

# Janata Bank Ltd.

**(If there is any contrary information please communicate with DSE through e-mail: [listing@dsebd.org](mailto:listing@dsebd.org))**

## Disclaimer:

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## Brief Overview of the Bank

1. Formation of Janata Bank: Immediately after the independence of Bangladesh in 1971, the erstwhile United Bank Limited and Union Bank Limited were nationalized and renamed as Janata Bank.
2. Date of Incorporation as PLC : May 21, 2007.
3. Authorized Capital : Tk. 8,000 million (as on 31.12.08) (now 20,000 million as approved in the AGM/EGM dated 29.09.09).
4. Pre IPO Paid up Capital : Tk. 2,593.90 million (as on 31.12.08) (however the bank has issued Bonus shares amounting to Tk. 1156.10 million and rights shares of Tk. 1250.00 in the said AGM/EGM i.e., paid-up would be Tk. 5,000 million).
5. No. of Branches : 850.

## Details of the Issue:

### History of Capital

(Tk. in Million)

Year	Authorized Capital	Issued, Subscribed and Paid-up Capital	Source of Capital
2004-2008	8,000.00	2593.90	-
29.09.2009	20,000.00	5,000.00 (Considering Bonus & Right shares)	Issue of bonus and Rights shares

## **Paid up Capital after IPO :**

<b>Particulars</b>	<b>Ordinary Shares</b>	<b>Face Value (Tk.)</b>	<b>Premium per share (Tk.)</b>	<b>Premium in Tk.</b>	<b>Paid-up Capital in Taka</b>
Pre-IPO Paid up capital	50,000,000	100	0.00	0.00	5,000,000,000
IPO	10,000,000	100	900	9,000,000,000	1,000,000,000
Paid up capital after IPO	60,000,000	100	900	9,000,000,000	6,000,000,000

**Issue Manager: ICB Capital Management Limited**

**Auditors: M/S. Hoda Vasi Chowdhury & Co. and A. Wahab & Co.**

## **Executive Summary**

Date of Incorporation as PLC : May 21, 2007 (Immediately after the independence of Bangladesh in 1971, the erstwhile United Bank Limited and Union Bank Limited were nationalized and renamed as Janata Bank.

Authorized Capital	: Tk. 20,000 m (Tk. 8,000 m prior to 29.09.09)
Pre- IPO paid-up Capital	: Tk. 5,000 million (Considering Bonus & Right shares)
IPO size	: Tk. 1,000 million
Face Value	: Tk. 100.00
Offer Price	: Tk. 1000.00 (including premium of Tk. 900)
Nature of Business	: Commercial Banking
Net interest income	: Tk. 12,953.20 mn and Tk. 12,598.78 mn for the year ended on 31.12.07 and 31.12.08 respectively.
Profit/(Loss) after tax	: Tk. (9,968.18) mn, Tk. 1094.44 mn, Tk.3,145.38 mn for the year ended on 31.12.06, 31.12.07 and 31.12.08 respectively.
Retained Earnings	: Tk. 2,285.94 million as on 31.12.08.
Total Liabilities	: Tk. 258,094.93 million
Use of IPO Proceeds	: For relevant statutory requirements and to meet the adequacy of minimum capital requirement under Basel- II compliance.
NAV per share	: Tk. 349.37 as on 31.12.08
EPS (Basic)	: Tk. 121.26

EPS (restated)	: Tk. 62.91 (considering bonus & rights issue)
Post IPO EPS	: Tk. 52.42
Major Product	: All kinds of commercial banking, the bank recently has got merchant banking license and also plan for Islamic banking operation
Chairman	: Dr. Abul Barkat
Issue Manager	: ICB Capital Management Limited
Auditors	: M/S. Hoda Vasi Chowdhury & Co. and A. Wahab & Co.

### **At a glance:**

Janata Bank Limited (JB) is the second largest commercial bank in terms of net worth with 850 branches and fully owned by Government of Bangladesh. The mission of the bank is to actively participate in the socio-economic development of the nation by operating a commercially sound banking organization.

Immediately after the independence of Bangladesh in 1971, the erstwhile United Bank Limited and Union Bank Limited were nationalized and renamed as Janata Bank. Janata Bank is a state owned commercial bank which was incorporated as a Public Limited Company on 21 May 2007 as per Companies Act 1994 and took over the business of the then Janata Bank with all of its assets, liabilities, right, power, privilege and obligation on a going concern basis through a vendor agreement signed between the Peoples Republic of Bangladesh and Janata Bank Limited on 15 November 2007 with a retrospective effect from 1 July 2007. All of its operational activities are governed by the Bank Companies Act 1991.

The Bank provides all kinds of commercial banking services to its customers including accepting deposits, extending loan & advances, discounting & purchasing bills, remittance, money transfer, foreign exchange transaction, guarantee, commitments etc. The principal activities of its subsidiary are to carry on the remittance of hard-earned foreign currency to Bangladesh. Janata Bank Ltd. has a plan to switch over to a multi disciplinary financial institution by conducting Merchant Banking business and Islamic Banking operation.

**Board of Directors:**

<b>Sl. No.</b>	<b>Name of Individual Sponsors/Directors</b>	<b>Designation</b>	<b>Directorship/Sponsorship/Ownership with other Companies</b>
1	Dr. Abul Barkat	Chairman	Human Development Research Centre, Honorary Chief Adviser
2	Mr. Md. Enamul Haq Choudhury	Director	Nil
3	Mr. Chowdhury Abdul Quayum	Director	Nil
4	Dr. Jamaluddin Ahmed FCA	Director	Hoda Vasi Chowdhury & CO, Partner
5	Dr. Fahmida Khatun	Director	Nil
6	Mr. Fazle Kabir	Director	Nil
7	Mr. Md. Nazibar Rahman	Director	Ushan Enterprise, Chairman Rajbari Poultry, Managing Director Advanced Care, Managing Director
8	Advocate Balaram Podder	Director	Podder Enterprise, Proprietor
9	Mr. Dabir Uddin Ahmed	Director	Nil
10	Dr. Md. Abdur Rouf Sarder	Director	Bangladesh Medical College & Hospital, Deputy Director South Asian Hospital, Deputy Director
11	Mr. A.K.M. Shahjahan Kamal	Director	Asia Construction, Proprietor Mabfen Trade International Ltd., Chairman
13	Dr. R M Debnath	Director	Nil

**Share holdings of the Bank:**

<b>Sl. No.</b>	<b>Name of Individual Sponsors/Directors</b>	<b>Designation</b>	<b>No. of Shares</b>
1	Government of the People's Republic of Bangladesh represented by Finance Secretary, Ministry of Finance	N/A	25,938,988
2	Dr. Abul Barkat	Chairman	1
3	Mr. Md. Enamul Haq Choudhury	Vice Chairperson	1
4	Mr. Chowdhury Abdul Quayum	Director	1
5	Dr. Jamaluddin Ahmed FCA	Director	1
6	Dr. Fahmida Khatun	Director	1
7	Mr. Fazle Kabir	Director	1
8	Mr. Md. Nazibar Rahman	Director	1
9	Advocate Balaram Podder	Director	1
10	Mr. Dabir Uddin Ahmed	Director	1
11	Dr. Md. Abdur Rouf Sarder	Director	1
12	Mr. A.K.M. Shahjahan Kamal	Director	1
13	Dr. R M Debnath	Director	1
<b>Total</b>			<b>25,939,000</b>

**Shareholding Ratio after IPO:**

<b>Particulars</b>	<b>Govt./Sponsors/Directors</b>	<b>General Public</b>
<b>% of Paid up Capital</b>	<b>83.33 %</b>	<b>16.67%</b>

**Use of Proceeds:**

The public issue is to be executed in compliance with relevant statutory requirements. The proceeds will strengthen the capital base of the bank and thus the ability to augment business expansion. The Proceeds will meet the adequacy of minimum capital requirement under Basel- II compliance. The funds to be raised through this public issue will be generally used for lending and investment.

**Relative contribution of the services contributing more than 10% of the total revenue:**

As per audited accounts for the year ended 31 December 2006 to 31 December 2008 relative position of the products contributing more than 10% of the total revenue are as follows:

<b>Particulars</b>	<b>Interest Income (Gross)</b>	<b>Investment Income</b>	<b>Commission , Exchange and Brokerage</b>	<b>Other Operating Income</b>
<b>2008</b>	61.91	19.87	14.89	3.33
<b>2007</b>	68.02	14.24	14.65	3.09
<b>2006</b>	66.65	12.23	16.7	4.42

## Performance at a Glance:

Tk. in million

Particulars	31-12-2004	31-12-2005	31-12-2006	31-12-2007	21.05.07- 31.12.07 (for 7 months)	31-12-2008
<b>Performance Indicators:</b>						
Interest Income	7,398.81	8,903.79	10,845.78	12,598.78	6,017.32	12,953.20
<i>Growth</i>		20.34%	21.81%	16.16%		2.81%
Interest Expenses	5,499.01	6,174.95	7,931.37	9,321.69	4,617.38	9,306.49
<i>Growth</i>		12.29%	28.44%	17.53%		-0.16%
Operating Revenue	5,435.55	6,968.55	8,340.80	9,200.45	4,656.00	11,615.55
<i>Growth</i>		28.20%	19.69%	10.31%		26.25%
Operating Expenses	3122.59	3667.27	4127.27	4237.85	2249.18	4612.49
<i>Growth</i>		17.44%	12.54%	2.68%		8.84%
Operating Profit (profit before provision)	2312.96	3301.28	4213.53	4962.60	2406.82	7003.06
<i>Growth</i>		42.73%	27.63%	17.78%		41.12%
Total Provision	2312.96	3301.28	20438.50	838.26	725.79	2253.74
<i>Growth</i>		42.73%	519.11%	-95.90%		168.86%
Total profit/(loss) before income taxes	0.00	0.00	(16224.97)	4124.34	1681.03	4749.32
<i>Growth</i>		N/A	N/A	125.42%		15.15%
Net Profit/(Loss) after tax	0.00	0.00	(9968.18)	1094.44	15.48	3145.38
<i>Growth</i>		N/A	N/A	110.98%		126.13%
Total Assets	169030.51	188166.18	212663.93	244061.11	244061.11	267157.30
<i>Growth</i>		11.32%	13.02%	14.76%		9.46%
Net Assets	3886.92	3889.99	(5647.75)	5649.62		9062.37
<i>Growth</i>		0.08%	-245.19%	200.03%		60.41%
Net Asset Value per Share			-217.73	217.80		349.37
<i>Growth</i>				-200.03%		60.41%
EPS			(384.29)	42.19	0.60	121.26
<i>Growth</i>				-110.98%		187.40%
Restated EPS (considering bonus and right shares)						62.91
Post IPO Diluted EPS						52.42
<b>Activity Indicators:</b>						
Deposits	151035.90	168896.95	182946.54	198635.89	198635.89	221335.75
<i>Growth</i>		11.83%	8.32%	8.58%		11.43%
Loans & Advances	107785.77	124467.44	138492.51	121204.45	121204.45	144678.18
<i>Growth</i>		15.48%	11.27%	-12.48%		19.37%
Investments	28375.06	29130.03	24785.39	55862.93	55862.93	57823.53
<i>Growth</i>		2.66%	-14.91%	125.39%		3.51%
Percentage of Loans against Total Deposits	71.36%	73.69%	75.70%	61.02%		65.37%
Percentage of Non-performing Loans against Total Loans & Advances	16.68%	11.44%	12.82%	16.38%		10.54%
Off-Balance Sheet Items (Contingent Liabilities)	38408.33	36581.92	44121.75	46530.33	46530.33	70124.31

**Status of class wise Loans & Advances of Janata Bank Ltd. from 2004-2008**

Tk. in million

Particulars	2004	%	2005	%	2006	%	2007	%	2008	%
<b>Loans &amp; Advances</b>										
<b>Unclassified</b>										
Standard	89809.00	83.30%	110224.00	88.56%	118949.00	85.89%	98408.00	81.19%	126796.00	87.64%
Special Mention Account					1790.00	1.29%	2939.00	2.42%	2636.00	1.82%
<b>Sub Total (A)</b>	<b>89809.00</b>	<b>83.30%</b>	<b>110224.00</b>	<b>88.56%</b>	<b>120739.00</b>	<b>87.18%</b>	<b>101347.00</b>	<b>83.62%</b>	<b>129432.00</b>	<b>89.46%</b>
<b>Classified</b>										
Sub-Standard	747.00	0.69%	602.00	0.48%	2615.00	1.89%	3003.00	2.48%	1643.00	1.14%
Doubtful	660.00	0.61%	368.00	0.30%	1143.00	0.83%	1082.00	0.89%	1293.00	0.89%
Bad & Loss	16596.00	15.39%	13273.00	10.66%	13996.00	10.11%	15772.00	13.01%	12310.00	8.51%
<b>Sub Total (B)</b>	<b>18003.00</b>	<b>16.70%</b>	<b>14243.00</b>	<b>11.44%</b>	<b>17754.00</b>	<b>12.82%</b>	<b>19857.00</b>	<b>16.38%</b>	<b>15246.00</b>	<b>10.54%</b>
<b>Grand Total (A+B)</b>	<b>107812.00</b>	<b>100.00%</b>	<b>124467.00</b>	<b>100.00%</b>	<b>138493.00</b>	<b>100.00%</b>	<b>121204.00</b>	<b>100.00%</b>	<b>144678.00</b>	<b>100.00%</b>

**Class wise Comparison of Loans & Advances of Janata Bank Ltd. with that of AB Bank,  
Dutch Bangla Bank, IFIC Bank & Uttara Bank as on 31-12-2008**

Tk. in Million

Particulars	Janata Bank	%	AB Bank	%	Dutch-Bangla Bank	%	IFIC Bank	%	Uttara Bank	%
<b>Loans &amp; Advances</b>										
<b>Unclassified</b>										
Standard	126796.00	88.01%	52492.28	96.47%	39592.98	94.95%	29472.15	89.26%	34284.16	92.23%
Special Mention Account	2636.00	1.83%	224.70	0.41%	742.16	1.78%	1593.17	4.83%	253.34	0.68%
<b>Sub Total (A)</b>	<b>129432.00</b>	<b>89.84%</b>	<b>52716.98</b>	<b>96.88%</b>	<b>40335.14</b>	<b>96.73%</b>	<b>31065.32</b>	<b>94.08%</b>	<b>34537.50</b>	<b>92.91%</b>
<b>Classified</b>										
Sub-Standard	1643.00	1.14%	228.70	0.42%	534.76	1.28%	752.01	2.28%	157.81	0.42%
Doubtful	1293.00	0.90%	132.60	0.24%	185.93	0.45%	143.08	0.43%	146.38	0.39%
Bad & Loss	11694.00	8.12%	1334.09	2.45%	642.49	1.54%	1057.99	3.20%	2329.66	6.27%
<b>Sub Total (B)</b>	<b>14630.00</b>	<b>10.16%</b>	<b>1695.39</b>	<b>3.12%</b>	<b>1363.18</b>	<b>3.27%</b>	<b>1953.08</b>	<b>5.92%</b>	<b>2633.85</b>	<b>7.09%</b>
<b>Grand Total (A+B)</b>	<b>144062.00</b>	<b>100.00%</b>	<b>54412.37</b>	<b>100.00%</b>	<b>41698.32</b>	<b>100.00%</b>	<b>33018.40</b>	<b>100.00%</b>	<b>37171.35</b>	<b>100.00%</b>

**Determination of offering price (as reported by the Bank):**

**Methods 1 – share price based on Net assets value per share (NAV):**

<b>Sl. No</b>	<b>Particulars</b>	<b>Amount</b>	<b>Net Amount</b>
<b>a)</b>	Paid-up capital		<b>2,593,900,000</b>
<b>b)</b>	Statutory Reserve	1,491,956,374	
	Legal Reserve	44,946,031	
	Other Reserve	2,645,620,801	
	Surplus in profit /(loss) Account	2,285,944,367	
<b>Reserve &amp; Surplus</b>			<b>6,468,467,573</b>
<b>Total Shareholders' Equity</b>			<b>9,062,367,573</b>
<b>Number of shares</b>			<b>25,939,000</b>
Net Assets Value per Share at BDT100 per share			<b>349.37</b>

Summary of different valuation methods for justifying offer price of JB as per Clause No. 16 (b) of the SEC (public Issue) Rules, 2006 (as reported by the Bank):

<b>Particulars</b>	<b>Amount in BDT</b>
Equity based value per share (NAV)	349.37
Projected Equity Based Value (NAV) Per Share	580.03
Price Based on Projected Earning Based Value Per Share	1,258.00
Price Based on Average Market Price of Similar Stocks	2,234.82
Price Based on Government owned companies having ownership above 50%	1,498.82
Price based on average PE Ratio of Banking Sector	1,657.62
<b>Average</b>	<b>1,263.11</b>

## **RISK FACTORS AND MANAGEMENT'S PERCEPTION ABOUT THE RISKS**

An investment in our shares involves risks. The following are some of the noteworthy risks that could have an effect on us and the value of our share. The risks are inherent in banking business in the context of recovery of credit, maintaining liquidity market and operational affect. This prospectus contains future looking information that involves risk and uncertainties. JB actual result may differ from the result stated in this future looking information. Factors which might cause such risks and uncertainty discussed below:

### **INTEREST RATE RISK**

Interest rate risk is the risk of loss in the Bank's interest margin or net equity value arising from changes in interest rates and their implied volatility. Increase in interest rates on borrowing could narrow / eliminate the spread, or result in a negative spread, and hence, may have a material adverse effect on the Bank's business, financial condition and/or results of operations.

We are exposed to interest rate fluctuation. An increase in interest rate of borrowing could adversely affect interest payable by us. Although the consequences of unusual and abrupt increase in borrowing rate cannot be avoided, the Bank takes all the appropriate measures to minimize the negative consequences. For instance, Janata Bank has established an Asset Liabilities Committee (ALCO) for monitoring and maintaining interest rate risk at a minimum level with minimum fluctuation through interest rate sensitivity analysis.

JB is operating with fixed interest rate for both loans and deposits. By the end of 2008, the bank had liability sensitive position for up to 1 month time bucket. This indicate that on decreasing interest rate scenario the bank will be benefited in 1 month time bucket and will be suffered in 1 to 12 month time buckets. Hence, cumulative earning impact shows that JB will gain BDT 18.13 Million for 1% interest rate increased and will lose the same amount for 1% rate decrease.

### **EXCHANGE RATE RISK**

Foreign exchange risk is a risk that a bank may suffer losses as a result of adverse movements in either spot or forward rate or combination of the two, in individual foreign currency. This risk is associated with the transactions involved in import, export, remittance and foreign currency in hand and bank. As a commercial bank, JB is exposed to potential changes in earnings arising due to change in market price of currency and the position in the currency that is held during the changes.

To mitigate the risk involved in foreign exchange business, the foreign exchange dealing operation in Janata Bank limited is performed through Dealing Room (Front Office), Mid Office and Back Office. The dealers manage market risks, avoid adverse exchange fluctuation, look for better investment of funds, maintain sound liquidity and protect the Bank from any unforeseen loss in the situation of any market volatility .The Mid Office and Back Office are assigned the responsibility of related support functions. Dealing room is restricted for all except dealers and authorized executives.

The dealing room is equipped with modern facilities i.e Reuters's information, SWIFT, receptors monitor, telephone, voice recorder etc. Moreover stop/loss limit, trading limit, over night limit is given by the concerned authorities. The daily blotter and mark to market revaluation report is placed to management for their review.

#### Industry RISK

JB is operating in a highly competitive market. Some of the new generation banks have more resources, new marketing ideas and technologies than those of the Janata Bank. Janata Bank Limited (JB) is the second largest commercial bank in Bangladesh with 850 branches and fully owned by Government of Bangladesh. The mission of the bank is to actively participate in the socio- economic development of the nation by operating a commercially sound banking organization. The Bank is always cautious in offering its products and services at competitive terms and conditions which in turn minimizes its industry risk exposure.

Our business is subject to intense competition. Competition in the banking sector in Bangladesh is based mainly on customer deposits, interest earning, and quality and customer service. We directly compete with 48 financial institutions including private sector, public sector and foreign banks.

There can be no assurance that this competition will not occur in the near future. The increase competition may result in slower growth in customer deposits, a higher interest rate for customer deposits, increased customer acquisition cost, slower revenue growth or a declining revenue growth due to competition.

JB constantly monitor its market and competitor to mitigate such risks. JB expose to global financial crisis regarding recent and future business developments. These unfavorable market development and uncertainties present major challenges to the global economy as well as financial markets as a result Bangladesh economy faces downturn. This downturn materially affects JB products and services, in turn affecting its financial performance. JB established a strategic planning to mitigate this risk.

#### MARKET AND TECHNOLOGY RELATED RISK

In the wide market of 21st century, advanced technology obsoletes the old service / product strategy. So the existing technology may not be sufficient to cope with the future business trends and needs.

The Board of the Bank always emphasizes on development and implementation of the state of the art technology and is always committed to invest in modern and updated information technology.

Modernization programmed of the bank including automation, computerization and system recognitions are going apace. We have planned to bring all branches of the bank under computerization network including on-line banking facilities by the year 2010.

#### POTENTIAL OR EXISTING GOVERNMENT REGULATIONS

Bangladesh bank and SEC regulate the banking sector and have power to issue guidelines, directives and regulations in the interest of the industry. Bangladesh bank and SEC ensure methodical progression of banking system that strengthens the socio economic welfare of Bangladesh. Any sudden change of the guidelines/ policies formulated by the Bangladesh Bank, and / or the SEC may affect the business of the Bank adversely.

Unless the regulatory authorities adopt any adverse policies which may materially affect the industry as a whole, the business of the Bank will not be affected that much since the Bank is always particular in complying with rules and regulations of the authorities.

#### POTENTIAL CHANGES IN GLOBAL OR NATIONAL POLICIES

The Bank operates in the domestic commercial banking industry of Bangladesh. Any potential changes in either global or national policies might adversely affect the banking industry and thus the businesses of the Bank in future.

The management of the Bank is always concerned about the prevailing and upcoming changes in the global and national policy and shall take any corrective actions as may be required in future.

#### MONEY LAUNDERING RISK

Money Laundering means any offence under the law which is set out in Section 2 (Two) of the Prevention of Money Laundering Act 2002 (Act No. 7 of 2002). The offences are as under:

Properties acquired or earned directly or indirectly through illegal means;  
Illegal transfer, conversion, concealment of location or assistance in the

above act of the properties acquired or earned directly or indirectly through legal or illegal means."

The Bank has formulated the policies and procedures under the provision of Money Laundering Act and in consideration of all control points suggested by Bangladesh Bank to control laundering of money earned illegally which is harmful for the economy of the country. The Board and the management is fully committed to prevent money laundering and terrorist financing.

To mitigate the money laundering risk, monthly CTR/STR reports are provided to Bangladesh Bank, introduced KYC report mentioning the transaction profile, proper address, valid source of income etc. which are verified at the time of opening any kind of Account. Employees are provided training regularly on how to identify a suspicious transaction and what is the role of bank management to report in this regard.

#### OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. In the day-to-day management of operational risks we established a operational risk management system, which illuminate competencies and responsibilities of business areas and hierarchy levels in a bank. An important first step in this direction is the systematic reporting of operational risks up to the level of the board of directors.

The Bank with the support of an Expert Team, has undertaken a program for up grading its Standard Operating Procedures (SOP) in the area of credit, audit, information technology and accounts as per international best practices.

Credit risk is the risk to a financial institution's earning and capital when an obligor or a third party will not comply with the terms and conditions of the loan and fail to meet its obligations to the bank. It is a potential loss arising from the failure of a counter party to perform as per contractual agreement with the bank, basically failure in repayment.

The Bank ensures to adopt the following risk assessment procedures before approving sanction of any credit facility. The risk assessment procedures include borrower risk analysis, financial analysis, industrial appraisal, historical performance of the customer, security against credit facility etc. The assessment initiated from the branch level, counterchecking & cross checking done by the controlling office in accordance with business and sanctioning power.

The proposal belong to the authority of Head office, are reviewed by the concerned credit division in term of credit policies, risk grading, business

and management quality and then reviewed by the credit committee . Thereafter placed to board with their recommendation or otherwise rejected of deemed not to be feasible.

JB portion of revenue derived from interest Income received. Failure of corporate entity may hamper this income. Our classified loan ratio dropped to 10.92% from 16.38% of the previous year which is a significant development. This initiative is being intensified and it is expected that classified loan ratio will come down to single digit in 2009 which would be a significant development for the public sector banking in Bangladesh.

Any unfavourable change in the liquidity base interest rate changes brings threat to the bank and produces financial hindrance. The management of Janata Bank put emphasis on review of Balance Sheet sections which are significant in to our business and takes corrective measures for eliminating such risks. Janata banks established asset liability committee (ALCO) with guidelines to monitors balance sheet related risk. ALCO undertake strategic decisions for maximizing profit by better use of available funds and make necessary adjustment with pricing both on liability and asset sides. The committee also ensures growth of deposits and corresponding advance.

For any banks/financial institution portfolio management is the vital issue. Any mismanagement of portfolio risk may cause serious setback. The percentage of non performing assets of the bank is marginally higher than country average. So Janata Bank maintains good credit portfolio with its funding in diversified areas including the thrust sectors of the economy.

Litigation risk is defined as the impact of unenforceable contract, lawsuits or adverse judgments that can disrupt or otherwise negatively affects institution's operation or conditions. As present condition there is no litigation against us.

Internal control is a process to control overall activities of the Bank through establishing policies, procedures, observance of instructions of regulatory authorities with a view to avoid any possible loss from the lack of corporate governance. To mitigate the risk, the Bank ensured effective internal control systems for all of its operational activities by intensifying the internal audit function, comprehensive and risk based inspection in all branches and Head Office. The Compliance Division ensures the settlement of objections or irregularities mentioned in the audit reports under a strong monitoring process of the Management Committee (MANCOM). Besides there is a division named MD'S Squad under the direct supervision of CEO and MD to act at any sudden occurrence of loss or irregularities.

## LIQUIDITY RISK

The Bank's business is finance through borrowings and deposits from customers and call money from local banks. Reliance on call money and retail deposit may place it in a detrimental position. JB is mainly funded through customer deposits and internal capital generation. The bank has wide range of customer deposit accounts throughout its 850 branches which provides them stable deposit base. Liquidity risk is managed in accordance with a framework of asset liability management guideline, liquidity policies, contracts, and limits approved by ALCO of the Bank. These policies are established to controls, limits and to ensure that the Bank maintains well diversified sources of funding as well sufficient liquidity to meet all of its contractual obligations when due. The Bank meet the liquidity crisis by taking call loan, short term deposit from other banks & financial institutions and sale of securities on repurchase agreement (REPO).

## CAPITAL ADEQUACY RISK

Capital adequacy risk is a risk where the Bank does not have sufficient capital reserves to do the business or to absorb unexpected losses arising from credit, market and operational risks. Bank's capital management policy is crafted to ensure that the Bank maintains an adequate level of capital to support growth strategies and meets regulatory requirements and market expectations. Commercial banks in Bangladesh will be required to comply with Basel II Accord with effect from January 2010, which will result in changes to capital adequacy requirements. The Basel II Accord will affect the risk weightings of different types of assets including provisioning for market and operational risks. This in turn will have a direct effect on the Bank's capital adequacy ratio. Bangladesh Bank is in the process of establishing detailed methodologies and procedures to suit the domestic market.

According to Basel II framework bank require maintaining a capital adequacy ratio (CAR) not less than 10% of its Risk weighted Assets (RWA). Based on RWA as per Basel I JB capitalization was 9.62% in 2008. JB has undertaken a capital improvement plan to meet its Basel II requirements. The capital shortfall will be cover by improving profit margin, right issue to GOB and public offering.