

Dear fellow shareholders,

It is a great honor and privilege for me to welcome you all at the 12th annual general meeting of the bank. Please accept my heartfelt thanks and sincere appreciations at the very outset of my speech. In this momentous occasion, I also congratulate all distinguished shareholders for your continued trust, support and confidence that reposed on us towards attaining overwhelming business success in the year 2012.

Distinguish shareholders,

It gives me pleasure to place before you the Bank's financial performance for the year 2012. Despite a number of reasons compelled most of the Bank to have a diminishing growth rate, even some other had negative growth, JBL earned operating profit for BDT 3207 million registering 13.82 percent growth while net profit of the bank reached to BDT 1042 million which is noteworthy. Bank's total deposit grew by 12.93 percent to BDT 79623 million while loans and advances position was maintained amid highly volatile market scenario. Foreign trade to the tune of BDT 135093 million were routed through the bank rolling 10% percent growth in the edge of volatility in commodity and other bulk importable goods price in the international market during the same period.

Considering the overall situation and policy change, our strategy for 2012 was consolidation remaining fully compliant in terms of regulation issues and the strategy was successfully pursued with the commitment of board of directors for making your investment to have an ever increasing value. Utmost devotion of our management and employees have also contributed a lot to reach this success.

Branch network of the bank expanded to 83 in 2012 covering more commercially strategic locations all over the country. Corporate banking relationship is further reinforced to maintain and boost long term relationship with all who contributed a lot or have potential to contribute in future towards our accomplishment.

We used to maintain the highest level of ethical standard and transparency while disclosing any business information to the regulators, shareholders and public. Annual Report of the bank for 2010 & 2011 has been awarded with **"Certificate of Merit"** from Institute of Chartered Accountants Bangladesh (ICAB) that testifies this proposition. Being the Primary Dealer (PD) of government securities, JBL has been conducting the dealing operations with utmost professionalism. In recognition, we are awarded with the **"Best Primary Dealer Award"** by Bangladesh Bank this year and this is the fourth consecutive awards of JBL.

Honorable Shareholders,

Being the youngest member of the private sector commercial bank, JBL has earned mentionable recognition in the field of corporate social responsibility (CSR). The very objective of our CSR activities is to support the unprivileged class of the society and in turn to contribute to the greater socio-economic development of the country. Jamuna Bank Foundation has so far conducted 40 types of CSR activities.

Dear Shareholders,

During 2012, global economic growth has weakened further even after four years of eruption of global financial crisis. A number of developed economics have fallen into severe debt crisis and the overall developed economics are facing high unemployment, weak aggregate demand fiscal austerity, high public debt burden and financial sector fragility. Growth in major developing countries has also decelerated notably reflecting both external vulnerabilities and domestic challenges.

In 2013, Global financial condition has improved satisfactorily, monetary stimulus and liquidity support undertaken by large economies. Expected global GDP growth is estimated to increase than the GDP growth of 2012. Against this backdrop, global growth will strength the gradually through 2013, averaging 3.50% on annual basis a moderate uplift from 3.2% in 2012.

On the other hand Banking industry of the country is currently encountering number of challenges/preserves due to introduction of 9 (nine) more banks that will definitely make the competition stiffer, rise of NPL of different banks for a number of reasons, decrease of bottom line due to increase of NPL, appreciation of local currency against green back which is taking toll from exporters.

On the backdrop of the overall scenario of the economy and the banking industry, we have chalked out following business strategies and we are confident that like the previous year when we could ensure a satisfactory level of growth despite most of the banks experienced a declining trend of bottom line even some of them had negative growth, we will be able to ensure our targeted level of growth:

- Reduction of cost of deposit by increasing low/no cost deposit base.
- Increasing fee based service/activities where costly capital is not charged.
- Taking banking to the doorstep of our target group.
- Credit will be allowed in those areas where lower level of risk requires, lower level of capital and where there is scope for commission income.
- Utmost emphasis will be given on maintaining our impaired assets.
- Increase of income of existing subsidiaries, existing business and looking for new avenues.


Last but not the least, we will continue our emphasis on ensuring customers' delight.

In conclusion of my speech, I express my thanks and gratitude to the Government of Bangladesh, Ministry of Finance, Bangladesh Bank, National Board of Revenue, Bangladesh Securities and Exchange Commission, and Office of Registrar of Joint Stock of Companies and Firms, Bangladesh, Dhaka Stock Exchange, Chittagong Stock Exchange for their all out cooperation.

My heartfelt felicitation to our valued customers for giving us the opportunity to serve them and for being associated with us in our journey for excellence. My special thanks to auditors, tax consultants and legal advisors for their valuable advice time and again. Finally, I take the opportunity to thank all distinguished shareholders and my colleagues on the board for their continued support for making the endeavor a success. I also appreciate the Managing Director and management of all levels and employees of all categories for their devotion and relentless hard work towards the development of the bank.

Thanking you,

Sincerely Yours,



Mr. Kanutosh Majumder
Chairman

Managing Director & CEO's Review





The year 2012 was another successful year for the Bank in respect of bottom line result.

As we continue to build on our achievements, we look towards stronger growth for this new year...

Bismillahir Rahmanir Rahim,

Assalamu Alaikum,

It is indeed a great honor and privilege to share my views with the valued shareholders of the Bank about the performance of Jamuna Bank Limited for the year 2012. The year 2012 was another successful year for the Bank in respect of bottom line result.

Despite being a difficult year for all financial institutions in the country, the Bank was able to register a growth of 13.82% in its operating profit. Deposits & export business grew by 13% and 19% respectively. The Bank's total Assets growth was from Tk. 8,717.00 crore in 2011 to Tk. 10,986.00 crore in 2012, an increase of 26%. Given the economic environment, the Bank achieved a commendable result as compared to other peer group institutions.

During the year the Bank has increased its network by opening 10 new branches and 50 ATMs as a part of its continuing network expansion. Eight more branches and SME entres will be opened this year. The total number of branches and ATMs at present now stands at 83 and 100 respectively.

Our traditional earnings from customer business has been supplemented by income generated from our treasury operations which was about Tk. 60.00 crore. This was possible due to the presence of a strong and knowledgeable treasury team possessing the required skill and acumen to handle treasury and money market operations. It may be mentioned here that the Bank is also a Primary Dealer in the Market. Two subsidiary companies of the Bank are also in operation.

Another area of focus has been retail and small & medium sized business. In 2012 our exposure in SME had reached Tk.598.09 Crore. We have

continued our strong presence in the traditional sectors of RMG, Construction and International Trade and we look forward to sustained growth from these businesses.

At Jamuna Bank we are strongly aware about the importance of developing the quality of human resources. The Bank has a separate training centre dedicated to the development of our junior and mid-level executives by offering intensive training programs. Leadership and management workshops are also organized regularly for our senior executives by HR professionals from outside faculty.

Jamuna Bank since inception takes pride in associating itself in different aspects of social responsibility. The Bank through its Foundation known as Jamuna Bank Foundation has over the years rendered financial assistance for a number of charitable purposes. The Bank has taken important steps in streamlining its CSR activities through the Foundation.

As we continue to build on our achievements, we look towards stronger growth for this year by booking good business through better risk management taking in elements of global best practices within the framework of regularity guidelines. We will also have to put in greater effort towards recovery of our impaired assets and increase monitoring to keep our existing assets at a satisfactory level.

I take this privilege to thank every members of Jamuna Bank family for their commitment and enthusiasm, as well as our partners, associates, customers for keeping faith on us and for their support which we seriously count as we forge ahead.



Shafiqul Alam
Managing Director



Directors' Report

TO SHAREHOLDERS,

The Board of Directors is responsible for the consolidated financial statements of the Bank and its subsidiaries, the separate financial statements of the Bank, and the financial information in the Annual Report. The said financial statements for the year ending on December 31, 2012 have been prepared in accordance with International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh and any departure there-from has been adequately disclosed. Where judgment and estimates were required, these were made with careful and reasonable consideration, and adequate disclosures have been made in the notes to the financial statements. These financial statements have been audited by independent certified auditors who have given their unqualified opinions.

The Board of Directors supports the practice of good corporate governance in the Bank and endeavors to ensure a good organizational structure so that the Bank's operations are efficient, transparent and reliable.

The Board of Directors supports the practice of good corporate governance in the Bank and endeavors to ensure a good organizational structure so that the Bank's operations are efficient, transparent and reliable. An internal control system and a risk management system have been established to reasonably ensure that the financial records are accurate and complete.

The Board of Directors has appointed an Audit Committee which comprises five directors including one independent director as the Chairman of the Committee complying corporate governance guideline issued by the Bangladesh Securities & Exchange Commission who are responsible for reviewing the financial reports and for maintaining the adequacy of the internal control and audit systems of the Bank. The Audit Committee has expressed its opinion with regard to the stated matters in the Report of the Audit Committee, which is presented in this Annual Report.

The Board of Directors is of the opinion that the Bank's overall internal control system is adequate and appropriate and can reasonably assure the credibility of the consolidated financial statements of the Bank and its subsidiaries and the separate financial statements of the Bank for the year ended December 31, 2012.

Directors' Reports are prepared complying prevailing laws, regulations and guidelines time to time given by the regulatory bodies. In this respect, discussion on following issues have made in the Directors Report (as applicable) as per Corporate Governance Guidelines issued by the BSEC and section 184 of the Companies Act, 1994:

- Industry outlook and possible future developments in the industry.
- Segment-wise or product-wise performance.
- Risks and concerns.

- A discussion on Gross Profit Margin and Net Profit Margin (as applicable for Banks)
- Discussion on continuity of any Extra-Ordinary gain or loss.
- Related party transactions.
- Summarized Key operating and financial data of at least preceding 5 (five) years are furnished in this report.
- Disclosure of number of Board meetings held during the year and attendance by each director.
- Shareholding pattern i.e. aggregate number of shares (along with name wise details).
- Pattern of shareholding, aggregate number of shares held by the subsidiary/associated companies, other related parties, Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children and shareholders holding ten percent (10%) or more voting interest in the company has been disclosed adequately.
- Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details).
- Details of top five (5) salaried Executives.
- The number of Board meetings/Committees meetings held during the year and attendance by each director has been disclosed in Corporate Governance Report annexed to this report.
- Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).

- Details of Director(s): brief resume, expertise; names of companies in which the person also holds the directorship and the membership of committees of the board.
- Remuneration to directors including independent directors.

The Board certifies that:


- a. Explanation as regards to significant variance occurs between Quarterly Financial performance and Annual Financial Statements are disclosed (If any).
- b. The financial statements prepared by the management of the Bank present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- c. Proper books of account have been maintained.
- d. Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- e. International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.
- f. The system of internal control is sound and has been effectively implemented and monitored.

- g. There are no significant doubts upon the issuer company's ability to continue as a going concern.
- h. There are no significant deviations in 2012 operating results.

We would like to express our gratitude to our respected shareholders, valued customers and talented employees for supporting us for business growth and assisting the Bank to be firmly on track in our drive towards success. The Bank is endeavoring its best to create excellence in all

respects to delight our customers and deliver good and sustainable returns to shareholders. We are thankful for your remaining with us during the crisis/uncertainties in global and local financial arena in the past and hopeful to reward your confidence.

On behalf of the Board of Directors



Kanutosh Majumder

Kanutosh Majumder

CHAIRMAN of the Board of Directors



Report of the Audit Committee

To The shareholders,

The Audit Committee independently performs its tasks as assigned by the Board of Directors in accordance with the regulations of Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC) and as per prevailing laws/regulations of the country applicable for Bank.

The Audit Committee is comprised of 5 (five) Directors including 1 (one) independent director. At present, the Audit Committee comprises of the following:

Sl.	Name	Status	Status	Educational Qualification
1	Mr. A. S. M. Abdul Halim	Independent Director	Chairman	B. Com. (Hons), M. Com (Dhaka University) Higher studies in Development Administration, Birmingham University, UK
2	Al-Haj Nur Mohammed	Director	Member	B. A.
3	Mr. Sakhawat, Abu Khalr Mohammad	Director	Member	M. Sc. in Textile Engineering from Germany
4	Mr. Md. Sirajul Islam Varoesha	Director	Member	B. Com. from Dhaka University
5	Mr. Kanutosh Majumder	Director	Member	M. Com.

Mr. Malik Muntasir Reza, Senior Vice President & Company Secretary is serving as the Secretary to the Audit Committee.

In 2012, the Audit Committee held 18 meetings. The actions of the Audit Committee in these meetings can be summarized as follows:

- Endorsed the annual audit plan prepared by the Internal Control & Compliance Division of the Bank focusing on the risk-based audit approach as well as the revision/alteration/addition of the audit plan to ensure appropriateness. Monitored audit operations towards achieving the specified goals.
- Considered the Bank's connected transactions or transactions which may involve a conflict of interest to ensure that they are conducted in an arm's-length basis and that the relevant information is transparently disclosed.

- Reviewed the Bank's quarterly, semi-annual and annual financial statements as well as the consolidated financial statements of the Bank and its subsidiaries by holding meetings with external auditors and executives of the Bank to consider the financial statements to ensure that financial statements present fairly the financial position in accordance with accounting standards and laws/regulations before submission to the Board for approval.
- Reviewed and monitored the Bank's internal control system and internal audit activities to consider their adequacy, appropriateness and effectiveness. In this regard, the Audit Committee was kept informed of the audit results and key issues identified during the course of audit as well as corrective actions undertaken according to the recommendations of internal and external auditors.
- Reviewed the compliance with relevant rules and regulations including notifications of the BSEC and regulations and requirements of the Bangladesh Bank. Reviewed Management Letters/ Letter of Internal Control weakness issued by statutory auditors.

- Nominated the Bank's external auditor by taking into consideration of qualifications specified by the Bangladesh Bank, the BSEC considering reasonable circumstances leading to the interest of the Bank whereby such auditor does not have any relationships with or interest in the Bank, the management, major shareholders or related parties in a manner that may affect the independent operations and does not hold any positions of the Bank such as director, employee, contractual staff or any positions. Also recommended the audit fee for the auditor as deemed appropriate to the Board of Directors considering the present situation and the fees for the last auditor. In this regard, the shareholders' meeting has granted approval for the matter(s).

The Audit Committee is of the opinion that the Bank has made an appropriate and adequate financial report and operated its business in accordance with rules prescribed by the BSEC, requirements of the Stock Exchanges and regulations of the Bangladesh Bank. The Bank is confident that, with its current internal control system, the financial information is complete, correct, reliable and adequately disclosed.



A. S. M. Abdul Halim

Chairman, Audit Committee

GLOBAL ECONOMY

Four years after the onset of the global financial crisis, the world economy continues to struggle. Developing economies are still the main driver of global growth, but their output has slowed. To regain pre-crisis growth rates, developing countries once again emphasized internal productivity-enhancing policies.

Following a resurgence of turmoil in high-income financial markets in May-June 2012, financial markets have improved markedly, as a result of national and EU-wide measures to improve fiscal sustainability, and the augmentation of measures that the European Central Bank (ECB) would take in defense of the euro.

While signals from financial markets are encouraging, those from the real-side of the global economy are more mixed. Growth in developing countries accelerated in Q3 of 2012, including in major middle-income countries such as Brazil and China, where mid-year weakness contributed to the global slowdown. Early indications for Q4 point to a continued acceleration in East Asia and the Pacific, Europe and Central Asia, and South Asia, but slowing in Latin America and the Caribbean.

Among high-income countries, investment and industrial activity in the United States was unusually weak during Q3 despite strength in housing and consumer demand – seemingly due to uncertainty over the stance of fiscal policy in the run up to November's elections and the end-of-2012 fiscal cliff. The U.S. is likely to be one of the best performing of the developed economies in 2013. The US economy continues to expand at a moderate but uneven pace.

In Japan, the economy was contracting – in part because of political tension with China over the sovereignty of islands in the region and the expiration of automobile purchase incentives. Activity in Europe ceased to contract at alarming rates in Q3, but the economy weakened again in Q4 — perhaps reflecting weak demand for capital goods from the United States and Japan.

Developing economies are still the main driver of global growth, but their output has slowed. To regain pre-crisis growth rates, developing countries once again emphasized internal productivity-enhancing policies.

Overall, the global economic environment remains fragile and prone to further disappointment, although the balance of risks is now less skewed to the downside than it has been in recent years. Global growth is expected to come in at a relatively weak 2.3 percent and 2.4 percent in 2012 and 2013, respectively, and gradually strengthen to 3.1 percent and 3.3 percent in 2014 and 2015. At an estimated 5.1 percent GDP growth in developing countries during 2012 was among the slowest in 10 years. Improved financial conditions, a relaxation of monetary policy and somewhat stronger high-income country, growth is projected to gradually raise developing-country growth to 5.5 percent in 2013, 5.7 percent in 2014 and 5.8 percent in 2015, roughly in line with these countries' underlying potential.

For high-income countries, fiscal consolidation, high unemployment and very weak consumer and business confidence will continue to weigh on activity in 2013, when GDP is projected once again to expand a mediocre 1.3 percent.

Growth should, however, begin firming during the course of 2013, and expand by 2 percent in 2014 and 2.3 percent in 2015. In the Euro Area, growth is now projected to only return to positive territory in 2014, with GDP expected to contract by 0.1 percent in 2013, before edging up to 0.9 percent in 2014 and 1.4 percent in 2015.

This modest growth outlook is subject to risks.

- Although the likelihood of a serious crisis of confidence in the Euro Area that would lead to a bloc-wide freezing up of financial markets has declined significantly, continued progress is needed to improve country-level finances, and enact plans to reinforce pan-European schemes for a banking union and sovereign rescue funds. If policy fails to maintain its reform momentum, some of the more vulnerable countries in the Euro Area could find themselves frozen out of capital markets, provoking a global slowdown that could potentially subtract 1.1 percent or more from developing country GDP.

For high-income countries, fiscal consolidation, high unemployment and very weak consumer and business confidence will continue to weigh on activity in 2013, when GDP is projected once again to expand a mediocre 1.3 percent.

- In the United States, solid progress toward outlining a credible medium-term fiscal consolidation plan that avoids periodic episodes of brinkmanship surrounding the debt ceiling, is needed. Policy uncertainty has already dampened growth. Should policymakers fail to agree such measures, a loss of confidence in the currency and an overall increase in market tensions could reduce US and global growth by 2.3 percent and 1.4 percent, respectively.

- While a progressive decline in China's unusually high investment rate is not expected to perturb global growth over the medium-to-long term, there would be significant domestic and global consequences if this position were to unwind abruptly. Impacts for developing commodity exporters would be especially harsh if commodity prices fell sharply.

- An interruption to global oil supply and a resurgence in the price of internationally-traded food commodities remain risks, especially given the low maize stocks. Should local food prices rise markedly, nutrition and health outcomes for the very poor could be hit.

- On the upside, a rapid resolution to policy uncertainty in the United States, a decrease in tensions in Asia, or an improvement in European confidence could speed up the return of high-income countries to stronger growth — with positive effects for developing-country exports and GDP.

The majority of developing countries are operating at or close to full capacity. For them, additional demand stimulus could be counter-productive – raising indebtedness and inflation without significant payoff in terms of additional growth.

Addressing high unemployment and slack capacity remain priorities for countries in developing Europe and in the Middle East and North Africa. However, the majority of developing countries are operating at or close to full capacity. For them, additional demand stimulus could be counter-productive – raising indebtedness and inflation without significant payoff in terms of additional growth.

In what is likely to remain a difficult external environment, characterized by slow and potentially volatile high-income country growth over the next several years, strong growth in developing countries is not guaranteed. To grow rapidly, developing countries will need to maintain the reform momentum that underpinned the acceleration of growth during the 1990s and 2000s. In the absence of additional efforts to raise productivity through structural reforms, investment in human capital, and improved governance and investment conditions, developing country growth may well slow.

The longer-term structural reform agenda should also include efforts to improve food security, especially in the more vulnerable of developing economies.

The longer-term structural reform agenda should also include efforts to improve food security, especially in the more vulnerable of developing economies. This would involve increasing local productivity, improving local storage and transportation infrastructure, to reduce spoilage and enable improved access to foreign markets, both in good times and bad times.

Given the still uncertain global environment, many developing countries would be well advised to gradually restore depleted fiscal and monetary buffers, so as to ensure that their economies can respond as resiliently as they did during the 2008/09 crisis, should a further significant external shock arise.

Developing countries also need to continue to be active players in the G-20 process, both in order to assist high-income countries recover from the crisis of 2008/9 but also to ensure that reform efforts, be they in financial or real markets, take into full consideration the potential impacts on developing markets.

INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENTS IN THE INDUSTRY OF BANGLADESH

ECONOMIC GROWTH

The provisional estimates made by the Bangladesh Bureau of Statistics (BBS) not able to meet its GDP growth target of 7.0 percent set for FY2012. The provisional figure for GDP growth for the last fiscal year was to the tune of 6.3 percent; i.e. 0.7 percentage point lower than the target. It may be recalled that in previous year (FY2011) the GDP growth target of 6.7 percent was attained. According to the BBS estimate, a repeat strong performance by the industry sector (9.5 percent), particularly its manufacturing component (9.8 percent) played the role of the key driver of the projected GDP growth rate in FY2012. Along with it, the construction sector surpassed its growth target for FY2012 (6.6 percent) to attain a robust 8.5 per cent growth. On the other hand, agriculture sector, particularly the crop production component, failed to maintain its remarkable track record of the past two fiscal years (6.1 per cent against a target of 5.7 percent). Services sector maintained its traditional 6 percent plus growth rate, although this was somewhat lower than the target.

A decomposition of the GDP growth rates in FY2011 and FY2012 bears out that in the overall growth in FY2012 (6.3 per cent) only 0.5 per cent was the contribution of the agriculture sector; in contrast the figure was 1.0 per cent in FY2011.

A decomposition of the GDP growth rates in FY2011 and FY2012 bears out that in the overall growth in FY2012 (6.3 percent) only 0.5 percent was the contribution of the agriculture sector; in contrast the figure was 1.0 percent in FY2011.

This decline in agriculture sector's contribution to the GDP was more than the overall decline in the GDP growth (0.4 percent). Accordingly, it appears that the decline in GDP growth was mostly accounted for by the relatively depressed performance in the agriculture sector, more particularly, its crop component. In contrast, industry sector, backed up by its manufacturing and construction sub-sectors, improved their contribution to growth. Indeed, out of 6.3 percent growth in FY2012, 2.8 percent originated from the industry sector, the highest in recent history. Service sector's growth contribution was limited to about 2.9 percent. FY2012 related to a period of sluggish economic performance in the developed economies with its knock-on affects on the export-oriented sectors and export sector performance of Bangladesh. On the other hand, growing domestic demand sustained by robust remittance flows had positive impact on the performance of the economy.

Private investment as a share of GDP declined in FY2012 to 19.1 percent from 19.5 percent of the preceding year. Public investment rate was reported to be 6.3 percent of the GDP

INVESTMENT

Investment, as a share of GDP, failed to accelerate in line with expectations in the second year of the SFYP. Private investment as a share of GDP declined in FY2012 to 19.1 percent from 19.5 percent of the preceding year. Public investment rate was reported to be 6.3 percent of the GDP; however, this estimate, in all probability, will perhaps need to be revised downward because of the under achievement of the targets of the Revised Annual Development Programme (RADP).

The current estimate of public investment is based on the allocations of the RADP. The final expenditure estimates of the ADP suggests that of the total RADP allocation for FY2012 about 7.8 percent had remained unutilised. According to the mid-term plan, the investment target for FY2013 was 29.6 percent of the GDP. This would require a rise in investment as a share of GDP to the extent of 4.2 percentage points. Private investment will need to rise significantly to reach 22.7 percent of GDP from 19.1 percent in FY2012. This would imply that in the absence of faster accumulation of investment, particularly on the part of the private sector, and improved implementation of government investment plan (i.e. ADP), achievement of the targeted GDP growth in FY2013 (according to SFYP) is likely to remain a long shot.

REVENUE COLLECTION

Revenue collection from the NBR proved to be a source of some comfort in view of the performance of key macroeconomic correlates in FY2012. Indeed, for the second consecutive year, NBR revenue target was adjusted upward; this time from 15.7 percent to 16.3 percent. Backed by strong revenue mobilization thanks to rising import duty, VAT (local) and income tax, NBR was able to surpass its annual revenue collection target by Tk. 2,587 crore. The stellar performance from NBR was somewhat moderated though by underachievement from non-tax sources. Indeed, the target for non-tax revenue collection had to be slashed by Tk. 4,000 crore which resulted in the overall revenue collection to be at a level below the target.

REVENUE EXPENDITURE

In addition to revenue shortfall, significant rise in revenue expenditure put further pressure on the fiscal balance. Revenue expenditure (augmented) posted 14.7 percent growth in FY2012 surpassing the original growth target of 12.0 percent. Major rise in expenditure was observed on account of acquisition of assets and works, interest payments and subsidies and current transfers. It is to be noted that, subsidies and transfers alone (excluding those to public institutions like BPC, PDB etc.) contributed to about 42.5 percent of the incremental revenue expenditure during this period. Domestic interest payments contributed another 38.3 percent underwritten primarily by the high borrowing of the government from the banking system. The rising cost of public debt servicing and its attendant fiscal burden is transmitting worrying signs and could emerge as a problem with long term adverse consequence. However, as of now, the debt situation has not crossed the critical zone.

Major rise in expenditure was observed on account of acquisition of assets and works, interest payments and subsidies and current transfers.

ANNUAL DEVELOPMENT PROGRAM (ADP)

ADP implementation during FY2012 stood at Tk. 37,871 crore, which was Tk 8,129 crore less than the original target, implying an implementation rate of 82.3 per cent (of the original budget). This was about 3 percentage points lower than that of the last year (85.3 per cent).

As a result, ADP-GDP ratio in FY2012 was same as that of the previous year (4.1 percent). An added concern as regards the ADP had been the higher share of local financing in the absence of envisaged foreign financing. Of the implemented ADP of FY2012, about 66 per cent had to be financed from local sources; while the figure stood at 59 percent in the original allocation. Indeed, only 68 percent of the total project aid allocation was utilised in FY2012. This led to increased government borrowing from the banking system, putting pressure on availability of credit for the private sector.

DEFICIT FINANCING

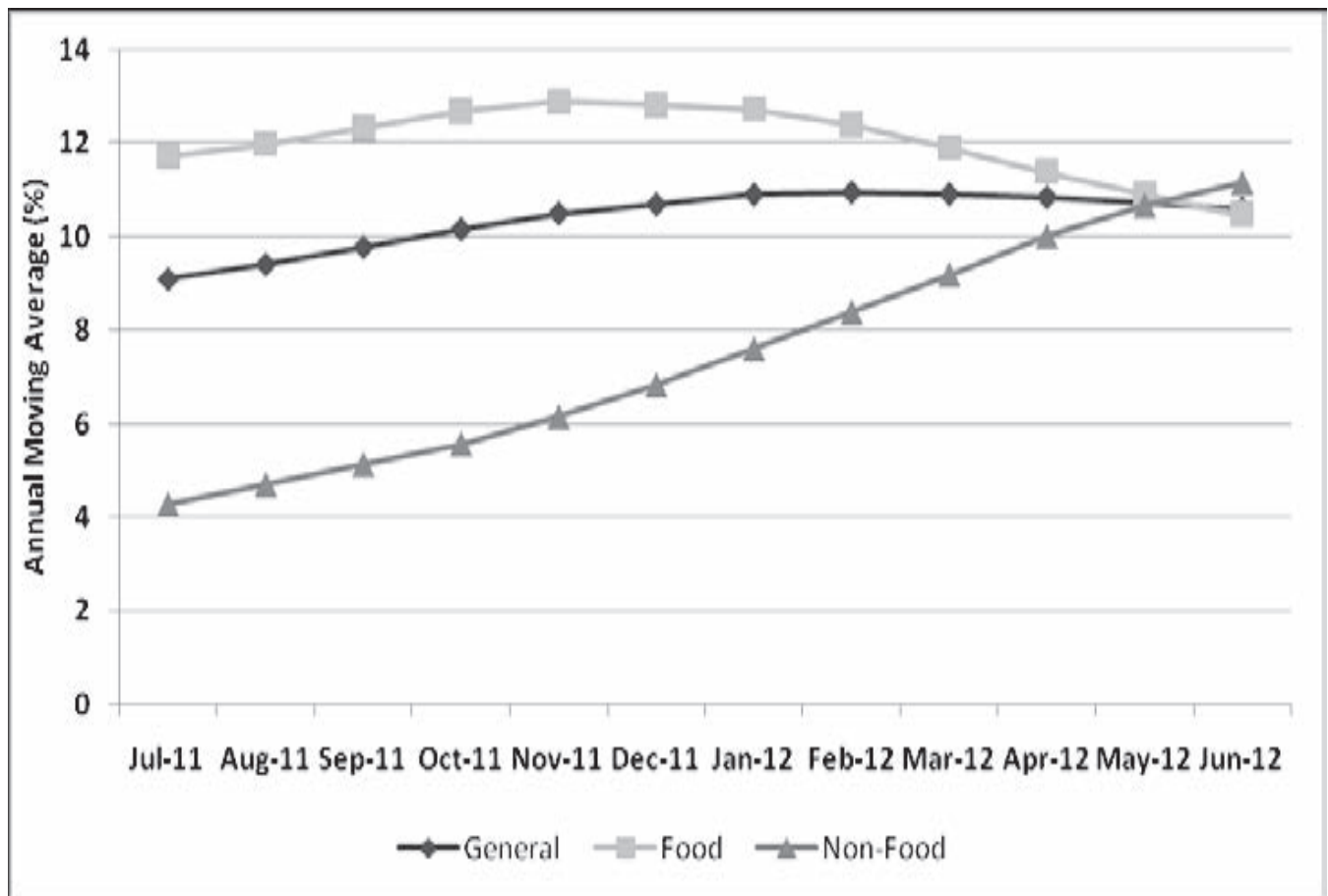
With financing pressure emanating from the overshooting of the revenue expenditures, overall budget deficit (excluding grants) stood at Tk. 36,025 crore in FY2012, which was 3.6 per cent of GDP (excluding grants). Modest level of net foreign financing and low contribution of financing from the non-banking sources made financing the deficit a major macroeconomic challenge in FY2012. From the very onset of the current fiscal year, the government had to resort to borrowing from the banking sources. Eventually, the government managed to restrain overall bank borrowing to Tk. 27,188 at the end of fiscal year which was Tk. 1,927 crore less than the revised budget target. The underutilisation of domestic financing part of the ADP (by Tk. 949 crore) helped the cause of curtailing bank borrowing to a large extent. During the last quarter of FY2012, the government borrowed Tk. 12,342 crore from such sources as provident funds of government employees.

INFLATION

As is known, inflation rate has been on the rise over the past three years. In the backdrop of high level of commodity prices, the annual average inflation target for FY2012 was set at 7.5 per cent. However, general inflation (annual average) rate reached 10.6 percent in FY2012 which was 8.8 per cent in FY2011. Since the mid-2000s price level of food items became the dominant contributor to inflation in Bangladesh. However, food inflation started to somewhat slow down since January 2012 after the Aman harvest and indeed inflation rate of non-food items had a greater influence on the final

outcome in FY2012. Non-food inflation was on the rise since July 2011 mainly due to the upward adjustment in the administered prices of fuel and electricity and falling value of BDT against USD leading to imported inflation. At the end of the fiscal year, annual average non-food inflation reached as high as 11.2 percent and exceeded the annual average food inflation (10.5 per cent). Within non-food commodities, prices of clothing and footwear, gross rent, fuel and lighting and transport and communication experienced notable rise in FY2012.

ANNUAL AVERAGE INFLATION (%)



MONETARY POLICY

A major focus of the monetary policy statement (MPS) for first half of FY2012 which was released in July 2012, was to restrain money supply. However, at the end of first half of the fiscal year (December 2011), the overall growth of money supply was close to the target (19.1 percent against the target 18.5 per cent) and well below the benchmark growth rate (21.3 percent at the end of FY2011). Admittedly, the growth of money supply beyond what was targetted was primarily due to excessive government borrowing from the banking sources. Growth of government bank borrowing was 73.5 percent at the end of December 2011. In view of the above, the second MPS of the Bangladesh Bank (in January 2012) had reduced the target for growth of credit flow to the private sector and raised government borrowing targets. The monetary policy for the second half of FY2012 set growth targets for private and public sector credit at 16.0 percent and 31.0 percent respectively whereas the target for growth of broad money was brought down to 17.0 percent.

A major focus of the monetary policy statement (MPS) for first half of FY2012 which was released in July 2012, was to restrain money supply.

At the end of fiscal year, the growth of government borrowing was reduced to 25.2 per cent. In contrast, private sector credit remained 19.7 per cent and had exceeded the target. The overall money supply growth remained at 17.4 percent towards the end of FY2012. Indeed, restraining credit growth, particularly growth of government borrowing, had helped to restore macroeconomic balance to a certain extent. Regrettably, the effectiveness of monetary contraction in controlling overall inflation as well as its non-food component was rather limited.

As mentioned earlier, non-food inflation continued to soar throughout the fiscal year as a result of upward adjustment of administered prices of fuel and electricity. In the end, demand side management was outplayed by cost-push inflation.

MONETARY POLICY STANCE FOR THE SECOND HALF OF FY2013

Over the years successive monetary policies of the Bangladesh Bank were designed to accommodate concurrently the targets set for economic growth and inflation. The last two MPSs have tried to move towards, primarily, containment of the inflationary expectation and took a rather contractionary stance. The MPS for first half of FY2013 had come up with two major objectives: "(i) maintaining inflation at moderate levels and (ii) supporting inclusive growth objectives of the Government". However, it appears that containing inflation remained the "core focus of the announced monetary program". The MPS also announced four major policy objectives. The first one was about maintaining close coordination with the Ministry of Finance to limit Government borrowing from the banking sector. The MPS has aimed to accommodate the budgetary target of bank borrowing by the government (Tk. 23,000 crore). However, the credit requirement of the government from the banking sector may surpass the budgetary target by a considerable margin at the end of the fiscal year.

Secondly, Bangladesh Bank expressed its intention to "focus on the quality/composition of private sector credit". In addition, the MPS also aimed to reduce the interest rate spread to ensure a more competitive banking sector. In September 2012 interest rate spread was 5.5 percentage points – down from 5.6 percentage points in June 2012.

Thirdly, the central bank recognised the need to strengthen the financial sector for 'effective transmission of monetary policy'. The central bank has put in place new provisioning and rescheduling procedures for bank loan as of January 2013 in line with international practice.

It may be noted that, during the period under the present MPS, classified loans had indeed showed considerable rise. As of the first quarter of FY2013, percentage share of classified loan to total outstanding loan has increased to 8.8 per cent (from 7.2 per cent as of June 2012). This is the second successive quarter in which classified loan had increased as a share of total outstanding loan. Indeed, the overall governance of the banking sector has come under scrutiny in recent months.

The central bank has put in place new provisioning and rescheduling procedures for bank loan as of January 2013 in line with international practice. In view of the urgent need to improve financial sector governance, the steps taken by the central bank are welcome.

Fourthly, the MPS for first half of FY2013 also aimed "to preserve the country's external sector stability". Certainly, the external sector balance is more stable compared to the corresponding period of FY2012. However, this has come at the expense of the slowdown of both export growth and import growth. This low level of external

sector activities will surely have adverse implications for the economic growth prospect in FY2013. Moreover, it appears that commercial banks also faced considerable decline in their profit in the first quarter of FY2013. It is observed that new commercial banks are coming into operation some time in the second half of FY2013. At a time when the commercial banks are struggling to operate profitably, new banks are also bringing more competition.

Overall, the forthcoming MPS will need to present an assessment of the July-December, 2012 MPS; along with this the MPS should also examine the overall implications of the stated measures for economic growth, employment and inflation. On the one hand, the central bank is expected to examine the contribution of monetary policy to the decline in inflation. On the other hand, the monetary policy also estimate its impacts on economic growth and investment. Indeed, according to the new estimates of Bangladesh Bank, economic growth in FY2013 will be around 6.1-6.4 per cent. However, this will also imply that the growth rate in FY2013 may fall short of its target (7.2 per cent) by about 1 percentage point. 6.2 per cent as an economic growth outcome perhaps will be considered respectable. It is more likely that the central bank will continue to pursue a contractionary monetary policy stance for the coming half of FY2013 – however, this will surely entail a trade-off with growth prospects of the Bangladesh economy.

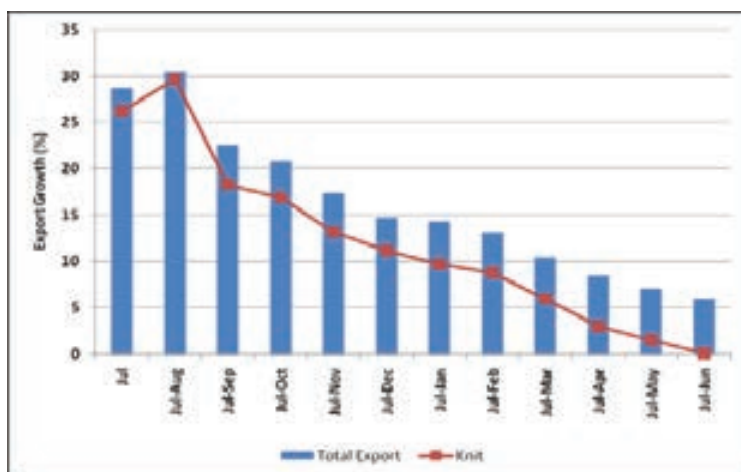
EXPORT

Robust performance of export was one of the major achievements in FY2011. Growth target of export for FY2012 was set at 15.6 per cent. Regrettably, at the end of the fiscal year, overall export earnings growth stood at 5.9 per cent; this was only 86.5 per cent of the target (USD 26,500 million). Indeed, since September 2011, export growth experienced a secular fall. As a result, during the last ten months (September-June) of FY2012, export earnings increased by only 1.3 per cent compared to the same period of FY2011. Of the exported items, knit-RMG had underperformed significantly, registering zero growth during FY2012. The fall in export earnings might perhaps be partially attributed to the fall in cotton prices. During September 2011- June 2012, average international price of cotton declined by (-) 44.7 per cent compared to the matching period of the previous fiscal. Thus, there was perhaps some 'price effect' in the decline in the earning from the RMG sectors in contrast with the 'volume effect'. Export to the US market had been rather weak, failing to register positive growth ((-) 0.1 per cent) in FY2012. Additionally, export earnings from the EU have also started to decline in the second half of FY2012, since January 2012. Export earnings from non-traditional markets were impressive, but inadequate to sustain the overall export growth.

IMPORT

Contrary to the export agenda, imports did not see a significant reduction until last quarter of the fiscal year, leading to heightened pressure on the Balance of Payment (BOP) position of the country. At the end of the third quarter, growth of import payments was about 12 per cent. This came down to 5.7 per cent at the end of FY2012. Growth of import payments in the current fiscal year originated mainly from the higher import demand for liquid fuel as about 44 per cent of the incremental import payments generated from the import of these products. Import of petroleum products registered a whopping 39.1 per cent growth in the July-March phase of FY2012 which later came down to 19.5 per cent at the end of FY2012. According to BPC statistics, import payments for petroleum products increased by 33.5 per cent in FY2012 (in BDT terms). A division of the increase was attributed to higher prices of petroleum products, which increased by 21.3 per cent in USD terms. Slowdown in export also helped to reduce pressure of import payments as a significant proportion of import is directly related to export performance. At the same time, stringent policies of Bangladesh Bank to restrict financing of import have also contributed to slowdown in imports.

EXPORT GROWTH (%)



Growth of import payments in the current fiscal year originated mainly from the higher import demand for liquid fuel as about 44 per cent of the incremental import payments generated from the import of these products.

EXPORT EARNINGS

Export earnings stood at USD 24.31 billion in FY2012, registering a moderate growth of 6.0 per cent. This modest growth rate was a significant departure from the impressive growth rate of 41.5 per cent posted in FY2011. The slow down experienced in FY2012 has continued into the early months of FY2013. In the first five months of FY2013, during the July-November period, export earnings registered a growth rate of 4.1 per cent as opposed to the robust growth rate of 17.6 per cent in FY2012 compared to the comparable months of FY 2011. Sectoral composition for this period shows that RMG sector posted a modest growth rate of 5.7 per cent whereas the non-RMG exports experienced a negative growth rate of 9.6 per cent compared to the corresponding period of FY2012. To attain the export target for FY2013 which has been set at 15.3 per cent, growth rate in the coming months of FY2013 will need to be significantly high: 17.5 per cent and 31.0 per cent for RMG and non-RMG respectively. It is projected that growth in export earnings in FY2013 will approximate that of the previous fiscal (about 6 per cent in FY2012).

Export earnings stood at USD 24.31 billion in FY2012, registering a moderate growth of 6.0 per cent. This modest growth rate was a significant departure from the impressive growth rate of 41.5 per cent posted in FY2011.

The ongoing economic slowdown in the Euro Zone and sluggish recovery and lower economic growth in many developed countries will likely to have adverse implications for Bangladesh's overall export performance in FY2013.

IMF (2012) found that emerging markets are being affected by the lower growth and uncertainty in developed countries and it is also important to note that growth in world trade volume is projected to slump to 3.2 per cent in 2012 from 5.8 per cent in 2011 and 12.6 per cent in 2010 (IMF, 2012). Market decomposition of Bangladesh's export performance for the RMG sector depicts a mixed scenario. Export performance of Bangladesh in the US market clearly illustrates that export of RMG products failed to maintain the earlier momentum and has remained stagnant in value terms posting a growth rate of only about 0.33 per cent in FY2012. Other competitors of Bangladesh in the US market, top ten exporters have managed to register higher growth in FY2012: e.g. Vietnam (7.9 per cent), Indonesia (4.1 per cent), China (1.0 per cent), Cambodia (6.4 per cent), Mexico (4.0 per cent) and Turkey (20.8 per cent).

Export performance of Bangladesh in the US market clearly illustrates that export of RMG products failed to maintain the earlier momentum and has remained stagnant in value terms posting a growth rate of only about 0.33 per cent in FY2012.

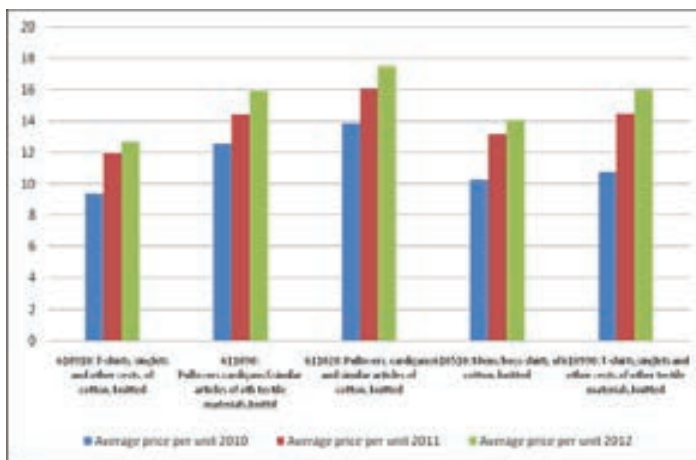
Over this period when Bangladesh's export earnings from both knit and woven wear declined by 3.2 and 5.6 respectively, export earnings for Vietnam posted a rise of 8.9 and 4.5 per cent respectively for these two items.

In contrast to the US market, the EU market fares somewhat better. Total exports to the EU countries had registered a 10 per cent growth rate in FY2012 with the RMG earnings posting a 13.9 per cent rise in 2012. Despite the euro zone crises, Bangladesh's apparel export growth in the EU has sustained in view of the relatively better economic situation of its major destination

backers. Germany (9.6 per cent), United Kingdom (20.9 per cent), Italy (15.6 per cent) had been good with the exception of France (-4.9 per cent). Of heightened interest here is to note is the export record of Vietnam in FY2012 in major destination countries: Germany (36.3 per cent), France (47.6 per cent), United Kingdom (43.8 per cent), and Italy (42.8 per cent).

Bangladesh's export growth for RMG items in the euro zone came down further during July-November, 2013 posting a growth rate of 6.5 per cent compared to the corresponding period of FY2012. Whilst export earnings from woven sector were impressive, with a 23.1 per cent growth, it is notable that export of knitwear actually declined by 1.2 per cent.⁹ Indeed, total global import of RMG by the EU had declined by 15.1 per cent over the corresponding period. WB (2012) also concluded that commodity export-dependent countries are most at risk in the event of a renewed global slowdown.

AVERAGE PRICE FOR TOP FIVE KNIT ITEMS, FY2010-FY2012



Apart from the country's principal export items, the RMG, in the EU market encouraging growth rates were posted in FY2012 for footwear and shrimp, 21.3 per cent and 7.4 per cent respectively. On the other hand, in the US market, export earnings from footwear remained

almost unchanged (0.81 per cent) whereas shrimp export declined by a significant 40.5 per cent.

Whilst Bangladesh's exports have been experiencing fluctuating fortunes in the North American and EU markets, her South-South trade has been on the rise.

Bangladesh export to India has experienced a robust growth in recent years and stood at USD 498 million in FY2012. During the July-November period of FY2013, export earnings reached USD 221 million, registering 3.8 per cent growth over the corresponding period of FY2012. The recent duty free market offer to Bangladesh from India has created favorable window of opportunity to enter the fast growing Indian market. In FY2012, Bangladesh experienced robust export growth in China (25.7 per cent), Malaysia (27.9 per cent), Korea (28.1 per cent), Myanmar (39.4 per cent), Thailand (55.8 per cent), Singapore (58.0 per cent), Brazil (40.9 per cent) and South Africa (16.9 per cent). Export basket in these countries mostly concentrated on non-RMG products which speak of the significant opportunities for export diversification and Bangladesh should put more emphasis on this emerging opportunity for market and product diversification.

Bangladesh export to India has experienced a robust growth in recent years and stood at USD 498 million in FY2012.

Besides, this is likely to have adverse implications for Bangladesh's credibility as a supplier when Bangladesh was trying to consolidate its foothold as the second-largest RMG exporter in the world, and major buyers were showing keen interest in Bangladesh as part of their China Plus One strategy for sourcing.

Whilst RMG is not covered under US-GSP scheme, US-GSP hearings and likely adverse decision could also impair Bangladesh's overall export interest in the US market. The issue of allowing RMG workers on their trade-union rights has also been highlighted by the CPD. If the GoB and concerned institutions fail to take adequate measures in the above regard, the adverse implications will seriously undermine Bangladesh's export potentials in the near future. Additionally, the increasing number of bilateral and regional trade agreements will likely lead to preference erosion for Bangladesh, as will unilateral tariff reductions by developed countries. Bangladesh's should strategise in view of the above if she is to realise her potential to match China's track record. Thus, Bangladesh will need to give adequate attention to both software (regulatory regime, trade union rights, compliance etc.) and hardware (infrastructure development, trade facilitation, supply-side capacity building) related measures on an urgent basis.

Performance of the import sector had been rather sluggish in fy2012. Registering a growth rate of 5.3 per cent, total imports amounted to usd 35442.30 million in fy2012.

IMPORT PAYMENTS

Performance of the import sector had been rather sluggish in FY2012. Registering a growth rate of 5.3 per cent, total imports amounted to USD 35442.30 million in FY2012. Growth in import payments in the first quarter of FY2013 was 2.0 per cent compared to the corresponding period of FY2012. Fall in some of the key commodity prices and the overall contractionary policy pursued by the central bank played its role.

Statistics with regard to global commodity prices shows a fall in prices of food grains and fuel and a number of other items in the global market. It needs to be noted that there was also a drastic reduction in the import of rice (- 97.6 per cent) which also contributed to containing total import payments.

Among other import items, import of POL recorded a robust growth of 50.1 per cent in the first quarter in 2013. In contrast, import of machineries, an important import items having significance for investment, faced a negative growth rate both in fiscal year 2012 (-14.0 per cent) and in the first quarter of FY2013 (-13.6 per cent) with attendant adverse implications for investment. However, fertilizer growth was high (12.4 per cent) and import of raw cotton was also high (48.9 per cent).

The latter was likely to have positive impact on performance of export-oriented RMG sector in the near term. It is to be noted that import payments indeed has experienced a negative growth of (-) 6.9 per cent over the July-November, FY2013 period.

L/C opening and settlement declined by (-) 9.7 per cent and (-) 13.2 per cent respectively during the first five months of FY2013. It is important to note that L/C opening for petroleum decreased by (-) 16.7 per cent during the same period. Anecdotal information suggests that commercial banks are also showing reluctance in opening L/Cs in general although Bangladesh has gone for moral persuasion in discouraging import of particularly consumer and luxury goods only. The declining tendency of overall import is likely to continue in the coming months of FY2013.

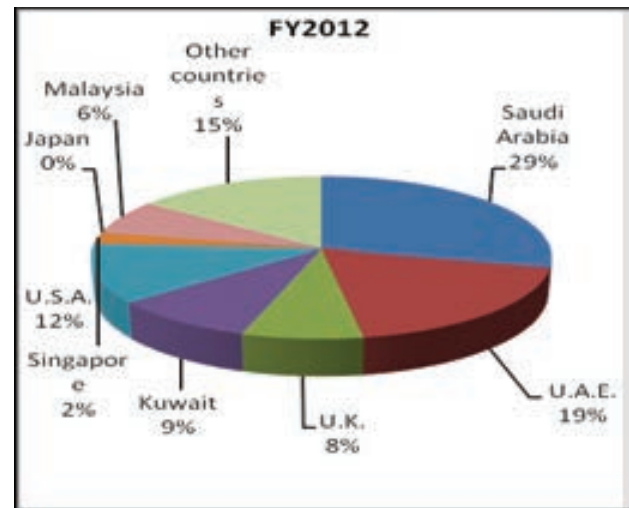
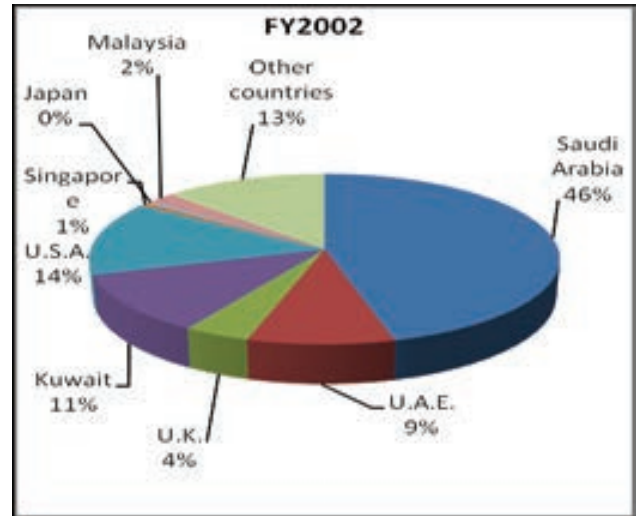
REMITTANCES

The flow of inward remittances to Bangladesh stood at USD 5.01 billion during July to November of the current fiscal year, marking 24.9 per cent impressive growth over the comparable months of the previous fiscal year. This is a remarkable achievement also because remittance earning in FY2012 (USD 12.84 billion) was a significant 10.3 per cent higher compared to FY2011. In part, significant depreciation of exchange rate has helped to achieve this higher growth. Celebration of Eid ul Azha and Durga Puja in the first quarter in FY2013 may have also contributed to this higher growth.

According to the Bangladesh Bank's official figure for remittances inflow in FY2012, other important sources for remittances were UAE (18.7 per cent), USA (11.7 per cent), Kuwait (9.8 per cent), UK (9.0 per cent) and Malaysia (6.6 per cent).

Despite the recent diversification of remittance sources, Middle East countries continued to be the major sources of remittance inflow in Bangladesh. Saudi Arabia was the largest source of remittance with total amount of remittance stood at USD 3.68 billion in 2012 with 28.7 per cent growth rate in 2012. According to the Bangladesh Bank's official figure for remittances inflow in FY2012, other important sources for remittances were UAE (18.7 per cent), USA (11.7 per cent), Kuwait (9.8 per cent), UK (9.0 per cent) and Malaysia (6.6 per cent).

During FY2012, the total number of migrant workers going abroad stood at about 692 thousands, registering a robust growth of 57.4 per cent compared to the previous fiscal year. It is of interest to note that impressive growth has occurred after a significant deceleration of migrant workers in 2009 and 2010, (-) 50.9 per cent and (-) 34.3 per cent respectively.



Though the growth rate of the number of migrant workers was a negative (-) 6.7 per cent in the first quarter, the number of workers was likely to increase in the coming months of FY2013 as Malaysia has indicated its interest to recruit a significant number of workers from Bangladesh under the government-to-government (G to G) arrangement. This could reduce the cost of migration but will require significant strengthening of the capacity of all involved institution of the GoB.

BALANCE OF PAYMENTS

In the backdrop of the volatility observed in FY2012, the first four months of the current fiscal year observed a balance of payment surplus mainly because of higher inward remittance and lower import growth. The overall balance reached USD 1923 million in July-October period of FY2013 from a negative balance of 384 million USD for comparable months in FY2012. Trade deficit started to come down and, current account registered surplus of 464 million USD in the same period of FY2013.

According to the Bangladesh Bank, over July-October period in FY2013, Foreign Direct Investment (FDI) inflow increased to USD 588 million from USD 466 million over the corresponding months in FY2012, registering a growth of 26.3 per cent. Medium and Long Term (MLT) loans stood at 579 million in 2013 with a significant growth rate (185 per cent) in July-October period of FY2013. Gross Foreign exchange reserves stood at USD 12.8 billion as of 1 January FY2013, equivalent to more than four months imports bills, which was about 32.3 per cent higher than the same period in 2012. Despite the rising reserves in recent times, Bangladesh bank projects a modest growth in FY2013 in light of the subdued forecast for global trade in the coming year.

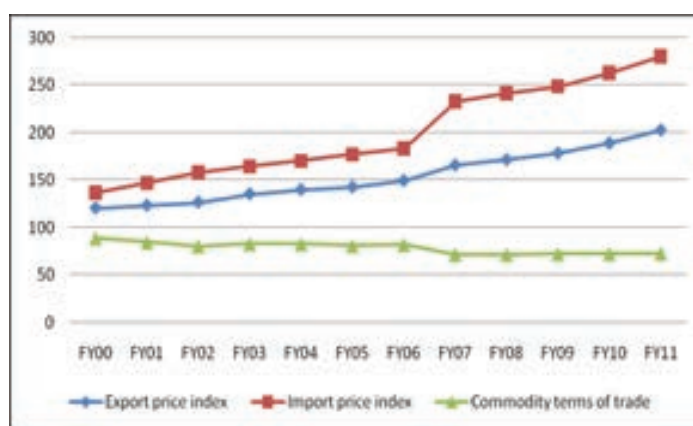
According to the Bangladesh Bank, over July-October period in FY2013, Foreign Direct Investment (FDI) inflow increased to USD 588 million from USD 466 million over the corresponding months in FY2012, registering a growth of 26.3 per cent.

After two years of uncertainty, the Government has now decided to participate in the 'sovereign bond' market.

Sovereign bonds, worth of USD 500 million, will be issued during March-April, 2013. The government expects that the interest rate to be in the range of 5-5.5 per cent. Bangladesh's stable credit rating has perhaps played a role in this expectation although due caution will need to be exercised in dealing with the possible attendant risks emanating from this form of government borrowing.

TERMS OF TRADE IN BANGLADESH

(BASE YEAR: 1995-96)



It is important to mention here that Bangladesh's terms of trade has been following a declining trend in recent years. Whilst reliable up to date data is lacking, according to Bangladesh Bank information, TOT has improved marginally, by 0.5 per cent, in FY2011 compared to the FY2010. In view of volatility of commodity prices in the global market, a renewed effort to move up the value chain in exportables, away from basic manufactured items where price movements are slow, is required to change the situation in Bangladesh's favour.

FOREIGN AID

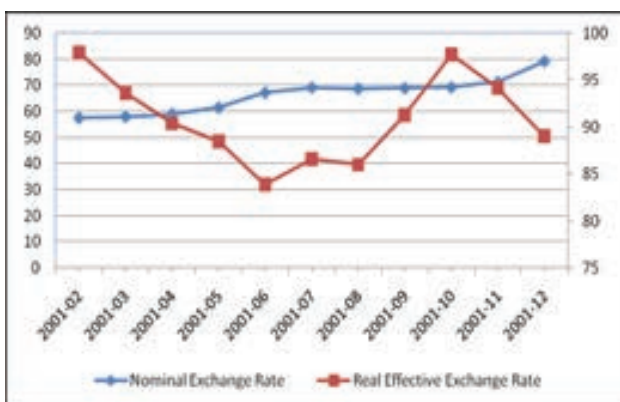
Foreign aid inflow in July-November period, FY2013 stood at USD 906.6 million, posting an impressive growth of 107.4 per cent compared to the corresponding months of FY2012.

Net foreign aid inflow during the first five months (USD 568.4 million) was significantly higher compared to the same period of FY2012 (USD 97.1 million). This significant improvement in aid inflow mainly originated from disbursement by Japan (USD 150 million), WB (USD 285 million) and ADB (USD 136 million). Close monitoring and better coordination have perhaps helped. In the current fiscal year, government has set a gross foreign aid target of USD 3.2 billion. Though the country is gradually moving out from aid dependency, but the aid inflow has its own significance to meet the country's increasing development needs.

EXCHANGE RATE MOVEMENTS

During July-October, FY2013 period, Taka had appreciated against all the major currencies including dollar, Euro, British Pound and Chinese Yuan, except the Indian Rupee. This trend was a reversal of the trends experienced during the comparable months of FY2012. The underlying causes for this are higher inward remittances, the lower import demand and the resultant replenishment of the foreign exchange reserves. Figure-3.11 shows the Taka-USD exchange rate and real effective exchange rate over the last ten years.

TAKA-DOLLAR EXCHANGE RATE AND REAL EFFECTIVE EXCHANGE RATE, FY2002-FY2012



Whilst export sector and remittances flow were incentivised by the large scale depreciation experienced in FY2012, recent strengthening of the BDT changes the scenario in a significant way; however, this is likely to have some positive impact on the price of imported commodities in the domestic market.

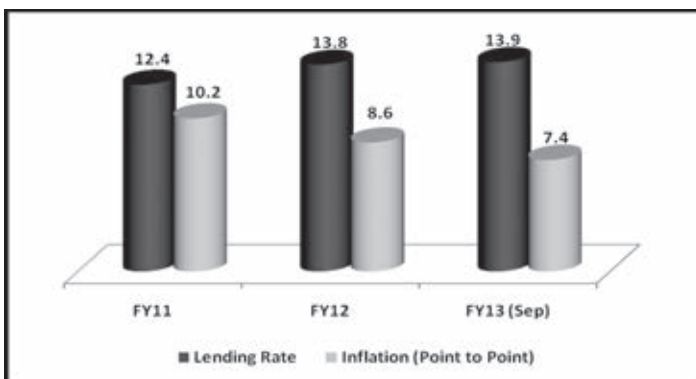
GROWTH AND ECONOMIC OUTLOOK

Bangladesh economy had passed through a difficult period in FY2012 from the perspective of macroeconomic management. The defensive adjustments adopted by the government, in the course of FY2012 (particularly during the latter half), were manifested in various policy actions including those related to fiscal and monetary policies. On the one hand, the policy package had contributed to the restoration of macroeconomic stability to some extent; however, this entailed a cost in terms of the realized economic growth. As the halfway mark of FY2013 approached, economic policy of the government had continued to maintain a similar cautious approach. In the backdrop of unattainment of growth target in FY2012 and its likely repetition in FY2013, the gap between SFYP growth target and actual performance will be widen. There may be a need to revisit the SFYP targets in view of this. The signals emanating from the first few months of FY2013 indicate that, the policymakers will have to confront a more challenging phase in the coming months.

GROWTH AND INVESTMENT OUTLOOK

Higher level of investment is a binding constraint for higher economic growth. According to the SFYP target, share of total investment to GDP needs to be 29.6 per cent of GDP in FY2013. In other words, it will need an additional Tk. 75,460 crore of investment; of which more than 81.0 per cent should come from the private sector. Certainly this will be an impossible target to chase. Additionally, an overwhelming part of the investment has to go to manufacturing sector to acquire the incremental 1.0 per cent GDP growth in FY2013 over FY2012. Signs of slowdown in investment trend are becoming increasingly visible. A combination of a number of factors, including weakening of global demand, inadequate infrastructural facilities, constricted access to finance, unsatisfactory industrial relation have depressed the investment outlook further. High cost of borrowing has been repeatedly mentioned by the business community as an impediment for private investment. In this connection, high level of inflation is often blamed for high interest rate. Interestingly, at a time when inflation is coming down, interest rate is creeping up. The real interest rate (both nominal and real) in FY2011 was 2.2 per cent which is now increased to 6.5 per cent in September FY2013.

FIGURE 3.12: LENDING RATE VS INFLATION RATE (%)



The depressing sign of investment scenario is visible from the decline in import of capital machineries. In contrast, term loan disbursement in the first quarter of FY2013 has been impressive compared to the corresponding quarter of the previous fiscal year. However, this disbursement was (-) 4.9 per cent lower than last quarter (April-June FY2012). It is, however, found that overall private sector credit growth was at a moderately high level.

The Hallmark scam has put forward an important lesson to the economy that loans acquired from the commercial banks may not always be destined for the intended purpose (as is evidenced in the bank documents).

At a time when investment in terms of import capital machineries is declining and economic activity including trade related activities are slowing down, such a growth in private sector credit and term loan is somewhat perplexing. The Hallmark scam has put forward an important lesson to the economy that loans acquired from the commercial banks may not always be destined for the intended purpose (as is evidenced in the bank documents).

The above analysis of the macroeconomic performance in current fiscal, based on early data, transmits the signal that a growth target of 7.2 per cent for FY2013 is unlikely to be achieved. The GDP growth projections made by the multilateral donors (i.e. the World Bank, IMF and ADB) corroborate that GDP growth rate in FY2013 would be around 6.0 per cent. A more recent projection by the Bangladesh Bank has also estimated that the GDP growth rate in FY2013 will be in the range of 6.1-6.4 per cent. At this point in time, the available data on real sectors' performance are not adequate to estimate the final outcome for the GDP growth in FY2013.

The crop production data (on Aus and Aman) is yet to be finalised; however, anecdotal information suggests that, the production figure could be better in FY2013 compared to the previous fiscal year. On the other hand, QIP index for large and medium industries for the first two months of FY2013 shows that manufacturing production growth in large and medium industries was only 4.9 per cent. The relatively slow pace of growth in export will also likely have a dampening impact on industrial sector performance in FY2013. In all likelihood, given the current scenario, the economic growth rate in FY2013 is unlikely to surpass the growth record of FY2012.

RAISING EQUITY FROM THE CAPITAL MARKET FOR MANUFACTURING ENTERPRISES

Raising financial resources from the equity market faced a number of challenges in 2012. The artificial bubble created in the capital market in 2009 and 2010 came to an end in December, 2010. Manufacturing sector IPOs were rather few till FY2011. After the collapse of the market, a number of reform measures were undertaken to raise market efficiency particularly focusing on the primary market.

Raising financial resources from the equity market faced a number of challenges in 2012. The artificial bubble created in the capital market in 2009 and 2010 came to an end in December, 2010.

As a result number of IPOs in FY2012, for setting up manufacturing enterprises, has increased significantly. New IPOs included engineering, textiles and food and allied products which accounted for about 18 per cent of total IPOs in FY2012. However, number of IPOs for mutual funds in FY2012 and the amount to be raised by these through public offer were still high.

In view of allegations about market manipulation, to ensure transparency and reduce malpractices, operations of the concerned companies should be properly audited. To address some of the attendant concerns, it is important to implement the Financial Reporting Act on an urgent basis.

Removal of cap over interest rate in June, 2012, ostensibly to infuse competitiveness in the market has contributed to the rise in interest rates both for deposit collection as well as advances and loans.

High rate of interest for bank loan is a key concern for entrepreneurs operating in the manufacturing sector. Since FY2010, interest rate has significantly gone up both in nominal and real terms. Weighted average interest rates applied for term loan and working capital has significantly increased since June, 2010; this was relatively high in case of working capital (compared to that in term loan). Besides, removal of cap over interest rate in June, 2012, ostensibly to infuse competitiveness in the market has contributed to the rise in interest rates both for deposit collection as well as advances and loans. This has adversely affected the growth of working capital, both for LMIs and SMIs.

STATE OF GOVERNANCE IN THE BANKING SECTOR:

Banking sector is one of the most important components of the financial system that mobilizes resources for productive investments in a country which in turn contributes to economic development. The relationship between financial sector development and economic growth has been explored in several studies in the recent past.

Cross-country empirical evidence suggests a positive association between financial development and economic growth (Ahmed and Ansari 1998; CPD 2011; Monnin and Jokipii 2010; McKinnon, 1973; Shaw, 1973; Calderón and Liu, 1999; Rahman, 2004; Chakraborty, 2008; Khan 2011; Khan 2002; Khan and Senhadji 2000). On the other hand crisis, volatility and corruption in the banking sector have been found to have negative implications for the growth of the banking industry (Park 2012; Moshirian and Wu 2012; Lin and Huang 2012; Serwa 2010). In Bangladesh, financial sector is dominated by banks. In 2011 total asset of the banking sector was 74.6 percent and of non-bank financial institutions 3.4 percent of GDP (GoB 2012; Bangladesh Bank 2012). The banking sector has flourished during the last three decades as a result of increased demand of the growing economy. During this period the banking sector has also undergone several reforms and fallen under the jurisdiction of a number of acts in a bid to improve the efficiency of the sector. Nevertheless, the sector is yet to improve its performance in terms of trust and confidence of people as shocks hit the sector from time to time in a major way. Among these, the issue of governance in the banking sector has been under the spotlight in 2012 in the context of the Hall Mark scam which was the biggest financial crime in the history of Bangladesh's banking sector. Given the contribution of the banking sector in the overall development of the country, such processes of misappropriating public resources can have serious implications for economic growth of the country.

BRIEF OVERVIEW OF THE PERFORMANCE OF THE BANKING SECTOR

The pace of development in the banking industry has been significant over the past decades. In calendar year (CY) 2011, total asset of 47 commercial banks stood at Tk 5874.9 billion and deposit at Tk 4509.8 billion (Bangladesh Bank 2012) which were 74.6 percent and 57.2 percent respectively. During the last ten years (2001-2011) total asset has grown by 324.2 percent while deposit has increased by 326.9 percent (Bangladesh Bank Annual Report 2010-11). The ratios of money supply (M2) to GDP, total deposits to GDP and total domestic credit to GDP have shown steady increase over the years indicating an increased financial depth.

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Financial inclusion, though still low compared to developing countries has increased significantly since independence. Population per bank branch has improved from 57,700 in 1972 to 17,660 in June 2011 indicating that a large number of people are under the coverage of banking services. In terms of soundness of the banking sector, which is measured by indicators such as capital adequacy, asset quality, management quality, earnings, liquidity and sensitivity to market risks (CAMELS), the banking sector of Bangladesh has exhibited significant progress. As shown in the recent past, the situation of banks in terms of capital adequacy has improved and banks in Bangladesh have been able to maintain adequate RWA capital.

The percentage share of non-performing loans (NPL) to total loans has reduced dramatically during 1997 to 2011. Similarly there were improvements in the case of bank management, profitability and liquidity. However, a disaggregated performance of these indicators for different categories of banks shows that the SCBs are lagging behind compared to other categories of banks. The

SCBs continue to be grappled with problems of inefficiency and mismanagement even after several reform measures undertaken for the sector since the 1980s. In fact reform has been a continuous process in the SCBs which gained further momentum in the 1990s and continued till 2007. However, the poor performance of the SCBs suggests that reform is still an unfinished agenda in the banking sector of Bangladesh.

BANKING SECTOR PERFORMANCE

Soundness Indicators	CY 2004	CY 2005	CY 2008	CY 2010	CY 2011	2012 (June)
Capital to Risk Weighted Asset (%)	8.7	6.7	10.1	9.3	11.3	-
NPL to Total Loans (%)	17.6	13.2	10.8	7.3	6.2	7.17
Expenditure-Income Ratio (%)	90.9	91.4	87.9	70.9	-	-
Return on Asset (%)	0.7	0.8	1.2	1.8	1.3	1.16
Return on Equity (%)	13.0	14.1	15.6	21.0	14.3	13.49
Liquid Asset (%)	23.4	21.5	24.8	23.0	21.0	-
Excess Liquidity (%)	8.7	5.1	8.4	6.0	-	-
Sensitivity to Risks	20.3	31.5	9.9	-	-	-

Credit Rating Agency of Bangladesh Limited



Ref: AGL (01)/RCM/120515/2012- 343

03 May 2012

Mr. Md. Motior Rahman
Managing Director
Jamuna Bank Limited
3, Dilkusha C/A, Dhaka

Subject: Credit Rating - Jamuna Bank Limited

Dear Sir,

We are pleased to inform you that Credit Rating Agency of Bangladesh Ltd. (CRAB) has assigned the following ratings to Jamuna Bank Limited:

Particulars	Ratings
Long Term	AA ₃
Short Term	ST-2
Outlook	Stable

The entity rating is valid up to 30 June 2013. The ratings may be changed or revised prior to expiry, if warranted by extraordinary circumstances in the management, operations and/or performance of the entity rated.

We hope the Rating Awards will serve the intended purpose of your organization.

Yours Sincerely,

Hamidul Huq
Managing Director

Sena Kalayan Bhaban, 195 Motijheel Commercial Area, Level: 16, Suite: 1601 & 1602, Dhaka: 1000, Bangladesh
Phone: (88 02) 9571497, 9571238, 7175368, 7175439, 7118615, Fax: (88 02) 9563837, Email: info@crab.com.bd, Web: www.crab.com.bd

The Bank met or exceeded almost all of its published objectives for 2012, as illustrated below. As a result of its strong commitment to improve its efficiency and profitability ensuring compliance of all regulatory requirements, the Bank significantly improved its performance. Furthermore, the Bank maintained its financial strength through sound risk, liquidity and capital management.



Financial Performance Review-2012

TOTAL ASSETS

The total assets of the Bank as on 31.12.2012 rose to Tk.109678.51 million from Tk. 87065.13 million as on 31.12.2011 which indicated 25.97% growth of assets over the preceding year.

CASH AND BALANCE WITH BANGLADESH BANK AND ITS AGENT

The amount of cash and balance with Bangladesh Bank and its Agent as on 31.12.2012 was Tk.6962.96 million while it was Tk. 4874.87 million as on 31.12.2011.

BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

The total amount stood at Tk.3512.00 million as on 31.12.2012 and Tk. 5849.83 million as on 31.12.2011.

MONEY AT CALL & SHORT NOTICE

The amount stood at Tk.570.00 million as on 31.12.2012 while it was nil as on 31.12.2011.

INVESTMENT

The investment portfolio of the Bank as on 31.12.2012 rose to Tk.39118.93 million from Tk. 16314.93 million as on 31.12.2011. The investment portfolio was blended with Government Treasury bills/ Treasury Bonds of Tk.38792.10 million and investment in primary/secondary shares of Tk.326.84 million. The Bank's major portion of investment is in Govt. Treasury Bills and Bonds for the purpose of fulfilling Statutory Liquidity Requirement as well as an approved dealer of the same.

LOANS AND ADVANCES/INVESTMENTS

JBL was in constant efforts to explore different areas of credit operation and could maintain the credit portfolios of Tk.54887.03 million in 2012 while it was Tk.56611.79 million in 2011. In order to ensure compliance with regulatory requirements for avoiding risk of exposure to single borrower, concentration on large loans, to bring in excellence in credit operation in relation to risk management, yield, exposure, tenure, collaterals, security valuation etc. the portfolio of loans and advances decreased 3.04% in 2012 from the year 2011. JBL strived for further diversification of credit portfolios. Its credit facilities were concentrated on Trade Finance, SME finance, Agriculture and related sectors, project finance, wholesale and retail trade, transport sector, hospital & diagnostic centres and syndicate financing for big projects, capacity additions to the manufacturing sector and structured financing for developing infrastructure of the country.

LIABILITIES

Total Liabilities of the Bank stood at Tk.101353.68 million as on 31.12.2012 which was Tk.79783.62 as on 31.12.2011.

BORROWING FROM BANGLADESH BANK FINANCIAL INSTITUTIONS AND AGENTS

Borrowing from Bangladesh Bank, other banks, financial institutions and agents stood at Tk.17088.21 million as on 31.12.2012 it was Tk. 5750.71 million as on 31.12.2011.

DEPOSITS

Total deposits stood at Tk.79623.13 million as on 31.12.2012 which was Tk. 70508.04 million as

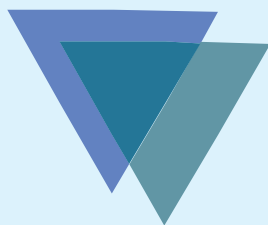
on 31.12.2011. The growth of deposits Tk.9115.09 million being 12.93% over the previous year.

DEPOSITS MIX AND GROWTH

JBL attaches utmost importance to the deposit mobilization campaign and to the optimal deposit mix for minimizing COF as far as practicable. JBL was able to instill confidence in customers as to its commitments to the depositors and borrowing customers and thereby could mobilize a total deposit of Tk. 79623.13 million in 2012 against that of Tk. 70508.04 million in the preceding year showing an increase of Tk.9115.09 million being 12.93 percent. For healthy growth of business JBL puts emphasis on no cost and low cost deposit all the time.

Figure in BDT Million

Type of Deposit	As on 31.12.2012	As on 31.12.2011	Changes (+)/(-)	Changes in % over the Year
Current Ac and other Accounts	8738.37	7871.32	867.05	11.02
Bills Payable	1211.96	989.43	222.53	22.49
Savings Bank Deposits	5046.42	4473.70	572.72	12.80
Fixed Deposits	44680.76	42857.04	1823.72	4.26
Short Term Deposits	3832.90	2638.96	1193.94	45.24
Deposit Under Special Scheme	15915.01	11506.96	4408.05	38.31
Foreign Currency Deposit	197.71	170.63	27.08	15.87
Total Deposit	79623.13	70508.04	9115.09	12.93



Going Concern

Going concern of JBL'S Business there are no significant doubts upon the Bank's ability to continue as a going concern. The financial statements of the Bank have been prepared on the assumption that the Base is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that JBL has neither intention nor the need to liquidate or curtail materially the scale of its operations.

Appointment of Auditors

M/S. ACNABIN, Chartered Accountants, the Current Auditors will retire from office in the 12th Annual General Meeting. Since they have audited the accounts of the Bank for last three years, they are not eligible for re-appointment for the year 2013 as per circular issued by BRPD of Bangladesh Bank. As such, auditors to be appointed by the shareholders in the forthcoming AGM complying prevailing rules & regulations.

Dividend

After making all provisions and appropriations, the Board has recommended 14% cash dividend out of profits for the year ended on 31.12.2012 based on the Audited accounts for approval by the shareholders in the ensuing 12th Annual General Meeting.

CAPITAL ADEQUACY RATIOS

According to the instructions contained in Bangladesh Bank's BRPD Circulars No. 10 & 24 dated March 10, 2010 and August 03, 2010 every commercial bank operating in the country is required to maintain at minimum 10 percent of its risk-weighted assets as capital from July 01, 2011. Jamuna Bank Limited could maintain Capital Adequacy ratio of 12.21 percent as at 31.12.2012, which was 2.21 percent higher than that of Minimum Required Capital Adequacy Ratio. The amount of capital with break-up is given below:

Figure in BDT Million

Particulars	2012	2011
Tier I Capital	7256.39	6214.34
Paid up Capital	4487.54	3648.40
Share Premium Account		-
Statutory Reserve	2139.56	1723.46
Right Issue Subscription Money		-
Retained Earnings	629.29	842.48
Proposed Bonus Share		
Tier II capital	1348.89	1338.45
General provision maintained against unclassified Loans & Advances	533.11	616.91
General provision maintained against off balance sheet exposures	281.56	187.96
Revaluation reserve of Govt. securities (50% of the total revaluation reserve)	2.47	1.83
Assets Revaluation Reserve (50% of total revaluation reserve)	531.75	531.75
Exchange Equalization Account	-	-
Total Capital (Tier I + Tier II)	8605.28	7552.79

From the figure it reveals that Jamuna Bank Limited was able to increase its core capital from Tk. **6214.34** million to Tk.**7256.39** million and supplementary capital from Tk. **1338.45** million to Tk. **1348.89** million and total capital increase from Tk. **7552.79** million to Tk. **8605.28** million.

REACHED BDT 4,000 MILLION CAPITAL:

Bangladesh Bank (BB) has mandated all the commercial banks vide BRPD circular letter no. 11 dated August 14, 2008 to raise the capital (the sum of paid up capital and statutory reserve) to BDT 4,000 million by August 11, 2011 with minimum paid up capital of BDT 2,000 million. By the same circular Bangladesh Bank has restricted banks from paying any cash dividend until a bank fulfills the above requirements. As shown in the Balance Sheet, our capital (paid up capital and statutory reserve) as on December 31, 2012 has crossed that mark and stood at BDTk.6627.10 million (of which paid up capital was BDT 4487.54 million) and as on 31.12.2012 total capital of the Bank reached at Tk. 8605.28 million.

ANALYSIS OF INCOME STATEMENT OF JBL

Financial performance: Giving the changing economic and business conditions, the financial performance of JBL in 2012 as expectedly consistent. Besides, restraining aggressive lending, JBL diversified its funding source, recovered more bad loans, enhanced quality of assets and fostered control and compliance during the year. Gross loans to deposit ratio has decreased to 68.93 percent as on year-end 2012 against 80.29 percent at year end 2011 which adequately fulfill the regulatory requirement of 81%. Operating

income increased to Tk.3206.90 million as on 31.12.2012 from Tk.2817.79 million as on 31.12.2011 being a growth of 13.81%.

FINANCIAL HIGHLIGHTS: The key features of the financial performance for the year 2012 are summarized in the following table:

Particulars	Year	
	2012	2011
Net interest income (NII)	1839.20	2162.85
Profit before provision and tax/Operating profit	3206.90	2817.40
Provision for loans and contingent assets	1126.38	347.39
Profit before tax for the year (PBT)	2080.52	2470.01
Profit after tax (PAT)	1042.05	1330.19

APPROPRIATIONS:

The Profit and Loss account for the year 2012 shows Profit after tax (PAT) of BDT 1042.05 million and the distributable profit is BDT 629.29 million after a mandatory transfer of BDT 416.10 million (20 percent of profit before tax) to statutory reserve.

Figures are in million BDT

Particulars	Year	
	2012	2011
Profit after tax	1042.05	1330.19
Retained earnings carried forward from previous year	3.34	6.28
Profit to be appropriated	1045.39	1336.47
Transfer to statutory reserve	416.10	494.00
Net profit after appropriation/Retained surplus	629.29	842.47

NET INTEREST INCOME

The net interest income as on 31.12.2012 was Tk.1839.20 million while it was Tk.2162.85 million in 2011.

INVESTMENT INCOME

Total investment income of the bank was Tk.2007.15 million in 2012 while it was Tk.1404.67 million in 2011.

NON-INTEREST INCOME

Total non- interest income was Tk.1438.77 million in 2012 and Tk. 1296.77 million in 2011.

NON-INTEREST EXPENSES

Total non-interest expenses was Tk.2078.22 million in 2012 while it was Tk. 2046.50 million in 2011.

NET PROFIT BEFORE TAX

The net profit before tax of the bank was Tk.2080.52 million as on 2012 which was Tk.2470.01 million in 2011.

PROVISION FOR INCOME TAX

Total Tax provision including deferred tax was Tk.1017.66 million in 2012 while it was Tk.1127.46 million in 2011.

NET PROFIT AFTER TAX

The net profit after tax of the bank was Tk.1042.05 million in 2012 while it was Tk.1330.19 million in 2011.

STATUTORY RESERVE

Provision for Statutory Reserve of the Bank Tk.416.10 million as on 31.12.2012 while it was Tk.494.00 million in 2011.

PROVISION FOR CLASSIFIED LOANS

Sufficient provision has been kept/maintained by the bank.

Figures are in million BDT

	Year 2012	Year 2011
Provision Maintained on Loans, Advances & Others	1126.38	347.39
Volume of Classified loans	5337.87	1618.73
% of the same	9.73%	2.86%

IMPORT BUSINESS

The total import business handled by the Bank in 2012 was Tk.57705.20 million compared to Tk. 55907.00 million in the preceding year an increase of Tk.1798.20 million being 3.22 percent growth.

EXPORT BUSINESS

The Bank handled export business worth Tk.68844.10 million in the year under report. In 2011 total export business handled by the Bank was Tk.57929.40 million. Thus there was an increase of Tk.10914.70 million in export business handled by the Bank, being 18.84 percent growth over the preceding year.

Variance Between Quarterly and Annual Financial Performance

To measure the variance, following financial results of each quarter was analyzed/compared. Profit before/after tax was not considered due to abrupt change in position/deferred tax calculation :

Figures in TK. Lac

Particulars	Quarter-1	Quarter-2	Quarter-3	Quarter-4	Annually
A) Net interest income	4,585.33	1,197.93	2,531.52	10,077.16	18,391.95
B) Non-interest income	6,979.59	11,839.44	9,557.51	6,082.70	34,459.25
C) Operating income (A+B)	11,564.92	13,037.38	12,089.03	16,159.87	52,851.20
D) Operating expenses	4,385.28	4,685.93	5,328.94	6,382.05	20,782.20
E) Operating profit (C-D)	7,179.64	8,351.45	6,760.09	9,777.81	32,069.00

From the above, it was observed that there was no significant variance in 2012 except operating income of Q-4 (33.67% higher than that of Q-3) due to increase of interest income of Treasury Bills/Bonds.

Credit

Loans and advances are the heart of asset of all Commercial Banks. All over the world, Banks try immensely to make such a loan portfolio which helps maximize revenue at a minimum risk. Our bank continued to extend its credit facility by offering different customized loan products to business entities and individuals.

■ Credit Rating of JBL

As per Bangladesh Bank's mandatory requirement vide BRPD circular No. 06 dated July 05, 2006 Credit Rating of Jamuna Bank Limited was done by the Credit Rating Agency of Bangladesh Limited (CRAB) on the audited Balance Sheet as on 31.12.2011. CRAB has submitted their report as following:

Current Rating	Previous Rating
Long term A A ₃	Long term A 1
Short term S1 ?	Short term S1 ?
Date of Rating: 03.05.2012	Date of Rating: 13.04.2011

■ Credit Rating Report (Entity Rating)

Credit Rating Agency of Bangladesh Limited (CRAB) upgrades the rating of Jamuna Bank Limited (JBL) to AA₃ from A-1 and reaffirms short-term rating to ST-2.

■ Credit Policy

Jamuna Bank Limited has formulated its own Credit Policy Guidelines to manage risks arising out of its Credit operation efficiently and professionally. The Credit Policy Guidelines encompasses a wide range of issues related to credit operation.

Jamuna Bank Limited continually updates its credit policy in line with the ongoing improvement in the banking sector.

The major points covered by the JBL credit policy are:

- Organizational Structure
- Segregation of Duties
- Implementation of the concept of Relationship Banking
- Credit Principles
- Credit Facilities parameter
- Preferred areas of Business
- Discouraged Business
- Mode-wise Credit Exposure Ceiling
- Large Loan Concentration Ceiling
- Management of Classified Loans and Advances to keep it at the lowest level
- Credit Budget with sectoral outlook and exposure ceiling
- Procedure of Credit Operation including credit assessment
- Credit Risk Grading System
- Emphasizing on Secured Lending
- Disbursement process and Documentation
- Credit Monitoring
- Delegation of Approval Authority

Jamuna Bank Limited has formulated its own Credit Policy Guidelines to manage risks arising out of its Credit operation efficiently and professionally. The Credit Policy Guidelines encompasses a wide range of issues related to credit operation.

■ Credit Principles

The Credit Policy Guidelines have outlined the Credit Principles of JBL as under:

1. The Bank shall provide suitable credit services and products for the market in which it operates. Product innovation shall be a continuous process.

- i. Loans and advances shall normally be financed from customers deposit and not out of temporary fund or borrowing from money market.
- ii. Credit facilities shall be allowed in a manner so that credit expansion goes on ensuring quality i.e. no compromise with the Bank's standard of excellence. Credit is extended to customers who will adhere to such standards.
- iii. All credit extension must comply with the requirements of Bank's Memorandum and Articles of Association, Bank companies Act as amended from time to time, Bangladesh Bank's instruction Circulars, Guidelines and other applicable laws, rules and regulations.
- iv. The conduct of the loan portfolio should contribute, within defined risk limitation, to the achievement of profitable growth and superior return on the Bank's capital.
- v. Credit Sanction shall focus on the development and enhancement of relationship with customers and shall be measured on the basis of the total yield for each relationship with a customer (on the global basis), though particular transaction should also be profitable.
- vi. Credit facilities will be extended to those persons/ companies, which can make best use of the facility thus helping maximize our profit as well as economic growth of the country. To ensure achievement of this objective lending decision shall be based mainly on the borrower's ability to repay.
- vii. **Diversification:** The portfolio shall be well-diversified sector wise, Industry wise, geographical area wise, maturity wise, size wise, mode wise as well as purpose wise. Concentration of credit shall be carefully avoided to minimize risk.
- viii. **Remunerative:** If Credit facilities are allowed on a transaction/one-off basis, the yield from the facility should be commensurate with the risk.
- ix. **Loan pricing:** Loan pricing shall depend on the level of risk and type of securities offered. Rate of interest is the reflection of risk in the transaction. The higher the risk, the higher is pricing. Interest rate may be revised from time to time in view of the change in the cost of

fund and market condition. Effective yield can be enhanced by requiring the customer to maintain deposit to support borrowing activities. Yield may be further improved by realizing Management fee, Commitment fee etc. where possible, following the Bangladesh Bank's guidelines in this respect.

- i. **Proper staffing:** Proper analysis of Credit proposal is complex and requires high level of numerical as well as analytical ability and common sense. To ensure effective understanding of the concept and thus to make the overall credit port-folio of the Bank healthy, the policy of proper staffing is maintained in JBL through placement of qualified officials having appropriate background, who have got the right aptitude, formal training in Credit Risk Analysis. Bank's credit procedures as well as required experience.

The policy of proper staffing is maintained in JBL through placement of qualified officials having appropriate background, who have got the right aptitude, formal training in Credit Risk Analysis, Bank's credit procedures as well as required experience.

■ Credit Budget

Budget is the numerical expression of a plan. It acts as the guideline for the operational people and streamlines all the efforts to the desired way. In credit operation, budget performs some other important functions.

Firstly, a credit budget can be used as yardstick to prevent unwarranted credit concentration in one or few sectors. A bank with high concentration in one or few sectors is likely to be severely affected from any adverse change in the respective sectors. So, a sector-wise credit budget can be used as guideline to avoid sectoral concentration.

Secondly, the credit budget acts as a target to be achieved. It allows the management to review the performance with the budget and to take corrective action, if necessary.

Thirdly, since credit budget is prepared giving emphasis on potential sectors and for discouraging risky sectors, credit budget provides ready reference for identifying potential sector as well as risky sector. Obviously, some sectors bear good potential while some other sectors may have reached the saturation stage. The risk factors differ from one sector to another.

JBL formulates credit budget indicating appetite for growth in different sectors, every year.

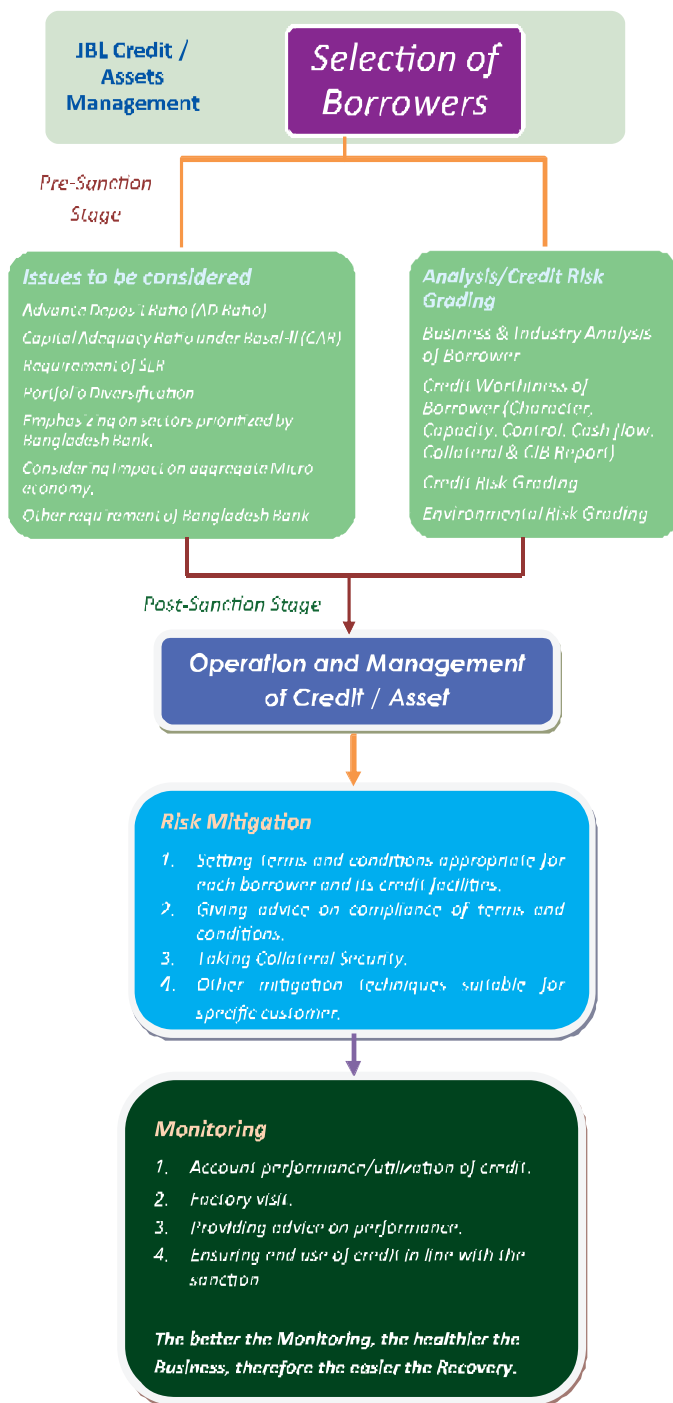
To provide guidelines to the credit marketing team and to smoothen the credit decision, credit budget may act as yardstick.

JBL formulates credit budget indicating appetite for growth in different sectors, every year. For the year of 2012, JBL credit budget contains following:

1. Preferred Areas of Business
2. Mode-wise Credit Exposure Ceiling
3. Large Loan Concentration Ceiling
4. Management of Classified Loans and Advances to keep it at the lowest level
5. Credit Budget for the year 2012 with sectoral outlook and exposure ceiling
6. Credit Budget for the different segments of Business like Corporate, SME and Retail
7. Emphasizing on Secured Lending
8. Compliance of Basel-II Framework
9. Loan Pricing Policy
10. Policy for Delegation of Approval Authority as per Bangladesh Bank Guidelines
11. Implementation of the concept of Relationship Banking
12. Strengthening Credit Monitoring

As a result its total loans and advances reached to Tk.5,488.70 crore in diversified and preferred areas of business in the year ended 2012.

Credit Procedures Flowchart



■ Credit Risk Assessment

A thorough credit risk assessment is conducted prior to the sanctioning of credit facilities. Thereafter it is done annually for each relationship. The result of this assessment is presented in the credit proposal originated from the Relationship Manager. Following risk areas are addressed and assessed in credit sanctioning process.

A thorough credit risk assessment is conducted prior to the sanctioning of credit facilities. All probable and significant risk areas are addressed and assessed in credit sanctioning process.

- a. **Borrower Analysis:** Reputation, education, experience, age and success history and net worth of the borrower are considered to analyze a borrower. Any issue regarding lack of management depth, complicated ownership structures or inter-group transactions are addressed in borrower analysis.
- b. **Industry Analysis:** To analyze an industry JBL considers industry position i.e. threat & prospect in the industry, risk factors pertaining to the industry, borrowers position or share in the industry.
- c. **Historical financial analysis:** An analysis of a minimum of 3 years historical financial statements of the borrower is being presented. The analysis addresses the quality and sustainability of earning, cash flow and the strength of the borrower's balance sheet.
- d. **Projected financial Performance:** Where term facilities are proposed, a projection of the borrower's future financial performance/cash flow is estimated to ascertain that the borrower will be able to repay the installments.

- a. Technical feasibilities / Infrastructural facilities, Seasonality of demand, Debt-Equity Ratio, Account conduct of the borrower, Security and other relevant factors are considered to assess credit risks.

■ Credit Facilities Parameter

1. Maximum Size:

- Directives of Bangladesh Bank are meticulously complied in respect of maximum size single customer/group exposure. At present, as per guidelines of Bangladesh Bank, total outstanding of any single person or enterprise or organizations of a group at any point of time does not exceed 35% of Bank's total capital subject to the condition that the maximum outstanding against fund based financing facilities (Funded facilities) do not exceed 15% of the total capital.

However, in case of export sector single borrower exposure is 50% of the Bank's total capital. But funded facility in case of export credit also does not exceed 15% of Bank's total Capital.

- Loan sanctioned to any individual enterprise or any organization of a group amounting to 10% or more of Bank's total capital is considered as Large Loan.
- Credit limit in each case shall be fixed after assessment of actual business need maintaining required Debt Equity Ratio, considering Debt Service Coverage Ratio, Pay Back Period, Security Coverage etc.

2. Maximum Tenor:

Short-term Loan	Medium Term Loan	Long Term Loan
<ul style="list-style-type: none"> •Maximum period 12 (twelve) months. Actual loan period shall be fixed on a case to case basis considering cycle of business and requirement. 	<ul style="list-style-type: none"> •Loan period shall be for more than 12 months and up to 36 months 	<ul style="list-style-type: none"> •Loan period shall be for more than 36 months. Actual loan period shall be fixed considering repayment capacity and projected cash flow.

3. Securities:

The Credit facilities are secured by both primary security and collateral security of substantial value and quality but the security requirements are flexible for borrowers having lower business risks.

The Credit facilities are secured by both primary security and collateral security of substantial value and quality but the security requirements are flexible for borrowers having lower business risks.

Collateral securities are properly valued by enlisted independent surveyor and the recommending Branch. The collateral security must have adequate value, proper demarcation, possession right and right title of documents as opined by the panel lawyer of the Bank. The collateral must be within the commanding area of the Branch. In addition to that Guarantee of the sponsors, spouses, mortgagors as well as post dated cheques covering the facilities with usual charge documents are obtained to make the facilities secured. Assets pledged, as security are properly insured. Financial instruments pledged as security are properly liened and authenticated.

■ Credit Risk Measurement

Credit risk grading is an important tool for credit risk measurement as it helps the Banks and financial institutions to understand various dimensions of risk involved in different credit transactions. The grading across the borrowers, activities and the lines of business provide better assessment of the quality of credit portfolio of a bank or a branch. Well-managed credit risk grading systems promote bank safety and soundness by facilitating informed decision-making. Grading systems measure credit risk and differentiate individual credits and groups of credits by the risk they pose. This allows bank management and examiners to monitor changes and trends in risk levels. The process also allows bank management to manage risk to optimize returns.

The credit risk grading is done by assigning weightage accordance to the gravity of risk. The primary risk areas are financial risk, business/industry risk, management risk, security risk and relationship risk. These risk components are further sub-divided.

Corporate Banking

Corporate Banking of JBL is heading forward by offering customized corporate Banking solution for local as well as MNCs (Multi-National Companies) corporates. Our corporate Banking continues to enjoy robust relationship with premier corporate clients of the country providing comprehensive and customized financial solution which include, among others, working Capital financing, Structured and Syndicated financing, Trade finance, Financial restructuring and Commercial Banking products and services.

Although the Banking industries experienced a tight situation in last few years, our corporate Banking continues to emphasize on new windows of business. It also considers Portfolio diversification before entertaining any customer. Concentration risk is minimized efficiently by well diversification of the loan portfolio.

We are also attracting non-funded business which has two way benefits such as for Bank - it earns huge "fee income" on the other hand it promotes international trade (Export & Import) which helps boost up our economy.

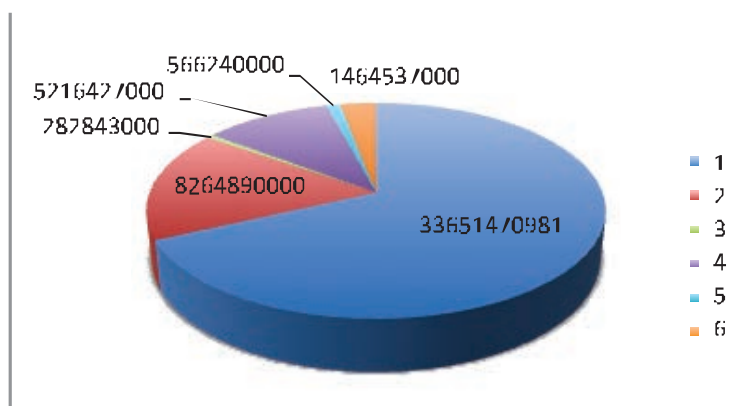
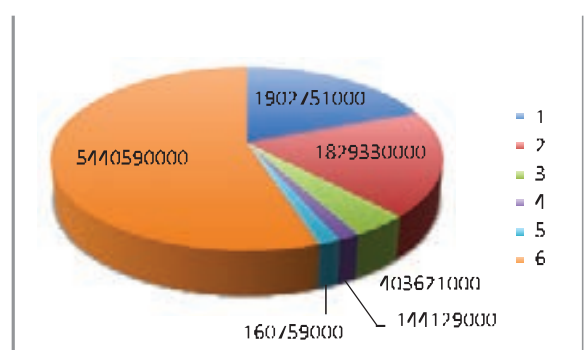
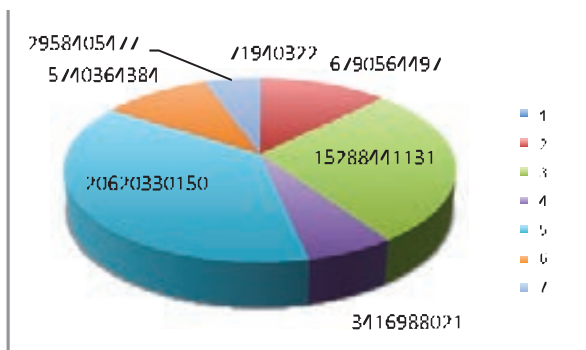
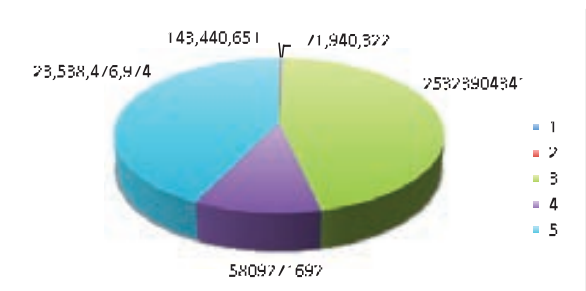
Our relationship managers work closely with the clients to understand the pros and cons of business and its requirements. Tailor made services and need based financial support are offered to assist them all the time.

Our corporate Banking maintains robust relationship with premier corporate clients providing comprehensive and customized financial solution from working Capital financing, Structured and Syndicated financing, Trade finance, Financial restructuring and Commercial Banking products and service.

Our Corporate Division is well equipped and staffed with skilled and experienced personnel who have in depth knowledge to select right customers by analyzing credit worthiness and all associate risks. Trend of our Non Performing Loan (NPL, which is 9.73% as on 31.12.2012

Banking Sector of Bangladesh is experiencing a hard time during 2012. Within a shortest span asset quality of this sector degraded due to financial irregularities by countries few corporate houses, negative growth of some economic indicators, Sluggish credit growth to thwart further deterioration and stringent regulations of Bangladesh Bank for classification and rescheduling of loans.

However, compared to peer group amount of classification is lower and under the leadership of new Management the Bank will able to recover the stress situation shortly details of NPL are given here under.



Credit exposure of Jamuna Bank Limited is as under:

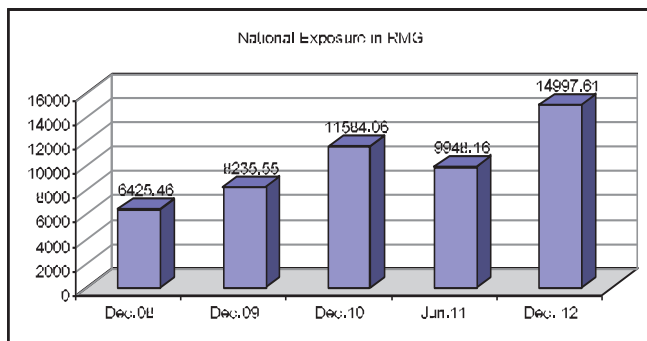
(Tk. In Crore)

Sl. No.	Sectorwise Structure of Lending	Outstanding as on 31.12.2012	As % of Total Loans and Advances
1	Agriculture and Agro-based Industry	113.70	2.07%
2	RMG	261.40	4.76%
3	Textile	176.40	3.21%
4	Ship Building	0.00	0.00%
5	Ship Breaking	23.46	0.43%
6	Other Manufacturing Industry	784.33	14.28%
7	SME Loans	296.28	5.40%
8	Construction	265.47	4.84%
9	Power, Gas	11.99	0.22%
10	Transport, Storage and Communication	79.59	1.45%
11	Trade Service	2070.52	37.72%
12	Commercial real estate financing	43.81	0.80%
13	Residential real estate financing	203.08	3.70%
14	Consumer Credit (i.e. Auto/vehicle loans for personal use, personal loans, any purpose loans etc.)	78.85	1.44%
15	Capital Market (loan provided for brokerage or merchant banking, to stock dealer or any kind of capital market activities)	87.82	1.60%
16	Credit Card	12.90	0.24%
17	Non-bank financial institutions	13.59	0.25%
18	Banks Acceptance (i.e. LDBP, FDBP)	774.92	14.12%
19	Others	190.59	3.47%
	Total Loans & Advances	5488.70	100.00%

JBL credit division is segregated into different wings viz. General Credit Unit, Export (RMG) Unit, Leasing Unit, Syndication and structured Finance Unit which have been staffed by extremely skilled and experienced personnel who are running the wings successfully. Not only comprehensive credit facilities but also financial advices & all sorts of financial helps are provided to the clients to draw effective solutions for their financial problems.

Ready Made Garments Industry of Bangladesh

The ready-made garments (RMG) industry of Bangladesh started its journey in the late 1970s and has become a prominent player in the economy within a short period of time. The industry has contributed to export earnings, raising foreign exchange reserve, employment creation, poverty alleviation and empower the women. The export-quota system and the availability of cheap labor are the two main reasons behind the success of the industry. Bangladesh exports its RMG products mainly to the United States of America and the European Union. These two destinations account for more than a 90 percent share of the country's total earnings from garment exports. This sector is the biggest contributor to the country's foreign exchange- around 76 percent- and employing around 2.2 million people.



Export of RMG is undoubtedly playing vital role in boosting up the national economy where Jamuna Bank Limited has its footprint performing satisfactory export business in 2012.

Total Loans & Advances in RMG by all Banks

(Fig in Crore Taka)

	Dec.09	Dec.10	Jun.11	Dec.1
National exposure in RMG	8235.55	11584.06	9948.16	14997.61

■ Exposure of JBL in Garments Industry

JBL has satisfactory exposure in Readymade Garments (RMG) sector. In June, 2012, JBL provided 4.38% of total Loans & Advances in RMG sector. To mitigate the Concentration Risk JBL provides loans & advances in a well thought out diversified manner in different sectors of the economy.

■ Contribution of JBL in the national RMG industry

The table given below demonstrates the JBL contribution in entire banking industry in RMG

(Fig in Crore Taka)

	Dec.09	Dec.10	Jun.11	Jun.12
Contribution of JBL	1.85%	1.71%	2.45%	1.74%

The chart given below depicts total loan amount provided by JBL and percentage of total loans & Advances of JBL.

Fig in Crore Taka

Particulars	Dec.08	Dec.09	Dec.10	Jun.11	Jun.12
JBL exposure in RMG	117.02	152.17	198.38	243.39	261.40
Total amount of Facility	2103.36	3228.76	4943.04	5374.13	5968.00
% of RMG in total Advance of JBL	5.56%	4.71%	4.01%	4.53%	4.38%

Risk Possessed by the RMG sector

Around 90% of garment's export is destined for the US and European countries, which are currently facing economic slowdown. The economic slowdown in these countries poses intensive risk for our Garments Industry because it may decrease the demand of apparel exports from our country. Unstable price of raw materials used in RMG sector is also another factor of Risk. The apparel sector faces substantial productivity loss also because of labour unrest, which results in production halt, shipment delays and revenue loss.

Besides those, some other factors such as insufficient safety and security measures, political instability and power crisis also have drastic impact on the Garment sector.

The major benefits arising from the sector are:

- The income for the bank from these sector is manifold, which may take following forms:
 - L/C and Acceptance Commission
 - Exchange Gain and
 - Interest/ Profit from funded facility
- Bank can earn foreign currency, which may be used to finance import business.
- Major finance is in non-funded mode (BTB L/C/ ABP) which generates huge commission and fee income.
- The facility is self-liquidating from the export proceeds.
- Bank has good control over the cash flow of the customer.

Steps taken by JBL to Mitigate Risk

- i) We have a separate department named RMG dept., which has been well equipped with a team of skilled and experienced personnel who have in depth knowledge regarding Garments & Textile Business. They engage themselves whole heartedly to monitor and supervise the business; provide necessary support including financial advice to the client.

We have a separate department named RMG dept., which has been well equipped with a team of skilled and experienced personnel who have in depth knowledge regarding Garments & Textile Business.

- i) We are selective in parking customers. A customer must be compliant having proven track record and good resilience.
- ii) We are gradually coming out from the business relationship with non-compliant customers.
- iii) Emphasis is being given on providing working capital finance to self-financed projects instead of providing project finance.
- iv) Effective monitoring and supervision is ensured at branch and Head Office level.
- v) We are trying to pursue our customers to be rated by External Rating Agencies.

Real Estate Financing

Real Estate finance plays a pivotal role in improving standard of living, empowering the middle-income and lower-income groups and thereby balancing equitable growth in the society. It does not only provide physical shelter but also have significant impact on the lives of the dwellers in terms of skills enhancement, income generation, increased security, health, self-confidence and human dignity. As such real estate finance by Banks and NBFLs has been rising rapidly in the past few years, fuelled by growing demand from the urban middle-class.

In our country Real Estate finance is prospective from business point of view; at the same time it is associated with low-risk and minimum capital requirement as per Basel II. Consequently Jamuna Bank limited introduced Real Estate Financing products exclusively from the very beginning of the year 2010.

The Board of Directors of Jamuna Bank in its 132nd meeting held on 20.12.2009 approved a separate Wing and Policy for Real Estate Financing with a Product Program Guideline (PPG) containing the following 05(five) products:

(i) Construction of Residential Building (CRB)	(ii) Construction of Commercial Building (CCB)	(iii) Flat Purchase (FP)
• For Construction/ Extension/ Renovation/ Refurbishing of residential building with maximum limit of Tk.100.00 lac.	• For Construction of Commercial Building, Construction/ Extension/ Renovation/ Refurbishing of commercial cum residential building, Installation of Lift/ Generators/Sub station, Office spaces, Chamber, shops with maximum limit of Tk.500.00 lac.	• For Purchase of Apartment/Flat for Residential purpose with maximum limit of Tk./5.00 lac.
(iv) Building Purchase (BP)	(v) Developers (DEV)	
• For Purchase of Readymade House/Building, which is not used more than 10 (ten) years with maximum limit of Tk.100.00 lac.	• For Construction of residential Apartment /flat /commercial building/ commercial building cum residential building with maximum limit of Tk.1500.00 lac.	

Apart from this, JBL also offers the product named as "Probashi Nibash" for Non Resident Bangladeshis (NRBs).

JBL has steady growth in the Real Estate Sector. Total outstanding in this sector stood at Tk.87.82 crore in 2012 as against Tk.66.48 crore and Tk.70.08 crore respectively in 2010 and 2011. Growth achieved in 2012 is 25.31% as compared to 2011 as under:

(Amount in lac Tk.)

Head of A/C	Position as on 31.12.2010	Position as on 31.12.2011	Position as on 31.12.2012
Real Estate Finance (REF)	3282.70	4062.09	3789.16
House Building Finance(HBL)	3365.83	2946.22	4993.11
Total	6648.53	7008.31	8782.27

Retail Banking

JBL offers assorted consumer products, which are tailor-made for different consumer segments. These products not only meet the financial need of the consumers but also have raised their living standard. Starting its Retail Credit operation in the year of 2009, JBL has continued its success in 2012 also. In 2012, total investment in this sector was 278.96 crore (approx) whereas in 2011 and 2010 the same were Tk.194.22 crore (approx) and Tk.56.00 crore (approx) respectively. At present we provide financial services to more than 1100 clients nationwide through our extensive channels and networks. Growth achieved in 2012 was 44% as compared to previous year. Maintaining the volume & quality of assets was instrumental to success in this sector.

■ Retail Credit

As the youngest bank in the banking sector, Jamuna Bank launched Retail Credit in the middle of 2009. Since then, it offers various attractive products such as Auto Loan, Salary Loan, Personal Loan, Education Loan, Any Purpose Loan, Overseas Job Loan, Doctor's Loan, OD loan etc.

With these distinct products JBL meets the various customers' necessity. The retail portfolio has been diversified with various products to meet the need of different segments of people of the society.

The portfolio in three years stood as follows:

(Amount in crore Tk.)

Position as on 31.12.2010	Position as on 31.12.2011	Position as on 31.12.2012
56.00	194.22	278.96

Lease Financing

Leasing business is gaining momentum in the economy of Bangladesh with its gradual transformation from an agrarian to industrial one. Predicting this trend, JBL introduced Lease Financing in the year of 2003. JBL follows Financial Lease as its method of financing wherein the Bank (Lessor) is the legal owner of the lease asset and the customer (Lessee) having the control over the asset bears all operating & maintenance costs and makes periodic rental payments to the Bank. The lessee has the option to acquire ownership of the lease asset after full & final adjustment of all liabilities.

JBL extend Lease Financing facility to the following sectors:

- Capital Machinery for new industrial units,
- Capital Machinery for BMRF of existing industrial units,
- Road transport vehicles.
- Medical equipments,
- Construction equipments,
- IT equipments,
- Generator, Lift, Elevator, Air-conditioning Plant, Power Generation Plant,
- Any other machinery & equipment, which Bank thinks fit for such financing.

However, no machinery, equipment & vehicles meant for personal use will be financed under this program. Our customers are getting benefit from Lease Financing as they get access to tax benefit, competitive monthly rental & easy handover of lease asset as well.

International Trade Finance

■ Correspondent Banking & FI Relationship

We are maintaining correspondent Banking Relationship with 243 world reputed International Banks, Financial Institutes & Multilateral Organizations around 100 Countries in 818 different strategic locations/Financial centres worldwide to ensure the best & steadfast trade services. Presently we have 23 Nostro Accounts in different Major Currencies like USD, GBP, EUR, JPY, CAD, AED, CHF, SAR & ACU Dollar with various World reputed Bank at major Financial Centres to settle our Trade Transactions smoothly. We serve our

customers through our international reach, need based approach, expertise and wide range of global correspondent banking services.

As we have wider Correspondent Network with sustainable business relationship Globally, we can provide complete range of Services smoothly to cater the International Banking & Trade Finance needs of our Customers through L/C Advising, L/C Confirmation, Purchasing/ Discounting/ Negotiating of Export Bills, Off Shore Banking, Trade Payment Settlement, Cash Letter services, Foreign Remittance, other Banking needs/services etc.

■ International Trade Finance

IMPORT BUSINESS

JBL has been playing a pivotal role in International Trade. During the year 2012 total import business handled by the Bank was **TK.57,705.20** million. The major import items were food grains, edible oil, sugar, fertilizer, industrial raw materials, capital machinery, fabrics, garments accessories etc.

EXPORT BUSINESS

The Bank handled export business worth Tk 68,844.10 million in the year under report. In 2011 total export business handled by the Bank was **TK.57,929.40** million which assist to meet the scarcity of FX liquidity. There was an increase of **TK 10,914.70** Million in export business handled by the Bank, being 19.00 Percent over the preceding year. The major export sector was Readymade Garments, pharmaceuticals, leather goods, Jute & Non Traditional value added items etc.

■ NRB- Banking & Foreign Remittance

Jamuna Bank Ltd has a dedicated NRB Banking Department to ensure prompt & efficient services to the customers offering best competitive price for their hard earning Foreign Currencies.

We handle both inward & outward Remittance products. The outward Remittance includes FC Cash, FDD, FTT & wire Transfer through SWIFT. The Inward Remittance products are Over the Counter Payment (OTC), Account Credit, FTT, wire Transfer through SWIFT etc. We have a strong Remittance Settlement Network with different associate Banks, BCFIN & NGOs, which cover more than 9,000 remote locations besides our 83 strategic Branch locations throughout the Country. We have an admirable Remittance Tie-up with a good number of world renowned

Exchange Houses namely Western Union, Xpress Money, Money gram, Placid, Fast Remit Malaysia, Al Zaman, Wall Street (Canada), Zenj Exchange, Al-Ansari, Voice cash, Trans Fast, Ria, Home link Remit UK, Raffles Exchange UK, Moneylink UK, Al Ansari UAE etc and different banks throughout the World to facilitate the Remittance services to the beneficiaries.

■ Offshore Banking Services

An Offshore banking Unit (OBU) of a Bank is a deemed foreign branch of the parent bank located within Bangladesh, and shall undertake International Banking business involving foreign currency denominated assets & liabilities. An offshore bank is simply a bank based in a jurisdiction outside of your country of residence. Accordingly, Jamuna Bank Limited has started its OBU operation on 22nd April 2010 having following objectives:

- To widen and diversify JBL's area of services to the foreign investors as they do not have the opportunity of availing credit facilities from different Financial Institution in Bangladesh.
- To diversify the sources of foreign exchange earnings by increasing export of Bangladesh through the CPZs.
- To encourage and foster establishment and development of industries and commercial enterprises in CPZs in order to wider and strengthen the economic base of Bangladesh.

Jamuna Bank Limited offer the following range of Offshore Banking Services:

- Foreign Currency Deposites(Non Resident entitles and NRBs)
- Loan in Foreign Currencies
- Credit Facilities including Trade Financing
- Negotiation/Purchase of Export Bills
- Discounting of Export Bills
- Corporate Treasury Services.
- Competitive interest rates
- Easy international transfers
- Fee free accounts

Treasury

The Treasury provides services to clients covering foreign exchange, derivatives, money markets, fixed income origination and trading. Internally we provide the Bank with specialized management of the balance sheet, monitoring the net interest margin of the business. The team is also responsible for the investments of subsidiaries and other companies arising from previously restructured loans.

In 2012 the Bank continued to play a leading role in the origination of Fixed Income instruments for our clients, leveraging on our network of retail and institutional clients to place these Bonds for issuers.

Treasury also continued to leverage on JBL's expertise in providing risk management, debt capital market, alternative investment and loans for local clients.

Going forward into 2013, the Treasury will continue to take on opportunities and build on the regional synergies provided through JBL while ensuring risks are managed through the various initiatives made and expanding opportunities for stable income generation. The Bank remains committed to becoming the best provider of Treasury products and services by understanding clients' needs and providing comprehensive financial solutions. In recognition of efficient treasury management, the Bank has been rewarded for five times as the best Primary Dealer Bank by Bangladesh Bank.

The Treasury also focuses on providing innovative products to help both borrowers and the depositors with products that are flexible and suitable for their risk appetite. The team is committed to play a key role in the development of JBL as a leading Bank in Bangladesh, leveraging on JBL's Treasury expertise in local currency products.

Credit Administration



OBJECTIVES

- a) To separate documentation and disbursement activity from credit approval process
- b) To ensure discipline in Credit Management

DUTIES & RESPONSIBILITIES OF CAD

There are three units in Credit Administration Division:

- (i) Documentation & Disbursement Unit
- (ii) CLB On-Line Unit
- (iii) Compliance Unit

OPERATIONAL ACTIVITIES OF DOCUMENTATION & DISBURSEMENT UNIT

Documentation

To ensure security documents are obtained by the branches and executed by the borrower as per terms and conditions of Sanction Advice.

Disbursement

The branches obtain/ execute documents as per terms of Head Office Sanction Advice and send a copy of "Documentation Checklist" (duly filled by the branch) to Credit Administration Division for availing Disbursement.

Credit Administration Division examine the Checklist, if found the checklist are in order, CAD issues a Disbursement Authority to the branches. If found any exceptions / incomplete documents, CAD obtain undertaking from the branches regarding the completion of documentation formalities within a specific/certain time frame having approval from competent authority for allowing the disbursement.

CAD continuously follow-up with the concerned branch to ensure completion of documentation formalities within the given time frame. In case of large loan, CAD may visit the branch to verify the status of documentation.

CAD shall submit a statement to the Managing Director furnishing the position of incomplete documents against disbursed loans, Monitoring of Compliance to the conditions and covenants Monitoring of past due, limit, expiry and documents deficiency

Enlistment

To enlist and manage all third-party service providers (Surveyors/Valuers and Lawyers etc. review their performance on an annual basis.

Marking of lien and Withdrawal of Lien Mark

As per recent decision of the Competent Authority, marking of lien of Fixed Deposit and any other deposits against different types of loans and advances (Funded and Non-Funded) are executed by the Credit Administration Division (CAD), Head Office and similarly withdrawal of such lien are also executing by CAD.

Operational Activities of CIB On-Line Unit

- To collect CIB Report of the borrower through on-line as and when asked by the Corporate Division / branches.

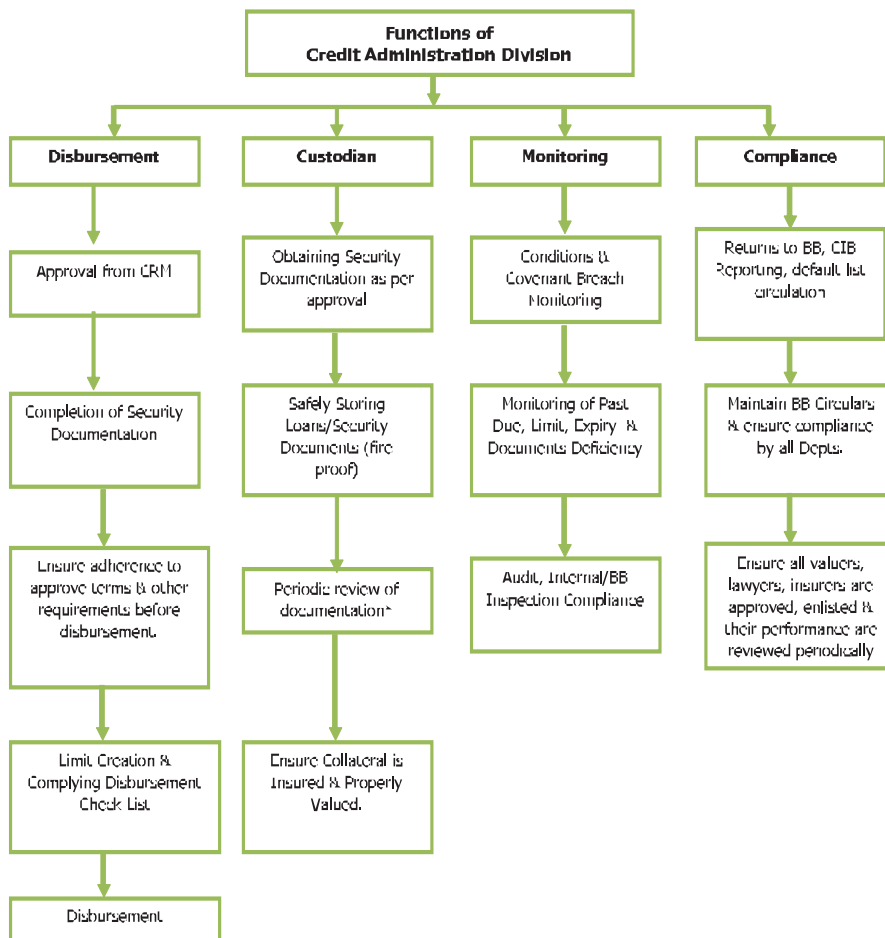
- To submit CIB Report on monthly basis to Bangladesh Bank on the existing borrowers/ customers of the Bank through CIB on-line.
- To make CIB On-Line correction.

Operational Activities of Compliance Unit:

To prepare all types of monthly/Quarterly/Half yearly/annually/ statements and returns for submitting to Bangladesh Bank, External and Internal Audit and as required by the Management.

CAD continuously follow-ups with the concerned branch to ensure completion of documentation formalities within the given time frame.

Credit Administration Division Organogram



Human Resource

The Human Resource Division of the Bank is entrusted with the responsibility of management of its workforce. It encompasses recruitment, training, assessment, overseeing and ensuring compliance with employment & service rules, creating business value through strategic management. With all the policy support from the Board and the higher Management, the Human Resources Division is relentlessly continuing its efforts to recruit the best available Officers at entry level through competitive written examination/interview.

As at 31st December, 2012, 29 Probationary Officers, 30 Officers (General/Cash/Technical) have been appointed to meet the requirement of growing branch network. Experienced Bankers from good banks with fair knowledge and experience were also inducted to meet the demand for quality work force. The total number of employees of Jamuna Bank Limited as at the close of the year 2012 stood at 2050 compared to 1785 in the year 2011.

The Human Resources Division has successfully rolled out its Human Resources Management Policy. Training is another aspect.

Merchant Bank

Merchant Banking provides a broad range of banking products and financial services geared to major companies and institutional clients, including services for investment funds.

The Bank has formed a subsidiary company in the name and style Jamuna Bank Capital Management Limited (JBCML) and obtained licence on November 29, 2010 to carry on merchant banking business with an aim to become the leading employer in the finance sector.

The business plan aims to expand as a major player in the local market. The plan is to enable the JBCML to use the Bank's expertise to optimize its customer relations management and extend its product offering. By sharing best practices and major investments in trading, the product offering and systems, the company will be able to respond more quickly and effectively to the client needs.

As regards high net worth individuals, the company's wealth management model will be tailored to meet the specific needs of the local market. A specialized corporate team will be created, with services devoted to the public and semi-public sector, as well as property development.

Jamuna Bank Securities Ltd.

The Bank has formed a subsidiary company in the name and style of Jamuna Bank Securities Limited (JBSL) and purchased membership of Chittagong Stock Exchange to carry on brokerage business with an aim to develop an efficient capital market environment, provide best corporate advisory services, provide integrated, innovative solutions for all operators involved in the investment cycle, act as a financial intermediary to offer customized solutions in clearing, settlement/delivery, institutional investors have access to an array of custodial and fund administration services, including fund distribution support etc. The company have obtained Stock-Broker and Stock-Dealer License from BSEC and Started its formal operation since February 18, 2013.

SME operation of the Jamuna Bank Ltd. was started back in year 2006 as a pilot project. Since the end of the year 2009, the Bank has been doing SME business under a structured platform. Operation of SME Banking is being carried out throughout the country under a semi-centralized system, which is expected to be converted into fully centralized operational system in the year 2013.

SME Division



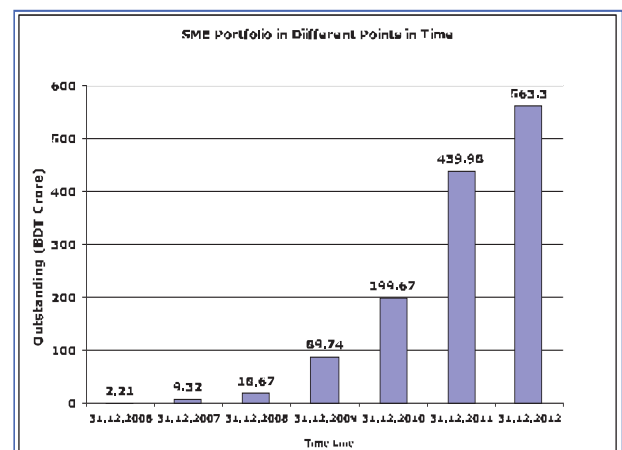
Total manpower of SME Division is now 100 [Divisional Head: 01, Marketing: 78 (Central Marketing Team & Officers posted in different branches through out the country), CRM (SME Credit): 11, MIS: 01, Supervision & Legal: 02, Recovery: 05, Internal Service Delivery: 02].

Businesses are being booked by the members of the Central Marketing Unit (CMU) at Head Office, SME Marketing Officers posted at different Branches and the Managers of different Branches, where there are no SME Officers. Supervision, monitoring & recovery activities are being done jointly by the Branches & SME Division.

For the Jamuna Bank SME Banking Division, 2012 was a remarkable calendar year in every angle – business volume, revenue generation, recovery, quality portfolio management, compliance with in house policy & regulators and above all for a tremendous group work and efforts. The achievements and experiences that we have gathered in this year must strengthen our steps more in the coming days. At this point, we must express our gratitude to the Management of the Bank and to all the Branch Managers for their direct and active guidance and support towards establishing the brand of "Jamuna Bank" in the SME market throughout the country.

We have hit an outstanding for Tk. 563.30[₹] Crore as on 31.12.2012 wherein CL% is very nominal and lowest in the industry (as per the latest BRPD guideline of Bangladesh Bank in force).

In the year 2013, we are focusing on quality business booking, extreme effort on supervision and recovery, as we always do. We have already earned the confidence of the customers of SME segment throughout the country. We offer different types of Term Loans, Over Draft, Cash Credit, LC & LTR within the SME banner. We have plans to introduce some more products with attractive pricing in the year 2013. We are confident that we shall be able to close the year (2013) with substantial growth in the portfolio with best quality asset.



In the context of rising commercialization and globalization, Jamuna Bank Limited has given more emphasis on Agriculture and Rural micro credit loan program during last half decade by disbursing collateral free short term loan to landless, marginal & small farmers and sharecroppers through area approach.

Agriculture and Rural Microcredit Loan Program



Such loan is directly disbursed by the bank and through Micro-finance Institutions (MFI)/Non-government Organizations (NGO) to individual and groups for ensuring timely purchase of different production inputs for improved cultivation including equipment and irrigation facilities.

Jamuna Bank Limited has introduced innovative measure for giving access to formal sector rural credit services with flexible and easy conditions through quick decision making for timely loan approval by skilled and efficient bank officials. Strictly observing the credit norms and policy of Bangladesh Bank, it has given utmost importance on customer-bank relationship to determine interest rate without any other extra charge. All these have made the loan programs very popular amongst the rural borrowers.

Jamuna Bank Limited has disbursed Tk 11.87 crore during the financial year 2011-12 to 30209 borrowers, which is higher than the

previous year. Since starting in 2007 of such loan, the bank has disbursed a cumulative amount of Tk 178.78 crore to a total of 68749 borrowers.

Jamuna Bank Limited has disbursed Tk 11.87 crore during the financial year 2011-12 to 30209 borrowers, which is higher than the previous year.

Considering the growing demand for working capital of marginal and small farm and non-farm operators, the bank has allocated an increased amount of Tk 109 crore for the year 2012-13 for micro credit and the bank has already disbursed in our own sources Tk.2.50 crore to 151 small and medium farmers and borrowers through NGO/MFIs Tk.102.00 crore to 38389 borrowers, agriculture loan products across the country for sustainable development in rural economy.

By providing agriculture and rural micro credit to the sub-sector viz. crop, fisheries, poultry, dairy, storage and marketing facilities, the bank has contributed significantly to reduce rural poverty by socio-economic development of rural people. The bank has also supported both rural agriculture and rural non-farm (RNF) activities through providing a viable avenue of formal loan for diversification of rural economy.



Automation

In Bangladesh, the competition in banking business is getting intense day by day due to various factors. The expectations of the customers are increasing significantly. The shareholders are expecting higher dividend. The employees are demanding handsome salary. Regulatory agencies are putting more pressure to comply with the regulatory guidelines.

Again, the competitiveness may culminate when the new banks will start functioning at the beginning of the year 2013. All these are creating more pressure on the top management of a bank to reshape their strategic business plan to stand out in this tremendous competitive business environment.

Under such circumstances, ICT has been adopted by the banks as a strategic tool to win in this competitive environment because of the fact that technology plays a vital role in executing all sorts of customer friendly banking operations with less cost. It enhances the productivity of the bankers eliminating tedious and repetitive tasks, offers 24x7x365 service, brings banking services to the doorsteps of customers, provides more informative and timely MIS, provides business intelligence, enables better risk management and so on. As a result, technology has become an aid of necessity rather than an option in banking industry.