



BASIC Bank Limited

Serving people for progress

A STATE OWNED SCHEDULED BANK

Financial Statements 2008

2.5 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 Depreciation	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.

2.6 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 and computation of EPS is stated in note-39. This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding for the year.

2.7 Income Taxes

(a) Current Tax

Provision for Income Tax has been made @45% as prescribed in the Finance Act, 2008 of accounting profit made by the bank after considering some of the taxable add backs of income and disallowance of expenditures.

(b) Deferred Tax:

The bank had adopted deferred tax in 2004 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).

2.8 Retirement benefits to the employees

(a) Provident Fund

The Bank operates a contributory provident fund benefits of which 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 at least five members. 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 fund. 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

(b) Gratuity Fund

The Bank made a provision of gratuity fund at the discretion of the management to provide an employee with financial benefit on his ceasing the Bank's service or in the event of his death to his legal heirs / nominees or successors. The management of the bank has created full required provision for gratuity.

(c) Benevolent Fund

The benevolent fund is 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 sanction grant in the event of death on duty permanent disabilities of the employees and to provide financial assistance for marriage of his / her dependants.

(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 profit at the end of the year.

(e) Welfare Fund

The Bank has been maintaining a welfare fund from profit each year. Proposed contribution towards this fund from the profit of the year 2008 is 45.00 lac. This fund is utilized for various social activities as part of corporate social responsibility of the Bank.

2.9 Revenue Recognition

The revenue during the year is recognized as following which satisfy all conditions of revenue recognition as prescribed by BAS 18 "Revenue Recognition".

a) Interest Income - The interest receivable on unclassified loans and advances / investments is recognized quarterly on accrual basis. Interest on loans and advances / investments, ceases to be taken into income when such advances are classified or treated as SMA as per Bangladesh Bank BRPD Circular No. 5 dated 05 June 2006, kept in interest suspense account. Interest on classified advances is accounted for on a cash receipt basis.

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

c) Dividend Income - Dividend income from shares is recognized at the time when it is realized.

d) Interest paid and other expenses - The interest paid on deposits and borrowings and other expenses are recognized on accrual basis as prescribed by BAS - 1 "Presentation of Financial Statements".

2.10 Capital Expenditure Commitment

There was no capital expenditure contracted but incurred or provided for at 31 December 2008 besides, there was no material capital expenditure authorized by the board but not contracted for at 31 December 2008.

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 Off-balance sheet items & provisions

As per Bangladesh Bank Guidelines Off-balance sheet items have been disclosed under contingent liabilities & other commitments. BASIC Bank Ltd. has maintained provision @ 1% against off-balance sheet exposures (L/C and Guarantee) as per BRPD Circular #10, dated September 18, 2007.

2.13 Cash Flow Statement

Cash Flow Statement is prepared principally in accordance with BAS 7 "Cash Flow Statement" and under the guidelines of Bangladesh Bank BRPD Circular No.14 dated 25th June 2003. The cash flow statement shows the structure of and changes in cash and cash equivalents during the financial year. It is broken down into operating activities, investing activities and financial activities.

2.14 Statement of Changes in Equity

Statement of Changes in Equity is prepared principally in accordance with BAS 1 "Presentation of Financial Statements" and under the guidelines of Bangladesh Bank BRPD Circular No.14 dated 25th June 2003.

2.15 Statement of Liquidity

The liquidity statement has been prepared in accordance with the remaining maturity grouping of the value of the assets and liabilities as on 31 December 2008 and under the guidelines of Bangladesh Bank BRPD Circular No.14 dated 25th June 2003.

2.16 Reconciliation of inter-bank and inter branch accounts

Books of accounts in regard to inter-bank (in Bangladesh and outside Bangladesh) and inter-branch are reconciled and no material difference was found which might effect the financial statements significantly.

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

2.17 Related Party Transaction

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

2.18 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.

2.19 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 DCPL'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.

The Information Systems/Information Technology Audit Unit conducts audits to evaluate the system's efficacy and security protocols, in particular, to evaluate the Bank's ability to protect its information assets and properly dispense information to authorized parties. The IS/IT audit focuses on determining risks that are relevant to information assets, and in assessing & suggesting controls in order to reduce or mitigate these risks to acceptable level.

The Compliance Unit of the division works as the point of contact when any regulatory inspection is carried out and ensures that corrective measures are taken and the appropriate responses are made on a timely fashion. If the regulatory authority identifies any major lapses then it notifies to the senior management and/or to the Audit Committee of the Bank.

(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 (CAMLO). 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 CAMLO. 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 (BAMLO). 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.

2.20 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. Abdul Matin	Director	Member	MA in English

Audit Committee Meeting held during 2008

26th Meeting of Audit Committee held on 16.03.08
27th Meeting of Audit Committee held on 28.05.08
28th Meeting of Audit Committee held on 18.10.08
29th Meeting of Audit Committee held on 30.10.08

Steps Have Been Taken

As per guidelines enunciated in BRPD Circular No. 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.

2.21 Compliance report on Bangladesh Accounting Standards (BAS)

Name of the BAS	BAS no	Status
Presentation of Financial Statements	1	Applied
Inventories	2	N/A
Cash Flow Statement	7	Applied
Accounting Policies, Changes in Accounting estimates & errors	8	Applied
Events after the Balance Sheet Date	10	Applied
Construction Contracts	11	N/A
Income Taxes	12	Applied
Segment Reporting	14	N/A
Property Plant & Equipment	16	Applied
Leases	17	Applied
Revenue	18	Applied
Employee benefits	19	Applied
Accounting for Governments Grants and Disclosure of Government Assistances	20	N/A
The Effects of Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Accounting for investments	25	Applied
Accounting & Reporting by Retirement Benefit Plans	26	Applied
Consolidated & Separate Financial Statements	27	Applied
Investments in Associates	28	N/A
Disclosures in the Financial Statements of Banks and similar Financial Institutions	30	Applied
Interest in Joint Ventures	31	N/A
Earning Per Share	33	Applied
Interim Financial Reporting	34	Applied
Impairment of Assets	36	Applied
Provisions, contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	N/A
Investment Property	40	Applied
Agriculture	41	N/A

* N/A = Not Applicable

	31.12.2008 Taka	31.12.2007 Taka
3. Cash		
Cash in Hand (including foreign currencies)	197,866,918	237,350,824
Balance with Bangladesh Bank	2,441,140,935	1,987,967,213
	2,641,007,853	2,125,318,037
3.1 Cash in Hand (including foreign currencies)		
In Local Currency	197,866,918	237,350,824
In Foreign Currencies	5,994,110	4,971,806
	197,866,918	237,350,824
3.2 Balance with Bangladesh Bank and its Agent bank (s)		
In Local Currency	2,441,140,935	1,987,967,213
In Foreign Currencies	5,994,110	4,971,806
	2,441,140,935	1,987,967,213
3.2.1 In Local Currency		
Bangladesh Bank	1,987,967,213	1,711,244,789
Special Bank (acting as agent of Bangladesh Bank)	50,173,722	276,722,424
	2,038,140,935	1,987,967,213
3.2.2 In Foreign Currencies		
Bangladesh Bank - US\$	380,221,453	128,354,067
Bangladesh Bank - UKP	2,140,644	1,143,243
Bangladesh Bank - EURO	1,646,013	1,483,493
	387,012,306	130,980,803
3.2.2.1 Balance with Bangladesh Bank as per DB-5	2,038,140,935	1,987,967,213

Reason of Difference between balance with Bangladesh Bank and DB-5 :

The reason of difference between balance with Bangladesh Bank and DB-5 is that the balance of foreign currency clearing account is not shown in DB-5 statement. There were some entries passed by Bangladesh Bank on year ending date but we passed corresponding entries on later date after receiving advice from Bangladesh Bank.

3.3 Statutory Deposits		
Clear Reserve Ratio and Statutory Liquidity Ratio have been calculated and maintained as per Section 33 of the Bank Companies Act 1991 and BRPD Circular No.13 dated 24 May 1992, BRPD Circular No.12 dated 29 September 1999 & BRPD Circular No.22 dated 06 November 2003 and BRPD Circular No. 05 dated 21.07.2004 and BRPD Circular No. 11 dated 25.08.2005.		

3.3.1 Cash Reserve Ratio (CRR)		
(5% of Average Demand & Time Liabilities)		
Required Reserve	Amount %	1,880,619,000 5.00%
Maintained	Amount %	1,430,157,000 5.17%

3.3.2 Statutory Liquidity Reserve (SLR)		
(13% of Average Demand & Time Liabilities)		
Required Reserve	Amount %	4,884,020,000 13%
Maintained	Amount %	5,815,809,000 13.64%

3.3.3 Total Amount of CRR & SLR		
Required	Amount %	6,764,639,000 18.60%
Maintained	Amount %	7,245,966,000 18.80%

4. Balance With Other Banks & Financial Institutions		
In Bangladesh	(Note: 4.1)	6,253,207,382
Outside Bangladesh (Nostro Accounts)	(Note: 4.2)	211,572,783
		6,464,780,165

4.1 In Bangladesh		
Form of Deposits		
Current Account		
Sonali Bank	3,030,663	53,449,298
Agrani Bank	15,034,562	-
Rupali Bank Ltd.	552,300	557,850
Jenani Bank	4,850,456	1,000,456
	23,467,981	55,007,604
STD Account		
Sonali Bank	41,890,111	5,576,695
Bangladesh Krishi Bank	25,201	25,321
Trust Bank	223,425	-
Rupali Bank Ltd.	31,278,172	30,938,144
Agrani Bank	-	28,008
	73,216,509	35,648,168

Other Deposit		
Receivable from ICB Islami Bank		
	156,533,082	

Fixed Deposit Account		
Bangladesh Commercial Bank Ltd.	100,000,000	120,400,000
The Oriental Bank Ltd.	-	290,000,000
IPDC	200,000,000	400,000,000
TDLC	200,000,000	-
BRIC	200,000,000	-
TDPC	200,000,000	-
Uttara Finance and Investment	100,000,000	-
Lanka Bangla Finance	100,000,000	-
Provis Leasing and Finance	100,000,000	-
Union Capital	50,000,000	-
International Leasing and Finance	100,000,000	-
NIIC Bank Ltd.	200,000,000	200,000,000
Arab Bangladesh Bank Ltd.	200,000,000	-
Southwest Bank Ltd.	500,000,000	400,000,000
Prime Bank Ltd.	700,000,000	308,000,000
Dhaka Bank Ltd.	400,000,000	500,000,000
Banque Bank Ltd.	200,000,000	400,000,000
Shapla Islami Bank Ltd.	200,000,000	-
National Bank Ltd.	100,000,000	-
Eastern Bank Ltd.	400,000,000	400,000,000
Mercantile Bank Ltd.	600,000,000	-
Dutch-Bangla Bank Ltd.	-	400,000,000
Trust Bank Ltd.	-	200,000,000
United Commercial Bank Ltd.	-	400,000,000
Bank Asia	300,000,000	400,000,000
Purol Bank Ltd.	-	250,000,000
Commercial Bank of Ceylon	-	200,000,000
BRAC Bank Ltd.	400,000,000	-
Bank Al-Halal	50,000,000	-
The City Bank Ltd.	200,000,000	-
Standard Bank Ltd.	150,000,000	-
One Bank Ltd.	400,000,000	200,000,000
Sonali Bank	400,000,000	500,000,000
Bangladesh Krishi Bank	750,000,000	-
First Security Bank	150,000,000	-
Hibib Bank	150,000,000	-
Muata Trust Bank Ltd.	400,000,000	300,000,000
	8,000,000,000	6,420,000,000
	8,253,207,382	6,510,675,772
Sub-Total		

Note: The Fixed deposits are placed for short term maturities up to a period of 3 months and some fixed deposits are for the period of 6 months at the approximate market rate.