984
Doubtful	33,957,068	71,684,677
Bad and loss	642,155,358	555,422,461
<b>Sub-total:</b>	<b>703,269,923</b>	<b>698,443,122</b>
<b>Grand total</b>	<b>19,000,004,688</b>	<b>15,339,350,847</b>



	2006 Taka	2005 Taka
i) Particulars of loans and advances		
i. Debts considered good in respect of which the banking company is fully secured.	15,744,131,685	12,399,801,586
ii. Debts considered good for which the banking company holds no other security other than debtor's personal security.	873,115,216	586,589,754
iii. Debts considered good and secured by the Personal undertaking of one or more parties in addition to the personal guarantee of the debtors.	2,382,757,787	2,352,959,507
iv. Debts considered doubtful or bad not Provided for.	-	-
	<u>19,000,004,688</u>	<u>15,339,350,847</u>
v. Debts due by directors and officers of the Banking company or any of them either Severally or jointly with any other persons.	247,820,699	158,267,635
vi. Debs due by companies or firms in which the directors of the banking company are Interested as directors, partners or managing agents or in the case of private companies, as members.	-	-
vii. Maximum total amount of advances Including temporary advances made at any time during the year to the directors or managers or officers of the banking company or any of them either severally or jointly with any other person.	247,820,699	166,335,729
Viii. Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in case of private company.	-	-
ix. Due from banking companies.	-	-
x. Classified debts on which interest has not been credited to income*	703,269,923	698,443,122
a) i. (Decrease )/Increase in Provision	(105,045,850)	24,600,000
ii. Amount realized against loan previously written-off	4,439,711	2,041,269
b) Amount of provision kept against loan classified as bad/loss	308,151,884	242,102,384
xi. Cumulative amount of classified Loans written off	283,348,054	282,826,000
xii. Classified loans Written off for Current Year	522,054	59,468,182

	2006 Taka	2005 Taka
<b>10. Bills Discounted &amp; Purchased (excluding Treasury bills)</b>		
Payable in Bangladesh	299,516,988	1,296,077,817
Payable outside Bangladesh	1,624,888,915	284,222,093
<b>Total</b>	<u>1,924,405,903</u>	<u>1,580,299,910</u>
<b>a) Maturity wise distribution of bills discounted and purchased :</b>		
Not more than 01 month	217,126,790	261,767,128
Above 01 month but not more than 03 months	1,095,451,550	929,862,538
Above 03 months but not more than 06 months	608,465,592	331,293,538
Above 06 months	3,361,971	57,376,706
<b>Total</b>	<u>1,924,405,903</u>	<u>1,580,299,910</u>
<b>11.00 Fixed Assets including premises, furniture and fixtures</b>		
Furniture & Fixture	81,973,175	71,508,936
Equipment & Computer	149,675,341	130,016,551
Vehicles	74,882,016	57,151,018
Leased Asset	4,000,000	4,000,000
<b>Total Cost</b>	<u>310,530,532</u>	<u>262,676,505</u>
Less: Accumulated depreciation	156,005,925	126,894,839
<b>Net book value at the end of the year</b>	<u>154,524,607</u>	<u>135,781,666</u>
*Annex-C may kindly be seen for details.		
<b>12.00 Other assets</b>		
<b>a) Investment in share of Subsidiary Companies</b>		
Stationary and Stamp etc.	15,374,899	17,351,564
Advance rent	13,746,183	14,583,081
Income receivable(Note-d)	89,426,219	56,345,275
Advance Income tax	161,417,652	159,612,762
Security deposits(Note-e )	8,446,422	9,544,835
Suspense account (Note-f)	9,663,147	3,233,777
Other prepayments	34,124	624,069
Sundry debtors (Note -g)	19,449,058	25,072,451
Subs fees of Dun Breadstreet	6,662,411	3,545,746
Branch Adjustment Account	174,528,349	-
<b>Total</b>	<u>498,748,464</u>	<u>289,913,558</u>
<b>b) Non- Income-generating others assets</b>		
Stationary and Stamp etc.	15,374,899	17,351,564
Advance rent	13,746,183	14,583,081
Advance Income tax	161,417,652	159,612,762
Security deposits	8,446,422	9,544,835
Suspense account	9,663,147	3,233,777
Other prepayments	34,124	624,069
Sundry debtors	7,782,258	7,782,258
Subs fees of Dun Bread street	6,662,411	3,545,746
<b>Total</b>	<u>223,127,096</u>	<u>216,278,092</u>



- c. Income receivable consist of interest income receivable from various investments have been verified and considered good.
- d. **Security deposits, rent and other prepayments made to statutory authorities, other institutions and individuals are considered good**
- e. Suspense accounts: consist of DD paid without advice, clearing, petty cash etc.

	2006 Taka	2005 Taka
<b>f) Sundry debtors</b>		
Protested bill, Main branch	6,535,881	6,535,881
Protested bill, Khatungonj branch	244,800	244,800
Protested bill, Khulna branch	416,367	416,367
BCCI-Bombay	584,884	584,884
BCCI-London	326	326
	<u>7,782,258</u>	<u>7,782,258</u>
Others	11,666,800	17,290,193
<b>Total</b>	<b><u>19,449,058</u></b>	<b><u>25,072,451</u></b>

\*Full provision for the protested bill of BCCI has been made in the account and others included encashment of Sanchaypatras amount which will be adjusted after received of Bangladesh Bank advice.

#### 13.00 Borrowing from other bank companies and agents

In Bangladesh	585,723,266	660,071,024
Outside Bangladesh	244,342,717	277,444,546
<b>Total</b>	<b><u>830,065,983</u></b>	<b><u>937,515,570</u></b>

#### A) Borrowing from other bank companies and agents include the followings;

Long term loan from Bangladesh Bank	300,756,860	364,130,145
Loan from Bangladesh Bank under ESP scheme	189,630	379,290
Small and Cottage Industries Project loan under ADB Loan No. 1070-BAN(SF)	16,418,425	31,512,752
Loan for Micro Credit and Small Scale Industries (KFW, Germany)	227,924,292	245,931,795
Loan for JDPC-Ecompx-Sky Land Fam	6,389,000	6,389,000
Loan from Bangladesh Bank under EDF	19,705,180	27,488,560
Government Placement for Agro based Industries	258,682,596	261,684,028
<b>Total</b>	<b><u>830,065,983</u></b>	<b><u>937,515,570</u></b>

#### B) Secured and unsecured of borrowing from other banks

Secured	-	-
Unsecured	830,065,983	937,515,570
<b>Total</b>	<b><u>830,065,983</u></b>	<b><u>937,515,570</u></b>



#### 14.00 Deposit and other accounts

##### A. Deposit from Banks

Payable on demand	-	-
Less than 01 month	30,162,953	72,650,969
Above 01 month but not more than 6 months	-	-

Above 06 months but not more than 1 year	-	-
Above 01 year but not more than 05 years	-	-
Above 05 years but not more than 10 years	-	-
Above 10 years	-	-

##### B. Other Deposits

Payable on demand	2,181,385,091	1,909,495,642
Less than 01 month	2,527,854,970	5,560,385,560
Above 01 month but not more than 6 months	2,869,596,859	4,006,167,197

Above 06 months but not more than 01 year	8,195,892,271	6,229,314,913
Above 01 year but not more than 05 years	8,254,996,833	4,545,031,369
Above 05 years but not more than 10 years	24,770,414	2,535,690
Above 10 years	-	-

<b>Total</b>	<b><u>24,084,659,391</u></b>	<b><u>22,325,581,340</u></b>
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#### 15.00 Other Liabilities

Interest payable on borrowing	95,331,978	93,374,375
Interest payable on term deposits	697,133,918	549,389,779
Privileged creditors	17,960,382	12,584,776
Benevolent fund	5,487,510	4,395,671
Gratuity fund	59,554,508	39,829,551
Bonus payable	50,926,541	35,503,069
Sundry creditor	27,217,643	15,855,209
Telephone and telex charges payable	1,306,051	956,920
Expenses payable	1,550,237	1,438,660
Provision for taxes (Note-35)	523,040,696	350,026,950
Clearing	-	153,200
Unearned interest on G.T bill	88,267,504	232,189,841
Miscellaneous creditor	35,077	59,447
Exchange equalization fund	-	6,876,094
Provision for loan and advances (Note a &b)	573,744,423	493,833,768
Provision for sundry debtors	7,782,258	7,782,258
Provision for investment	331,890	331,890
Suspense interest ( Note -c)	101,347,496	70,061,736
Staff training	1,358,000	-
Printing stationery	4,500,000	-
Excess Cash	30,000	2,000
Provision for Superannuation Fund	3,500,000	3,500,000
Provision for Adjustment of Interest Subsidy	-	2,000,000
Provision for Welfare Fund	2,000,000	2,000,000
Fax	2,000	16,800
Electricity	963,826	657,406
Branch Adjustment Account (Note-d)	-	224,315,239
<b>Total</b>	<b><u>2,263,371,938</u></b>	<b><u>2,147,134,639</u></b>



	2006 Taka	2005 Taka
<b>a) Provision for classified loan</b>		
Opening balance	274,846,946	179,798,406
Fully provided debt written off (-)	(482,955)	(53,851,460)
Recovery from earlier written off loan (+)	-	-
Special provision for current year (+)	-	-
Provision not required (-)	-	-
Charge against current year's profit (+)	48,854,150	148,900,000
<b>Closing balance</b>	<b>323,218,141</b>	<b>274,846,946</b>
<b>b) Provision for unclassified loan</b>		
Opening balance	218,986,822	125,586,822
Provision not required (-)	-	-
Charge against current year's profit (+)	31,539,460	93,400,000
<b>Closing balance</b>	<b>250,526,282</b>	<b>218,986,822</b>
<b>Total of a. &amp; b</b>	<b>573,744,423</b>	<b>493,833,768</b>
<b>c) Suspense interest</b>		
Opening balance	70,061,736	35,613,122
Transferred during the year (+)	37,402,212	48,254,638
Recovery during the year (-)	(6,077,354)	(8,189,302)
Suspense written off during the year (-)	(39,099)	(5,616,722)
<b>Closing balance</b>	<b>101,347,496</b>	<b>70,061,736</b>
<b>d. Branch adjustments account represents outstanding inter-branch and Head Office transaction (Net) originated. The un respondent entries of 31.12.2006 are given below:</b>		

	No. of Un-respondent entries		Amount of Un-respondent entries	
	Dr.	Cr.	Dr.	Cr.
Up to 3 months	173	277	286,455,061.16	138,958,430.83
Over 3 months but within 06 months	-	-	-	-
Over 06 months but within 1 year	-	-	-	-
Over 1 year but within 05 years	-	-	-	-
<b>Total</b>	<b>173</b>	<b>277</b>	<b>286,455,061.16</b>	<b>138,958,430.83</b>

● By March 2007 all the entries were responded.



	2006 Taka	2005 Taka
<b>16.00 Share Capital</b>		
<b>Authorized Capital</b>		
20,000,000 Ordinary shares of Tk. 100/- each	<b>2,000,000,000</b>	<b>2,000,000,000</b>
<b>Issued and Fully Paid</b>		
Ordinary shares of Tk. 100/- each	<b>945,000,000</b>	<b>810,000,000</b>
The Government of People's Republic of Bangladesh is the sole owner shareholder of the Bank and all the ordinary shares are vested with the Ministry of Finance.		
<b>a) Capital Adequacy Ratio</b>		
Calculation as per BRPD circular no. 10 dated 25 November and subsequent amended circular no.3 dated 09 May 2004 respectively issued by Bangladesh Bank.		
<b>Core Capital (Tier-I)</b>		
Paid up Capital	945,000,000	810,000,000
Statutory Reserve	883,456,765	681,132,608
General reserve/Capital reserve	40,000,000	40,000,000
Retained Earnings	370,540,862	213,726,525
	<b>2,238,997,627</b>	<b>1,744,859,133</b>
<b>Supplementary Capital (Tier-II)</b>		
General Provision	250,526,282	218,986,822
Exchange Equalization	-	6,876,000
	<b>250,526,282</b>	<b>225,862,822</b>
<b>A. Total Capital (Tier-I +Tier-II)</b>	<b>2,489,523,909</b>	<b>1,970,721,955</b>
B. Total Risk Weighted Assets	20,782,188,000	16,739,203,000
C. Required Capital (9% of total risk Weighted Assets)	1,870,397,000	1,506,528,000
D. Surplus/(Deficiency)	619,126,909	464,193,955
<b>Capital Adequacy Ratio</b>	<b>11.98%</b>	<b>11.77%</b>

Capital requirement	Required	Held	Required	Held
Tier-I	4.50%	10.78%	4.50%	10.42%
Tier-II	4.50%	1.20%	4.50%	1.35%
<b>Total</b>	<b>9.00%</b>	<b>11.98%</b>	<b>9.00%</b>	<b>11.77%</b>

<b>17.00 Statutory Reserve</b>		
Balance at opening of the year	681,132,608	555,444,916
Transferred from profit of the year	202,324,157	125,687,692
<b>Balance at closing of the year</b>	<b>883,456,765</b>	<b>681,132,608</b>



	2006 Taka	2005 Taka
<b>18.00 Other Reserve</b>		
Balance at opening of the year	40,000,000	40,000,000
Transferred during of the year	-	-
<b>Balance at closing of the year</b>	<b>40,000,000</b>	<b>40,000,000</b>
The Bank has been maintaining this reserve as venture capital fund since 1999 for equity support to innovative but risky project.		
<b>19.00 Surplus in Profit and Loss Account</b>		
Balance as on 1st January 2006	213,726,525	220,824,418
Changes in accounting policies (Deferred Tax effect up-to 2004)	-	18,982,289
Profit during the year	351,814,337	159,544,818
Transferred to other reserve	-	-
Cash dividend paid during the year	(60,000,000)	(50,625,000)
Dividend distribution tax	-	-
Issue of bonus share	(135,000,000)	(135,000,000)
	<b>370,540,862</b>	<b>213,726,525</b>
<b>a) Item wise Profit and Loss Account Income:</b>		
Interest, discount and similar income	2,499,362,493	1,938,259,561
Dividend Income	4,920,340	5,314,400
Fees, commission and brokerage	157,649,764	123,283,450
Gains less Losses arising from dealing securities	-	-
Gains less Losses arising from investment securities	-	-
Gains less Losses arising from dealing in foreign currencies	149,640,436	114,610,826
Income from non banking assets	-	-
Other operating income	58,749,929	46,739,759
	<b>2,870,322,962</b>	<b>2,228,207,996</b>
<b>Expenses:</b>		
Interest, fees, and commission	1,315,864,251	983,984,740
Losses on loans and advances	-	-
Administrative expenses	294,116,732	228,083,431
Other operating expenses	137,302,521	118,889,436
Depreciation on banking assets	31,025,064	24,511,933
	<b>1,778,308,568</b>	<b>1,355,469,540</b>
<b>Profit before tax &amp; provision</b>	<b>1,092,014,394</b>	<b>872,738,456</b>

	2006 Taka	2005 Taka
<b>20.00 Contingent Liabilities</b>		
Letters of guarantee (Note-a)	1,569,211,066	1,281,896,120
Local bills for collection	600,491,612	499,499,286
Foreign bills for collection	593,667,463	376,924,886
Acceptances	1,363,586,855	1,478,879,097
Letter of credit	4,080,542,800	2,087,411,002
Back to Back L/C	306,617,000	313,354,000
Travelers Cheque Stock	25,279,400	20,943,700
Value of wage earners bond in hand	39,998,000	43,597,500
<b>Balance at closing of the year</b>	<b>8,579,394,196</b>	<b>6,102,505,591</b>
<b>a) Letters of Guarantee</b>		
A claim against the bank which is not recognized as loan Money for which the Bank is contingently liable in respect of guarantees favoring:		
Directors	-	-
Government	533,277,698	598,782,987
Bank and other financial institutions	4,779,084	19,518,380
Others	1,031,154,284	663,594,753
<b>Total</b>	<b>1,569,211,066</b>	<b>1,281,896,120</b>
<b>21.00 Interest Income</b>		
Interest from clients	1,786,148,407	1,385,972,272
Interest from banks and financial institutions	461,439,532	387,904,125
Interest from foreign banks	30,961,788	7,165,945
<b>Total</b>	<b>2,278,549,727</b>	<b>1,781,042,342</b>
<b>22.00 Interest expenditure on deposit and borrowings</b>		
On fixed deposit	1,139,602,336	818,533,377
On short term deposit	108,589,162	94,468,914
On savings bank deposit	28,797,803	27,155,514
On borrowing from Bangladesh Bank and other financial institution	38,874,950	43,826,935
<b>Total</b>	<b>1,315,864,251</b>	<b>983,984,740</b>
<b>23.00 Income on Investment</b>		
On Government treasury bill	217,764,164	152,492,300
On shares	4,920,340	5,314,400
On other investment	3,048,602	4,724,920
<b>Total</b>	<b>225,733,106</b>	<b>162,531,620</b>



	2006 Taka	2005 Taka
<b>24.00 Commission, exchange and brokerage commission</b>		
Foreign bill purchased	654,329	360,461
Local bill purchase	8,646,784	4,485,557
Remittance	7,968,002	7,702,293
Letter of guarantee	23,360,370	21,397,445
Letter of credit	96,433,989	75,284,688
Bills for collection	7,926,820	4,078,047
Acceptances	8,747,327	7,048,898
Export bill	599,694	538,912
Misc.(comm. on sale of PSP,TC)	3,312,449	2,387,148
<b>Sub-Total</b>	<b>157,649,764</b>	<b>123,283,450</b>
<b>Exchange gain</b>		
Profit on exchange trading	149,640,436	114,610,826
<b>Total</b>	<b>307,290,200</b>	<b>237,894,276</b>
<b>25.00 Other operating income</b>		
Rent (Go-down and locker)	367,288	353,330
Postage charges	8,634,572	6,908,553
Telephone and cable charges	762,137	426,360
Telex charges	13,230,195	12,963,709
Service charges	5,866,834	4,377,927
Recoveries & miscellaneous earnings	28,592,518	21,709,880
Profit on sale of fixed assets	1,296,385	-
<b>Total</b>	<b>58,749,929</b>	<b>46,739,759</b>
<b>26.00 Salaries &amp; Allowance</b>		
Salaries	89,516,427	79,396,369
Allowances	95,430,249	82,093,095
Provident fund	7,266,176	6,354,147
Pension fund	68,349	60,651
Benevolent fund	5,487,510	4,395,671
Gratuity fund	21,500,046	4,028,976
Bonus	69,437,975	46,633,523
Superannuation fund	3,500,000	3,500,000
<b>Total</b>	<b>292,206,732</b>	<b>226,462,431</b>
<b>27.00 Rent, taxes, insurances, lighting etc.</b>		
Rent	27,561,443	23,702,943
Rates, taxes and VAT	1,305,275	1,530,354
Electricity and heating	8,110,157	6,896,659
Insurance	7,178,129	9,101,744
<b>Total</b>	<b>44,155,004</b>	<b>41,231,700</b>



	2006 Taka	2005 Taka
<b>28.00 Legal expenses</b>		
Professional fees	1,152,129	1,110,851
Stamps and court fees	223,096	195,358
<b>Total</b>	<b>1,375,225</b>	<b>1,306,209</b>
<b>29.00 Postage, Stamp, Telegraph, Telephone</b>		
Postage	625,216	576,038
Telephone	8,113,926	7,106,834
Telex	265,337	681,136
Courier services	5,512,593	4,135,688
Swift Subscription Charges	6,468,554	4,507,778
Cables	687,844	371,305
Reuters Subscription Charges	-	3,641,206
<b>Total</b>	<b>21,673,470</b>	<b>21,019,983</b>
<b>30.00 Stationary, printing, advertising etc.</b>		
Security stationary	956,848	900,218
Printed stationary	8,097,392	5,255,437
Other stationary	5,983,150	5,154,780
Publicity, advertisement and publication	3,142,950	2,293,877
<b>Total</b>	<b>18,180,340</b>	<b>13,604,312</b>
<b>31.00 Directors Fees</b>		
Participation fees @ Tk. 2500.00 and 4,000.00 each member per meeting	422,500	324,500
Other benefits	-	-
<b>Total</b>	<b>422,500</b>	<b>324,500</b>
<b>32.00 Depreciation on and repairs to the banking company's property</b>		
Depreciation	31,025,063	24,511,934
Repairs, improvement and maintenance	12,145,672	8,860,063
<b>Total</b>	<b>43,170,735</b>	<b>33,371,997</b>
<b>a) Depreciation</b>		
Furniture and fixture	4,993,601	4,342,039
Machinery and equipment	17,294,073	12,386,318
Vehicles	8,691,412	7,737,600
Lease Equipment/Assets	45,977	45,977
<b>Total</b>	<b>31,025,063</b>	<b>24,511,934</b>
<b>b) Repairs, improvement and maintenance</b>		
Furniture and fixture	832,272	1,832,573
Machinery and equipments	3,791,245	2,287,270
Vehicles	3,082,795	2,580,562
Rented premises	4,439,360	2,159,659
<b>Total</b>	<b>12,145,672</b>	<b>8,860,064</b>



	2006 Taka	2005 Taka
<b>33.00 Other Expenditure</b>		
Discount	45,920	27,450
Commission and brokerage	2,764,595	2,078,146
Entertainment	12,346,731	10,507,505
Car expenses	8,276,502	6,059,187
Subscription	1,132,646	1,042,831
Traveling	6,475,206	4,069,459
Cartage and freight	71,208	62,446
Computer expenses	3,593,236	3,420,258
Staff training expenses	3,210,818	2,201,037
Donation	257,000	274,000
Management fees	8,000	6,000
Welfare fund	-	2,000,000
Loss on sale of non-banking assets	-	2,262
Loss on sale of other-banking assets	3,713	10,607
Miscellaneous	1,044,736	691,480
<b>Total</b>	<b>39,230,311</b>	<b>32,452,668</b>

a) No item of the miscellaneous expenses exceeds 1 percent of the total revenue expenses.

<b>34.00 Proposed Dividends</b>		
Proposed bonus share (8:25 and 3:10)	302,400,000	135,000,000
Cash dividend (@ 6.34% and 7.41%)	60,000,000	60,000,000
<b>Total</b>	<b>362,400,000</b>	<b>195,000,000</b>
<b>35.00 Provision for tax</b>		
Opening balance	55,576,725	7,083,286
Current year tax	467,463,971	342,943,664
<b>Total</b>	<b>523,040,696</b>	<b>350,026,950</b>

a) <b>Computation of Deferred Tax:</b>	2006	2005	2004
	TK.	TK.	TK.
Book value of Depreciable Fixed Assets	150,892,423	132,103,505	97,681,922
Less: Tax Base	155,119,439	133,873,966	101,545,485
Deductible Temporary Difference	(4,227,016)	(1,770,461)	(3,863,563)
Book Value of Gratuity Payable	59,554,507	39,829,551	38,319,302
Less: Tax Base	-	-	-
<b>Deductible Temporary Difference</b>	<b>59,554,508</b>	<b>39,829,551</b>	<b>38,319,302</b>
Total deductible Temporary Difference	637,81,524	41,600,012	42,182,865
Effective Tax Rate	45%	45%	45%
<b>Deferred Tax Assets</b>	<b>28,701,686</b>	<b>18,720,005</b>	<b>18,982,289</b>
<b>b) Deferred Tax (Expenses)/Income:</b>			
Closing Deferred Tax Assets	28,701,686	18,720,005	18,982,289
Opening Deferred Tax Assets	18,720,005	189,82,289	-
<b>Deferred Tax (Expenses)/Income</b>	<b>9,981,681</b>	<b>(262,284)</b>	<b>18,982,289</b>

- c) **Deferred Tax Assets up-to 2004: Taka 18,982,289**  
This has been adjusted with opening balance of retained earnings of 01.01.2005 in the statements of Changes in Equity in compliance with the provisions of Bangladesh Accounting Standard (BAS-8) "Net Profit or Loss for the period, Fundamental Error and changes in Accounting Policies"
- d) **Deferred Tax Expenses of 2005: Taka 262,284**  
This represents the decrease of deferred tax asset in 2005 in comparison to 2004 which has been shown by restating comparative figures of 2005 in the profit and loss account in accordance with requirements of above referred BAS - 8.
- e) **Deferred Tax Income of 2006: Taka 9,981,680**  
This represents the increase in deferred tax asset in 2006 in comparison to 2005.
- f) The effective income tax rate of 45% has been considered as this tax is applicable for banking company.

	2006 Taka	2005 Taka
<b>37.00 Received from other operating activities (item wise)</b>		
Rent (Go-down & locker)	367,288	353,330
Postage charges	8,634,572	6,908,553
Telephone charges	762,137	426,360
Telex charges	13,230,195	12,963,709
Service charges	5,866,834	4,377,927
Recoveries and miscellaneous earnings	24,152,807	19,668,611
<b>Total</b>	<b>53,013,833</b>	<b>44,698,490</b>
<b>38.00 Paid for other operating activities (item wise)</b>		
Rent, taxes, insurance, lighting, postage	44,155,004	41,231,700
Legal expenses	1,375,225	1,306,209
Postage, Telephone, Telex	21,673,470	20,709,108
Repairs	12,145,671	8,860,063
Other expenditure	39,211,598	32,379,799
Auditors fees	135,000	150,000
Directors fee	422,500	324,500
<b>Total</b>	<b>119,118,468</b>	<b>104,961,379</b>
<b>39.00 Increase/(Decrease) for change in other assets</b>		
<b>Closing other assets</b>		
Stationary, stamp etc.	15,374,899	17,351,564
Advance rent	13,746,183	14,583,081
Security deposits	8,446,422	9,544,835
Income receivable	545,012	894,137
Suspense account	9,663,147	3,233,777
Other prepayments	34,124	624,069
Branch adjustment account	174,528,349	-
Sundry debtors	26,111,469	28,618,197
<b>Total</b>	<b>248,449,605</b>	<b>74,849,660</b>
<b>Opening other assets</b>		
Stationary, stamp etc.	17,351,564	18,891,153
Advance rent	14,583,081	15,868,262
Security deposits	9,544,835	3,685,231
Income receivable	894,137	5,977,430
Suspense account	3,233,777	2,040,585
Other prepayments	624,069	1,332,004
Branch adjustment account	-	-
Sundry debtors	28,618,197	13,226,826
<b>Total</b>	<b>74,849,660</b>	<b>61,021,491</b>
<b>Increase/(Decrease) for the year</b>	<b>173,599,945</b>	<b>13,828,169</b>



	2006 Taka	2005 Taka
<b>40.00 Increase/(Decrease) for change in other liabilities</b>		
<b>Closing other liabilities</b>		
Privileged creditors	17,960,382	12,584,776
Sundry creditors	27,217,643	15,855,209
Expenses payable	1,550,237	1,438,659
Clearing	-	153,200
Miscellaneous creditors	35,077	59,445
Suspense interest	101,347,496	70,061,736
Excess cash	30,000	2,000
Branch adjustments accounts	-	224,315,239
Fax	2,000	16,800
Electricity	963,826	657,407
Staff training	1,358,000	-
Printing stationery	4,500,000	-
Exchange Equalization	-	6,876,094
Provision for interest Subsidy	-	2,000,000
	<b>154,964,661</b>	<b>334,020,565</b>
<b>Opening other liabilities:</b>		
Privileged creditors	12,584,776	17,284,061
Sundry creditors	15,855,209	4,857,653
Expenses payable	1,438,659	1,052,418
Clearing	153,200	3,470,099
Miscellaneous creditors	59,445	22,000
Suspense interest	70,061,736	35,613,123
Excess cash	2,000	15,196
Branch adjustments accounts	224,315,239	80,997,081
Ready cash	-	14,440
Fax	16,800	-
Electricity	657,407	-
Exchange Equalization	6,876,094	6,876,094
Provision for interest subsidy	2,000,000	2,000,000
	<b>334,020,565</b>	<b>152,202,165</b>
Provision adjusted	(482,955)	(54,851,460)
Increase/(Decrease) for the year	<b>(179,538,859)</b>	<b>126,966,940</b>
<b>41.00 Analysis of Closing Cash and cash Equivalent</b>		
Cash in hand and balance with Bangladesh Bank and Sonali Bank	1,522,871,379	1,134,502,530
Cash with other Banks	4,191,369,655	4,126,271,315
Money at call and short notice	750,000,000	1,570,000,000
	<b>6,464,241,034</b>	<b>6,830,773,845</b>
<b>42.00 Earning per Share (EPS)</b>		
Net profit after Tax (Numerator)	554,138,494	285,232,509
Number of ordinary share outstanding (Denominator)	9,450,000	8,100,000
<b>Earning per share (EPS)</b>	<b>58.64</b>	<b>35.21</b>
<b>43.00 Litigation pending against Bank</b>		
There is a litigation pending against bank with a suit value of amounting to Taka 12.50 lac which is yet to be hearing.		
<b>44.00 Coverage of External Audit</b>		
The external auditor has covered 80% of the risk weighted assets and has spent around 3600 hours to complete the audit as per Bangladesh Standards on Auditing (BSA). The external auditor has audited 6 branches and Head office of the Bank.		

## Highlight on the overall activities of the Bank for the year 2006 and 2005.

Sl. No.	Particulars	2006 Taka	2005 Taka
01.	Paid up Capital	945,000,000	810,000,000
02.	Total capital	2,489,523,909	1,970,722,049
03.	Capital surplus/(deficit)	619,126,000	464,193,000
04.	Total assets	29,417,094,939	27,155,090,682
05.	Total deposits	24,084,659,391	22,325,581,340
06.	Total loans and advances	19,000,004,688	15,339,350,847
07.	Total contingent liabilities & commitments	8,579,394,196	6,102,505,592
08.	Credit-deposit ratio	78.89%	68.71%
09.	Percentage of classified loans against total loans and advances	3.70%	4.55%
10.	Profit after tax and provision	554,138,494	285,494,792
11.	Amount of classified loans and advances	703,269,923	698,443,122
12.	Provision kept against classified loans	323,218,141	274,846,946
13.	Provision surplus/(deficit)	-	734,147
14.	Cost of fund	6.77%	7.34%
15.	Interest earning assets	26,469,275,536	24,437,566,814
16.	Non interest bearing assets	2,947,819,403	2,717,523,868
17.	Return on investments (ROI)	5.78%	6.59%
18.	Return on assets (ROA)	1.94%	1.23%
19.	Incomes on Investments	225,733,106	162,531,619
20.	Earnings per share (EPS)	58.64	35.21
21.	Net income per share	58.64	35.21
22.	Price earning ratio	N/A	N/A

  
Managing Director

  
Director

  
Director

  
Chairman



## Annexure- A

Name of The Bank	A/C Type	Currency name	2006			2005		
			Amount in FC	Conv.Rate per unit Fc	Amount in BDT	Amount in FC	Conv.Rate per unit Fc	Amount in BDT
1 AMEX Newyork	CD	US \$	241,096.00	69.07	16,651,319.00	97,995.00	66.21	6,488,218.00
2 Bank of Tokyo-Mitsubishi London	CD	UKP	298,410.00	136.00	40,583,813.00	15,480.00	116.50	1,803,399.00
3 Rupali Bank Karachi	CD	ACUS	28,231.00	69.07	1,949,834.00	6,751.00	66.21	446,997.00
4 Bank of Tokyo-Mitsubishi Japan	CD	JAPY	13,176,221.00	0.60	7,905,733.00	7,194,853.00	0.58	4,170,137.00
5 Mashreq Bank PSC UAE	CD	UAED	25,872.00	19.10	494,088.00	25,872.00	18.18	470,353.00
6 Mashreq Bank Newyork	CD	US\$	144,434.00	69.07	9,975,410.00	28,713.00	66.21	1,901,080.00
7 CITI Bank Mumbai	CD	ACUS	7,211.00	69.07	498,048.00	47,917.00	66.21	3,172,617.00
8 Sonali Bank Calcutta	CD	ACUS	23,900.00	69.07	1,650,657.00	7,119.00	66.21	471,345.00
9 Bank of Ceylon	CD	ACUS	4,888.00	69.07	337,592.00	2,788.00	66.21	184,596.00
10 AMEX Kolkata	CD	ACUS	43,571.00	69.07	3,009,260.00	10,364.00	66.21	686,173.00
11 CITI Bank Newyork (Import)	CD	US\$	217,024.00	69.07	14,988,822.00	111,069.00	66.21	7,353,871.00
12 CITI Bank Newyork (Export)	CD	US\$	1,362,159.00	69.07	93,648,442.00	3,557,145.00	66.21	235,518,569.00
13 State Bank of India	CD	ACUS	8,499.00	69.07	587,012.00	8,499.00	66.21	562,745.00
14 Standard Chartered Import Newyork	CD	US\$	332,272.00	69.07	22,948,420.00	279,646.00	66.21	18,515,337.00
15 Standard Chartered Bank London	CD	EURO	52,592.00	92.00	4,838,483.00	100,412.00	80.40	8,073,160.00
16 Standard Chartered Bank Mumbai	CD	ACUS	138,412.00	69.07	9,559,493.00	227,813.00	66.21	15,083,509.00
17 Dresdner Bank Frankfurt- Euro	CD	EURO	37,480.00	92.00	3,448,169.00	45,192.00	80.40	3,633,456.00
18 Banque de Commerce, Geneva	CD	CHF	2,718.00	57.30	155,798.00	3,157.00	51.88	163,784.00
19 AMEX Frankfurt	CD	EURO	19,405.00	92.00	1,785,336.00	4,653.00	80.40	374,117.00
20 UNION/Wachovia Bank NA	CD	US\$	204,219.00	69.07	14,104,420.00	87,159.00	66.21	5,770,774.00
21 HSBC Newyork	CD	US\$	200,968.00	69.07	13,879,901.00	83,512.00	66.21	5,529,324.00
22 ICICI Mumbai	CD	ACUS	18,183.00	69.07	1,255,849.00	12,574.00	66.21	832,547.00
Total					264,255,899.00			321,206,108.00



## Annexure- B

Particulars	Date of Purchase	No. of Shares	Face value (in Taka)	Cost price (in Taka)	Market value as at 31.12.05 (in Taka)	Provision exists in the accounts (in Taka)	Current Market Value as at 31.12.06	Dividend received in 2006 (in Taka)
1. Tamijuddin Textile Mills Ltd.	02-01-92	5,000	500,000	500,000	201,000	328,750	240,000	-
2. Eastern Bank Ltd.	27-04-93	123,000	12,300,000	12,300,000	148,645,500	-	97,477,500	4,920,340
3. Mithun Corporation Ltd.	25-08-94	80	8,000	8,000	6,840	3,140	6,500	-
<b>Total</b>		<b>128,080</b>	<b>12,808,000</b>	<b>12,808,000</b>	<b>148,853,340</b>	<b>331,890</b>	<b>97,724,000</b>	<b>4,920,340</b>

Schedule of Fixed Assets & Leased Assets  
as at 31.12.2006

## Annexure- C

Particulars	Cost				Rate	Depreciation			Written down value		
	Balance at January, 2006	Addition during the year	Disposal during the year	Balance at 31 Dec, 2006		Balance at January, 2006 (Dep up to date)	Charged for the year	Adjustment / disposal during the year	Balance at 31 Dec, 2006	At 31 Dec, 2006	At 31 Dec, 2005
	1	2	3	4		5	6	7	8	9	10
	(1+2-3)					(5+6-7)			(8-9)		(1-5)
	Tk.	Tk.	Tk.	Tk.		Tk.	Tk.	Tk.	Tk.	Tk.	Tk.
Furniture and Fixtures	71,508,936	10,713,739	(249,500)	81,973,175	10%	27,365,308	4,993,601	(217,864)	32,141,045	49,832,130	44,143,628
Equipment and Computer	130,016,551	20,523,440	(864,650)	149,675,341	20%	64,464,923	17,294,073	(821,114)	80,937,882	68,737,459	65,551,628
Vehicles	57,151,018	19,161,000	(1,430,002)	74,882,016	25%	34,742,769	8,691,412	(874,999)	42,559,182	32,322,834	22,408,249
Leasehold Assets	4,000,000	-	-	4,000,000		321,839	45,977	-	367,816	3,632,184	3,678,161
<b>Total</b>	<b>262,676,505</b>	<b>50,398,179</b>	<b>(2,544,152)</b>	<b>310,530,532</b>		<b>126,894,839</b>	<b>31,025,063</b>	<b>(1,913,977)</b>	<b>156,005,925</b>	<b>154,524,607</b>	<b>135,781,666</b>



## Branches of BASIC Bank

**MAIN BRANCH**

Bana Shilpa Bhaban (Ground floor)  
73 Motijheel C/A, Dhaka-1000  
Tel: 02-9553322, 9563068, 9569417, 9570713  
Fax: 02-9569417  
SWIFT: BKSIBDDH002

**RAJSHAHI BRANCH**

Anam Plaza (1st floor), Shaheb Bazar, Rajshahi-6100  
Tel: 0721-776278, 770976  
Fax: 0721-770976

**KHATUNGANJ BRANCH**

193 Khatunganj, Chittagong 4000  
Tel: 031-614200, 616280  
Fax: 031-622435  
SWIFT: BKSIBDDH004

**KHULNA BRANCH**

107 Sir Iqbal Road  
Khulna-9100  
Tel: 041-720361, 721672, 812255  
Fax: 041-812255

**BANGSHAL BRANCH**

230 North South Road, Bangshal, Dhaka-1100  
Tel: 02-9563686, 9562615  
Fax: 02-9557141  
SWIFT: BKSIBDDH006

**ZINDABAZAR BRANCH**

Wahid View (1st floor), 5477 East Zindabazar  
Sylhet-3100  
Tel: 0821-718462, 712548  
Fax: 0821-712548

**AGRABAD BRANCH**

Pine View (Ground floor)  
100 Agrabad C/A, Chittagong-4100  
Tel: 031-810080, 814041, 725527  
Fax: 031-714822  
SWIFT: BKSIBDDH008

**SHANTINAGAR BRANCH**

14 Kakrail (1st floor)  
Dhaka-1000  
Tel: 02-9337441, 8314057, 9332674  
Fax: 02-9332674  
SWIFT: BKSIBDDH009

**MOULVIBAZAR BRANCH**

Gulbadan Market (1st floor), 4 Moulvibazar, Dhaka-1211  
Tel: 02-7315356, 7316991  
Fax: 02-7315356 / 111

**CHOWMUHANA BRANCH**

152 Shamsernagar Road, Chowmuhana  
Moulvibazar-3200  
Tel: 0861-53238

**BOGRA BRANCH**

Bhabani Shachin Bhaban  
Hari Dashi Market, 120 Baragola, Bogra-5800  
Tel: 051-73793, 65672  
Fax: 051-65672/111

**JUBILEE ROAD BRANCH**

G. R. Plaza, 5 Jubilee Road, Chittagong-4000  
Tel: 031-634879, 638305, 2851738  
Fax: 031-2851738  
SWIFT: BKSIBDDH013

**TANBAZAR BRANCH**

55/21 S. M. Maleh Road, Tanbazar, Narayanganj-1400  
Tel: 7631862, 7616233  
Fax: 7616233  
SWIFT: BKSIBDDH014

**DILKUSHA BRANCH**

13 Dilkusha C/A, Dhaka-1000  
Tel: 02-9563793, 9563794, 7169528  
Fax: 02-7169528  
SWIFT: BKSIBDDH015

**ASADGANJ BRANCH**

40/41 Ramjoy Mohajan Lane, Asadganj, Chittagong-4000  
Tel: 031-614942, 614569  
Fax: 031-614942  
SWIFT: BKSIBDDH016

**COMILLA BRANCH**

156/162 A. K. Faziul Haque Road  
Monohorpur, Comilla-3500  
Tel: 081-65886  
Fax: 081-71444



## Branches of BASIC Bank

**JESSORE BRANCH**

35 M. K. Road (1st floor)  
Jessore-7400  
Tel: 0421-68586, 64288  
Fax: 0421-68586

**NARSINGDI BRANCH**

Sutapatty Road  
Narsingdi-1600  
Tel: 0628-63145  
Fax: 0628-63145

**SAIDPUR BRANCH**

T. R. Road (Dinajpur Road), Saidpur-5310, Nilphamari  
Tel: 0552-672299, 672211  
Fax: 0552-672288

**GULSHAN BRANCH**

112 Gulshan Avenue, Gulshan, Dhaka-1212  
Tel: 02-9883501, 9883502, 8857307  
Fax: 02-8857307  
SWIFT: BKSIBDDH021

**MIRPUR BRANCH**

BSCIC Electronics Complex, Industrial Plot No. 1/1,  
Section # 7 Avenue # 4 Road # 3 Pallabi, Dhaka-1221  
Tel: 02-9006249, 9006250, 9011732  
Fax: 02-9011732  
SWIFT: BKSIBDDH022

**BABUBAZAR BRANCH**

Hajee Yusuf Mansion (1st floor)  
56 Mitford Road, Babubazar, Dhaka-1100  
Tel: 02-7391335, 7393875  
Fax: 02-7391335

**SHOLASHAHAR BRANCH**

Proskov Bhaban (1st floor), 110 CDA Avenue, Nasirabad,  
Muradpur, Chittagong-4203  
Tel: 031-651066, 650855  
Fax: 031-655304

**CEPZ BRANCH**

Moon Tower (1st floor), EPZ Gate South Halishahar  
Chittagong-4100  
Tel: 031-740094, 800512  
Fax: 031-800512

**UTTARA BRANCH**

Plot # 67/A (1st floor), Rabindra Sarani, Sector # 7  
Uttara, Dhaka-1230  
Tel: 02-8961031, 8961032  
Fax: 02-8961031

**BARISAL BRANCH**

102 Chawk Bazar Road  
Barisal  
Tel: 0431-65022, 61022

**DHANMONDI BRANCH**

House # 54 (Old 150A), Road # 4/A (Old 13/2)  
Dhanmondi Residential Area, Dhaka-1205  
Tel: 02-9676156, 9676157  
Fax: 02-9676156/101

**SIRAJGANJ BRANCH**

Shapneel Shopping Complex  
S.S. Plaza House No. 305 (1st Floor)  
S.S. Road, Sirajganj  
Tel: 0751-64355, 64356  
Fax: 0751-64357

**DEWANHAT BRANCH**

4/B D.T. Road, Postarpar, Dewanhat  
Chittagong-4100  
Tel: 031-2512480-1  
Fax: 031-2512482

**KARWAN BAZAR BRANCH**

Latif Tower, 47 Karwan Bazar  
Dhaka-1215  
Tel: 02-914 6282, 914 6294  
FAX: 02-914 6364

**T&T BILLS COLLECTION BOOTHS**

Sher-E-Bangla Nagar

Telephone Exchange Bhaban

Sher-E-Bangla Nagar, Dhaka-1215

Tel: 8154040

Gulshan Telephone Exchange Bhaban

Gulshan, Dhaka-1212

Tel: 8819907

Ramna Telephone Exchange Bhaban

Ramna, Dhaka-1000

Tel: 9566042

**FOREIGN EXCHANGE BOOTH**

Osmani International Airport, Sylhet

## Executives of BASIC Bank

### Managing Director

A.H. Ekbal Hossain

### Deputy Managing Director

Md. Mosaddiqur Rahman

### Deputy General Managers

Luthful Karim  
 Abdul Hai Shaikh  
 Md. Farid Uddin  
 Shamsuddin Yousuf Khaled  
 Mobarak Hossain Chowdhury  
 Kazi Shamsul Huda  
 Parban Choudhury  
 Kanak Kumar Purkayastha  
 Abdul Hadi Gholam Sanjari  
 Abdul Qayum Mohammad Kibriya  
 S. Ashif Ahmed  
 Md. Shah Alam Bhuiyan  
 Md. Shahabad Doza  
 Fazlus Sobhan  
 Md. Zainul Abedin Choudhury  
 Shahadat Hossain  
 Md. Wahidul Alam  
 Hasan Tanvir

### Executives on Contract

Abdul Mannan Miah  
 Md. Majibur Rahman  
 Md. Abdul Gofur Talukder

### General Managers

Md. Abdul Jabber  
 Shaikh Ahmed  
 Golam Moinuddin  
 Md. Mahtab Uddin  
 Sk. Monzur Morshed  
 Md. Mesbahul Haque

### Assistant General Managers

Habibur Rahman Chowdhury  
 Kajjal Kanti Datta  
 S.M.A. Razzaque  
 Mohammad Mosharraf Hossain  
 Syed Mushahid Ahmed  
 Md. Abul Hashem  
 S.A.K. Nazmul Huq  
 F.R.M. Nayeem-Ul-Safa  
 Md. Mozammel Hossain  
 Mohammad Moniruzzaman  
 Md. Omar Faruque  
 Kh. Shamim Hasan  
 Md. Kabir Uddin  
 Abdul Adud  
 Abul Kalam Azad  
 Emdadul Haque  
 A.K.M. Masudur Rahman  
 Md. Moktadir Hossain  
 Khan Iqbal Hasan  
 Md. Salim  
 Md. Mahboobur Rahman  
 Md. Ismail  
 Mohammed Ali  
 Ahmad Hossain  
 Abu Md. Mofazzal  
 Golam Faruk Khan

### Managers as Branch In-Charge

Md. Anwar Hossain  
 Momenul Haque

## Special Events



Dr. Md. Nurul Amin, Chairman with the Managing Director and Directors of the Bank and honorable guest at the opening ceremony of Karwan Bazar Branch, Dhaka



Mr. A.H. Ekbal Hossain, Managing Director and other Executives of the bank with the participants of Credit Management Course in BASIC Bank Training Cell



Agreement under Agrobusiness Development Project of ADB between BASIC Bank Ltd. and BRAC



Agreement of BASIC Bank Ltd. with Thakral Information Systems Private Limited

