

GRAMEEN BANK
Notes to the financial statements
for the year ended 31 December 2006

1.00 BACKGROUND

1.01 Legal form of the enterprise

Grameen Bank was established as a body corporate under the Grameen Bank Ordinance 1983. Initially the authorized capital of the bank was Tk 100 million and paid-up capital was Tk. 30 million. At present the bank's authorized capital is Tk. 500m and paid up capital is Tk. 318 m. Members hold 94.34 percent of Grameen Bank shares. The remaining 5.66 percent is held by the Government of Bangladesh. The board of the bank consists of 13 members: the Managing Director, three members including the chairman nominated by the government and nine members elected from the borrower shareholders.

1.02 Nature of business

The principal activity of the bank is to provide credit without collateral to landless persons for all types of economic activities. The bank also accepts deposits but excluding business in foreign exchange transactions, carries out survey and research, issue publications and maintaining statistics with a view to improving the economic condition of the landless persons. The bank undertakes income-generating projects for landless persons, invests its funds in Government Securities and provides professional counseling to landless persons regarding investments in small business and cottage industries. Grameen Bank now operates 36 Zonal Offices, 238 Areas Offices and 2321 branch offices including 2 sub-branch Offices. The bank offers four types of loans such as basic loans, housing loans, higher education loans and struggling members' loans. Loans and advances and deposits as at 31 December 2006 were Tk. 34,144,897,122 and 44,342,302,501 respectively. As on 31 December 2006, out of 2321 branches 1580 registered profits. The remaining 741 branches were not profitable. However, it must be taken into consideration that during the year the bank opened 574 new branches.

2.00 Risk Management

In the ordinary course of business, the bank is exposed to a variety of risks the most important of which are credit risk, operational risk, and solvency risk. These risks are being identified, measured and monitored through various control mechanisms across the bank in order to assess the quality of products offered.

2.01 Internal audit

Internal audit is a part of the internal control system, which is introduced in large business entities to detect any error or fraud at an early stage. At present, the Internal Audit Division of Grameen Bank is characterized by two-tier structure namely central audit and zonal audit. Central audit conducts the audit of different divisions at the head office, zonal offices and their area offices. Moreover, Central audit office supervises, advises, directs and provides necessary guidance to zonal audit offices. The zonal audit office audits all branches within the zone. Central and zonal audit offices execute complete audits and briefs audits to monitor operations and review compliance of statutory requirements. The Internal Audit Division works under the direct supervision of the Managing Director; however, it is completely independent in its work.

3.00 Significant accounting policies

3.01 Basis of preparation and presentation of financial statements

The accompanying financial statements comprising the Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, Comparative Value Added Statement and Notes thereto have been prepared in accordance with *International Accounting Standards (IASs)* on a going concern basis under the historical cost convention.

3.02 Basis of consolidation

A separate set of records for consolidation of the statement of affairs and income & expenditure account of the branches are maintained at the head office of the bank based on which these financial statements have been prepared.

3.03 Tax exemption

Grameen bank is presently enjoying unconditional tax exemptions of income tax, super tax and business profit tax till 30 June 2008. This is contained in the Ministry of Finance notification vide SRO no. 188/Law/2006 dated 30 July 2006.

3.04 Rehabilitation fund

Rehabilitation fund consists of transfer from general reserve and tax provision made for 1997 and 1998 and transfer of entire revenue profit from 1999 to 2005 in order to comply with the requirement for tax exemption allowed by the Ministry of Finance. The Rehabilitation Fund is to be utilized for the purpose of rehabilitation of members affected due to natural disasters.

3.05 Profit Appropriation

Government of the People's Republic of Bangladesh permits Grameen Bank unconditioned income tax exemption from January 1, 2006 to June 30, 2008. This is contained in the Ministry of Finance notification vide SRO no. 188/Law/2006 dated July 30, 2006. Previously Grameen Bank enjoyed income tax exemption from 1997 to 2005 subject to the condition that the Bank will transfer its entire profits to a Rehabilitation Fund. In 2006, Bank has made a net profit of Tk. 1,398,155,030 as per Profit and Loss A/C. At present, there is no condition in this affair, the Bank decided to allocate its profit in the following manner:

	<u>Amount (Tk.)</u>
Proposed Dividend	318,000,000
Dividend Equalization Fund	636,000,000
General Reserve	318,000,000
Employees welfare Fund	1,155,030
Retain surplus	125,000,000
	<u>1,398,155,030</u>

3.06 Foreign fund

Foreign funds were received from the foreign donor agencies (IFAD 161 BA, IFAD 239 BA, NORAD, SIDA, Dutch Grant and JBIC) under the subsidiary loan agreement with the Government of the Peoples Republic of Bangladesh. The terms for repayments, interest rates, grace periods etc. have been set out in those agreements. The funds were disbursed to Grameen Bank in equivalent Taka currencies and were accounted for at cost as and when those funds were received. Consequently, no accounting treatment is required in respect of exchange differences on foreign currencies and Grameen Bank need not to account for exchange rate gain/loss on such differences as well.

3.07 Accruals & deferrals

Deferrals and accruals have been made as per the guidance of the *IAS 1 Presentation of Financial Statements*. In order to meet their objectives, financial statements except for cash flow statement and related information are prepared on accrual basis of accounting. Under the basis, the effects of transactions and other events are recognized when they occur (and not when cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

3.08 Reconciliation of inter branch transactions

Books of account with regard to inter branch are reconciled. Unreconciled entries are caused by mismatching of original figures with corresponding ones, lack of original advice and incomplete advice from branches.

3.09 Cash Flow Statement

IAS 1 presentation of Financial Statement requires that a cash flow statement is to be prepared as it provides information about cash flows of the enterprise that is useful in providing users of financial statements with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprise to utilize those cash flows.

Cash flow statement has been prepared under the direct method for the period, classified by operating, investing and financing activities as prescribed in paragraph 10 and 18(a) of *IAS 7*.

3.10 Provision for loan impairment

As per the guideline of paragraph 43 of *IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, specific provisions are made against non-performing and problem loans on the basis of best estimate up to such amount as it is expected to cover for the loss from non-performing and impaired loans and advances. No specific credit risk provision for loan impairment is established to provide for management's estimate of loan losses as soon as the recovery of an exposure is identified as doubtful.

As per the requirement of paragraph 49 of *IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions* when a loan is deemed uncollectible, it is written off against the related provision for impairments. The bank writes off its non-performing and problem loans after one year on overdue loan. Subsequent recoveries of such loans are credited to the income statement.

Provisions for loans & advances are made on the basis of year-end review by the management and instructions contained in board resolution. The calculation rate is given below:

a) Basic loans

Basic loan provision has been made @ 100% on overdue loan;

Basic loan provision has been made @ 1% on regular loan.

b) Flexible loans

Provision has been made on flexible loans at the following rates:

Principal outstanding from the signing of first contract period below 2 years 50%;

Principal outstanding for 2 years and beyond from the signing of first contract period 100%;

Overdue flexible loans 100%.

c) Housing loans (Members)

Housing loan provision has been made @ 100% on overdue loan;

Housing loan provision has been made @ 1% on regular loan.

d) Educational loan

No provision has been made on education loan.

3.11 Provision for interest receivable

a) Interest receivable on basic loans:

Interest receivable on basic loan provision has been made @ 100% on overdue interest of basic loans;

Interest receivable on basic loan provision has been made @ 1% on regular interest of basic loans.

b) Interest receivable on flexible loans:

Provision has been made on interest receivable on flexible loans at the following rates:

Interest receivable outstanding from the signing of first contract period below 2 years 50%;

Interest receivable outstanding for 2 years and beyond from the signing of first contract period 100%;

Interest receivable outstanding of overdue loan 100%.

c) Interest receivable on Housing loans (Members)

Provision has been made on interest receivable on housing loans (Members) at the following rates:

Interest receivable on housing loan provision has been made @ 100% on overdue interest receivable;

Interest receivable on housing loan provision has been made @ 1% on regular interest receivable.

3.12 Bad debt recovery

Fifty percent of Bad debt recovery has been shown in provision and reserve account and the remaining fifty percent has been shown in other income.

3.13 Fixed assets

The major categories of property and equipment held by the bank are property land, buildings & other structures, equipment, furniture and fixtures, vehicles, capital work in progress etc.

As guided in paragraph 28 of *IAS 16 Property Plant and Equipment*: all property and equipment except land are stated at historical cost less accumulated depreciation. No depreciation has been charged on land and the carrying amounts are the same as those were initially recognized. The opening and closing carrying amounts of all property and equipment are presented including the amount of additions, disposals and depreciation charged during the year as required by paragraph 60 (e) of IAS 16.

3.14 Depreciation

As required of IAS 16, property, plant & equipment depreciation has been charged on property and equipment at the following rates using straight-line method.

Property & Equipment	Depreciation Rate
Building and other structures	1.7%
Office House (Semi- Pucca and Tin shed)	7.5%
Development of leasehold property	10%
Vehicles	20%
Office equipment	15%
Electrical equipment	10%
Furniture & fixtures	10%
Library books	10%

Depreciation at the applicable rates is charged proportionately on additions made during the year from the date of their acquisition on straight-line method. Disposal of assets during the year, depreciation charged is required on actual date.

3.15 Investments

Value of investment is presented below:

Nature of Investments	Applicable Accounting
FDR	Face Value
Shares in CDBL	At cost
Grameen Mutual Fund	At cost

3.16 Revenue recognition

Revenue is recognized on an accrual basis which comply with the conditions of revenue recognition as provided in **IAS 18 Revenue**.

- a) Income on investments is accounted for consistently on an accrual basis.
- b) Interest on loans and advances (including bad and doubtful loans and advances) is accounted for on an accrual basis.
- c) Service charge on guarantees issued by the bank in favour of other institutions is accounted for on cash receipt basis.

3.17 Interest paid and other expenses

In terms of the provision of the *IAS 1 Presentation of Financial Statements*, the interest paid and other expenses are recognized on accrual basis.

3.18 Retirement benefits to the employees

a) Grameen Bank Superannuation fund:

The bank operates a superannuation fund scheme, provision in respect of which is made annually @ 60% of annual basis salary. It is operated by a separate Board of Trustees consisting ten members.

b) Non-contributory provident fund

Provident fund benefits are given to the employees of the bank in accordance with non-contributory provident fund rules. The fund is operated by a Board of Trustees. All confirmed employees of the bank are contributing 10% of their basic salary as subscription of the fund. Interest earned from the investments is credited to the members account on accrual basis.

3.19 Comparative Information

As required by paragraphs 38 and 40 of *IAS 1 Presentation of Financial Statements* comparative information in respect of the previous year have been presented in all numerical information in the financial statements and the narrative and descriptive information where it is relevant for understanding of the current year's financial statements.

3.20 General

- i) Previous year's figures have been rearranged, wherever considered necessary, for the purpose of comparison.
- ii) Figures appearing in these accounts have been rounded off to the nearest Taka.

	2006	2005
	<u>Taka</u>	<u>Taka</u>
4.00 Balances with other Banks and Financial Institutions		
On short term deposit accounts (in local currency)	856,102,107	918,599,330
On current deposit accounts (in local currency)	42,460,444	58,125,445
	<u>898,562,551</u>	<u>976,724,775</u>
5.00 Investments-at cost		
Fixed deposits with other banks (Note 5.01)	19,723,515,990	9,966,716,945
Grameen Mutual Fund-One (Note 5.02)	16,500,000	16,500,000
Share (Note 5.03)	4,000,000	4,000,000
	<u>19,744,015,990</u>	<u>9,987,216,945</u>
5.01 Fixed deposits with other banks		
Southeast Bank Limited	2,012,885,821	1,520,249,725
Arab Bangladesh Bank Limited	320,000,000	-
Prime Bank Limited	2,528,222,363	1,221,128,225
Dutch Bangla Bank Limited	462,451,087	1,216,336,098
State Bank of India	389,675,631	438,641,789
NCC Bank Limited	954,013,517	469,849,739
Mercantile Bank Limited	1,117,356,850	264,389,715
One Bank Limited	947,317,595	489,789,504
EXIM Bank Limited	1,016,947,853	930,790,680
First Security Bank Limited	391,516,382	341,606,349
Mutual Trust Bank Limited	1,171,979,403	685,648,231
Standard Bank Limited	702,712,295	463,580,225
Premier Bank Limited	955,007,858	414,256,540
Bank Asia Limited	900,000,000	277,091,953
The Trust Bank Limited	507,108,961	130,795,000
United Commercial Bank Limited	900,650,000	-
Shahjalal Bank Limited	465,200,685	-
Dhaka Bank Limited	1,771,133,533	897,063,172
Jamuna Bank Limited	859,336,156	205,500,000
The City Bank Limited	600,000,000	-
Eastern Bank Limited	300,000,000	-
BRAC Bank Limited	450,000,000	-
	<u>19,723,515,990</u>	<u>9,966,716,945</u>
5.02 Grameen Bank has invested Tk. 1.65 crore in Grameen Mutual Fund (GMF)-one as sole sponsor. The fund was listed in Dhaka and Chittagong Stock Exchange as on 04 September 2005.		
5.03 Four shares of Central Depository Bangladesh Limited (CDBL) which were subscribed @ Tk. 1,000,000 each.		
5.04 Maturity grouping of investments		
On demand	-	-
Upto 1 month	3,567,219,089	672,045,343
Over 1 month but not more than 3 months	2,904,267,719	1,846,515,024
Over 3 months but not more than 1 year	13,252,029,182	7,258,156,578
Over 1 year but not more than 5 years	16,500,000	190,000,000
Over 5 years	4,000,000	20,500,000
	<u>19,744,015,990</u>	<u>9,987,216,945</u>

	2006	2005
	<u>Taka</u>	<u>Taka</u>
6.00 Loans and advances-Unsecured (Inside Bangladesh)		
Loans		
Basic loans	30,669,086,634	25,665,086,065
Flexible loans	1,739,412,453	1,465,371,175
Housing loans (Members)	295,448,324	619,792,010
Education loans	373,865,218	206,471,714
Social Venture Capital Fund (SVCF) loans	32,550,572	110,509,380
Center house building loan	75,832,343	16,830,541
Loan freeze	48,230,034	209,832
Other loans	24,710,835	24,298,438
	<u>33,259,136,413</u>	<u>28,108,569,155</u>
Advances		
Housing loans (Staff)	100,677,861	113,110,952
Household commodities loans	242,249,693	188,840,436
Salary advances	47,773	52,556
Bicycle advances	15,148,073	9,533,183
Motor cycle advances	10,664,564	6,416,192
Calculator advances	1,186,692	927,751
P.F. advances	508,363,023	463,103,032
Medical loans	6,022,744	4,712,652
Staff welfare loans	1,400,286	1,493,213
	<u>885,760,709</u>	<u>788,189,967</u>
	<u>34,144,897,122</u>	<u>28,896,759,122</u>
6.1 Maturity grouping of loans and advances		
Repayable on demand	-	-
Upto 1 month	2,120,398,112	1,803,157,769
Over 1 month but not more than 3 months	4,257,868,671	3,603,425,863
Over 3 months but not more than 1 year	19,230,406,059	16,274,654,738
Over 1 year but not more than 5 years	8,194,775,309	6,932,332,513
Over 5 years	341,448,971	283,188,239
	<u>34,144,897,122</u>	<u>28,896,759,122</u>
7.00 Fixed Assets including premises, furniture & fixtures (net off accumulated depreciation) :		
Land	42,535,677	39,694,558
Building and other structures	774,181,203	756,109,675
Vehicles	56,599,391	29,930,269
Office equipment	55,289,620	52,764,773
Electrical equipment	16,689,331	14,624,057
Furniture and fixtures	83,162,659	39,627,747
Capital work in progress	16,818,954	22,554,212
	<u>1,045,276,835</u>	<u>955,305,291</u>

	2006	2005
	<u>Taka</u>	<u>Taka</u>
8.00 Other assets		
Interest receivable (Note 8.01)	3,118,918,883	3,182,281,303
Advance income tax for employees	-	2,400,000
Printing stationery on hand	24,450,785	17,283,901
Office stationery on hand	353,730	264,179
Zone/Area control account	264,094	48,614
Advance income tax (Note 8.02)	201,533,746	201,476,872
Security deposits	590,974	583,104
Prepaid expenses	6,573,790	2,520,261
Advance against TA/DA	254,404	157,670
Advance against purchases	440,153	49,435,238
Advance against house rent	4,549,659	2,353,454
Stock & stores (General)	1,364,971	1,799,518
Suspense account	134,936,529	6,245,464
Advances to contractors	2,460,791	2,005,596
Inter-branch adjustments (Note 8.03)	43,590,184	137,833,388
G.B. superannuation fund-current account	-	6,998,428
Workshop	176,387	268,251
Rent receivables	8,913,019	27,423,847
Service charge receivables	-	163,284,234
	<u>3,549,372,099</u>	<u>3,804,663,322</u>

8.01 Interest receivable

From investments

Fixed deposits with other banks	698,498,752	674,537,826
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From Lending

Basic loans	1,248,834,650	1,081,866,526
Flexible loans	880,123,129	966,636,434
Housing loans (Members)	138,494,240	323,994,344
Education loans	2,360,886	1,611,791
Other loans	19,422,402	19,521,550
Interest freeze	1,531,389	11,864

From Staff

Staff loan and advances	42,539,040	39,852,524
P.F. advances	48,466,042	39,626,572
Medical loans	2,604,180	783,178
Household commodities loans	36,044,173	33,838,694
	<u>3,118,918,883</u>	<u>3,182,281,303</u>

8.02 Advance income tax

Advance income tax represents tax deducted at source by Scheduled Banks and others from the income of Grameen Bank. Grameen Bank is a non- taxable entity as per Grameen Bank Ordinance 1983 but due to late receipts of the exemption orders from Government, Grameen Bank had faced such deduction. The tax deducted as such, at source remains to be refundable.

8.03 Inter-branch adjustments

Inter-Branch adjustment account balance Tk.43,590,184 represents outstanding in branch and Head Office transactions (Net) originated but not responded at the balance sheet date. However, unadjusted items are being subsequently adjusted.

	<u>2006</u> <u>Taka</u>	<u>2005</u> <u>Taka</u>
8.04 Maturity grouping of other asset		
On demand	-	-
Upto 1 month	435,507,956	466,832,190
Over 1 month but not more than 3 months	63,178,823	67,723,007
Over 3 months but not more than 1 year	941,648,418	1,002,378,751
Over 1 year but not more than 5 years	1,572,016,904	1,685,085,385
Over 5 years	537,019,998	575,645,561
	<u><u>3,549,372,099</u></u>	<u><u>3,797,664,894</u></u>

9.00 Borrowings from Banks and Foreign Institutions

2% IFAD 239 BA (Note 9.01)	264,736,926	273,009,955
NORAD (Note 9.02)	267,918,176	267,918,176
SIDA (Note 9.03)	238,848,625	238,848,625
Ford Foundation	18,075,066	18,075,066
Dutch Grant Loan (Note 9.04)	44,283,298	44,283,298
Japan Bank of International Co-operation (OECE) (Note 9.05)	1,021,472,306	1,075,257,209
	<u><u>1,855,334,397</u></u>	<u><u>1,917,392,329</u></u>

9.01 2% IFAD 239 BA

A subsidiary loan agreement for an amount in taka equivalent of SDR 6,200,000 was made with Government of the People's Republic of Bangladesh on 8 January 1990. The loan received in 1990 and 1992 is repayable on 15 March and 15 September each year in 80 equal semi annual installments commencing on 15 March 1999 and ending on 15 September 2039.

9.02 Norwegian Agency for International Development (NORAD)

A subsidiary loan agreement for an amount in taka equivalent of Netherlands' Kroner 5,500,000 was made with Government of the People's Republic of Bangladesh on 4 August 1986. The loan received in 1986 is payable with interest rate 2% per annum in March and September each year in 40 equal semi annual installments during a period of 30 years including a grace period of 10 years commencing in March 1997.

9.03 Swedish International Development Authority (SIDA)

A subsidiary loan agreement for an amount in taka equivalent of SEK 60,000,000 was made with Government of the People's Republic of Bangladesh on 30 November 1986. The loan received in 1986 is repayable with interest rate 2% per annum in March and September each year in 40 equal semi annual installments during a period of 30 years including a grace period of 10 years commencing in March 1997.

9.04 Dutch Grant Loan

The loan of DFL 2,000,000 equivalent of Tk. 44,283,298 received in 1986 under a subsidiary loan agreement with Bangladesh Bank is repayable on 15 December each year in 15 equal annual installments within 16 years from the date of receiving the loan including a grace period of one year. As per section 11 of the loan agreement the amount of installments of the principal loans amount repaid by Grameen Bank is allowed to be used in perpetuity for financing its housing loan scheme on the same terms and condition as stated above.

	2006	2005
	<u>Taka</u>	<u>Taka</u>
9.05 JBIC (OECF)		
A subsidiary loan agreement for an amount of taka equivalent of Yen 2,986,000,000 was executed with the Government of the Peoples Republic of Bangladesh on 7 March 1996. The loan is repayable on 15 March and 15 September each year with the interest rate of 2% per annum in semi annual installments in 30 years including a grace period of 10 years in accordance with amortization schedule, first installments being due on 15 September 2005. Tk. 393,133,462, Tk. 419,216,041 and Tk. 289,800,159 were received in 1996, 1997 and 1998 respectively.		
9.06 Maturity grouping of borrowing from banks and financial		
Repayable on demand	-	-
Up to 1 month	-	-
Over 1 month but not more than 3 months	43,698,136	31,028,966
Over 3 months but not more than 1 year	43,698,136	31,028,966
Over 1 year but not more than 5 years	174,792,544	248,231,730
Over 5 years	<u>1,593,145,581</u>	<u>1,607,102,667</u>
	<u>1,855,334,397</u>	<u>1,917,392,329</u>

10.00 Deposits and other funds

Members deposit

Current deposits	28,854,899	25,540,143
Fixed deposit (Note 10.01)	56,381,592	67,554,239
Savings deposit	4,317,771,415	3,631,245,384
Special Savings	-	30,733
Children welfare fund	-	73,838
Grameen pension scheme-10 years (Note 10.02)	13,324,222,125	8,937,444,702
Special Savings account	2,730,531,260	2,739,327,152
Double in 7 years deposit (Note 10.03)	1,156,269,316	1,043,117,199
Monthly profit scheme	59,640,103	52,954,776
Polly phone deposit	1,163,989,458	1,088,476,902
Centre welfare fund	510,710,155	486,704,992
Central emergency fund	119,491,475	120,269,587
Loan insurance savings fund	3,767,136,966	1,981,120,345
Grameen pension scheme-5 years	18,243,960	54,042,780
Share money deposit	68,688,100	49,509,500
	<u>27,321,930,824</u>	<u>20,277,412,272</u>

Non- Members deposit

Current deposit	22,417,579	19,109,223
Short term deposit	127,855	80,778
Fixed deposit	677,092,055	631,292,938
Saving deposit	7,299,763,837	5,198,977,938
Grameen pension scheme-10 years (for staff)	318,404,724	236,290,967
Double in 7 years deposit	6,926,525,203	4,115,495,259
Monthly profit scheme	1,734,874,266	1,257,407,800
Technology project deposit	2,878,045	3,114,779
Forestation fund	4,054,873	3,509,884
Grameen pension scheme-5 years (for staff)	723,622	1,034,989
Employee loan insurance savings fund	33,509,618	27,282,343
	<u>17,020,371,677</u>	<u>11,493,596,898</u>

	2006	2005
	<u>Taka</u>	<u>Taka</u>
Other Funds		
Employees welfare fund	73,124,025	66,220,410
Struggling member welfare fund	40,708,073	48,643,194
Award fund	82,302,929	29,847,287
Maintenance reserve	48,316,739	44,701,205
Cafeteria	1,856,053	1,691,983
Leasing insurance fund	5,612,440	5,612,440
Contingency fund (Note 10.04)	172,491,591	143,919,475
Babsabikash risk coverage fund	291,733,867	163,876,957
Loan repaid by Babsabikash	5,279,181	253,474
Employees loan insurance fund	5,778,497	2,935,810
Loan insurance fund	302,597,393	-
Animal insurance fund	24,645,999	20,513,138
Grameen Bank Disaster Relief Fund	2,205,884	2,205,884
Members welfare fund	5,941,220	5,941,220
Polly phone risk coverage fund	46,304,764	46,304,764
Revolving fund-special programme	8,216,940	7,994,441
Revolving fund-SIDE	17,726,540	17,632,889
Revolving fund (Note 10.05)	29,884,496	96,243,212
Rehabilitation fund (Note 10.06)	2,143,673,316	2,135,542,431
	<u>3,308,399,947</u>	<u>2,840,080,214</u>
	<u>47,650,702,448</u>	<u>34,611,089,384</u>

10.01 Fixed Deposit

Grameen Bank started "fixed deposit scheme" vide its circular no. 02/2000 dated 16 May 2000 which is for minimum of 1 year and maximum of 3 years. Interest rates of fixed deposit are 8.75%, 9.25% and 9.50% for 1 year, 2 years and 3 years respectively. Depositors can get interest after matured date of fixed deposit.

10.02 Grameen pension scheme

Grameen Bank Started "Grameen pension scheme" of 5 years and 10 years vide its circulars no. 2-06/2000 dated 30 August 2000 for the financial assurance of their members and employees. Under this scheme Grameen Bank motivates their members and employees to small savings by opening "GPS Account" in the respective branches which rate of interest is 10% for 5 years and 12% for 10 years. Both are payable yearly basis.

10.03 Double in 7 years deposit

Grameen Bank started "Double in 7 years deposit" scheme vide its circular no 2-07/2000 dated 30 August 2000 for making financial strengths of rural civil society by increasing saving mentality. Any person can open his/her account by depositing minimum of Tk. 1,000.00 (One thousand) or its general multiplying amount for 7 years. After 7 years account holder for carrying his/her account fulfilling the all criteria will get double amount (consolidated principal and interest) of his/her investment.

10.04 Contingency fund

Grameen Bank has created "Contingency Fund" to cover the loss (if any) arises from forgery, theft, lost, assault, robbery etc.

10.05 Revolving fund

Revolving fund from G.T.Z	14,621,090	14,621,090
Revolving fund from K.F.W	6,729,042	6,729,042
Revolving fund for SVCF	3,708,745	70,067,461
Revolving fund for housing rehabilitation	4,825,619	4,825,619
	<u>29,884,496</u>	<u>96,243,212</u>

	2006	2005
	<u>Taka</u>	<u>Taka</u>
10.06 Rehabilitation fund		
Opening Balance	2,135,542,431	1,066,779,045
Payment during the year	(6,276,312)	(2,622,138)
Reimbursement during the year	14,407,197	70,943,538
Profit for the year	-	1,000,441,986
	<u>2,143,673,316</u>	<u>2,135,542,431</u>
10.07 Maturity grouping of deposit and other funds		
Repayable on demand	-	-
Up to 1 month	1,987,034,292	1,443,282,427
Over 1 month but not more than 3 months	7,099,954,665	5,153,591,209
Over 3 months but not more than 1 year	20,008,529,958	14,536,657,541
Over 1 year but not more than 5 years	12,722,737,553	9,241,160,866
Over 5 years	5,832,445,980	4,236,397,341
	<u>47,650,702,448</u>	<u>34,611,089,384</u>
11.00 Other Liabilities		
Interest payable on borrowings	10,631,112	10,998,360
Interest sundry	3,606,314	1,881,083
Bills payable	533,935,636	574,590,476
P.F. trustee board-current account	98,236	9,903,552
Contributory provident fund	56,000	-
Accounts for other institutions (Note 11.01)	5,034,935	4,859,763
G.B. superannuation fund-current account	153,018,974	-
SIDE programme-sundry deposit	191,160	191,160
Retention money	1,779,751	1,031,486
Earnest money	1,792,120	1,921,920
Claimable deposits	17,899,944	12,572,243
Unpaid salary	169,003	76,010
Tax deducted at source	268,952	142,104
Sundry receipts	155,894	90,969
Farewell grant provision for fixed salary staff	35,111,910	14,231,644
Miscellaneous	174,376,668	41,530,987
Advance house rent	2,619,781	2,152,944
Provision reserves (Note 11.02)	2,825,655,615	2,705,223,381
	<u>3,766,402,005</u>	<u>3,381,398,082</u>
11.01 Accounts for other institution		
Grameen Telecom	999	1,000
Grameen Fisheries & Livestock Foundation	3,682,185	3,409,315
Grameen Communications	16,349	104,404
Grameen Shikkha	524,061	554,703
Grameen Kalyan	790,341	790,341
Grameen Krishi Foundation	20,000	-
Grameen Samogree	1,000	-
	<u>5,034,935</u>	<u>4,859,763</u>
11.02 Provision reserves		
Total specific provision against loans & advances and Interest receivable (11.02.1)	1,992,715,688	2,271,993,688
Total general provision against loans & advances and Interest receivable (11.02.2)	832,939,927	433,229,693
	<u>2,825,655,615</u>	<u>2,705,223,381</u>

	2006	2005
	Taka	Taka
11.02.1 Total specific provision against loans & advances and Interest receivable		
Specific provision against loans & advances (a)	1,396,196,231	1,406,936,109
Specific provision against Interest receivable (b)	596,519,457	865,057,579
	1,992,715,688	2,271,993,688
a) Specific provision against loans & advances		
Basic and Flexible loans	1,325,597,160	1,254,490,624
Housing loans	70,599,071	152,445,485
	1,396,196,231	1,406,936,109
b) Specific provision against Interest receivable		
Basic and Flexible loans	545,935,457	736,266,760
Housing loans	50,584,000	128,790,819
	596,519,457	865,057,579
11.02.2 Total general provision against loans & advances and Interest receivable		
Regular basic loans	343,837,781	265,176,211
Regular housing loans	169,594,382	168,053,482
Reserve for bad debt recovery	319,507,764	-
	832,939,927	433,229,693
11.03 Maturity grouping of other liabilities		
Repayable on demand	-	-
Up to 1 month	485,112,578	435,524,073
Over 1 month but not more than 3 months	-	-
Over 3 months but not more than 1 year	1,014,292,060	903,612,075
Over 1 year but not more than 5 years	2,266,997,367	2,035,263,506
Over 5 years	-	-
	3,766,402,005	3,374,399,654
12.00 Share Capital		
12.01 Authorized		
5000000 Ordinary Shares of Tk. 100 each	500,000,000	500,000,000
12.02 Paid up Capital		
3,180,000 ordinary shares of Tk. 100 each issued for cash	318,000,000	318,000,000

Shareholders for year ended December 2006	%	No. of Shares	Nominal value of Share	
Government of Bangladesh	3.78	120,000	12,000,000	12,000,000
Sonali Bank	0.94	30,000	3,000,000	3,000,000
Bangladesh Krishi Bank	0.94	30,000	3,000,000	3,000,000
				18,000,000
Borrowers :				
Men	4.28	136,163	13,616,300	13,616,300
Women	90.06	2,863,837	286,383,700	286,383,700
Total	100	3,180,000	318,000,000	318,000,000

	2006	2005
	Taka	Taka
12.03 Capital Adequacy Ratio		
Tire-I (Core Capital)		
Paid up Capital	318,000,000	318,000,000
Capital & other reserves	5,668,182,878	4,396,182,878
Surplus Retained Earnings	125,000,000	-
	<u>6,111,182,878</u>	<u>4,714,182,878</u>
Tire-II (Supplementary capital)		
General Provision	832,939,927	433,229,693
Total Capital (A)	<u>6,944,122,805</u>	<u>5,147,412,571</u>
Total Assets	59,383,621,728	44,624,062,673
Total Risk Weighted Assets (B)	48,292,420,027	38,394,920,970
Required Capital based on Risk Weighted Assets (9% of RWA)(C)	4,346,317,802	3,455,542,887
Core Capital (Tire-I)	6,111,182,878	4,714,182,878
Supplementary Capital (Tire-II)	832,939,927	433,229,693
Total	<u>6,944,122,805</u>	<u>5,147,412,571</u>
Surplus/(Shortage)-(A-C)	<u>2,597,805,003</u>	<u>1,691,869,684</u>
Capital to risk- weighted assets (A/B)	14.38%	13.41%
13.00 Capital and Other Reserves		
Capital reserves (Note 13.01)	4,280,409,577	4,280,409,577
General reserve	318,000,000	-
Proposed dividend	318,000,000	-
Dividend equalization fund	636,000,000	-
Retain surplus	125,000,000	-
Other reserves (Note 13.02)	115,773,301	115,773,301
	<u>5,793,182,878</u>	<u>4,396,182,878</u>
13.01 Capital reserves		
Revolving fund (Note 13.01.1)	3,732,311,704	3,732,311,704
Grants	527,997,873	527,997,873
MED Revolving fund	20,100,000	20,100,000
	<u>4,280,409,577</u>	<u>4,280,409,577</u>
Capital reserve includes outstanding balances of revolving funds and grant as at 31 December 1999 which are no longer refundable.		
13.01.01 Revolving fund		
Revolving fund for G & C	1,544,811,573	1,544,811,573
Revolving fund for house loan	2,065,346,276	2,065,346,276
Revolving fund for staff house loan	122,153,855	122,153,855
	<u>3,732,311,704</u>	<u>3,732,311,704</u>
13.02 Other reserves		
Special reserve	992,043	992,043
Training reserve fund	3,017,748	3,017,748
Training revolving fund	10,387,868	10,387,868
Publication fund	2,807,045	2,807,045
Assets replacement reserve	49,697,943	49,697,943
SIDE programme-sundry deposit	19,020,037	19,020,037
SIDE fund revolving account	3,238,095	3,238,095
Special programme-GTZ	26,612,522	26,612,522
	<u>115,773,301</u>	<u>115,773,301</u>

2006
Taka

2005
Taka

	2006	2005
	<u>Taka</u>	<u>Taka</u>
15.00 Interest Income		
Loans and advances (Note 15.1)	6,271,659,145	4,726,756,601
Deposits	63,907,179	19,339,234
	<u>6,335,566,324</u>	<u>4,746,095,835</u>
15.01 Interest on loans and advances		
Members loan		
Basic loans	5,845,680,416	4,231,282,248
Flexible loans	313,309,462	327,329,024
Housing loans	40,646,580	79,019,892
Education loans	1,267,519	3,287,959
Other loans	9,144	2,758,375
	<u>6,200,913,121</u>	<u>4,643,677,498</u>
Employees Advances		
Staff loans & advances	11,070,256	12,407,555
P.F. advances	47,433,614	41,572,919
Household commodities loans	12,023,699	25,639,922
Medical loans	218,455	3,458,707
	<u>70,746,024</u>	<u>83,079,103</u>
	<u>6,271,659,145</u>	<u>4,726,756,601</u>
16.00 Interest expenses		
Interest on deposits (Note 16.01)	3,433,459,392	2,230,790,541
Interest on borrowings (Note 16.02)	37,649,535	54,892,984
	<u>3,471,108,927</u>	<u>2,285,683,525</u>
16.01 Interest on deposits		
Members deposit (Note 16.01.01)	2,240,159,196	1,483,165,078
Non-Members deposit (Note 16.01.02)	1,168,608,748	722,443,807
Others (Note 16.02.03)	24,691,448	25,181,656
	<u>3,433,459,392</u>	<u>2,230,790,541</u>
16.01.01 Members deposit		
Fixed deposit	6,289,853	7,865,044
Saving deposit	289,385,130	225,112,219
Special savings	-	408,714
Children welfare fund	-	88,133
Central emergency fund	13,580,288	13,522,973
Centre welfare fund	39,597,792	36,677,400
Polly phone deposit	89,911,228	55,784,736
Grameen pension scheme-10 years	1,118,877,754	701,940,452
Special savings account	211,514,059	190,072,818
Double in 7 year deposit	102,529,177	87,926,849
Monthly profit deposit scheme	16,441,361	14,088,031
Loan insurance savings fund	348,882,544	142,420,928
Grameen pension scheme-5 years	3,150,010	7,256,781
	<u>2,240,159,196</u>	<u>1,483,165,078</u>

	2006	2005
	<u>Taka</u>	<u>Taka</u>
16.01.02 Non-Members deposit		
Fixed deposit	58,909,629	45,471,367
Savings deposit	434,386,810	274,478,777
Technology project deposit	184,175	974,948
Grameen pension scheme-10 years (for staff)	30,044,199	21,813,926
Double in 7 year deposit	501,242,782	291,633,074
Monthly profit deposit scheme	139,373,970	83,565,175
Grameen pension scheme-5 years (for staff)	126,563	165,479
Loan insurance savings fund	3,647,590	3,384,531
Forestation and other fund	693,030	956,530
	<u>1,168,608,748</u>	<u>722,443,807</u>
16.01.03 Others		
Contingency fund	12,232,750	10,203,805
Struggling member welfare fund	3,518,980	4,294,305
Employees' welfare fund	5,627,336	5,142,041
P.F. Trusty Board-current account	176,759	3,060,308
Grameen award funds	2,702,694	1,987,380
Accounts of other organizations	247,572	368,952
Cafeteria	135,690	124,865
Miscellaneous	49,667	-
	<u>24,691,448</u>	<u>25,181,656</u>
16.02 Interest on borrowings		
3% IFAD 41 BA	-	179,838
2% IFAD 239 BA	5,369,535	5,534,996
NORAD	5,358,363	5,358,363
SIDA	4,776,973	4,776,973
JBIC (OEFC)	20,915,720	21,883,849
Interest on short term loans	786,111	3,627,857
Dutch grant loan	442,833	442,889
Interest on bond and debentures	-	13,088,219
	<u>37,649,535</u>	<u>54,892,984</u>
17.00 Other Income		
Service charges	38,348,301	35,568,282
Bad debts recovery	321,872,382	852,491,346
Rent received	38,164,187	25,084,727
Polly phone service charge receipt	864,036,857	793,658,587
Sale proceeds of old newspapers	537,425	518,728
Income from Health Program	128,092	196,842
Rebate from Byabosa Bikash	13,455,643	7,589,282
Sale proceeds of tender forms	260,300	203,050
Miscellaneous receipts (Note 17.1)	124,756,332	81,417,408
	<u>1,401,559,519</u>	<u>1,796,728,252</u>
17.01 Miscellaneous receipts		
Income from properties,		
Profit on sale of plant and equipment	35,041	1,453,338
Income from accounts closing	83,995,380	47,656,970
Income from ROSA Programme	80,273	-
Others	40,645,638	32,307,100
	<u>124,756,332</u>	<u>81,417,408</u>

	2006	2005
	<u>Taka</u>	<u>Taka</u>
18.00 Salaries and other Related Expenses		
Salaries	956,804,772	784,055,653
Compensation for surrendering leave	20,895,344	20,655,960
Personal allowances	20,220	16,440
Dearness allowances	(22,359)	2,284,510
House rent allowances	289,398,844	214,663,929
Medical allowances	65,648,754	53,337,952
Conveyance allowances	49,640,871	39,426,948
Washing allowances	353,248	481,869
P.F. Subscription	28,000	6,775
Overtime	1,967,485	1,361,871
Watch and ward allowances	162,403	161,991
Bonus	151,121,209	117,749,775
Pension & Gratuity	488,509,802	434,275,702
	<u>2,024,528,593</u>	<u>1,668,479,375</u>
19.00 Rent, Rates, Taxes, Vehicle Insurance, Utilities etc.		
Rent, rates & taxes	46,949,714	30,920,196
Insurance	948,672	695,804
Water, electricity & gas	20,671,481	17,098,353
	<u>68,569,867</u>	<u>48,714,353</u>
20.00 Legal and Professional Expenses		
Legal expenses	867,180	697,145
Other professional expenses	73,977,134	44,675,010
	<u>74,844,314</u>	<u>45,372,155</u>
21.00 Auditors' Fees		
Statutory audit	792,110	524,590
Special-PF audit	12,540	12,540
	<u>804,650</u>	<u>537,130</u>
22.00 Stationery, Printing, Advertisement etc.		
Printing & Stationery		
Printing Stationery	63,223,082	50,072,773
Work Aid	6,337,365	4,810,160
Printing & photocopy	9,402,677	5,550,664
Office Stationery	18,091,870	11,825,443
	97,054,994	72,259,040
Publicity & Advertisement	1,055,386	495,876
	<u>98,110,380</u>	<u>72,754,916</u>
23.00 Managing Director's Salary & Allowances		
Basic salary	276,000	264,000
House rent allowances	105,000	72,000
Medical allowances	5,400	4,800
Dearness allowances	-	9,000
Domestic aid allowance & entertainment	16,350	13,620
Bonus	69,000	45,000
	<u>471,750</u>	<u>408,420</u>

	2006 Taka	2005 Taka
24.00 Repair & Maintenance of Fixed Assets		
Property & assets	15,232,616	11,118,187
Vehicles	13,798,502	8,116,406
Office & Electric Equipment	4,640,198	3,225,080
	33,671,316	22,459,673
25.00 Other Expenses		
Traveling & conveyance expenses	59,087,755	40,938,639
Postage, telegram and telephone	16,499,140	11,603,305
Entertainment	6,562,656	4,507,472
Liveries and uniform	473,979	522,986
Washing expenses	906,989	336,926
Welfare and recreation	24,708,569	15,245,887
Books and journals	52,870	45,542
Computer expenses	129,094,787	92,697,659
Bank charges	30,243,502	21,152,213
Expense for contingency fund	16,613,974	14,032,891
Training expenses	60,313,318	34,329,177
Special programme	521,968	2,106,452
Seminer & conference	1,200,597	1,810,840
Film and development	1,424,407	589,196
Lunch subsidy	131,277,182	117,608,924
Income tax	8,929,570	5,350,654
Group insurance	4,066,987	2,654,986
Holiday work allowance	328,845	227,355
Special subsidy	2,453,858	1,073,685
Felicitatation allowance	64,436,821	40,453,513
Scholarship	8,897,681	7,073,492
Miscellaneous expenses	57,933,417	66,475,447
	626,028,872	480,837,241
26.00 Provisions		
Total specific provision for loans & advances and interest receivable	1,499,181,910	1,476,494,272
Specific provision for loans and advances (Note 26.01)	982,850,979	781,453,172
Specific provision for interest receivable (Note 26.02)	516,330,931	695,041,100
Total general provision for loans & advances and interest receivable	83,526,097	252,868,700
General provision for regular basic loans	81,555,455	84,815,218
General provision for regular housing loans	1,970,642	168,053,482
	1,582,708,007	1,729,362,972
26.01 Provision for loans and advances (for specific)		
Basic and Flexible loans	862,264,194	676,722,711
Housing loans	120,586,785	104,730,461
	982,850,979	781,453,172
26.02 Provision for interest receivable (for specific)		
Basic and Flexible loans	409,454,356	489,906,752
Housing loans	106,876,575	205,134,348
	516,330,931	695,041,100

27.00 Other Assets (item-wise)	2006	2005	Increase/ Decrease
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Interest receivable (Note 8.01)	3,118,918,883	3,182,281,303	(63,362,420)
Advance income tax for employees	-	2,400,000	(2,400,000)
Printing stationery on hand	24,450,785	17,283,901	7,166,884
Office stationery on hand	353,730	264,179	89,551
Zone/Area control account	264,094	48,614	215,480
Advance income tax (Note 8.02)	201,533,746	201,476,872	56,874
Security deposits	590,974	583,104	7,870
Prepaid expenses	6,573,790	2,520,261	4,053,529
Advance against TA/DA	254,404	157,670	96,734
Advance against purchases	440,153	49,435,238	(48,995,085)
Advance against house rent	4,549,659	2,353,454	2,196,205
Stock & stores (General)	1,364,971	1,799,518	(434,547)
Suspense account	134,936,529	6,245,464	128,691,065
Advances to contractors	2,460,791	2,005,596	455,195
Inter-branch adjustments (Note 8.03)	43,590,184	137,833,388	(94,243,204)
G.B. superannuation fund-current account	-	6,998,428	(6,998,428)
Workshop	176,387	268,251	(91,864)
Rent receivables	8,913,019	27,423,847	(18,510,828)
Service charge receivables	-	163,284,234	(163,284,234)
	3,549,372,099	3,804,663,322	(255,291,223)

28.00 Other Liabilities (item wise)

Interest payable on borrowings	10,631,112	10,998,360	(367,248)
Interest sundry	3,606,314	1,881,083	1,725,231
Bills or other payable	533,935,636	574,590,476	(40,654,840)
P.F. trustee board-current account	98,236	9,903,552	(9,805,316)
Contributory provident fund	56,000	-	56,000
Accounts for other institutions (Note 11.01)	5,034,935	4,859,763	175,172
G.B. superannuation fund-current account (Note 11.02)	153,018,974	-	153,018,974
SIDE programme-sundry deposit	191,160	191,160	-
Retention money	1,779,751	1,031,486	748,265
Earnest money	1,792,120	1,921,920	(129,800)
Claimable deposits	17,899,944	12,572,243	5,327,701
Unpaid salary	169,003	76,010	92,993
Tax deducted at source	268,952	142,104	126,848
Sundry receipts	155,894	90,969	64,925
Farewell grant provision for fixed salary staff	35,111,910	14,231,644	20,880,266
Miscellaneous	174,376,668	41,530,987	132,845,681
Advance house rent	2,619,781	2,152,944	466,837
Provision reserves (Note 11.03)	2,825,655,615	2,705,223,381	120,432,234
	3,766,402,005	3,381,398,082	385,003,923

(1,582,708,007)

(1,197,704,084)

29.00 Cash & Bank Balance (at end of the period)

	2006	2005
	<u>Taka</u>	<u>Taka</u>
Cash in hand	1,215,684	2,163,889
Balances with Bangladesh bank (in local currency)	281,447	1,229,329
Balances with other banks and financial institutions	898,562,551	976,724,775
	900,059,682	980,117,993