

The Gross Domestic Product (GDP) growth is projected at 7.2 percent in FY 2013 based on prevailing investment and growth momentum in the real economy. With this end, Bangladesh Bank's monetary programme for FY 2013 has set to provide adequate monetary accommodation to achieve targeted GDP growth in FY 2013. The monetary programmes designed to provide 18 percent productive credit growth to private sector in FY 2013 instead of 16 percent in FY 2012 to support growth oriented monetary policy as well as to contain inflation at the targeted level of 7.5 percent for FY 2013.

FINANCIAL PERFORMANCE OF BDBL

The Banking Industry of the country in 2012 was passing through several backdrops, like global financial crisis, money market and capital market volatility, crisis of fund, stricter Central Bank's regulations to contain Credit Deposit Ratio (CDR), downward trends of credit flows, political instability, shortages of power and energy, etc. Besides, introduction of few regulatory instruction in 2012, have caused upward trend of non-performing loans in many banks. All these had led to slower profit growth of banks in 2012 compared to the previous year.

The management of BDBL focused more on consolidating its strength in 2012 by way of capacity building, strong capital base and efficient liquidity management. Accordingly, in the area of capacity building, the Bank revitalized its organogram to make it more dynamic and delivery oriented. For this, it created a number of new Departments and opened new Branches for expanding banking activities, liability, marketing, branding etc. Strong Capital Base was also maintained including limiting of Credit Deposit Ratio (CDR) to the desired level.

The year 2012 was pretty good for BDBL. The picture of business and revenue growth of the Bank was rosy like the previous year. The Key Performance Indicators (KPIs) of banking operations are testimony to the achievement and growth of the Bank. The Bank earned Net Interest Income (NII) Tk. 87.98 crore against the target of Tk. 95.56 crore in 2012, indicating 92 percent achievement of the target. Similarly, the non-funded income (fees, commission and other non-funded) was Tk. 53.97 crore against the target of Tk. 64.26 crore in 2012, showing 84 percent rise over the target. The total operating income of the Bank rose by 18.29 percent to Tk. 189.17 crore in 2012 than Tk. 159.92 crore of the previous 2011. At the same time, total operating expenses in 2012 posted a moderate rise of 17 percent to Tk. 86.37 crore over the previous year. As a result, the Net Income Before Provision and Tax (NIBPT) stood at Tk. 102.80 crore in 2012 against the target of Tk. 115.00 crore, showing an achievement of 89 percent of the target. Cost to Income Ratio slightly increased to 59.21 percent in 2012 which was 54.92 percent in 2011.

The dividend policy of the Bank aims to ensure sustainable growth of the Bank with strong Capital Adequacy Ratio, which must maximize value for the shareholder. The Bank successively proposed to pay as high as Tk. 7.5 crore dividend to the shareholder in 2012.

BUSINESS GROWTH IN 2012

In 2012, all out efforts were continued to diversify and improve the deposit mix to strengthen deposit base with stable sources of funds. To increase number of deposit accounts, intensified target and campaign were speed up in 2012. The campaign was strongly supported by opening new Branches, introducing online banking and upgrading IT infrastructure and increasing promotional activities including improved delivery capabilities to meet the growing needs of the customers. Despite mounting liquidity pressure in the banking system, the deposit of Bank grew by Tk. 794.55 crore in 2012 from Tk. 470.68 crore in 2011, indicating an increase of 68.81 percent growth and achievement of 79 percent of the target which was determined Tk. 1000.00 crore in 2012.

Loans and advances stood at Tk. 1474.31 crore at the end of 2012 from Tk. 1004.61 crore, showing a growth of about 47 percent over the previous year.

The Bank continued to grow and diversify its portfolio in 2012 to have a diversified client base and portfolio distributed across the sectors to reduce client specific and industry specific concentration and to reduce overall portfolio risk. Considering the future market direction, a number of retail products and SME products aiming at specific target groups were launched in 2012.

ACHIEVEMENT OF S M E

It is our pride that BDBL achieved **1st** place among 47 Banks in “Performance Ranking-2012” by Bangladesh Bank for financing women entrepreneurs. Obviously, it is a landmark achievement.

NON – PERFORMING LOANS

Non – performing loans of the Bank increased from the previous year due to compliance of the regulatory requirements. The efforts to reduce non - performing loans ratio to total loans (excluding staff loan) did not yield desired result as was targeted in 2012. However, full provision was made against these classified loans. The Bank took different measures to reduce the quantum of classified loan.

RISK MANAGEMENT

As a Financial Intermediary, BDBL faces challenges from different types of risks that may have adverse impacts on the business and profitability. Risk management in Bank’s operation includes identification, measurement, assessment, monitoring and control of various risks which aims to minimize adverse impact of risks taking and financial results of the Bank ensuring credit quality. The Risk Management Unit of the Bank prepares monthly Risk Report on the health of the Bank and Stress Test results on the financial position of the Bank and present to the senior management and Supervisory Review Process Team. The Audit Committee and the Board of Directors were appraised periodically for guidance.

STRONG CAPITAL ADEQUACY

BDBL always puts much emphasis on strengthening and enhancing its risk management culture and internal control processes rather than increasing capital to cover up weak Risk Weighted Assets (RWA). As a result, the Bank’s Capital Adequacy Ratio (CAR) remains consistently at the higher level than asked for by the

Central Bank. The Capital Adequacy Ratio maintained at 27.26 percent (core capital 18.01 percent + supplementary capital 9.25 percent) in 2012 which was 28.90 percent (core capital 18.43 percent + supplementary capital 10.47 percent) in 2011.

BDBL'S RATINGS

BDBL's entity ratings by the Credit Rating Information and Services Ltd. (CRISL) also reflected stable position being awarded with AAA for Long Term and ST-1 for short Term as Govt. Supported Entity. It also awarded with A- for Long Term and ST-2 for Short Term as Stand-alone Commercial Bank.

OTHER ACTIVITIES

BDBL is consistently improving its IT backbone to expand its products and services and always striving to cater to the banking needs of a wider customer base and enhance the mission of promoting financial inclusiveness.

It is true that the global financial industries contributed substantially to the on going crisis by their mindless pursuit of profit, causing negative impacts on the People and Planet. Our Bank is more sensitive to the needs of the community and environment and not concentrate solely on profit maximization. Considering the needs, the Bank formulated Green Banking Policy and Corporate Social Responsibility Policy according to the guidelines given by the Central Bank in order to implement the same for betterment of the Society and Planet.

BUSINESS OUTLOOK FOR 2013

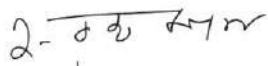
- Explore potential depositors and take steps to make them our customers to increase investable fund and contain cost of fund by no cost and low cost deposit mix.
- Enhance image of the Bank by taking customer focused, need-based and solution-driven activities.
- Ensure better customer services according to the needs of the customers at reasonable cost.
- Achieve business growth through enhancing non-funded activities and loans and advances by better products and services.
- Drive Export-Import business in full swing.
- Determine realistic strategy to turn loss incurring Branches into profit earning Branches for healthy profit growth of the Bank.
- Reduce classified loans and advances by sanctioning quality loans and recovering of the same.
- Devise new strategy and processes to realize written-off loans.
- Maintain adequate liquidity surplus to ensure smooth transactions.
- Introduce online banking among all Branches by June, 2013.
- Speed-up CSR activities.
- Open 15 new Branches in rural and urban areas of potentialities for making banking services available to the un banked people of the society.
- Improve performance and productivity of the employees through pursuing greater cost efficiency and capacity building.

- Activate guidance, supervision and monitoring of the Branch level activities by senior management which will play a lead role in achieving the strategic objectives of the Bank.
- Work out SWOT analysis regularly for reviewing the Bank and its market position.

We are optimistic in achieving our Goals through well-defined strategy and targets thereby to provide long term sustainable value for our shareholders with a dedicated line of human resource who act with special care, concern and consciousness.

Finally, I give special thanks to my colleagues of all levels for their efforts and dedication in achieving the desired results. I would also like to express my sincere thanks and gratitude to the Board of Directors of BDBL for their consistent guidance, support and co-operation.

We are also indebted to the Government of Bangladesh, Bangladesh Bank, Securities & Exchange Commission, Office of the Registrar of the Joint Stock Companies & Firms, DSE & CSE for their continued support and co-operation.



Dr. Md. Zillur Rahman

Managing Director

DIRECTORS' REPORT: 2012



Directors' report concisely describes the Global and Domestic economic scenario of 2012 to get an overview on the challenging macro environment prevailed in the business operation. We also review our operational and financial performance through analyzing our key operational areas and the activities of the Bank during 2012 and determine the business goals of 2013 in the light of the previous year's evaluation.

I, on behalf of the Board of Directors, cordially welcome the honorable Shareholders and their representatives at the 3rd Annual General Meeting of Bangladesh Development Bank Ltd. (BDBL). It is to be mentioned that following the signing of two Vendors' Agreements with the Government in December 2009, BDBL, established as a Public Limited Company, took over the undertakings and the business of statutory bodies namely Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS) with all their assets, benefits, rights, powers, authorities, privileges, liabilities, personnel, borrowers and other obligations to carry on with the same business. Additionally, it got the licence for Commercial Banking Business as per Memorandum and Articles of Association of BDBL.

Before presenting the operational and financial performance of the Bank for the year 2012, a brief review of the global economic situation along with the performance of the Domestic Economy in 2012 would appear to be in order. A brief reference to the initial difficulties and the challenges experienced by BDBL in its first year of operation would also be relevant here.

GLOBAL ECONOMIC SCENARIO

The world economy experienced a growth of 3.3 percent in 2012 lower than the already disappointing pace of 3.8 percent in 2011. The worsening situation happened because of the policy measures taken by the advanced economies including the United States, Germany, France, Italy, Spain, UK, Japan, Canada failed to retain adequate confidence in the medium-term to uphold prospects. The severe sovereign debt crisis in the euro zone moved deeper into recession, caught in the downward spiraling dynamics from high unemployment, weak aggregate demand compounded by fiscal austerity, high public debt burdens and financial sector fragility. Though the growth in the emerging and developing economies was held back by the spillover effect of the advanced economies and their internal economic crisis, their growth rate went down from 6.2 percent in 2011 to 5.3 percent in 2012.

Consumer prices in advanced economies decreased from 2.7 percent in 2011 to 1.9 percent in 2012. In the United States, the labour market improved gradually and wages declined. As a result, the CPI inflation went down from 3.1 percent in 2011 to 2 percent in 2012.

Similarly, in the euro-area inflation declined from 2.7 percent in 2011 to 2.3 percent in 2012 as wages remained stagnant over this period. In the emerging and developing economies, inflation also went down from 7.2 percent in 2011 to 6.1 percent in 2012.

WORLD TRADE VOLUME

The growth of world trade volume (goods and services) declined to 3.2 percent in 2012 from 5.8 percent in 2011. The growth rate of exports for both advanced economies and emerging and developing economies fell to 2.2 percent and 4 percent in 2012 from 5.3 and 6.5 percent respectively in 2011. The growth of imports for the advanced economies and emerging and developing economies also fell to 1.7 and 7 percent in 2012 from 4.4 and 8.8 percent respectively in 2011.

WORLD GROWTH PROSPECTS FOR 2013

According to World Economic Outlook, October 2012, the world economy will slow to average growth rate of 3.6 percent in 2013 from over 5.1 percent in 2010 but is estimated to increase than 2012, a moderate up tick from 3.3 percent. It also indicates that the recovery from the global recession will not be uniform, in advanced countries GDP growth is expected to be around 1.5 percent, against 5.6 percent growth in emerging and developing economies. The main risk factors for the former are the persistent weakness in the labor and real-estate markets in the United States, and the sovereign debt pressure in the euro area. The risk of overheating and a possible inflationary spiral prevails in the emerging and developing economies.

A REVIEW OF BANGLADESH ECONOMY IN FY 2012

In the midst of global economic slowdown and challenging domestic environment, the Bangladesh economy posted a steady growth of 6.3 percent during FY 2012, though considerably lower than the projection of 7 percent. The robust growth of 9.5 percent in the industrial sector, a sustained growth of 6.1 percent in service sector along with a moderate growth of 2.5 percent in the agricultural sector aided the real economy to remain steady in the FY 2012.

The Government and Bangladesh Bank continued to adopt suitable policies to attain economic stability and growth.

SECTORAL GROWTH PERFORMANCE

Agriculture sector

The contribution of the agriculture sector declined to 19.3 percent of the total GDP in FY 2012 compared to 20 percent in FY 2011. Agricultural growth slowed down from 5.1 percent in FY 2011 to 2.5 percent in FY 2012 as growth in the agriculture and forestry sub-sectors declined markedly to 1.7 percent in FY 2012 from 5.1 percent in FY 2011, while the growth in the fishing sub-sector rose slightly to 5.4 percent in FY 2012 from 5.3 percent in FY 2011. This was further fuelled by the rise in production cost due to higher prices of fuel and fertilizer.

Industry Sector

The industry sector, comprised of the sub-sectors of mining and quarrying and manufacturing, construction and power, gas and water supply, showed an impressive growth of 9.5 percent in FY 2012 than the growth rate of 8.2 percent achieved in FY 2011. This sector contributed 31.3 percent of GDP. The faster growth in small scale industries helped achieve this remarkable industrial growth, which increased to 7.2 percent in FY 2012 from 5.8 percent in FY 2011. Fiscal incentives given to the SMEs in FY 2012 budget together with credit support under the Equity and Entrepreneurship Fund (EEF) implemented by the Central Bank appeared to have helped growth in small scale manufacturing. The small scale manufacturing sub-sector contributed about 28 percent of the manufacturing sub-sector. The production of this sub-sector was dependent on indigenous raw materials and was generally immune to external shocks.

However, the growth in the large and medium scale manufacturing slightly declined to 10.8 percent in FY 2012 from 10.94 percent in FY 2011. Weaker growth in this sub-sector was attributable largely to a significant reduction in export growth.

Service Sector

The service sector, the largest sector in the economy, contributed almost 50 percent of the total GDP in FY 2012. In FY 2012, the service sector grew at a rate of 6 percent compared to that of 6.2 percent in FY 2011. Growth in the wholesale and retail trade, financial intermediations, education and health and social sub-sectors declined slightly with considerable decline in the growth in public administration and defense sub-sector. On the other hand, the growth rates in the transport, storage and communication, real estate, renting and business activities and community, social and personal services sub-sectors increased in FY 2012 compared to those in FY 2011.

FISCAL DEVELOPMENT

Expenditure

The total expenditure as percentage of GDP showed a rise of 17.6 percent in FY 2012 from 16.3 percent in FY 2011. The both current and ADP expenditure as a percentage of GDP increased to 10 percent and 4.5 percent respectively in FY 2012 than that of in FY 2011. The total expenditure in FY 2012 amounted to Tk. 1612.00 billion, which was 25.7 percent higher than the expenditure of Tk. 1282.7 billion in FY 2011.

Revenue Receipts

The total revenue receipt in FY 2012 was Tk. 1,148.9 billion, which was 23.6 percent lower than the actual revenue receipt in FY 2011. The tax revenue forming of 83.8 percent of the total revenue receipt grew at a lower rate of 21 percent compared to the 27.3 percent growth in FY 2011. The non-tax revenue showed higher growth rate of 38.4 percent in FY 2012 compared to the increase of 0.2 percent in the preceding year. The total revenue receipt as percentage of GDP slightly rose to 12.6 percent in FY 2012 from that of 11.18 percent in FY 2011.

OTHER MACRO ECONOMIC INDICATORS

Savings

The Gross Domestic Savings as percentage of GDP increased from 19.3 percent in FY 2011 to 19.4 percent in FY 2012. It grew at a rate of 15.3 percent during this period. The share of the private sector savings as percentage of GDP increased to 18 percent in FY 2012 from 17.90 percent in FY 2011 and that of the public sector savings remained unchanged at 1.4 percent in FY 2012. The Gross National Savings (GNS) as percentage of GDP increased from 28.8 percent in FY 2011 to 29.4 percent in FY 2012, resulting from a higher inflow of Net Factor Income (NFI). In FY 2012, NFI increased by 24 percent.

Investment

Investment as percentage of GDP increased marginally to 25.5 percent in FY 2012 from 25.2 percent in FY 2011. While the share of private investment decreased from 19.5 percent in FY 2011 to 19.1 percent in FY 2012, the share of the public investment increased from 5.6 percent in FY 2011 to 6.3 percent in FY 2012. The increasing share of public investment in GDP in FY 2012 resulted from a higher ADP expenditure compared to that in FY 2011. The domestic savings – investment gap as percentage of GDP increased from 5.9 percent in FY 2011 to 6.1 percent in FY 2012. This gap was met with Net Factor Income from abroad.

External Sector

The overall performance of the external sector somewhat improved by a higher current account surplus during FY 2012 compared to that of FY 2011 despite the domestic and international inflationary pressure. The export earnings increased to USD 23992.00 million from USD 22592.00 million, while the import payments increased to USD 31987.00 million from USD 30336.00 million in FY 2012 over FY 2011.

Remittance inflows increased to USD 12843.00 million in FY 2012 from USD 9625.00 million in FY 2011. As a result, current account surplus was USD 1630.00 million in FY 2012 compared to USD 885.00 million surplus in FY 2011.

The capital and financial account deficit declined from USD 1278.00 million in FY 2011 to USD 486.00 million in FY 2012, primarily due to increased flow of FDI and portfolio investment. The capital account surplus declined from USD 642.00 million to USD 469.00 million during this period. The overall balance of payments registered a surplus of USD 494.00 million in FY 2012 compared to a deficit of USD 656.00 million in FY 2011.

Export

The export earnings, expressed as a percentage of GDP, slightly increased from 20.2 percent in FY 2011 to 20.8 percent in FY 2012. It increased to USD 23992.00 million in FY 2012 from USD 22592.00 million in FY 2011. The export basket, consists of Ready-Made Garments (RMG), leather, tea and other export items, experienced a positive growth. Some of the export items like fertilizer, raw jute, terry towels, jute goods and frozen foods experienced a negative growth. Among the RMG export items, woven garments grew by 13.9 percent while the knitwear growth was very insignificant (only 0.05 percent). The export earnings in December, 2012 amounted to USD 2466.20 million, which was USD 23992.00 in FY 2012.

Import

Import payments, as a percentage of GDP, increased slightly from 27.1 percent in FY 2011 to 27.7 percent in FY 2012. The import payments increased to USD 31987.00 million in FY 2012 from USD 30336.00 million in FY 2011. This lower growth of import payments resulted mainly from the decline in food grains imports by 52.9 percent although other food items, consumer and intermediate goods, capital goods and others experienced positive import growth of 49.7, 6.6 and 5.7 percent respectively in FY 2012. The import payments stood at USD 2588.00 million in December, 2012.

Workers' Remittances

Despite global economic slowdown, the inflow of remittances remained strong in FY 2012 and continued to play an important role in strengthening the current account balance. Remittance inflows increased by 10.2 percent to USD 12843.40 million in FY 2012 from USD 11650.30 million in FY 2011. One of the reasons of this growth was that Bangladesh Bank had simplified the approval policy of drawing arrangements between foreign exchange houses and domestic banks. The workers remittances in December, 2012 stood at USD 1287.31 million.

Foreign Aid

Total official Foreign Aid is composed of Food Aid , Commodity Aid and Project Aid. The disbursement of Foreign Aid increased by 14.4 percent to USD 2033.0 million in FY 2012 from USD 1777.00 million received in FY 2011. Food Aid disbursements rose to USD 69.00 million in FY 2012 which was USD 55.00 million in FY 2011. The disbursement of Project Aid increased to USD 1964.00 million in FY 2012, which was USD 1722.00 million in FY 2011. No Commodity Aid was received in FY 2012 as in the preceding year. At the end of December , 2012 , total Foreign Aid stood at USD 482.46 million received in the form of Food and Project Aid.

Balance of Payment

Export earnings had a 6.2 percent growth and import payments slowed to 5.4 percent growth in FY 2012. Workers' remittance had a growth of 10.2 percent during FY 2012. As a result, current account surplus was USD 1630.00 million in FY 2012 compared to USD 885.00 million in FY 2011. The overall balance of payments turned out to be a surplus of USD 494.00 million during FY 2012 leading foreign reserve position of Bangladesh Bank to USD 10.36 billion at the end of June, 2012. Despite global financial turmoil, domestic power and energy shortages, as per primary estimation FDI inflows increased by 28.44 percent to USD 995.00 million in FY 2012 from USD 775.00 million in FY 2011.

Monetary Policy Stance

The main motto of the monetary policy is to curb inflation and expedite growth. With this end in view, Bangladesh Bank declared Monetary Policy Stance at two intervals in January and July for FY 2012 against the backdrop of unfolding global recovery from recession and the new tension of a debt crisis in the euro area as well as the challenges of surging inflation and balance of payment pressure in the domestic economy. In order to address these challenges, Bangladesh Bank's monetary policy stance was more restrained than that was adopted in recent years.

However, the more restrained monetary policy stance, adequate domestic food grain supply and subsequent moderation in global commodity prices contributed in reducing the point to point inflation to a single digit. On the other hand, private sector credit grew by a healthy 19.7 percent against the 16 percent target under the programme. The credit growth to the public sector remained below the programme level in FY 2012 mainly due to reduction of government borrowing from the public sector.

However, analysis of loans to the private sector indicates an increasing share of S M E loans and a virtually unchanged share of industrial term loans in total outstanding credit which were consistent with the policies pursued by Bangladesh Bank.

Inflation Rate

The annual CPI inflation turned out to be 10.6 percent in June, 2012 higher than the target of 7.5 percent. It was also higher than the inflation rate of 8.8 percent in June, 2011.

The looming inflation was triggered mainly by the continuous rise in international commodity prices including 3Fs - Food , Fuel and Fertilizers , the higher-than-targeted money supply growth, Taka depreciation and successive up ward adjustment of administered energy and petroleum prices in the domestic market. On the other hand , the 12-month point to point CPI inflation declined to 8.6 percent in June, 2012 from 10.2 percent in June, 2011. This decline in inflation was mainly due to the lower food and non- food prices. Food inflation was more acute in urban areas whereas non food inflation was more pronounced in rural areas. The 12-month average inflation again marginally rose to 8.74 percent in December, 2012.

Exchange Rate

Exchange rate of Taka faced depreciation against USD in FY 2012. With a lower growth in export and a higher growth in workers' remittance in FY 2012, Taka depreciated against USD by 10 percent for the whole of FY 2012. The nominal exchange rate of Taka increased to Taka 81.82 as per USD as of June, 2012 from Taka 74.15 per USD at the end of June, 2011.

Money and Credit Developments

In FY 2012, the Bangladesh Bank continued to pursue a monetary policy stance which was designed to meet both output growth and inflation targets. This restricted diversion and excessive expansion of credit flow to unproductive sectors while ensuring adequate credit to productive sectors to stimulate inclusive growth. In order to reduce the inflationary pressure, Bangladesh Bank increased the repo and the reverse repo interest rates in two steps.

They were increased from 6.75 and 4.75 percent in FY 2011 to 7.75 and 5.75 percent respectively in FY 2012. Besides, Bangladesh Bank continued to maintain the Cash Reserve Ratio (CRR) and the Statutory Liquidity Ratio (SLR) for banks at 6 and 13 percent respectively.

The Broad Money (M2) growth stood at 17.4 percent in FY 2012, which was lower than the 21.4 percent growth recorded in FY 2011 and was close to the target of 17 percent growth under the programme.

Bank Rate

The Bank rate remained unchanged at 5 percent in FY 2012.

Call Money Rate

Bangladesh Bank's prudential policy measures resulted in a weighted average interest rate in the call money market ranging from 9.8 percent to 19.7 percent during FY 2012. In money market, from the beginning of 2012 to July, there was liquidity pressure which led the market very tight. Call money rate was high and capped at 20 percent. Market rate began to fall at 9-10 percent at the later part of the year.

Foreign Exchange Reserve

The foreign exchange reserve declined by 5.02 percent and stood at USD 10.36 billion at the end of June, 2012 from USD 10.92 billion at the end of June, 2011. At the end of December, 2012, foreign exchange reserve rose to USD 12.75 billion. It turned this way even with lower export and import growth mainly because of higher remittance growth.

Sovereign Ratings

Global rating agency Standard and Poor assigned a BB- rating with stable outlook on both its foreign and local currency bond rating. Moody's Investors Service assigned Ba3 on foreign and local currency government bond ratings to Bangladesh.

Ba3 sovereign rating was mainly supported by strong and stable growth. These ratings on Bangladesh had been stable for the last three years. Moody's rating reflects low economic, institutional and government financial strengths of Bangladesh. However, these stable ratings indicate better economic structure, financial soundness and stable banking sector in the economic environment of Bangladesh.

NEAR AND MEDIUM TERM

OUTLOOK FOR THE BANGLADESH ECONOMY

The Bangladesh economy experienced an impressive and stable growth rate over 6 percent during last four years - despite the global and domestic crisis. Even against the backdrop of difficult global economic conditions, the prospects for the Bangladesh economy are favourable over the near and medium term. It is presumed that macro economic policies must continue to support a vigorous and sustained expansion in agriculture and industry together with an acceleration in the investment activities while striving to maintain inflation under control.

The real GDP growth has been projected to rise to 7.2 percent in FY 2013 and increase gradually to 8 percent by FY 2015. The main growth impetus for achieving the targeted growth rate would come principally from expansion of S M E activities and augmentation of agriculture output through productivity enhancement and diversification. Accordingly, gross domestic investment has been projected to increase gradually from 26.6 percent of GDP in FY 2013 to 32.8 percent in FY 2017 supported by the introduction and implementation of pro- industrialization and investment-friendly economic policies and strategies.

Achieving these targeted growth levels would not be possible without further development of power, energy and communication infrastructure. However, the attainment of the expected GDP in FY 2013 will depend mainly on effective adoption of prudent macro economic policies in a sound domestic environment along with global recovery.

In this backdrop, the Central Bank set restrained monetary policy stance conducive to attain 7.2 percent GDP growth target as well as to contain inflation rate at the targeted level of 7.5 percent in FY 2013, where the credit growth to the private sector was estimated 18 percent.

PERSPECTIVE PLAN 2010-2021

The Government keeping in view the Golden Jubilee of Independence has formulated " Bangladesh Perspective Planning 2010-2021 ", in the light of Vision- 2021 to attain a definite set of objectives that relate to economic and social development of Bangladesh.

The Plan contains necessary strategies to overcome the challenges in terms of turning the country into a medium income economy. The major goals of this Vision are :-

- To accelerate the growth rate up to 10 percent by 2021 ;
- To raise per capita income up to US\$ 2,000 ;
- To reduce the number of population living under poverty line to 13.50 percent ;
- To reduce the unemployment rate into 15 percent ;
- To increase annual per head electricity consumption to 600 Kilowatt hour ; and
- To strengthen IT sector for building a Digital Bangladesh.

REVIEW OF BANKING BUSINESS ENVIRONMENT

In the year 2012, a lot of positive changes took place in the country's banking sector with the introduction of mobile-based banking, online banking facilities, ATM services, credit cards, debit cards, etc. Besides, the Year 2012 in the banking industry may be termed as the year of 'Inclusive Banking'. Reaching out to the un banked population of the country through mobile banking network and opening of 'Farmers' Account, Bank Accounts for hardcore poor, freedom fighters, unemployed youth and Bank Account for Beneficiaries under Social Security Programme for a nominal amount were the highlights of inclusive banking.

As per Central Bank's guidelines, for more inclusive and equitable economic growth, the banking sector of the country initiated a good number of ventures aiming to strengthen the goals on SME, Agro-Economy and IT driven technology. At the same time, banks were encouraged to expand CSR activities and adopt enlarged Green Banking operations for sustainability of the economy.

For efficient and stable operation of the banking businesses, the banking sector undertook effective risk management practices under revised Risk Management Guidelines issued by Bangladesh Bank.

Alongside of positive changes, the banking industry had to sustain different challenges in terms of liquidity management, high rate of interest on deposit, maintenance of increased rate of CRR and SLR, Central Bank's regulations to contain CDR (Credit to Deposit Ratio), Central Bank's new rules for loan classification, devaluation of local currencies, etc. This was further accentuated by bearish nature of capital market operation for lack of confidence and liquidity pressure.

REVIEW OF BDBL'S BUSINESS STRATEGY AND OPERATIONS

When BDBL was established, the global economy was passing through the worldwide recession, the worst since 1930s. This had its fall-out on Bangladesh economy too. However, in order to face this challenging situation, the Board of Directors of BDBL undertook various initiatives and set directions for the institution to become a dynamic and viable banking company.

As a state-owned Bank, BDBL is committed to provide industrial financing as before. It is also mandated to operate commercial Banking activities including Foreign Exchange and International Trade Financing as per Memorandum and Articles of Association of BDBL. As a member of Dhaka Stock Exchange Ltd. (DSE), it has been playing a significant role in Capital Market Development. In industrial financing, the Bank provides loans to eco-friendly projects and other projects of great significance to the economy. It also provides working capital loans and trade finance for corporate customers, SME loans to traders, business and women entrepreneurs, personal and retail loans including house building, car loans and other need-based loans for retail customers. Commercial Banking products and services along with Foreign Exchange and Foreign Trade Financing activities have been launched and running in good pace. Besides, there are various special deposit schemes which are suitable for retail and institutional customers.

As part of strategic planning, the Bank made some structural changes in 2012. Credit approval procedures and recovery of loans were strengthened and maintenance of loan accounts were separated from Head Office to Branch level for facilitating faster growth and maintaining quality services simultaneously.

Besides, for expansion of banking businesses, 6 new branches were opened during 2012. Apart from these, for operating Commercial Banking, Foreign Exchange and Foreign Trade Financing along with up gradation of IT driven activities effectively and efficiently, 3 consultants were appointed in each of this area.

The Bank also recruited officers and senior officers including IT and cash officers for providing quick, smart and quality services to the customers. Need-based training were imparting to the new and existing officers as a continuous process.

Alongside earning of Profit, the Bank is also concerned with the People and Planet. For this, the Bank has set up a CSR desk under Public Relations Department. Among others, the Bank is also committed to Green Banking.

DEPOSIT AND DEPOSIT PRODUCT MIX

Deposit mobilization is considered a vital source of fund for commercial banking. The deposit balance at the end of 2011 was TK. 470.68 crore which rose to TK. 794.55 crore at the year end of 2012, showing a growth of 68.80 percent over the previous year. This was possible due to vigorous efforts made by the officers of the Bank with competitive rate of interest and attractive deposit products along with regular monitoring by the senior management. Of the total deposits in 2012, no-cost and low-cost deposits comprised of 8.11 percent and the rest deposits 91.89 percent were fixed deposits and savings schemes.

The deposit product-mix of the Bank as of 31 December, 2012 was as follows :

| SL. No. | Particulars | Taka in Crore | Share in Total Deposit (%) |
|---------|-----------------------|---------------|----------------------------|
| 1. | Current Deposits | 23.09 | 2.91 |
| 2. | Bills Payable | 1.09 | 0.14 |
| 3. | Saving Bank Deposits | 40.19 | 5.05 |
| 4. | Fixed / Term Deposits | 456.61 | 57.47 |
| 5. | Savings Schemes | 273.57 | 34.43 |
| | Total: | 794.55 | 100.00 |

To mobilize more deposit, some special savings deposit schemes were launched, such as :

- (i) 5-Year Term BDBL Sanchay Scheme (BDBLSS)
- (ii) 10- Year Term Shikkha Sanchay Scheme (SSS)
- (iii) 10- Year Term Chikisha Sanchay Scheme (CSS)
- (iv) Marriage Savings Scheme (MSS)
- (v) Investment Scheme at Retirement (ISR)
- (vi) Monthly Income Scheme (MIS)
- (vii) Double Benefit Scheme (DBS)

LOANS AND ADVANCES

Bank formulated a Lending Policy and Procedures with a view to providing speedy and efficient services to the clients in a consistent manner. The loans and advances of the Bank posted an increase by about 47 percent to Tk. 1474.31 crore in 2012 over Tk. 1004.61 crore in 2011. The increase in the Loans and Advances of 2012 was comprised of loan for S M Es, long term loan and cash credit, consumers' credit PAD, LBP, LTR including other loans.

The loan portfolio of the Bank was well diversified and consisted of large, small and medium enterprises and businesses. The loans and advances portfolio included food & allied products, jute & jute goods, cotton, woolen and synthetic textiles, paper, paper products and printing, electrical machinery, machinery spare parts, water transport, chemical and pharmaceuticals, petro chemical products, service industries, real estate, loans under consumer's scheme, various trading businesses, etc.

Sector - wise position of **long term and S M E loans** as on December 31, 2012 was shown below :-

(Tk. in Crore)

| Sectors | No. of Projects | Total loan outstanding |
|---------------------------------------|-----------------|------------------------|
| Food and Allied Products | 90 | 76.61 |
| Cotton. Woolen and Synthetic Textiles | 61 | 535.35 |
| Paper, Paper Products and Printing | 7 | 14.03 |
| Tannery and Leather Products | 2 | 6.41 |
| Non-Metallic Mineral Products | 5 | 6.79 |
| Forest and Wooden Products | 4 | 3.34 |
| Rubber and Rubber Products | 1 | 0.14 |
| Metal Products | 7 | 8.57 |
| Electrical Machinery and Goods | 3 | 5.99 |
| Machinery and Spare Parts | 1 | 0.25 |
| Water Transport | 1 | 2.43 |
| Chemical and Pharmaceuticals | 14 | 21.39 |
| Petro Chemical Products | 5 | 7.37 |
| Service Industries | 74 | 24.09 |
| House Loan | 19 | 1.62 |
| Miscellaneous | 129 | 12.66 |
| Total | 423 | 727.04 |

LONG TERM LOAN

The Bank provided long term credit facilities for establishing new projects and balancing, modernization, replacement of machinery and expansion of existing projects. At the end of 2012, the Bank disbursed Tk. 82.21 crore as against the target of Tk. 100.00 crore, showing 82.21 percent achievement of the target.

SYNDICATION AND STRUCTURED LOAN

Syndicated or Consortium financing has become an acceptable mode of financing for large projects. The main purpose of syndicated lending is to spread the risks amongst multiple lenders. Such funding takes place at the same time, for the same purpose and under a set of agreed common terms and conditions by an agreement termed as the "Facility Agreement".

BDBL prefers this type of lending for projects beyond TK. 10.00 crore and sanctioned a loan project in 2012. The name of the project was BSRM having a total project cost of Tk. 485.24 crore, for which United Commercial Bank Ltd. was the Lead Bank and BDBL was one of the co-arrangers of fund and providing loan to the amount of Tk. 10.00 crore.

SMALL & MEDIUM ENTERPRISE (S M E) FINANCING

For enhancing domestic investment to meet rising demand for employment generation, women's empowerment and regional development, the role of S M E is indispensable. In line with the Government's and Bangladesh Bank's Policy Guidelines, promoting a dynamic S M E sector is a priority for the Bank to reduce poverty and stimulate economic growth. For achieving these objectives as well as for financial inclusion of un banked people, the S M E Department of the Bank was entrusted with the following tasks :-

- To emphasize loan financing activities for priority sectors of S M Es in line with the policy guidelines of the Government and Bangladesh Bank.
- To guide, monitor and supervise S M E related activities.
- To follow up and monitor timely implementation of projects under S M E .
- To ensure regular recovery of S M E loan so that loans do not turn into classified loan.

The Bank has signed the following 3 (three) refinancing agreements with Bangladesh Bank :-

- Refinancing facilities under ADB Fund.
- Refinancing facilities scheme for processing of agricultural products.
- Bangladesh Bank Fund (Women Entrepreneurs).

The Bank took several steps for enhancing and accelerating S M E loan portfolio, some of which were :

- Fixation of delegation of power categorically for sanctioning of S M E loan by the Zonal, Branch Head and Officers concerned in Head office;
- Determination of target for General and Women Entrepreneurs (10 percent for cluster projects, 25 percent for Green Banking and 65 percent for other projects) ;
- For the convenience of selecting S M E Projects, a list based on area, sectors and clusters was prepared and sent to all Branches;

- Provision of collateral free loan for Women up to certain limit;
- Nomination of one Focal Officer in each Branch as well as in S M E Department at Head Office;
- Set up of S M E cell, a help desk / women entrepreneur assistant desk at all Branch Offices to advise and assist S M E entrepreneurs and particularly, women entrepreneurs for advisory services including all related assistance;
- Compilation of NGO-Linkage Wholesale Credit Policy ;
- Preparation of S M E Manual relating to rules, regulations and other related information;
- Introduction of 4 new S M E products namely “Ashar Alo” (for women entrepreneurs), “Koler Chaka Takar Jhaka” (industrial loan), “Khamar Bari” (loans for processing of agricultural products) and “ Proshar” (Business loan) ;
- Creation of Database & Market Segmentation Reporting as per Software given by Bangladesh Bank ;
- Arrangement of Area-Based meeting with the entrepreneurs on a regular basis;
- Preparation of a comprehensive report on Flower Cultivation for financial inclusion of flowers cultivators according to instruction of Bangladesh Bank ; and
- Arrangement of different training programmes by the Bank on SME related issues for enhancing knowledge and awareness of the employees on S M E financing.

In addition to the above, the Bank actively participated in different S M E fairs and seminars. The portfolio position of S M E loan as on 31-12-2012 was shown below :

(Tk. in crore)

| S M E Sector | Amount |
|---------------------|--------------|
| Service | 7.39 |
| Trade | 5.00 |
| Manufacturing | 9.39 |
| Sub Total | 21.78 |
| Women Entrepreneurs | 5.74 |
| Grand Total | 27.52 |

It is worth mentioning here that an insignificant amount of loan was classified under S M Es. Necessary steps were taken to recover classified loans.

BDBL's ACHIEVEMENT IN FINANCING WOMEN ENTREPRENEURS UNDER S M Es

For compliance of S M E guidelines of Bangladesh Bank along with quality lending, BDBL achieved First place among 47 banks in “Performance Ranking-2012” of Bangladesh Bank, specially for financing of women entrepreneurs, which was undoubtedly a milestone achievement of BDBL.

GREEN BANKING

Green Banking is a component of the global initiative by a group of stakeholders to save environment. Bangladesh is one of the most climate change vulnerable country. In line with global development and response to the environment degradation, financial sector in Bangladesh must play an important role as one of the key stakeholders. As a part of financial intermediation, Bangladesh Development Bank Ltd. was also responsible for safeguarding the environment.

Financing eco-friendly projects that helped mitigate environmental degradation by lending more for renewable energy, effluent treatment plants and other projects is a priority for BDBL. Generation plants based on solar power, bio-gas and wind, and automatic brick manufacturing plants that use modern environment-friendly technology are especially favored projects of BDBL.

In accordance with Bangladesh Bank Circular No. BRPD-02, dated 27-02-2011, BDBL undertook following steps:-

- formulated Green Banking Policy and strategy approved by the Board of directors.
- created a seven- member High Powered Committee comprising of the Board of Directors for reviewing Bank's environmental policies, strategies and programmes.
- approved a considerable fund in the annual budget for green banking. And
- established a five-member Green Banking Cell headed by a General Manager with the responsibility of designing, evaluating and administering green banking issues of the Bank.

Apart from these, the Bank also undertook the following action plan under Phase II according to Policy Guidelines for Green Banking given by Bangladesh Bank :-

- formulating sector specific environmental policy.
- applying green strategic planning while financing projects.
- financing of Green Products.
- setting up of Green Branches considering the following factors :-
 - maximum use of natural light.
 - use of online banking.
 - use of renewable energy.
 - use of energy saving bulb and other equipments.
 - use of reduced water and electricity.
 - use of recycled water.
- introducing improved In-house Environmental Management in order to save electricity and reduce water and paper consumption.

The Bank allocated fund for implementing green financing activities in the following ways :- (Tk. in crore)

| Sl. No. | Areas | Total Fund | Allocated for Green Banking |
|---------|-----------------|------------|-----------------------------|
| 1. | Long Term Loan | 150.00 | 25.00 |
| 2. | S M E Loan | 100.00 | 25.00 |
| 3. | Short Term Loan | 340.00 | 10.00 |
| 4. | CSR | 2.00 | 0.20 |

Besides, the Bank issued a general instruction on green activities/practices as a part of in-house environment management for electricity consumption, fuel consumption, paper consumption and water consumption to reduce cost and save environment.

CASH CREDIT, TRADE CREDIT & LOCAL BILL PURCHASE

This is an important area of commercial banking business. In the year 2012, the Bank disbursed Tk. 257.00 crore as cash credit including other facilities.

CONSUMER FINANCE AND PERSONAL LOAN UNDER RETAIL BANKING

The business activities of the Bank is not limited to corporate financing only. The Bank launched Consumers' Credit and Personal Loan Scheme under Retail Banking in 2010. The response so far was positive. Motto of our Retail Banking is to sell need-based products and services to the customers. As on December 2012, the Bank disbursed Tk. 96.00 crore.

FOREIGN EXCHANGE AND INTERNATIONAL TRADE FINANCING

The Bank embarked on this business in 2011 under the new Department named as International Banking Department. This Department is smoothly running under the supervision of a Foreign Exchange Consultant. As a part of primary effort, opening of Inland and Foreign L / C, Back to Back L / C, Bill purchase, Bill discount activities are being carried on. BDBL has 5 (Five) AD Branches, which includes Principal Branch, Motijheel Branch and also Branches at Karwan Bazar, Narayanganj and Agrabad. The Bank has its own SWIFT Code BIC : BDDBBDDH. It is expected that more services and solutions would also be offered soon as strategic priority.

CAPITAL MARKET OPERATION

BDBL as an active member of Dhaka Stock Exchange Ltd., it plays a pivotal role in capital market operations. BDBL operates Brokerage House at Motijheel to provide services to investors-small and medium. As on December 31, 2012, 3153 Beneficiary Owners' (BO) accounts were maintained by this Brokerage house.

BDBL invested Tk. 45.56 crore by purchasing shares of different companies from the primary and secondary markets during 2012. At the same time, BDBL sold shares of 71 listed companies valued Tk. 20.66 crore. Beside these, BDBL invested Tk. 2.00 crore in placement (pre-IPO). Till to date BDBL also invested Tk. 100.00 crore in Bangladesh Fund as sponsor. In 2012, it was able to earn Tk. 11.40 crore as capital gain, Tk. 29.79 crore as dividends and Tk. 6.40 crore as interest on Bond & Debenture from such investment.

In order to keep core banking activities separated from capital market operation, the Bank established a subsidiary company in the name and style "BDBL Securities Ltd. (BSL)", Dhaka as per directives of Bangladesh Bank.

After completion of all regulatory requirements, the company was incorporated on April, 03, 2011 with the Registrar of the Joint Stock Companies & Firms as a stock dealer and stock broker in dealing security business under capital market. The Registrar of the Joint Stock Companies & Firms issued Certificate of Incorporation and Certificate of Commencement of business in favor of BDBL on May 23, 2011. The Vendor's Agreement was signed on July 17, 2011 between the Board of Directors of BDBL and BSL.

It is worthwhile to mention that the Board of Directors of Dhaka Stock Exchange Ltd. at its 689th meeting held on October 25, 2011 approved the transfer of the DSE share (DSE membership#20). Stock broker and Stock dealer licence was issued by the Securities & Exchange Commission on January 18, 2012. The principal activities of the Company are :

- To act as a member of Stock Exchanges and over-the-counter markets to provide brokerage services for buying and selling securities listed with Stock Exchanges and provide brokerage services; and
- To carry on the business of brokers, dealers in stocks, shares, securities /debentures etc.

The company is expected to provide a high level of professional and personalized services to its clients by maintaining strong moral and ethical practices and effective presence in the capital market. The authorized capital was TK. 50.00 crore and its paid up capital was TK. 10.00 crore.

Three Years Performance of BDBL: At a Glance

(Tk. In Crore)

| Sl No. | Particulars | 2010 | 2011 | 2012 |
|-----------|--|----------|----------|----------|
| A. | Balance Sheet Matrix | | | |
| 1. | Authorized Capital | 100.00 | 1000.00 | 1000.00 |
| 2. | Paid up Capital | 400.00 | 400.00 | 400.00 |
| 3. | Reserve Fund | 1160.06 | 1082.33 | 1165.70 |
| 4. | Retained Earnings | 3.67 | 4.05 | 4.19 |
| 5. | Total Equity | 1563.73 | 1486.38 | 1469.88 |
| 6. | Capital Surplus (As per Basel II) | 663.25 | 630.15 | 705.72 |
| 7. | Deposits (including Bills Payable) | 325.40 | 470.68 | 794.55 |
| 8. | Investments | 158.84 | 282.09 | 323.03 |
| 9. | Loans & Advances | 990.60 | 1004.61 | 1474.31 |
| 10. | Fixed Assets | 896.15 | 882.47 | 871.35 |
| 11. | Advances to Deposit Ratio (ADR) | 168.92 % | 148.48 % | 155.12 % |
| 12. | Total Assets (including Contra) | 2814.04 | 2967.76 | 3350.97 |
| 13. | Total Assets (excluding Contra) | 2751.88 | 2884.77 | 3271.05 |
| B. | Capital Matrix | | | |
| 14. | Total Risk Weighted Assets (Basel II) | 3786.00 | 3564.71 | 4069.37 |
| 15. | Core Capital (Tier- I) | 603.25 | 656.85 | 733.05 |
| 16. | Supplementary Capital (Tier- II) | 460.00 | 373.30 | 376.40 |
| 17. | Total Eligible Capital (Tier I, II & III) | 1063.25 | 1030.15 | 1109.45 |
| 18. | Paid up Capital & Statutory Reserve | 504.58 | 521.80 | 542.36 |
| 19. | Capital Adequacy Ratio (Basel II) | 28.08% | 28.90% | 27.26% |
| C. | Asset Quality | | | |
| 20. | Classified Loans & Advances | 310.17 | 310.70 | 541.79 |
| 21. | % of Classified L & A (excluding S L) | 31.31% | 38.28% | 42.99% |
| 22. | Provision against Classified L & A | 139.57 | 164.11 | 205.21 |
| 23. | General Provision Against Unclassified Loans & Advances | 29.04 | 12.72 | 12.17 |
| 24. | General Provision on Off Balance Sheet Items | 0.85 | 0.85 | 0.85 |
| 25. | Amount of Written of Loan | 2387.23 | 2126.45 | 1946.78 |
| D. | Income & Expenditure Statement Matrix | | | |
| 26. | Interest Income | 79.98 | 120.68 | 150.84 |
| 27. | Interest Paid on Deposit & Borrowings | 11.52 | 31.10 | 62.86 |

Three Years Performance of BDBL: At a Glance

(Tk. In Crore)

| Sl No. | Particulars | 2010 | 2011 | 2012 |
|-----------|--|------------------|--------|--------|
| 28. | Income from Bank Deposit | 31.31 | 55.24 | 52.96 |
| 29. | Net Interest Income | 68.46 | 89.58 | 87.98 |
| 30. | Income from Investment & Capital Market Operation | 86.21 | 36.17 | 47.23 |
| 31. | Dividend Paid for 1st BSRS M F | 70% | 125% | 100% |
| 32. | Non-Funded Income | 20.00 | 34.17 | 53.96 |
| 33. | Total Operating Income | 172.25 | 159.92 | 189.17 |
| 34. | Administrative & Operating Expenditure | 89.77 | 73.81 | 86.37 |
| 35. | Net Profit before Tax | 82.24 | 86.11 | 102.80 |
| 36. | Provision for Income Tax | 17.79 | 17.51 | 19.10 |
| 37. | Net Profit after tax | 64.45 | 68.60 | 83.70 |
| E. | Foreign Exchange Business | | | |
| 38. | Import & Export Business | - | 83.29 | 357.18 |
| F. | Distribution Network | | | |
| 39. | Number of Shareholders | 100% Govt. owned | -do- | -do- |
| 40. | Number of Employees | 757 | 836 | 857 |
| 41. | Number of Branches | 19 | 21 | 24 |
| G. | Shareholders' Information | | | |
| 42. | Dividend Paid to the Govt. | 5.00 | 5.00 | 7.50 |
| 43. | Net Assets Value Per Share (Taka) | 390.93 | 371.59 | 392.47 |
| 44. | Earning Per Share (Taka) | 16.11 | 17.15 | 20.92 |
| H. | Financial Indicators (%) | | | |
| 45. | Net Interest Margin | 5.58% | 6.49% | 6.15% |
| 46. | Net Operating Income to Assets | 3.00% | 2.98% | 3.14% |
| 47. | Cost of Fund (%) | 8.91% | 8.04% | 10.12% |
| 48. | Cost to Income Ratio | 55.12% | 54.92% | 59.21% |
| 49. | Return on Assets | 2.34% | 2.38% | 2.56% |
| 50. | Return on Investment | 52.75% | 12.82% | 14.62% |
| 51. | Return on Equity (ROE)% | 4.12% | 4.61% | 6.54% |

BUDGET AND BUDGETARY CONTROL

The Budget Department of the Bank was assigned with the responsibility of preparation of Budget and Budgetary control. The Bank followed bottom up planning approach in the preparation of Annual Budget and initially invites draft proposals on different budgetary items including deposits, advances, profitability and other business from Departments and Branches. The draft Budget estimates were scrutinized and analyzed by the Budget Committee after discussion with Head of the respective Departments and Branches and then finalized. After approval by the Board of Directors, the Bank's Budget was implemented. The Annual Business Plan of the Bank was prepared in alignment with the Budget estimates.

The management of the Bank put constant efforts throughout the year for achievement of the budgetary targets and it quarterly reviewed the variances and the progress towards achieving the budgetary goals.

BUDGET & PERFORMANCE

The budget and actual performance during the year 2011 and 2012 were mentioned below :

(Tk. in crore)

| Sl. No. | Description | Budget 2011 | Actual 2011 | Budget 2012 | Actual 2012 |
|---------|--|---------------|---------------|---------------|---------------|
| 1. | Interest Income | 115.00 | 120.68 | 160.16 | 150.84 |
| 2. | Interest Expenditure | 32.65 | 31.10 | 64.60 | 62.86 |
| 3. | Interest Margin (1-2) | 82.35 | 89.58 | 95.56 | 87.98 |
| 4. | Investment Income Including Other Income | 91.76 | 70.34 | 113.81 | 101.19 |
| 5. | Total Operating Income (3+4) | 174.11 | 159.92 | 209.37 | 189.17 |
| 6. | Salaries & Allowance | 69.01 | 54.67 | 72.43 | 66.08 |
| 7. | Fixed Expenses | 4.45 | 4.86 | 6.45 | 5.90 |
| 8. | Variable Expenses | 15.60 | 14.28 | 15.49 | 14.40 |
| 9. | Total Operating Cost (6+7+8) | 89.06 | 73.81 | 94.37 | 86.37 |
| 10. | Operating Profit Before Provision (5-9) | 85.05 | 86.11 | 115.00 | 102.80 |

ECONOMIC IMPACT REPORT

Production, distribution and consumption of goods and services are integral elements of an economic system. By analyzing economic impact, it is tried to find out how a company adds value to the society. Economic impact can be classified into two broad areas: (I) Direct and (II) Indirect. Direct impacts are the immediate economic effects of a company's financial transactions while the indirect impacts are the economic effects that are created through a company's operation or production of goods and services.

Bank's direct contributions to the economy of its nation would include creation of employment opportunities, collection of taxes on behalf of the Government, creation of savings habit among the members of the community; while improvement of socio-economic and environmental performance through lending is the indirect contribution.

BDBL creates value through providing financial services in line with its mission : “To contribute to the economic development of the country”. The Bank is always mindful to add value on a sustainable basis to all stakeholders through fair and ethical means.

VALUE ADDED STATEMENT

Value addition means the wealth created by the Bank through its different banking operations. The Value Added Statement shows the total wealth created, how it was distributed to meet certain obligations and rewarded those responsible for its creation, and the portion retained for the continued operation and expansion of the Bank. The Value Added Statement of BDBL showed how the value is created and distributed to different stakeholders of the Bank.

Value Added Statement of BDBL at the year-end of 2011 & 2012 were as follows :

(Tk. in crore)

| Sources of Fund | 2012 | 2011 | Rate of Change |
|---|---------------|---------------|----------------|
| Income from Services and Other Operations | 233.81 | 178.24 | 31.18% |
| Less: Expenses of Services and Supplies | 80.38 | 48.18 | 66.83% |
| Value Added | 153.43 | 130.06 | 17.97% |
| Other Income | 18.23 | 12.78 | 42.64% |
| Total Value Addition | 171.66 | 142.84 | 20.18% |
| Applied in the following ways : | | | |
| To Employees | | | |
| Salaries, Allowances and Other Benefits | 37.66 | 34.48 | 9.22% |
| Contribution to Retirement Benefit Scheme | 28.42 | 20.19 | 40.76% |
| To Government | | | |
| Income Tax | 19.10 | 17.51 | 9.08% |
| To Provider of Capital | | | |
| Dividend Paid to Government | 7.50 | 5.00 | 50.00% |
| Retained by the Bank | | | |
| As provision for Loans | 0 | 0 | 0 |
| As Depreciation | 2.78 | 2.06 | 34.95% |
| As Reserve | 76.06 | 63.22 | 20.31% |
| As Retained Earnings | 0.14 | 0.38 | (63.16%) |
| Total Value Addition | 171.66 | 142.84 | 20.18% |

CAPITAL ADEQUACY RATIO

Capital Adequacy Ratio (CAR) is the measure of the financial strength and sustainability of a bank. Capital Adequacy Ratio determines the capacity of the bank in terms of meeting the time liabilities and other risks such as, credit risk, operational risk, etc. Bank’s capital is the “cushion” for potential losses, which protect bank’s depositors or other borrowers. For this, Bangladesh Bank uses CAR as a mechanism to protect depositors and enhance confidence in the banking system. Day-to-day business of a bank expands the size of the balance sheet with the acquisition of assets and liabilities, where a major portion of assets and liabilities comprise of advances and deposits.

Regulatory capital requirements are, therefore, necessary to limit operators of banks to prevent from over trading. At the same time, banks can leverage their growth to improve the return on assets. Therefore, maintaining a healthy CAR would ensure a stable and sound banking industry, which undoubtedly contribute to the growth of the economy.

As a new Bank, BDBL maintained 27.26 percent CAR, showing a surplus of Tk. 702.51 crore over the required capital. Please see the Notes to the Accounts No. 13.1 (Capital Adequacy Ratio-CAR).

CREDIT RATING REPORT

In compliance with the circular of Bangladesh Bank, Bangladesh Development Bank Ltd. appointed Credit Rating Information & Services Limited (CRISL) to evaluate the Credit Rating of the Bank.

The Credit Rating of the Bank for the year 2012 was as follows:-

Credit Rating awarded by CRISL

| Description | Long Term | Short Term |
|--------------------------------|--------------------|------------|
| As Govt. Supported Entity | AAA | ST-1 |
| As Stand-alone Commercial Bank | A- | ST-2 |
| Outlook | Stable | |
| Date of Rating | September 10, 2013 | |

AAA indicates highest safety. Banks rated in this category are adjudged to be of best quality, offer highest safety and have highest credit quality.

A- indicates Adequate Safety. Banks rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations.

ST-1 indicates Highest Grade. Highest certainty of timely payment.

ST-2 indicates High Grade. High certainty of timely repayment. Liquidity factors are strong and supported by good fundamental protection factors.

The CRISL has considered the following quantitative and qualitative factors of the Bank for rating purpose:-

| A. Quantitative Factors: | B. Qualitative Factors: |
|------------------------------|--|
| i) Capital Adequacy | i) Govt. Support |
| ii) Assets Quality | ii) Ownership |
| iii) Funding & Leverage | iii) Management Quality |
| iv) Liquidity & Requirements | iv) Risk Management |
| v) Earning Quality | v) Compliance with the Statutory Reserve |
| vi) Market Sensitivity | vi) Accounting Quality |
| | vii) Area and Size of Market |

EXPANSION OF BRANCH NETWORK IN 2012

On January 3, 2010 the bank started with 17 Branches, 4 Zonal Offices and 21 Departments in Head Office. But for expansion of business activities, the Board approved a new organogram with 1025 human resources, 6 new Departments and 15 new Branches. By this time, the Bank created 6 new Departments, namely, (1) S M E Department, (2) Reconciliation Department, (3) Budget Department, (4) General Advances Department, (5) Business Development & Marketing Department and (6) Risk Management Department for making vibration in the administrative and operational activities of the Bank. Besides, to serve and facilitate the customers in availing the banking services, the Bank so far opened 9 new Branches in different places of the country. Thus, the total number of Branches stood at 26 in 2012 under 4 Zonal Offices. By December, 2013, the Bank has planned to open 15 more branches in commercially and geographically important places of the country considering economic and business potential. As a part of inclusive banking, BDBL's strategy is to reach the doorsteps of the customers / entrepreneurs to provide full range of banking services based on technology at reasonable cost.

HUMAN RESOURCE (HR)

The Bank approved a transitional organogram with 1025 employees. It goes without saying that the most important resource of any institution, more so for a bank, is its human resource. As on December 31, 2012, the total human resource was 857. Among these, officers working in different disciplines including staff position are mentioned below:

| SL. No | Discipline | Numbers |
|--------|--------------------------|------------|
| 1. | Accountants | 02 |
| 2. | Lawyers | 15 |
| 3. | Economists | 51 |
| 4. | Engineers | 32 |
| 5. | MBA / Financial Analysts | 131 |
| 6. | Statisticians | 15 |
| 7. | Senior Officers (IT) | 24 |
| 8. | Others | 333 |
| 9. | Staff | 254 |
| | Total | 857 |

The Bank adopted comprehensive plans to employ, develop and retain its human resource based on the right level of skills and talent to meet current and future needs. In the year 2012, the Bank recruited/appointed officers in the following posts :-

| SL. No | Post | Numbers |
|--------|--------------------------------|-----------|
| 1. | Consultant (IT) | 01 |
| 2. | Contract Basis (Legal Affairs) | 01 |
| 3. | Contract Basis (AGM) | 02 |
| 4. | Contract Basis (SPO) | 19 |
| 5. | Contract Basis (SPO, Security) | 02 |
| 6. | Senior Officer | 40 |
| 7. | Senior Officer (IT) | 08 |
| 8. | Officer (Cash) | 07 |
| | Total | 80 |

In the year 2012, the Human Resource Management Department of the Bank successfully designed and implemented a number of reforms / strategic changes to improve the administrative / operational performance of the Bank. These were :

- Restructuring the organogram of Bank's Head Office and Branches;
- Formulating detailed job description of the employees of the Bank; and
- Formulation of a Human Resources Rolling Plan.

PROMOTION AND DEPARTURE

In 2012, the Bank gave promotion to 39 officers in different posts and grades. Besides, 39 officers left the Bank in 2012.

HEALTH FACILITY

The physical and mental well-being of the officers and staff are very important especially, the stressful effects of the performance driven culture in the Banking Sector. Effective counseling and proper treatment for employees plays pivotal role in this respect. To get the immediate treatment, the Bank appointed two doctors on part time basis at two intervals in Head Office, Zonal and Branch Offices. Besides, area-wise part time doctors were also appointed by the Bank for general treatment.

EMPLOYEES' WELFARE

The Board and Management of the Bank are always cordial in extending facilities relating to the needful welfare of the employees. Some of the areas of welfare were as follows :-

- Advance facilities for house building ;
- Transport facilities ;
- Financial assistance for complicated and expensive treatment ;
- Scholarship and educational stipend for the meritorious children of the employees ;
- A lump sum grant / monthly grant to the families of late and retired employees ; and
- Financial aid to the distressed families for purchasing cloths in religious festivals.

The Bank in the year 2012, spent about Taka 56.00 lac for welfare activities.

DEVELOPMENT OF HUMAN RESOURCE

Knowledge and skill development is a continuous process, which is enriched by proper training. In order to enhance operational skill and efficiency of the officers, the Bank established a Training Institute of its own. BDBL sent a large number of officers to participate in different training programmes, workshops and seminars arranged by BIBM and Bangladesh Bank Training Academy including other institutions.

Besides, in house need-based training courses were also arranged with resource persons drawn from inside as well as from outside to keep the officers abreast of the latest development in the banking and financial sector. Following training programmes held in 2012:

| Sl. No. | Subjects | Number of Participants | Training Institute |
|-----------|--|------------------------|--|
| 1. | Training Course(s) | | |
| A | Foundation Course for Newly Appointed Senior Officers (IT) | 19 | BIBM |
| B | S M E Financing Course | 54 | Training Institute, BDBL |
| C | Course on Rationalized Input Template | 79 | Training Institute, BDBL |
| D | CRISL Certified Financial Analyst Programme | 02 | CCEA |
| E | Core Risk Management Course | 24 | Training Institute, BDBL |
| F | Course on International Payment and Finance | 02 | Bangladesh Bank, Head Office |
| G | Course on CIB Reporting | 02 | Bangladesh Bank, Chittagong |
| H | Anti Money Laundering Course | 24 | Training Institute, BDBL |
| I | Course on Commercial Banking and Trade Financing | 19 | Training Institute, BDBL |
| J | Course on ICT for Banking Business Enhancement | 02 | Bangladesh Bank, Rajshahi |
| K | Course on Prevention of Money Laundering | 01 | Sonali Bank Limited, Pabna |
| L | Course on Management of Problem Accounts | 20 | Training Institute, BDBL |
| M | Laws Relating to Banking in Bangladesh | 25 | Training Institute, BDBL |
| N | Course on EFTN & CIB | 25 | Training Institute, BDBL |
| O | Credit Appraisal and Management Course | 02 | Bangladesh Bank, Rangpur |
| P | Foreign Currency Accounts and Remittance Course | 02 | BBTA |
| Q | Audit and Inspection in Bank | 24 | Training Institute, BDBL |
| R | Project Appraisal and Working Capital Assessment | 23 | Training Institute, BDBL |
| S | Course on Credit Management | 22 | Training Institute, BDBL |
| T | IBS Online Banking Course | 25 | Training Institute, BDBL |
| U | Various Short Courses | 20 | Bangladesh Bank, BIBM, BBTA and Different Institutions |
| | Total: | 416 | |
| 2. | Seminar / Workshop | 126 | Different Financial Institutions |

In the year 2012, the Bank allocated a total amount of Tk. 1.26 crore for training, seminar, workshop, etc.

CORPORATE GOVERNANCE

BDBL complies with good corporate governance practices in line with the direction and control measures of the company and regulatory requirements ensuring transparency, accountability and fairness in each and every area of its business operations to maximize better performance with governance.

INTERNAL CONTROL AND COMPLIANCE

Banking business encompasses a complex and diversified financial activities involving high risks. Consequently, the issue of effective internal control system, corporate governance, transparency and accountability have become significant issues to ensure smooth operational performance of the Bank.

Internal Control Process is the process, affected by a company's Board of Directors, Management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws, regulations and internal policies. Internal Controls are the policies and procedures established and implemented alone, or in concert with other policies or procedures, to manage and control a particular risk or business activity or combination of risks and business activities to which the company is exposed or in which it is engaged.

BDBL established an appropriate and effective internal control environment to ensure that the Bank is managed and controlled in a sound and prudent manner. The Bank identified its weaknesses through internal control system and took appropriate measures to overcome the weaknesses. The Board of Directors of the Bank established an Audit Committee to monitor the effectiveness of internal control system of the Bank. The Audit Committee met the senior management periodically to discuss the effectiveness of the internal control system of the Bank and ensure that the management took appropriate actions as per the recommendations of the Auditors and the Internal Control and Compliance Department (ICCD).

MEETING OF THE BOARD OF DIRECTORS

In 2012, 22 meetings of the Board of Directors including 1 emergency meeting and 9 meetings of the Executive Committee of the Board were held. The Audit Committee of the Board held 7 meetings during the year under review.

MANAGING CORE RISKS OF BANK

The Bank formulated seven following core risks manuals as per guidelines provided by Bangladesh Bank :-

- Credit Risk Management
- Asset Liability Risk Management
- Foreign Exchange Risk Management
- Money Laundering Risk Management
- Internal Control and Compliance Risk
- Information & Communication Technology Risk
- Environment Risk Management (ERM)

The Bank operates its activities following these manuals.

INFORMATION & COMMUNICATION TECHNOLOGY

For years, in keeping with the ever growing demand for better services by clients, banks globally have been introducing all types of ICT measures. Online Banking has thus become today the mainstay of banking operations all over the world. Bangladesh has been lagging behind in this regard but in recent years, taking the cue from the foreign banks operating in Bangladesh, the local private banks have introduced online banking services that are serving their clients and the banks' interests to the best.

Bangladesh Development Bank Ltd. started widely using computer technology for automation of its various banking operations. Many important jobs of the Bank are currently automated. The Information Technology (IT) Division of the Bank is responsible for managing automation of banking operations with a team of highly skilled personnel both in technical and business areas to handle IT operation. The Bank has recruited a large number of officers and IT consultant exclusively for ICT operation. The relevant employees are provided with adequate training to cater to all kinds of needs related to IT activities. The Bank formulated its ICT policy as per Bangladesh Bank Guidelines in which proper directives were provided for each and every operation of the Bank related to ICT.

Branch Computerization

Bangladesh Development Bank Ltd. (BDBL) took several steps over the years for Branch automation. At present, 26 Branches were fully computerized by using LAN and WAN based on Branch Banking Software. Beside this, 21 Branches out of 26 Branches installed Bangladesh Automated Clearing House (BACH) software. Most of the Branches also got the facility for Electronic Fund Transfer (EFT) and 5 AD (Authorized Dealer) Branches were using SWIFT software.

These software were supplied by various renowned software vendors (Local & Foreign). The major functionalities of the Branch Banking software were :-

- General Banking – Deposit, GL / PL.
- Credit – All kinds of commercial loans and staff loans.
- Local Remittance.

Most of the banking activities was being carried out by using these software. Bank provided continuous training for the users of these software. Now, all the Branches got adequate computers with internet connectivity.

Online Banking

IT-based banking has a major role to play in rendering improved services to the valued customers and stakeholders in today's competitive banking environment. The Bank had taken various measures for automation of its function and services. One of the major steps was the installation of fully integrated Core Banking Solution(CBS). At the primary step for Core Banking Solution , the Bank launched online Branch Banking Software.

It began in 2011 and 24 Branches out of 26 Branches were fully online for branch banking. The rest 2 Branches would be moving towards online Branch Banking very soon.

BACH & BEFTN

As part of the plan of Bangladesh Bank for automation of clearing payment system of the country, Bangladesh Automated Clearing House (BACH) was introduced in the Bank. The two components of BACH namely Bangladesh Automated Cheque Processing System (BACPS) and Bangladesh Electronic Fund Transfer Network (BEFTN) were active in the Bank. A total of 21 Branches were brought under BACPS successfully. For this purpose, hardware, MICR check scanner, network connectivity were established at each Branch.

WEBSITE

Bangladesh Development Bank Ltd. (BDBL) got an informative website containing description of its various products, services, annual accounts and other up-to-date information about the Bank. The web address **www.bdbl.com.bd** has been working as a primary source of information of the Bank. New recruitment and tender notice etc. could also be found on this website.

SWIFT

Bangladesh Development Bank Ltd. established its own Society for Worldwide Inter- Bank Financial Telecommunication (SWIFT) machine to provide facility in its AD Branches to offer services relating to Foreign Exchange / Foreign Trade Transactions. The SWIFT code of the Bank is **BIC : BDDBBDDH**. SWIFT is being used to deliver and receive messages relating to export-import business including receiving of export proceeds, remittance and payment of L / C liabilities, local and foreign bill.

CITIZEN CHARTER

For information of customers, a booklet on Citizens' Charter was published by the Bank containing information about various activities of its Divisions, Departments, Zonal and Branch Offices. The Charter was displayed both in the Bank's Website and also in different conspicuous places of Head Office, Zonal and Branch Offices.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate Social Responsibility (CSR) is mainly about the awareness of and actions in support of environmentally sustainable societal development. CSR actions aim at mitigating the diverse environmental impacts on the activities of the business and at reducing inequalities and alleviating deprivation and poverty in the communities across the country.

The CSR activities of the Bank is based on ethical values following the triple bottom line approach: People, Planet and Profit and are in compliance with legal and regulatory requirements which encompass employees, customers, business associates, shareholders, suppliers, regulatory authorities and the community at large. The Bank spent Tk. 44.51 lac in 2012 for treatment of financially insolvent freedom fighters and other poverty-stricken people and also provided quilts among the poverty-stricken people in northern areas of the country.

BRAND IMAGE

It was well known that BDBL was established through amalgamation of BSB and BSRS. These two institutions, BSB and BSRS, being the prime DFIs had created a brand image for accelerating the pace of industrial development of the country. After amalgamation, it had become a Public Limited Company and running its business activities as a state-owned specialized Bank.