

# Financial Statements-2007



## BASIC Bank Limited

(A STATE OWNED SCHEDULED BANK)

Effective Internal Control & Compliance system can help to ensure that the bank will comply with laws and regulations as well as 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 30 April 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 five members from management 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 its Auditor.

### (b) Gratuity Fund

The Bank made a provision of a gratuity fund at the discretion of the management to provide an employee with financial benefits 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 had decided to create provision for incremental amount of gratuity each year and to provide a portion of the shortfall of Tk.46,000,323.10 as on 31 December 2006. As such, incremental requirement of Tk.16,879,126.00 as on 31 -12-2006 and 10% of shortfall Tk. 4,600,032.00 total Tk. 21,479,158.00 (16879126.00+4,600,032.00) was provided in 2006. 15% of the said shortfall i.e. Tk.6,900,048.00 has also been provided in 2007 along with incremental requirement of Tk.1,97,86,340.00 and the rest amount will be provided as 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 to the fund from the gross profit at the end of the year.

### (e) Welfare Fund

The bank has been maintaining a welfare fund with lump sum contribution from profit each year. Proposed contribution towards this fund from the profit of the year 2007 is Tk.45.00 lac. This fund is utilized for various social activities as part of corporate social responsibility of the Bank. The Bank has contributed Tk.19.75 lac and Tk.22.90 lac to Chief Adviser's Relief and Welfare Fund for the assistance of Flood and SIDR victims from this fund during the year 2007.

## 2.10 Capital Expenditure Commitment

There was no capital expenditure contracted but incurred or provided for at December 31, 2007 besides, there was no material capital expenditure authorized by the board but not contracted for at 31 December 2007.

## 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   |
|------------------------------|----------------------|---------------------------|---|
| Mr. Mohammad Mahbubur Rahman | Director             | Convener                  | MA in Economics   |
| Mr. Mahbub Ahmed             | Director             | Member                    | MA in Economics   |
| Mr. Md. Asaduzzaman Khan     | Director             | Member                    | BA (Hons), MA, (University of Dhaka) MA in Banking & Finance (UK) |

### Audit Committee Meeting held during 2007

21st Meeting of the Audit Committee held on 28.03.07  
22nd Meeting of the Audit Committee held on 08.05.07  
23rd Meeting of the Audit Committee held on 20.06.07  
24th Meeting of the Audit Committee held on 13.08.07  
25th Meeting of the Audit Committee held on 26.12.07

### Steps Have Been Taken

As per guidelines enunciated in BRPD Circular #12 dated 23 December 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.

### 2.14 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.

|  | 2007<br>Taka         | 2006<br>Taka         |
|--|----------------------|----------------------|
| <b>3.00 Cash in hand (including foreign currencies)</b>  |                      |                      |
| In local currency  | 232,079,018          | 184,369,626          |
| In foreign currency  | 4,971,806            | 44,381,126           |
| <b>Total</b>   | <b>237,050,824</b>   | <b>228,750,752</b>   |
| <b>4.00 Balance with Bangladesh Bank and Sonali Bank (including foreign currency)</b>  |                      |                      |
| <b>In local currency</b>   |                      |                      |
| Bangladesh Bank  | 1,711,264,788        | 1,132,142,487        |
| Sonali Bank (acting as agent of Bangladesh Bank)   | 45,794,312           | 51,537,160           |
| <b>Sub-total</b>   | <b>1,757,059,099</b> | <b>1,183,679,647</b> |
| <b>In Foreign Currency</b>   |                      |                      |
| Bangladesh Bank-US\$   | 128,364,067          | 109,709,912          |
| Bangladesh Bank-UKP  | 1,143,243            | 359,829              |
| Bangladesh Bank-EURO   | 1,400,803            | 371,238              |
| <b>Total</b>   | <b>130,908,113</b>   | <b>110,440,979</b>   |
| <b>Total</b>   | <b>1,887,967,213</b> | <b>1,294,120,626</b> |
| <b>5.00 Statutory Deposit</b>  |                      |                      |
| 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 # 13 dated 24.05.1992, BRPD Circular # 12 dated 20.09.1999, BRPD Circular # 22 dated 06.11.2003 and BRPD Circular # 05 dated 21.07.2004 and BRPD Circular # 11 dated 25.08.2005. |                      |                      |
| <b>5.01 Cash Reserve Ratio (CRR):</b>  |                      |                      |
| 5% of Average Demand and Time Liabilities:   |                      |                      |
| Required   | Amount 1,525,702,000 | 1,147,928,000        |
|  | % 5.00%              | 5.00%                |
| Maintained   | Amount 1,575,868,000 | 1,181,847,000        |
|  | % 5.16%              | 5.14%                |
| <b>Surplus/(deficit)</b>   | <b>50,166,000</b>    | <b>33,919,000</b>    |
| <b>5.02 Statutory Liquidity Reserve (SLR):</b>   |                      |                      |
| 18% of Average Demand & Time Liabilities:  |                      |                      |
| Required Reserved  | Amount 5,492,527,000 | 4,132,541,000        |
|  | % 18.00%             | 18%                  |
| Maintained   | Amount 5,492,527,000 | 4,493,989,000        |
|  | % 18.00%             | 19.57%               |
| <b>Surplus/(deficit)</b>   | <b>—</b>             | <b>361,448,000</b>   |
| <b>Total surplus/(deficit)</b>   | <b>—</b>             | <b>361,448,000</b>   |
| <b>6.00 Balance with other banks and financial institutions</b>  |                      |                      |
| Inside Bangladesh (Note-6.01)  | 6,510,675,772        | 3,927,113,757        |
| Outside Bangladesh (Note-6.02)   | 426,855,834          | 264,255,899          |
| <b>Total</b>   | <b>6,937,531,606</b> | <b>4,191,369,656</b> |
| <b>6.01 Inside Bangladesh, Current account</b>   |                      |                      |
| Sonali Bank Ltd.   | 53,449,298           | 27,640,038           |
| Rupali Bank Ltd.   | 557,850              | 9,062,850            |
| Janata Bank Ltd.   | 1,000,456            | 3,000,456            |
| <b>Sub-total</b>   | <b>55,007,604</b>    | <b>39,703,344</b>    |
| <b>Short Term Deposit</b>  |                      |                      |
| Sonali Bank Ltd.   | 5,576,695            | 5,050,422            |
| Bangladesh Krishi Bank   | 25,321               | 25,084               |
| Rupali Bank Ltd.   | 30,038,144           | 12,312,413           |
| Agrani Bank Ltd.   | 28,008               | 22,494               |
| <b>Sub-total</b>   | <b>35,668,168</b>    | <b>17,410,413</b>    |
| <b>Fixed Deposit</b>   |                      |                      |
| Bangladesh Commerce Bank Ltd.  | 100,000,000          | 100,000,000          |
| The Oriental Bank Ltd.   | 200,000,000          | 200,000,000          |
| Social Investment Bank Ltd.  | —                    | —                    |
| Premier Bank Ltd.  | —                    | 200,000,000          |
| IPOC   | 400,000,000          | 500,000,000          |
| NCC Bank Ltd.  | 200,000,000          | —                    |
| Arab Bangladesh Bank Ltd.  | —                    | 250,000,000          |
| Southeast Bank Ltd.  | 400,000,000          | 300,000,000          |
| Prime Bank Ltd.  | 300,000,000          | 300,000,000          |
| Dhaka Bank Ltd.  | 500,000,000          | 300,000,000          |
| Jamuna Bank Ltd.   | 400,000,000          | 200,000,000          |
| Shajalal Islami Bank Ltd.  | —                    | 200,000,000          |
| National Bank Ltd.   | —                    | —                    |
| Eastern Bank Ltd.  | 400,000,000          | 300,000,000          |
| Mercantile Bank Ltd.   | 400,000,000          | 350,000,000          |
| Dutch-Bangla Bank Ltd.   | 470,000,000          | 270,000,000          |
| Trust Bank Ltd.  | 200,000,000          | —                    |
| United Commercial Bank Ltd.  | 400,000,000          | 200,000,000          |
| Bank Asia  | 200,000,000          | 200,000,000          |
| Pubali Bank Ltd.   | 400,000,000          | —                    |
| Commercial Bank of Ceylon  | 250,000,000          | —                    |
| BRAC Bank Ltd.   | 200,000,000          | —                    |
| One Bank Ltd.  | 200,000,000          | —                    |
| Sonali Bank Ltd.   | 500,000,000          | —                    |
| Mutual Trust Bank Ltd.   | 300,000,000          | —                    |
| <b>Sub-total</b>   | <b>6,420,000,000</b> | <b>3,870,000,000</b> |
| <b>Grand-Total</b>   | <b>6,510,675,772</b> | <b>3,927,113,757</b> |

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

|   | 2007<br>Taka | 2006<br>Taka |
|---|--------------|--------------|
| <b>6.02 Outside Bangladesh (Nostro Accounts and Term placement)</b> |              |              |
| AMEX New York   | 38,909,199   | 16,651,319   |
| Bank of Tokyo-Mitsubishi New York                                   | —            | —            |
| Bank of Tokyo-Mitsubishi London                                     | 5,166,258    | 40,583,813   |
| Rupali Bank Karachi   | —            | 1,949,833    |
| Bank of Tokyo-Mitsubishi Japan                                      | 1,452,712    | 7,905,733    |
| Mashreq Bank PSC UAE  | 491,392      | 494,088      |
| Mashreq Bank New York   | 2,457,454    | 9,975,409    |
| CTI Bank Mumbai   | 2,618,139    | 498,048      |
| Bank of Tokyo-Mitsubishi Kolkata                                    | —            | —            |
| Sonali Bank Kolkata   | 496,211      | 1,650,657    |
| Bank of Ceylon  | 9,412,425    | 337,593      |
| AMEX (Kolkata)  | 10,905,337   | 3,009,260    |
| CTI Bank New York (Import)  | 40,608,711   | 14,988,822   |
| CTI Bank New York (Export)  | 134,489,861  | 93,648,442   |
| State Bank of India   | 587,012      | —            |
| Standard Chartered Import New York                                  | 62,539,352   | 22,948,420   |
| Standard Chartered Bank London                                      | 7,590,048    | 4,838,482    |
| Standard Chartered Bank Mumbai                                      | 17,350,851   | 9,559,493    |
| ICICI Bank Ltd.   | 11,466,982   | 1,255,849    |
| HSBC New York   | 20,464,755   | 13,879,901   |
| Dresdner Bank Frankfurt -Euro                                       | 2,899,461    | 3,448,169    |
| Banque de Commerce, Geneva  | 2,792,191    | 155,798      |
| AMEX Frankfurt  | 2,590,201    | 1,785,335    |
| UNION Bank of California New York                                   | —            | —            |

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| Wachovia Bank N.Y.                   | 6,292,259          | 14,104,421         |
| Arif Habib Rupali Bank               | 503,444            | —                  |
| <b>Total of Nostro Account</b>       | <b>382,879,384</b> | <b>264,255,899</b> |
| (Details are shown in Annexure A)    |                    |                    |
| City Bank N A New York-Term          | 20,697,300         | —                  |
| Commercial Bank of Ceylon-Dhaka-Term | 13,766,800         | —                  |
| Commercial Bank of Ceylon-Tokyo-Term | 10,312,350         | —                  |
| <b>Total Term placement</b>          | <b>44,776,450</b>  | —                  |
| <b>Grand total (Nostro and Term)</b> | <b>426,855,834</b> | <b>264,255,899</b> |

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

|   |                      |                      |
|---|----------------------|----------------------|
| On demand                               | 437,086,988          | 303,959,243          |
| Upto 1 month                            | 535,668,168          | 17,410,413           |
| Over 1 month but not more than 3 months | 5,964,776,450        | 3,870,000,000        |
| 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>6,937,531,606</b> | <b>4,191,369,656</b> |

### 7.00 Money at call and short notice

|                           |                      |                    |
|---------------------------|----------------------|--------------------|
| Trust Bank Ltd.           | 150,000,000          | 150,000,000        |
| Dhaka Bank Ltd.           | 150,000,000          | —                  |
| Sonali Bank Ltd.          | —                    | 200,000,000        |
| Prime Bank Ltd.           | —                    | —                  |
| NCC Bank Ltd.             | —                    | —                  |
| IFIC Bank Ltd.            | 200,000,000          | —                  |
| Uttara Bank Ltd.          | 200,000,000          | —                  |
| Pubali Bank Ltd.          | 100,000,000          | —                  |
| Mutual Trust Bank         | 200,000,000          | —                  |
| Mercantile Bank Ltd.      | 120,000,000          | —                  |
| Bank Asia                 | 200,000,000          | —                  |
| Eastern Bank Ltd.         | —                    | 150,000,000        |
| Southeast Bank Ltd.       | —                    | 150,000,000        |
| Arab Bangladesh Bank Ltd. | —                    | 100,000,000        |
| <b>Total</b>              | <b>1,320,000,000</b> | <b>750,000,000</b> |

|  | 2007<br>Taka         | 2006<br>Taka         |
|--|----------------------|----------------------|
| <b>8.00 Investments</b>                            |                      |                      |
| <b>A. Government Securities</b>                    |                      |                      |
| <b>Treasury Bills (at face value)- Note 8.01</b>   |                      |                      |
| 05 Years Government Treasury Bills                 | 381,182,812          | 1,800,000,000        |
| 05 Years Government Treasury Bond                  | 600,000,000          | —                    |
| 02 Years Government Treasury Bills                 | —                    | 150,000,000          |
| 364 Days Government Treasury Bill                  | 3,168,492,932        | 970,000,000          |
| 364 Days Reverse Repo                              | 600,000,000          | —                    |
| 91 Day Government Treasury Bill (at present value) | —                    | 196,807,500          |
| 28 Days Government Treasury Bill                   | 500,000,000          | —                    |
| 01 Day Reverse Repo-Bangladesh Bank                | —                    | 100,000,000          |
| <b>Sub-Total</b>                                   | <b>5,249,675,744</b> | <b>3,216,807,500</b> |
| <b>Debentures</b>                                  |                      |                      |
| 20 years HBFC Debenture - 5.5%                     | 20,000,000           | 22,500,000           |
| Prize Bond   | 1,630,600            | 2,557,200            |
| <b>Sub-Total</b>                                   | <b>5,271,306,344</b> | <b>3,241,864,700</b> |

|   |                      |                      |
|---|----------------------|----------------------|
| <b>B. Other Investments</b>             |                      |                      |
| Non-convertible Debenture - GSP Finance | —                    | —                    |
| Shares in listed companies (Annexure-B) | 15,883,000           | 12,808,000           |
| Share of Karmasangsthan Bank            | 10,000,000           | 10,000,000           |
| Equity of Gramen I.T. Park              | 4,201,760            | 4,201,760            |
| Share of CDB Ltd.                       | 2,000,000            | 2,000,000            |
| <b>Sub-Total</b>                        | <b>32,084,760</b>    | <b>29,009,760</b>    |
| <b>Grand Total</b>                      | <b>5,303,391,104</b> | <b>3,270,874,460</b> |

8.01. Treasury bond is shown at cost. Treasury bills in 2007 is shown at present value and in 2006 Treasury bill include unearned interest thereon and corresponding credit is shown in other liabilities.

### 8.02. Assets pledge as security:

|   |   |   |
|---|---|---|
| Amount of asset pledged as security against                                     | — | — |
| Liabilities to Banks  | — | — |
| Liabilities to customers  | — | — |
| We have no assets pledged, mortgaged or hypothecated against bank's borrowings. | — | — |

### 8.03. Maturity of grouping of investments

|   |                      |                      |
|---|----------------------|----------------------|
| On demand                               | 1,630,600            | 102,557,200          |
| Upto 1 month                            | 500,000,000          | —                    |
| Over 1 month but not more than 3 months | 995,579,982          | 596,807,500          |
| Over 3 months but not more than 1 Year  | 3,154,095,762        | 2,120,000,000        |
| Over 1 Year but not more than 5 Years   | 600,000,000          | 429,009,760          |
| Over 5 Years                            | 52,084,760           | 22,500,000           |
| <b>Total</b>                            | <b>5,303,391,104</b> | <b>3,270,874,460</b> |

|  | 2007<br>Taka          | 2006<br>Taka          |
|--|-----------------------|-----------------------|
| <b>9.00 Loans and Advances:</b>                |                       |                       |
| <b>9.01 Loans, cash credit, overdraft etc;</b> |                       |                       |
| Inside Bangladesh (Note 9.01.1)                | 20,047,920,837        | 17,075,598,785        |
| Outside Bangladesh                             | —                     | —                     |
| <b>Sub-Total</b>                               | <b>20,047,920,837</b> | <b>17,075,598,785</b> |

|                                 |                       |                       |
|---------------------------------|-----------------------|-----------------------|
| <b>9.01.1 Inside Bangladesh</b> |                       |                       |
| Loans                           | 8,505,548,005         | 6,634,541,417         |
| Cash credit                     | 5,328,108,788         | 4,791,364,917         |
| Overdraft                       | 2,331,584,083         | 2,359,512,849         |
| Others                          | 3,882,679,962         | 3,290,179,602         |
| <b>Sub Total</b>                | <b>20,047,920,837</b> | <b>17,075,598,785</b> |

|  |                       |                       |
|--|-----------------------|-----------------------|
| <b>9.02 Bills discounted and purchased</b> |                       |                       |
| Inside Bangladesh                          |                       |                       |
| Local bills purchased/LADB                 | 1,870,155,448         | 1,624,888,914         |
| Outside Bangladesh                         |                       |                       |
| Foreign bills purchased and discounted     | 345,273,323           | 299,516,989           |
| <b>Sub Total</b>                           | <b>2,215,428,771</b>  | <b>1,924,405,903</b>  |
| <b>Grand Total (9.01 + 9.02)</b>           | <b>22,263,349,608</b> | <b>19,000,004,688</b> |

|   |  |  |
|---|--|--|
| <b>9.03 Maturity wise distribution of Loans and Advances including Bills Purchased and Discounted</b> |  |  |
|---|--|--|