

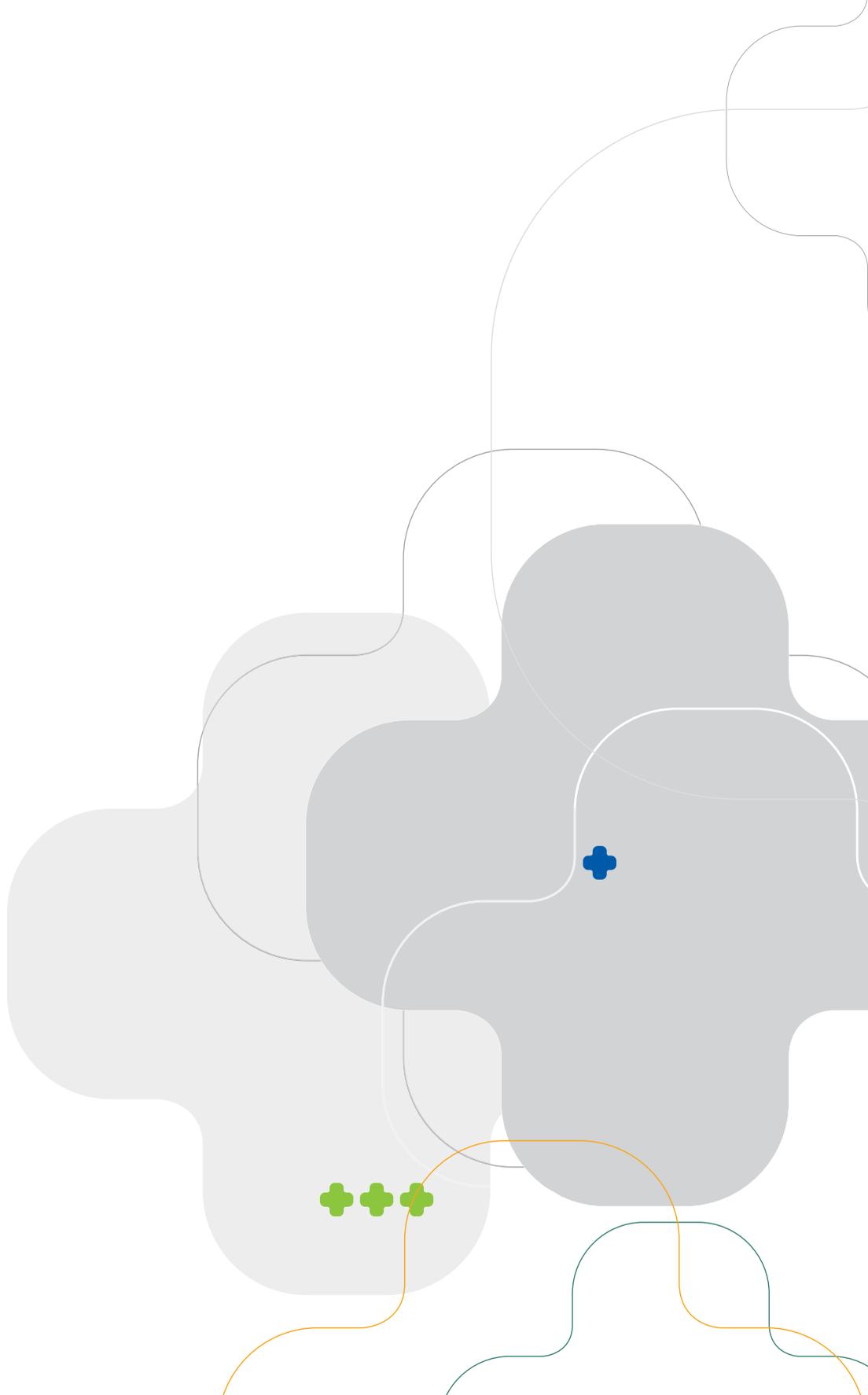
annual report  
2012

creating value  
for a sustainable  
future





Creating value for a  
sustainable future





## annual report 2012

### **Creating value for a sustainable future**

We are a values-driven bank. We believe profits are temporary but values are permanent. The principle that guides our behavior to deliver our brand is sustainable banking. Our aim is not just to maximize profit, but to ensure sustainable business for our employees, shareholders, customers and above all for the community we operate in.

We put our clients first and adhere to the highest standards of integrity. We respect our customers and stakeholders, anticipating and responding to their needs, aiming to treat them honestly and responsibly with consistent standards wherever we operate.

We are a firm believer of the concept 'value creates value.' For us employees are the best brand. We provide a rewarding environment in which our employees are engaged and developed.

We minimize any negative impact on the environment that might be associated with our operations or our services, searching out new ways to conserve natural resources and innovating to improve our processes.

The four pillars of our brand value propositions are sustainability, innovation, impact and commitment. We ensure sustainability by setting standards and adhering to ethical values; we promote innovation by embracing changes and devising solutions; we create impact by promoting green banking and we initiate co-creation and develop social capital.



## recognitions that inspire us

As a business, EBL is guided by the objectives to expand and deepen client relationships, and invest consistently on technology. As a bank, we operate according to the fundamental principles of the company, which include putting our clients first and adhering to the highest standards of integrity. Over the past 20 years our excellent culture and a focused long-term strategy have contributed to our outstanding track record.

One of our core strengths is our fortress balance sheet and our adherence to ethical banking. Our sincere efforts in bringing international standards in accounting have been well-appreciated and gotten recognitions from local and international institutions like The Institute of Chartered Accountants of Bangladesh (ICAB), South Asian Federation of Accountants (SAFA), The Institute of Cost and Management Accountants of Bangladesh (ICMAB). EBL was awarded the 2nd Prize at 12th ICAB National Awards for the Best Presented Annual Reports 2011 and also awarded same position for Annual Report 2009. EBL is a recipient of 'Certificate of Merit' in the Best Presented Annual Report Awards 2011 by South Asian Federation of Accountants (SAFA). Last year our Annual Report 2011 got the 3rd Prize at the ICMAB Best Corporate Awards.

Employee first is our bracing motto. We believe that the source of our competitive advantage lay deep inside our company, in our people. Our core brand has always been our employees, appreciated for their passion to perform. For us employees are the best brand. We do not offer our employees a job, we offer them a career. We have highest per employee productivity in the banking industry for last 6 years. Last year our HR policy and practices got international recognition when we were awarded the Asia's Best Employer Brand Award at World HR Congress in Singapore. Our Human Resources Division is also the first Bangladeshi bank to achieve ISO certification for its commitment to quality HR Practice in People Management.

Our Trade Service Department and Service Delivery Department are regarded among the best in the market for our commitment to quality delivery and trade service operations. Our ISO 9001:2008 certifications for Trade Service Department and Service Delivery Department speak volumes about our best practices.



*Ali Reza Iftekhar, Managing Director & CEO of EBL, receives the CEO of the Year award at the second Asian HR Leadership Awards for his contributions to economic development of the country, at Taj Palace Hotel in Dubai*

We are consistently achieving recognition from World Bank. We have been awarded twice as the best GTFP issuing Bank in South Asia.

The crowning glory of EBL's commitment to perform with passion has been winning the Best Financial Institution 2010, the most coveted award of the country at the DHL-Daily Star Bangladesh Business Awards 2010.

As we are striving to achieve international standards in all our products and services, international recognition is natural to follow. The Global Brand Congress held in Mumbai conferred EBL Awards for Brand Excellence in the "Best Banking and Financial Services" category.

One of the most significant awards for EBL last year was the CEO of the Year award to our CEO Mr. Ali Reza Iftekhar by Asian HR Leadership Award held in Dubai. This award carries a symbolic significance for us. Out of 45 nominations from Asia he was selected by the Jury board for his significant contributions to the Bangladesh banking sector. As an ardent promoter of the concept of sustainable development he has successfully introduced international best practices and ethical banking and transformed EBL into the most valuable financial brand in the country.



*EBL has been awarded the Asia's Best Employer Brand Award at World HR Congress in Singapore*



*EBL won 2nd Prize at the 12th ICAB National Awards for the Best Presented Annual Reports 2011*



*Annual Report 2011 Awarded 3rd position as 'Best Corporate Awards' by ICMAB*



*EBL has been adjudged the Best Financial Institution 2010 at the DHL- Daily Star Bangladesh Business Awards*



*Centralized operations of EBL got Quality Management Systems Certificate as per ISO 9001: 2008*



*IFC awarded EBL the Best GTFP Issuing Bank in South Asia in 2012*

# contents

08	Letter of Transmittal
09	Disclaimer
10	Vision
11	Mission
12	Values
13	Strategic Priority
14	Corporate Directory
17	Group Corporate Structure
18	Company Milestones
20	EBL Organogram
21	Board of Directors
28	Management Committees
33	Directors Responsibility Statement
35	Report of the Audit Committee
38	Chairman's Statement
42	Review of the Managing Director & CEO
44	Directors Report 2012

## **Stakeholders Information**

55	Financial Highlights
56	Financial Goals & Performance
57	Five-Year Progression of EBL
59	Distribution of Shareholding
59	Directors Shareholding Status
60	Market Price Information
60	DSE Price Volume Chart of EBL Share
61	Vital Graphs
65	Value Added Statement
65	Market Value Added Statement
66	Economic Value Added Statement
67	Financial Calendar
68	Redressal of Investors Complaints
69	Glimpses of 20th AGM

## **Report on Corporate Governance**

70	Conceptual Framework
70	Corporate Governance Practices at EBL
71	Structure of the Board
71	Retirement and Election of Directors
71	Board Meetings and Attendance
72	Ownership Composition
72	Directors Shareholding Status
73	Shareholding of CEO, HOF, CS, Head of ICC and top 5 Salaried Executives
73	Separation of Chairman and Chief Executive Officer Roles
73	Responsibilities of the Chairman of the Board
74	Benefits provided to Directors and Managing Director
74	Appointment of External Auditors
74	Services Not Provided by External Auditors
74	Highlights on Central Bank Inspections
74	Related Party Transactions
75	Board Committees and their Responsibilities
75	No Remuneration Committee but Activities
76	Management Committees and their Responsibilities
78	Internal Controls: The watchdog of Transparency & Accountability
79	Internal Control (Audit) Findings
79	BB Guidelines for Corporate Governance: Our Compliance Status
83	BSEC Guidelines for Corporate Governance: Our Compliance Status
89	Certificate on Compliance of Corporate Governance Guidelines

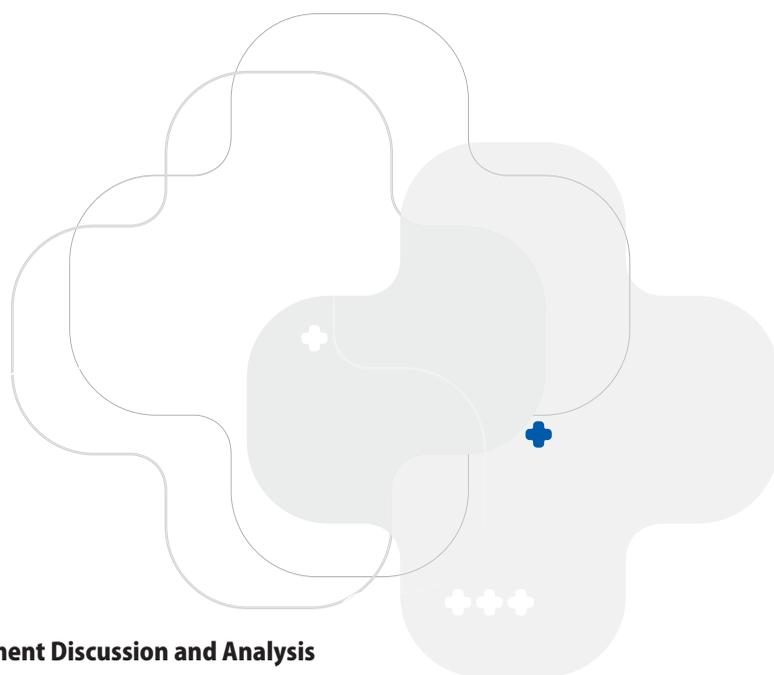


## **Sustainability Report & SME Success Stories**

- 90 Sustainability Report
- 95 SME Success Stories

## **Corporate Social Responsibility**

- 97 EBL and its Customers
- 97 EBL and its Employees
- 98 Contribution to National Exchequer
- 98 EBL and its Environment
- 98 EBL and its Community



## **Management Discussion and Analysis**

- 101 Review of Bank Financials
- 110 Business Review
  - 111 Corporate Banking
  - 116 Treasury
  - 118 Investment Banking
  - 119 Consumer Banking
  - 123 SME Banking
- 127 Business Support
  - 128 Operations
  - 131 Information Technology (IT)
  - 133 Human Resources
- 137 Risk Management
- 148 Disclosures on Risk Based Capital (Basel II)
- 160 Products and Services
- 163 Statement on Integrity of Financial Statements

## **Financial Reports 2012**

- 166 Auditors' Report to the Shareholders
- 168 Consolidated & Separate Financial Statements
  - 242 Highlights on the overall activities
- 243 Financial Statements of Offshore Banking Unit (OBU)
- 260 Audited Financial Statements of the Subsidiaries
  - 261 EBL Securities Limited
  - 276 EBL Investments Limited
- 285 Branch Network
- 287 Correspondent Bank Network
- 289 Abbreviations
- 290 Notice of the 21st AGM
- 291 Proxy Form



# letter of transmittal

All Shareholders of Eastern Bank Limited  
Bangladesh Bank  
Bangladesh Securities and Exchange Commission (BSEC)  
Registrar of Joint stock Companies & Firms  
Dhaka Stock Exchange Limited (DSE)  
Chittagong Stock Exchange Limited (CSE)

**Dear Sir,**

**Annual report of Eastern Bank limited for the year ended 31 December 2012.**

We are pleased to present before you the Bank's (EBL) Annual Report 2012 along with the audited Financial Statements (Consolidated and Separate) as at and for the year ended 31 December 2012.

Financial Statements of 'The Bank' comprise those of EBL On-shore (main operation) and Off-shore Banking Unit (presented separately) whereas consolidated Financial Statements comprise Financial Statements of 'The Bank' and those of its subsidiaries (EBL Securities Ltd. & EBL Investments Ltd.) presented separately. Analyses in this report, unless explicitly mentioned otherwise, are based on the financials of 'The Bank' not the consolidated financials.

Yours Sincerely,

Safiar Rahman, FCS  
Company Secretary

# disclaimer

This Annual Report 2012 contains audited financial statements of the Bank (EBL) and its two subsidiaries. Review of business and financials presented in the Directors' Report and Management Discussion & Analysis sections are partly based on audited financials as well as MIS of the Bank which are mostly unaudited unless otherwise specified.

The Bank while preparing financial statements, followed relevant 'Bangladesh Financial Reporting Standards or BFRSs' except in some cases where central bank of Bangladesh (Bangladesh Bank) instructed banks to follow their prescribed treatments. Treatment of HFT securities, provision against quoted shares, provision against unclassified loans and contingent assets etc. are the major areas where requirement of BFRSs and those of Bangladesh Bank contradict. However, the bank followed instructions of Bangladesh Bank being the prime regulator for banks with adequate disclosures of the deviations (Please see Note 2.1 of financial statements).

Hence, this Annual Report does not constitute an invitation to invest in EBL shares. Any decisions you make in reliance on this information are solely your responsibility.

Business 'outlook' and management estimates and assumptions in recognizing certain financial transactions presented in different parts of this Annual Report can be no assurance that actual outcomes will not differ materially from the estimates/projections. Some of the challenges that may cause projected outcomes differ from the actual ones can be put forth, which are not comprehensive:

- **Changes in macro economic conditions:** Lower than expected growth of GDP in FY 2013, slowing growth in exports, flat or negative growth in imports, weak internal and external demand, slowing industrial activities and unstable political ambience etc.
- **Changes in government and regulatory policy:** Lower than expected mobilization of tax revenue by NBR, increased borrowing by govt. from banks, central bank directives for charging lower fees and commissions on certain service, full blown impact of new circulars related to loan provisioning, rescheduling on provision and volume of classified loans etc.
- **Energy crisis and weak infrastructure:** Slowing manufacturing growth, real estate business and rising cost of doing businesses.
- **Capital market exposure limit:** Capital market exposure limit as set out in the Bank Companies Act 1991 and relevant circulars by Bangladesh Bank might be reduced by tagging it to capital instead of liabilities as per recommendation in the amendment of Bank Companies Act 1991.
- **Force investment in govt. securities:** Despite being a non PD (Primary Dealer) bank, this bank has to invest certain portion of govt. treasury securities

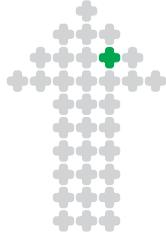
(force devolvement) as per BB instruction which was initially invested in by PD only. This type of investment naturally generates lower revenue than from usual lending operations.

- **Emphasis on healthy liquidity:** As Basel III puts much emphasis on maintaining stronger liquidity, BB is gradually persuading banks in maintaining adequate liquidity in a road map to implement Basel III. Liquidity has an inverse relationship with profitability.
- **Rising capital requirement:** Basel III might cause internationally active banks to maintain more capital, adequate liquidity and follow more stringent rules. The Bank while doing trade finance with those banks might have to follow more stringent rules.
- **Reduced margin ratio on consumer financing:** Banks are already maintaining 50% margin ratio in consumer financing. This ratio has been increased by BB to 70% (Bank can finance up to 30% of the value of designated items) in January 2012 which will further restrict consumer credit to unproductive purposes especially those which require imports.
- **Provision requirement on loans to BH/MB/SD:** BB has already imposed a 2% provision requirement for banks on unclassified credit exposure to Brokerage House, Merchant Banks and Stock Dealers.
- **Capital market volatility:** Although the capital market exposure of the Bank so far remains within BB prescribed limit, volatility of share price might cause earnings to decrease.
- **Directed lending:** Regulators or govt. may direct banks to take credit exposure to agricultural, renewable energy, eco-friendly projects or some other under-served sectors at defined rates which may not produce reasonable risk-adjusted return.
- **Climate change effect and natural calamity:** Bangladesh is one of most vulnerable countries to climate change effects and natural disaster. Agricultural sector, which contributes around 18 percent of GDP, is the most susceptible sector to such risk.
- **Risk of Fraud:** Internal fraud and external financial crime are increasing in the industry due to weak corporate governance, control weakness, and increasing use of technology by criminals. Weak governance and control practices of few banks (mainly state owned ones) exposed through big volume financial scams put a dent on confidence in banking system. EBL remains highly vigilant to prevent any type of surprises with heightened control measures, strong corporate governance and risk management practices.



## vision

To become the most valuable brand in the financial services in Bangladesh creating long-lasting value for our stakeholders and above all for the community we operate in by transforming the way we do business and by delivering sustainable growth.



## mission

- We will deliver service excellence to all our customers, both internal and external.
- We will ensure to maximize shareholders' value.
- We will constantly challenge our systems, procedures and training to maintain a cohesive and professional team in order to achieve service excellence.
- We will create an enabling environment and embrace a team based culture where people will excel.



## values

**SERVICE EXCELLENCE** We passionately drive customer delight.  
We use customer satisfaction to accelerate growth.  
We believe in change to bring in timely solution.

**OPENNESS** We share the business plan.  
We encourage two way communications.  
We recognize achievements, celebrate results.

**TRUST** We care for each other.  
We share learning/ knowledge.  
We empower our people.

**COMMITMENT** We know our road map.  
We believe in 'continuous improvement'.  
We do not wait to be told.

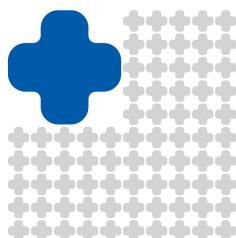
**INTEGRITY** We say what we believe in.  
We respect every relationship.  
We do not abuse information power.

**RESPONSIBLE CORPORATE CITIZEN** We are tax-abiding citizen.  
We promote protection of the environment for our children.  
We conform to all laws, rules, norms, sentiments and values of the land.



## strategic priority

- Integrate sustainability principles into business strategy.
- Shift to values-based marketing, focusing more on human aspirations, values, and spirit.
- Strengthen internal controls through clearly laid down policies, procedures and processes.
- Pursue a moderate asset growth keeping the asset quality in tact.
- Optimize funding mix to reduce cost of fund.
- Accelerate deposit growth by offering innovative products.
- Create customer-friendly culture through state-of-the-art IT solutions supported by highly-skilled team.



# corporate directory

## Name of the company

Eastern Bank Limited

## Legal Form

A public limited company incorporated on 08 August 1992 in Bangladesh with primary objective to carry out all kinds of banking businesses in and outside Bangladesh after taking over the businesses, assets, liabilities and losses of erstwhile Bank of Credit & Commerce International (Overseas) Limited as per BCCI Reconstruction Scheme 1992 of Bangladesh Bank. It commenced Banking Operations on 16 August 1992.

## Group Corporate Structure

EASTERN BANK LIMITED (GROUP)	
BANK	SUBSIDIARIES
Eastern Bank Limited	<b>EBL Securities Limited (Fully owned)</b> (Stock Dealer & Brokerage)
Off-Shore Banking Unit	<b>EBL Investments Limited (Fully owned)</b> (Merchant Banking Operations)
	<b>EBL Asset Management Limited (Fully owned)</b> (Asset management i.e. managing mutual funds)  - Got required permission from the central bank.
	<b>EBL Finance (HK) Limited</b> (Fully owned first foreign subsidiary of EBL)  (Got all the required approvals and licenses from relevant authorities of Bangladesh and Hong Kong. Commencing business early 2013).

## Our Core Business

Over the years EBL has established itself as a leading private commercial bank in the country with established leadership in Corporate Banking with growing focus on SME and Consumer businesses. EBL offers a wide range of depository, loan and card products to cater virtually for every customer segment. From Student Banking to Priority Banking to Visa Signature card, EBL has almost all banking products in its repertoire. The product basket is rich in content featuring different types of Savings and Current Accounts, Personal Loans, Debit Cards, Credit Cards, Pre-paid Cards, Internet Banking, Corporate Banking, SME Banking, Investment Banking, Treasury & Syndication services.

## Network

Businesses of the bank are broadly segmented into three divisions: Corporate, Consumer and SME Banking.

To facilitate the services to the corporate clients, the bank has 11 corporate relationship units: 8 of these units are in Dhaka and the rest 3 are in Chittagong. To facilitate and support business units we have 03 customer supports Units (CSU) and 01 Project Finance Unit (PFU). Besides, we also have 02 product specific solution based units Structured Finance Unit (SFU) and Transaction Banking (TB). Transaction Banking is formed in 2012 and supported by 03 particular Units: Cash Management Unit (CMU), Trade Sales Unit (TSU) and International Division.

Consumer Banking customers are served through a network of 67 Branches, 160 ATMs, 42 Bills Pay Machines, 7 priority centers and 40 'EBL 365' countrywide. The bank has its presence in 11 major cities/towns in the country including Dhaka, Chittagong, Sylhet, Khulna, Rajshahi, Rangpur & Cox's Bazar.

SME Banking customers are served through 50 SME centers located across the country.

## Credit rating

The Bank has completed its credit rating by Credit Rating Information and Services Limited (CRISL) based on the Financial Statements dated 31 December 2011 and was awarded 'AA' in the Long Term and 'ST-2' in the Short Term.

## Rating by CRISL

Rating Status	Long term	Short term
Surveillance Rating 2011	AA	ST-2
Surveillance Rating 2010	AA	ST-2
Outlook	Stable	

## Ownership Composition

As on 31 December 2012, shareholding position of EBL by the Directors, General Public & Financial Institutions are presented below:

Composition	Status	
	Number of Shares	% of total shares
Directors	192,923,886	31.57%
General Public	342,083,464	55.97%
Financial Institutions	76,172,435	12.46%
<b>Total</b>	<b>611,179,785</b>	<b>100.00%</b>

## Board of Directors

**Chairman:** M. Ghaziul Haque

### Directors (Other than chairman)

Sl.	Name	Position
1.	Mir Nasir Hossain (Representing Mir Holdings Ltd.)	Director
2.	A. M. Shaukat Ali	Director
3.	Md. Showkat Ali Chowdhury (Representing Namreen Enterprise Ltd.)	Director
4.	A.Q.I. Chowdhury, OBE (Representing Namreen Enterprise Ltd.)	Director
5.	Salina Ali (Representing Borak Real Estate (Pvt.) Ltd.)	Director
6.	Meah Mohammed Abdur Rahim	Independent Director & Director from the Depositors
7.	Asif Mahmood (Representing Aquamarine Distributions Ltd.)	Director
8.	Ormaan Rafay Nizam	Independent Director & Director from the Depositors
9.	Gazi Md. Shakhawat Hossain (Representing Purnima Construction (Pvt.) Ltd.)	Director
10.	Ali Reza Iftekhar	Managing Director & CEO

### Company secretary

Safar Rahman, FCS



## Audit Committee

<b>Chairman</b>	Meah Mohammed Abdur Rahim
<b>Members</b>	A.M. Shaukat Ali A.Q.I. Chowdhury, OBE Asif Mahmood Gazi Md. Shakhawat Hossain
<b>Secretary</b>	Safiar Rahman, FCS

## Executive Committee

<b>Chairman</b>	Mir Nasir Hossain
<b>Members</b>	Md. Showkat Ali Chowdhury Asif Mahmood Ali Reza Iftekhar- Managing Director & CEO
<b>Secretary</b>	Safiar Rahman, FCS

## Stock Exchange Listing

Ordinary share of the Bank is listed with both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. Shares of EBL are categorized as 'A' in the Stock Exchanges. Market lot is 200 each and stock symbol is EBL.

## Capital (31 December 2012)

Authorized Capital : BDT 12,000,000,000 (1,200,000,000 ordinary shares of BDT 10 each).  
Paid-up Capital : BDT 6,111,797,850 (611,179,785 ordinary shares of BDT 10 each).

## Accounting Year-end

31 December.

## Head of Finance

Muhammad Maniruzzaman, FCMA

## Head of Internal Control & Compliance

Akhtar Kamal Talukder

## Auditors

Hoda Vasi Chowdhury & Co.  
Chartered Accountants

## Tax Consultant

ACNABIN  
Chartered Accountants

## Legal Advisors

Sadat, Sarwat & Associates and  
Sadia Rowshan Jahan

## Company Registration Number

C-22554(961)/92

## Bangladesh Bank License Number

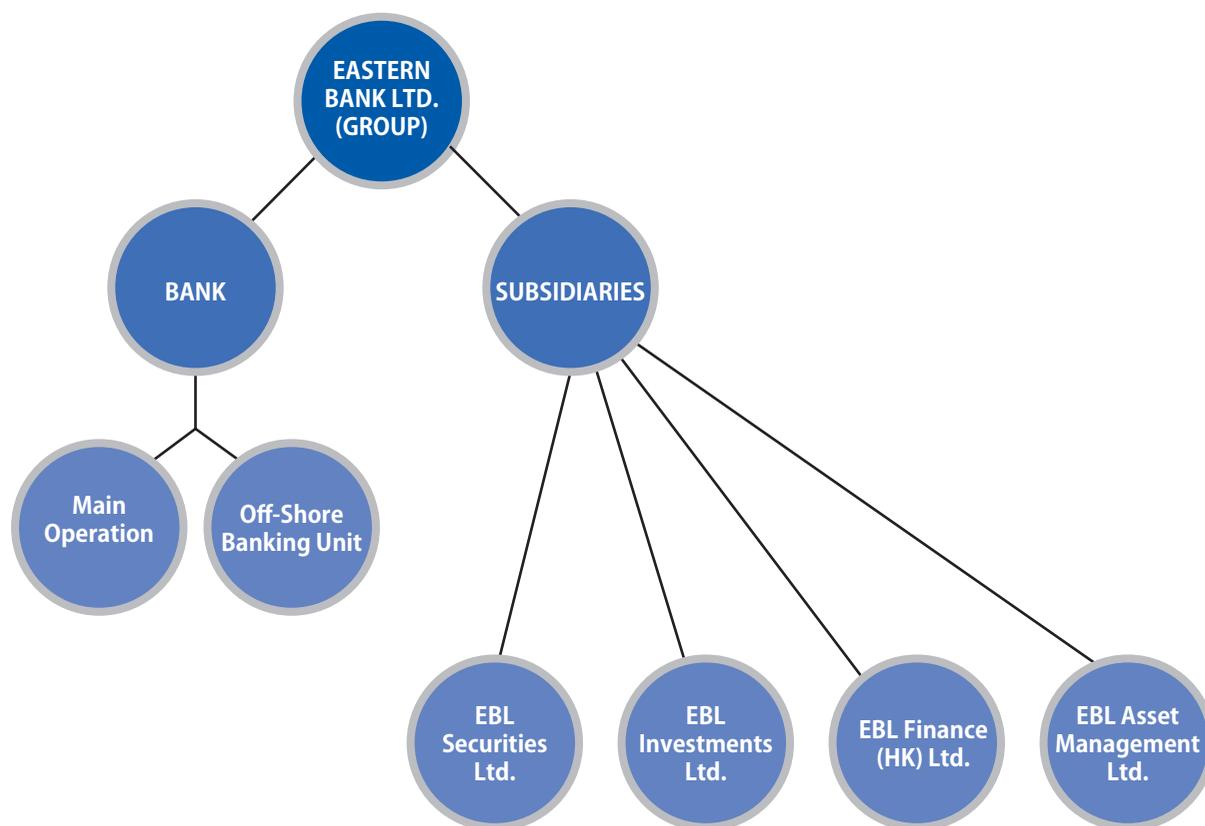
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## Registered & Head Office

Jiban Bima Bhaban,  
10, Dilkusha Commercial Area,  
Dhaka-1000, Bangladesh.  
Telephone: 880-2-9556360,  
Fax: 880-2-9562364, 9554610  
Swift: EBLDBDDH, Cable: EASTBANK  
email: info@ebl-bd.com

web: [www.ebl.com.bd](http://www.ebl.com.bd)

# group corporate structure



The Bank has four subsidiaries, all of them are fully owned, as on the reporting date i.e. 31 December 2012.

The Bank completed acquisition of rest 40% shares of **EBL Securities Ltd.**, a securities brokerage firm, during 2012. This firm obtained Chittagong Stock exchange Membership in 2012 which will be operational soon after getting the operational license from BSEC.

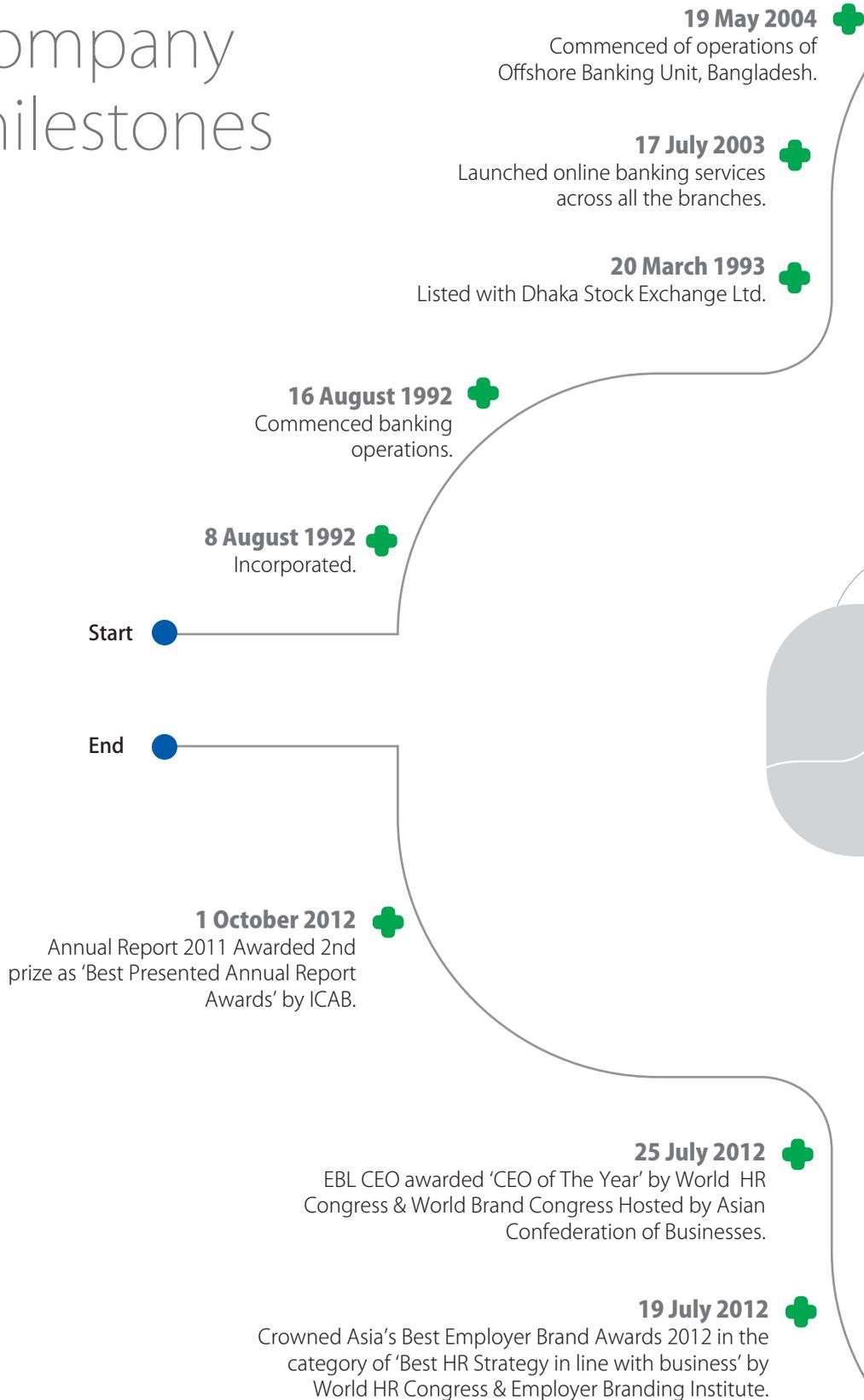
**EBL Investments Ltd. (EBLIL)**, a private limited company established to do merchant banking operations, obtained approval from BSEC for Merchant Banking License. It has already started the process of business setup, acquiring required software and hiring additional human resources to start in early 2013.

**EBL Finance (HK) Ltd.**, the first foreign subsidiary of EBL was incorporated on 28 November 2011 with Hong Kong (HK) authority. EBL obtained all the required licenses from Bangladesh and HK authorities and is set to commence business in early 2013 after completing subscriptions.

**EBL Asset Management Ltd.**, a private limited company was formed to tap potential business opportunities in managing mutual funds and institutional wealth. EBL has already obtained permission from Bangladesh Bank and is under process of applying for the license to BSEC.



# company milestones



**11 September 2004**  
Listed with Chittagong Stock Exchange Ltd.

**30 November 2005**  
Partnered with IFC under Global Trade Finance Program (GTFP) for better handling complex trade transactions.

**6 June 2006**  
Launched SME Banking Division.

**9 November 2006**  
Partnered with ADB under Trade Finance Facilitation Program (TFFP) to receive guarantee and revolving credit facility.

**30 December 2009**  
Established 'EBL Investments Limited' a fully owned subsidiary to do merchant banking (MB) operations (MB License received in January 2013).

**1 March 2010**  
Acquired 60% shares of a brokerage house 'LRK Securities Limited' renamed afterwards as 'EBL Securities Limited' and was acquired fully in 2012.

**4 April 2010**  
Implemented 'Universal Banking System (UBS)', world's one of the renowned core banking solutions as a first bank in Bangladesh.

**09 January 2011**  
Incorporated 'EBL Asset Management Limited', a fully owned subsidiary of the Bank to do asset management i.e. managing mutual funds.

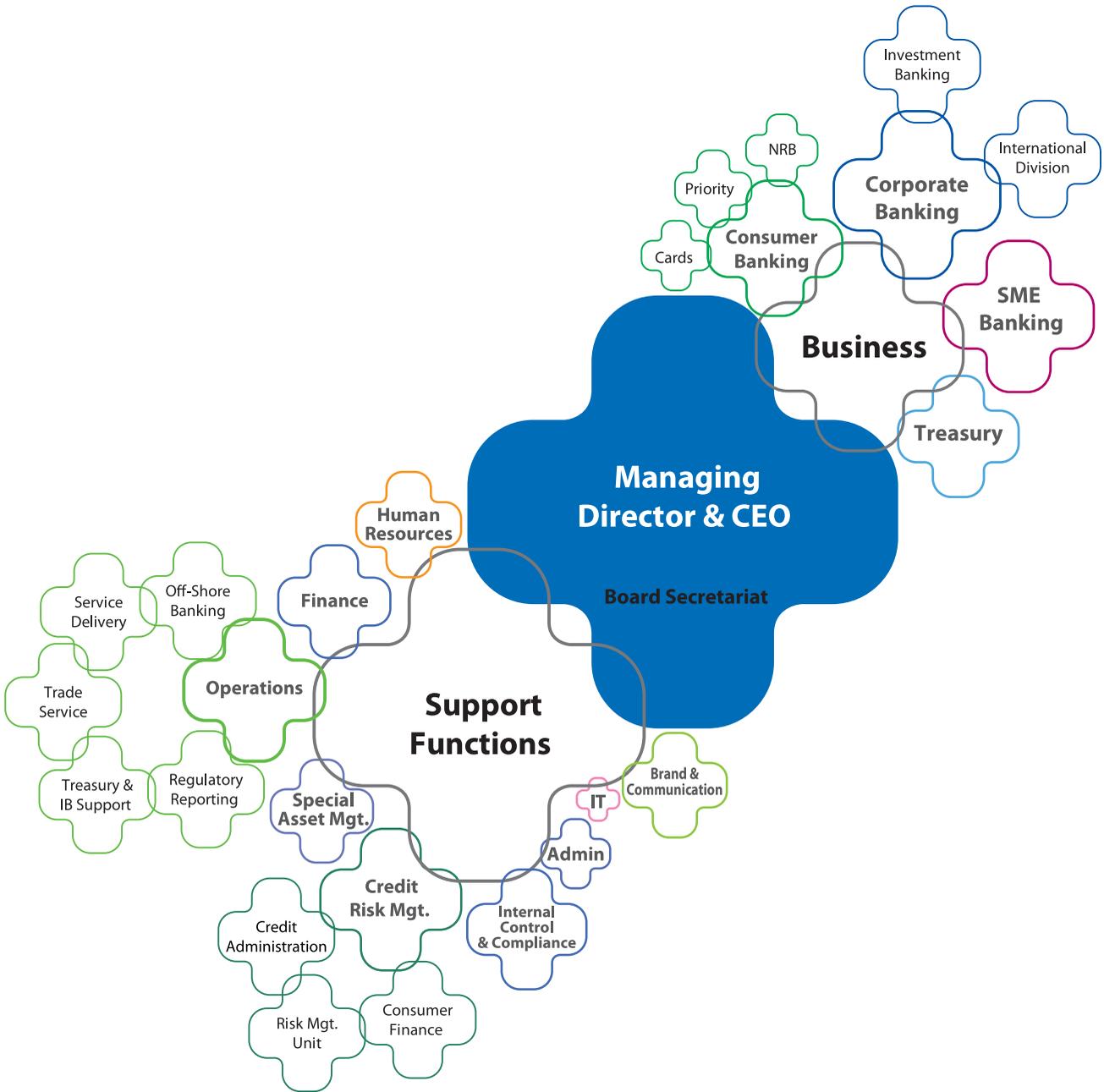
**25 June 2011**  
Adjudged the Best Financial Institution 2010 at the DHL-Daily Star Bangladesh Business Awards.

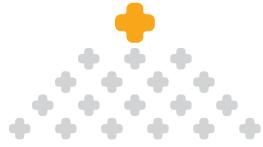
**25 November 2011**  
Conferred Global awards for Brand Excellence in the category of 'Best Banking and Financial Services' by The Global Brand Congress.

**28 November 2011**  
Incorporated with HK authority 'EBL Finance (HK) Limited', the fully owned first foreign subsidiary of EBL.



# EBL organogram





board of directors







**M. Ghaziul Haque**  
Chairman

Revered by all for his business acumen, Mr. M. Ghaziul Haque is the longest serving Board Member of Eastern Bank Limited (EBL). He joined the Board on 09.12.1993 and has been serving till today with an interval between 21.05.2006 to 30.03.2011. Mr. Haque also served as the Chairman of the Board of Directors of EBL from 30 August 2000 to 21 May 2006. He is also the Chairman of MGH Group.

Mr. Haque graduated from the Chittagong Government College under Dhaka University in 1955 and started his career with the reputed British Company Bird & Co. Limited and rose to the top as Managing Director in 1976.

In 1980 he left Bird & Co. (Now Birds Bangladesh Agencies Limited) to venture into business and started off as a partner with Aquamarine Limited, a Chittagong-based Shipping Company. Later he formed a joint venture company Maersk Bangladesh Limited with the world's largest Shipping Company Maersk Lines, Copenhagen, Denmark. He served as the Chairman of the company till 1997 with enviable success.

Mr. Haque has an extensive background and experience in Shipping and Banking Businesses, Commodity Trading, Restaurant, Aviation Services, International Business Relations, Collaborations and Joint Ventures. He is involved in many social activities and a widely travelled person across the globe on business trips.



**Mir Nasir Hossain**  
Director  
Representing Mir Holdings Ltd.

Mr. Mir Nasir Hossain, Director of Eastern Bank Limited is a prominent entrepreneur of the country. With a brilliant academic background and vast knowledge on country's business and economy, Mr. Hossain is involved in diverse area of businesses like Construction, Telecom, ICT, Ceramic Tiles Manufacturing, Bank, Insurance etc. He accomplished his post graduation major in Accounting from the University of Dhaka. He is also the Chairman of the Executive Committee of the Board of EBL.

Mr. Hossain is a Former President of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), the apex trade body of the country. He was the Senior Vice President of SAARC Chamber of Commerce and Industry (SCCI), Vice President of Confederation of Asia Pacific Chambers of Commerce and Industry (CACCI). He is at present President of Association of Telecommunication Infrastructure Operators of Bangladesh (TIOB).

Mr. Mir Nasir Hossain is also deeply involved in many social activities and a widely travelled person across the globe on business trips on different occasions including attending conference, seminar, symposium etc.



**A.M. Shaukat Ali**  
Director

Mr. A.M. Shaukat Ali, an Engineer having interest in the field of banking, hospital, construction etc. graduated in Civil Engineering from the University of Dhaka in 1961. In 1977, he received higher education in Japan in construction engineering. He held the position of Project Director of World Bank, Asian Development Bank (ADB) Projects under the Ministry of Health & Family Planning from the year 1987 to 1993. From 1993 to 1999, he was the Chairman of Project Builders Limited.

Mr. Shaukat Ali is the Chairman of Engineering Consultants & Associates Limited and sponsor Director of Samorita Hospital Limited. He is also a member of Audit Committee of the Board of EBL.



**Md. Showkat Ali Chowdhury**  
Director  
Representing Namreen Enterprise Ltd.

Mr. Md. Showkat Ali Chowdhury, Director of Eastern Bank Limited is a prominent businessman of the country and involved in the businesses of Ship Breaking & Recycling, Garments Industries, Real Estate, Power Generation & Engineering Services, Container Terminal & Handling, Insurance Company, Share Brokerage, and Tea plantation & Production. Mr. Chowdhury accomplished his Bachelor of Arts Degree from the Chittagong University. He is also Member of the Executive Committee of the Board of EBL.

Mr. Md. Showkat Ali Chowdhury is a life member of SAARC Chamber of Commerce & Industry (SAARC CCI), Bhatiary Golf & Country Club Limited, Chittagong Press Club Limited, Chattagram Maa O Shisu General Hospital, Director of Chittagong Metropolitan Chamber of Commerce & Industry (CMCCI) and member of Chittagong Club Limited, Chittagong Senior's Club Limited and Bangladesh Ship Breakers Association. He is also involved in many other social activities. He is a widely travelled person across the globe on business trips.



**A.Q.I. Chowdhury, OBE**  
Director  
Representing Namreen Enterprise Ltd.

Mr. A.Q.I. Chowdhury, OBE, a renowned business executive of the country was awarded the Order of British Empire (OBE) by her Majesty, the Queen of England for his outstanding contributions in the field of Trade and Commerce as a high-profile Business Executive. He is also a member of Audit Committee of the Board of EBL.

Mr. Chowdhury also served as the Chairman of the Board of Directors of EBL from 21 May 2006 to 17 June 2008. He is the Managing Director & CEO of JF (Bangladesh) Ltd., formerly James Finlay Limited. He held a number of important positions in different capacities during his 36 years tenure with James Finlay which includes offices as Chairman of Bangladesh Tea Association, Vice President of Bangladesh Employers' Federation, Member of Bangladesh Tea Board, Representative of the Tripartite Labour Consultative Committee & many others. He is the Chairman of Royal Capital Ltd.



**Salina Ali**  
Director  
Representing Borak Real Estate Pvt. Ltd.

Mrs. Salina Ali re-joined as Director of the Bank on 28.03.2012. She is the Chairman of Unique Group, the renowned business conglomerate in Bangladesh, having interest in Real Estate, Hotel Services, Ceramic Industry, Tourism, Manpower Export, Banking Services, Human Resources Development and many others. Mrs. Ali who has ventured to set up a 5-Star Hotel in private sector in the country is also the Chairman of Unique Hotels and Resorts Ltd. The Westin Dhaka is already very popular amongst the local and foreign community. She accomplished her Honors & Masters of Social Science in Sociology from the University of Dhaka.

Mrs. Salina Ali having expertise in service industry, Tourism, Manpower and export etc. is also involved in many social activities. She is a widely travelled person across the globe on business trips.



**Meah Mohammed Abdur Rahim**  
Independent Director & Director from the Depositors

Mr. Meah Mohammed Abdur Rahim, Director of Eastern Bank Limited is a renowned businessman. He is the Managing Director of Ancient Steamship Company Limited and Hudig & Meah (Bangladesh) Limited. He is the Chairman of the Audit Committee of the Board of EBL.

Academically & professionally, Mr. Rahim obtained Bachelor of Commerce Degree, Diploma in Banking & Business Studies as well as Diploma in Shipping, A.I.C.S etc. He has expertise in the areas of Business Studies, Finance, Management etc. He is involved in many social activities and is also a widely travelled person across the globe on business trips.



**Asif Mahmood**  
Director  
Representing Aquamarine Distributions Ltd.

Mr. Asif Mahmood, Director of Eastern Bank Limited, is a highly proficient personality in the field of Information Technology in Bangladesh. He is the Chairman of Advance Technology Computers Limited, Tech Valley Networks Limited, ADN Technologies Ltd., InGen Technology Limited, Bangladesh News 24 Hours Limited, InGen Industries Ltd., Vice-Chairman of InGen Motors Limited and Chairman & Managing Director of Advanced Data Networks System Ltd. He is also the Director of Tech Valley Computers Ltd. and Valley Power Solutions Ltd. He is also a member of the Executive Committee and Audit Committee of the Board of EBL.

Mr. Mahmood accomplished his Mechanical Engineering Degree from NIT, Durgapur, India. As well, he obtained various professional & management trainings in IT & Telecommunication from abroad. He also represents world renowned companies such as SingTel, CISCO and Oracle in Bangladesh.



**Ormaan Rafay Nizam**  
Independent Director & Director from the Depositors

Mr. Ormaan Rafay Nizam joined the Board of Eastern Bank Limited on November 29, 2008 as Director from the Depositors and was subsequently appointed as an Independent Director on 20 November 2012 by the Board fulfilling the relevant criteria set by Bangladesh Securities and Exchange Commission (BSEC). Mr. Rafay Nizam is also the Director of National Brokers Limited, one of the oldest tea Broking Company in Bangladesh, Member of Chittagong Club and Bhatiary Golf & Country Club and also involved in organizing Cricket sports activities at national level.

He obtained his Bachelor degree in Commerce from Chittagong University and completed higher education from London School of Education (LSE). Mr. Nizam has expertise in the areas of Business Studies, Finance and Management etc.



**Gazi Md. Shakhawat Hossain**  
Director  
Representing Purnima Construction Pvt. Ltd.

Mr. Gazi Md. Shakhawat Hossain, Director of Eastern Bank Limited is a promising businessman. He is the Chairman of Bay Hill Hotel & Resorts Ltd., Managing Director of Purnima Construction (Pvt.) Ltd., Member of Policy Committee of Westin Hotel and also Director of Unique Hotel & Resorts Ltd. He is also a member of Audit Committee of the Board of EBL.

Mr. Hossain obtained Masters in Commerce (Accounting) from the University of Dhaka. He has expertise in the areas of Financial Reporting and Management, Insurance, International Hotel & Restaurant etc.

He is also the director of General Electric Company (BD) Limited.



**Ali Reza Iftekhar**  
Managing Director & CEO

A visionary banker and a dynamic leader, Mr. Ali Reza Iftekhar is an ardent promoter of the concept of sustainable development. As the CEO and MD of EBL he has successfully introduced international best practices and ethical banking and transformed EBL into the most valuable financial brand in the country.

He started his career with BCCI Overseas Ltd., Bangladesh in 1985 and has worked in different capacities with local and international banks including Banque Indosuez, AB Bank, and Standard Chartered Bank with an outstanding track record.

An achiever throughout a banking career spanning 28 years, his achievements include CEO of the Year 2012 by Asian HR Leadership Award held in Dubai, Credit Specialist Certificate by world reputed Omega in UK, certificate of recognition in International Trade Skill Assessment Program jointly conducted by Standard Chartered Group London and ICC. Mr. Iftekhar was a member of the Focus Group, formed by Bangladesh Bank, which recommended best practices on Credit Risk Management in Bangladesh.

He also sits on the board of the International Leasing and Financial Services Limited (ILFSL). A graduate from University of Dhaka in Marketing in 1982, he attended the Harvard Business School program on Leadership in Financial Organizations in 2012.



# management committees



## MANCOM

Sl No	Name	Designation
1	Ali Reza Iftekhar	Managing Director & CEO
2	Md. Fakhru Alam	DMD (Corporate, Treasury & Investment Banking)
3	Muklesur Rahman	DMD (Consumer Banking)
4	Syed Rafiqul Haq	SEVP & Area Head, Corporate Banking, Dhaka.
5	Safiar Rahman	SEVP & Company Secretary
6	S M Akhtaruzzaman Chowdhury	SEVP & Head of Operations
7	Akhtar Kamal Talukder	SEVP & Head of ICC
8	Abul Moqsud	SEVP & Head of Credit Risk Management (CRM)



SI No	Name	Designation
9	Sami Karim	SEVP & Head of SAM
10	A.M.M. Moyeen Uddin	EVP & Head of Information Technology (IT)
11	Md. Khurshed Alam	EVP & Head of SME Banking
12	Ahsan Zaman Chowdhury	EVP & Area Head, Corporate Banking (Ctg.)
13	Maj (Retd) Md. Abdus Salam, psc	SVP & Head of Administration & Security
14	Ziaul Karim	SVP & Head of Brand & Communication
15	Muhammad Maniruzzaman	VP & Head of Finance
16	Monjurul Alam	VP & Head of Human Resources
17	Lt. Col. (Retd) Kamal Mustaba Ali	Head of Projects, Engineering Division
18	Omar F Khandaker	IT Consultant

## Expanded Management Team (EMT)

SI No	Name	Designation	Remarks
1	Syed Rafiqul Haq	SEVP & Area Head, Corporate Banking, Dhaka	Chairman
2	Ahmed Shaheen	SEVP & Head of Structured Finance & Relationship Unit, Corporate Banking	Member Secretary
3	Mohammad Musa	EVP & Head of Operations Risk	Member
4	Md. Abdul Hakim	EVP & Unit Head, Corporate Banking, Dhaka	Member
5	Md. Sayadur Rahman	EVP & Head of Investment Banking	Member
6	Junaid Masrur	EVP & Head of Transaction Banking, Corporate Banking	Member
7	Md. Obaidul Islam	SVP & Head of International Division, Corporate Banking	Member
8	Nazeem A. Choudhury	SVP & Head of Business, Consumer Banking	Member
9	M. Tariqul Islam	SVP, Credit Administration (Special Project)	Member
10	Syed Sazzad Haider Chowdhury	SVP & Area Head, Trade Services, Dhaka	Member
11	Mehdi Zaman	SVP & Head of Treasury	Member
12	Ashraf- Uz-Zaman	VP & Head of Compliance, ICCD	Member
13	Md. Manirul Islam	VP & Head of Risk Management Unit (RMU)	Member
14	Md. Latiful Islam	VP & Head of Projects, Service Quality & MIS	Member
15	Mohammad Saifuzzaman	VP & Head of Cards Operations	Member
16	Masudul Hoque Sardar	VP & Head of Financial Reporting, Planning & Analysis	Member
17	Saidul Amin	VP & Head of Liability and Wealth Management	Member
18	Khan Md. Ishtiaque	VP & Unit Head, Corporate Banking, Chittagong	Member
19	Anwar Faruq Talukder	VP & Head of Small Business, SME Banking	Member
20	Md. Rezaul Karim	VP & Head of Service Management, Information Technology	Member
21	S. M. Estencher Billah	VP & Area Head, Service Delivery, Chittagong	Member
22	Shuvra Kanti Saha	VP & Area Head, Trade Services, Chittagong	Member
23	Md. Rezaul Islam	SAVP & Head of Audit, Internal Control & Compliance	Member
24	Irfan Islam	FAVP & Senior Manager, Brand & Communication	Member
25	Khurram Alamgir	FAVP & Senior Manager, Administration & Security	Member
26	Tapash Chakraborty	AVP & Head of Talent Acquisition & Re-sourcing	Member

## Asset Liability Committee (ALCO)

SI No	Name	Designation	Status in ALCO
1	Ali Reza Iftekhar	Managing Director & CEO	Chairman
2	Md. Fakhru Alam	DMD (Corporate, Treasury & Investment Banking)	Member
3	Muklesur Rahman	DMD (Consumer Banking)	Member
4	Syed Rafiqul Haq	SEVP & Area Head, Corporate Banking, Dhaka	Member
5	Abul Moqsud	SEVP & Head of Credit Risk Management	Member
6	Ahmed Shaheen	SEVP & Head of Structured Finance & Relationship Unit, Corporate Banking	Member
7	Md. Khurshed Alam	EVP & Head of SME Banking	Member
8	Junaid Masrur	EVP & Head of Transaction Banking, Corporate Banking	Member
9	Muhammad Maniruzzaman	VP & Head of Finance	Member
10	Saidul Amin	VP & Head of Liability & Wealth Management, Consumer Banking	Member
11	Mehdi Zaman	SVP & Head of Treasury	Member & Head of ALM Desk

### Bank Risk Management Committee (BRMC)

SI No	Name	Designation	Status in BRMC
1	Akhtar Kamal Talukder	SEVP & Head of Internal Control & Compliance	Chairman
2	S M Akhtaruzzaman Chwodhury	SEVP & Head of Operations	Member
3	Abul Moqsud	SEVP & Head of Credit Risk Management	Member
4	A M M Moyen Uddin	EVP & Head of Information Technology	Member
5	Mehdi Zaman	SVP & Head of Treasury	Member
6	Muhammad Maniruzzaman	VP & Head of Finance	Member
7	Md. Manirul Islam	VP & Head of Risk Management Unit (RMU)	Member
8	Masudul Hoque Sardar	VP & Head of Financial Reporting, Planning & Analysis	Member
9	Md. Shahjahan Ali	AVP & Unit Head, Compliance.	Member Secretary

### Bank Operational Risk Committee (BORC)

SI No	Name	Designation	Status in BORC
1	Akhtar Kamal Talukder	SEVP & Head of ICC	Chairman
2	Syed Rafiqul Haq	SEVP & Area Head, Corporate Banking, Dhaka	Member
3	S.M. Akhtaruzzaman Chwodhury	SEVP & Head of Operations	Member
4	Abul Moqsud	SEVP & Head of Credit Risk Management	Member
5	Sami Karim	SEVP & Head of SAMD	Member
6	G. W. M. Mortaza	EVP & Head of Credit Administration (CAD)	Member
7	Md. Khurshed Alam	EVP & Head of SME Banking	Member
8	Maj Md. Abdus Salam, psc, (Retd).	SVP & Head of Administration & Security	Member
9	Nazeem A Chowdhury	SVP & Head of Business, Consumer Banking	Member
10	Mehdi Zaman	SVP & Head of Treasury	Member
15	Muhammad Maniruzzaman	VP & Head of Finance	Member
13	Monjurul Alam	VP & Head of Human Resources	Member
11	A.T.M. Raziur Rahman	VP & Head of Consumer Risk	Member
12	Sayed Md. Estencher Billah	VP & Area Head, Service Delivery, Chittagong	Member
14	S. K. M. Shariful Alam	SAVP & Sr. Manager, Core Banking System	Member
16	Md. Azizul Hoque	SAVP & Area Head, Service Delivery, Dhaka	Member

## Investment Committee (IC)

SL NO	Name	Designation	Status in Committee
1	Md. Fakhru Alam	DMD (Corporate, Treasury & Investment Banking)	Chairman
3	Md. Sayadur Rahman	EVP & Head of Investment Banking	Member
2	Muhammad Maniruzzaman	VP & Head of Finance	Member

## Purchase Committee (PC)

SL NO	Name	Designation	Status in Committee
1	Maj Md. Abdus Salam, psc, (Retd).	SVP & Head of Administration & Security	Convenor
2	S M Akhtaruzzaman Chowdhury	SEVP & Head of Operations	Member
3	Ziaul Karim	SVP & Head of Brand & Communication	Member
4	Muhammad Maniruzzaman	VP & Head of Finance	Member
5	Monjurul Alam	VP & Head of Human Resources	Member
6	Omar F Khandaker	IT Consultant	Technical Expert
7	Kamal Mustaba Ali	Head of Projects, Engineering Division	Technical Expert

## Green Banking Cell

SL NO	Name	Designation	Status in Committee
1	Md. Fakhru Alam	DMD (Corporate, Treasury & Investment Banking)	Chairman
2	Abul Moqsud	SEVP & Head of Credit Risk Management (CRM)	Member
3	A.M.M. Moyeen Uddin	EVP & Head of Information Technology (IT)	Member
4	Md. Khurshed Alam	EVP & Head of SME Banking	Member
5	Maj Md. Abdus Salam, psc (Retd)	SVP & Head of Administration & Security	Member
6	Ziaul Karim	SVP & Head of Brand & Communication	Member
7	Monjurul Alam	VP & Head of Human Resources (HR)	Member
8	Md. Manirul Islam	VP & Head of Risk Management Unit (RMU)	Member
9	Mohammad Zobaier Hossain	SAVP & Unit Head, Corporate Banking, Dhaka	Member
10	Md. Mustafizur Rahman	SAVP & Head of ADC, Consumer Banking	Member

# directors responsibility statement

In addition to the oversight responsibilities, the Board of Directors has to ensure that the Financial Statements of the Bank and its subsidiaries are prepared in accordance with applicable Bangladesh Financial Reporting Standards (including Bangladesh Accounting Standards), relevant provision (s) of the Companies act 1994, Bank Companies Act 1991, rules and regulations of Bangladesh Bank and Bangladesh Securities and Exchange Commission (BSEC), listing rules of Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. and other applicable laws, rules and regulations.

As per Companies Act 1994 (Section 184), the Annual Report along with the Financial Statements presented to the Annual General Meeting (AGM) should enclose a 'Directors' Report' that contains, among others, a review of the following issues:

- *State of the Bank's affairs:* A review of financial performance and position has been presented in the Directors' Report 2012 and Management Discussion & Analysis (MD&A) with relevant analytics.
- *Any recommended reserve in the balance sheet:* An amount of BDT 843.92 million has been transferred to 'Statutory Reserve' being 20% of Profit Before Tax (PBT) as per Bank Companies Act 1991 (Section 24).
- *Recommended dividend:* The Board has recommended 20% cash dividend equivalent to BDT 1,222.36 million for the completed year 2012.
- *Any event after balance sheet date which may affect company's financial condition:* None.
- *Any change in bank's activities, subsidiaries' activities etc:* Major formalities (with Hong Kong authority) for establishing the first foreign subsidiary of EBL 'EBL Finance (HK) Limited' were completed in 2012. This subsidiary will handle trade finance and off-shore banking business in Hong Kong and is expected to commence business within first quarter of 2013. Besides, no major shift in internal policy, strategy and action plans experienced in 2012.

In addition to the above provisions of Companies Act 1994, the Directors of the Bank shall include declarations on following issues, among others, in their report as prescribed in BSEC Corporate Governance notification dated 07 August 2012:

- *Industry outlook and possible future developments in the industry:* A brief review in this regard has been

presented in the Director's Report 2012.

- *Segment-wise or Product-wise Performance:* Business-wise performance has been presented in the MD&A section.
- *Risks and Concerns:* A detailed discussion regarding risks and management of the same has been presented in "Risk Management" section of this Annual Report.
- *Discussion on Operating Performance:* A brief description in this regard has been presented in "Financial Performance Highlights" part of the Directors' Report 2012.
- *Discussion on continuity of any Extra-Ordinary gain or loss:* Last five years EBL has not experienced any extra-ordinary gain or loss. EBL's Five-Year Progression presented in the stakeholders information section will provide thorough idea in this regard.
- *Basis for related party transactions and a statement of all related party transactions:* The basis for related party transactions has been stated in the Report on Corporate Governance and a statement of related party transactions has been presented in the Annexure C1 of the Financial Statements.
- *Utilization of proceeds from public issues, rights issues and/or through any others instruments:* The Bank took over the businesses, assets, liabilities and losses of erstwhile Bank of Credit & Commerce International (Overseas) Limited as they stood after reduction or adjustments in accordance with the provisions of the Bank of Credit & Commerce International (Overseas) Limited (Reconstruction) Scheme, 1992. Therefore, the bank has not yet raised any capital through public issues except a Right Issue in 2009. However, the history of raising capital has been presented in the Directors' Report 2012.
- *Deterioration of financial results after the company goes for IPO, Rights Offer, Direct Listing, etc.:* Refer to the earlier paragraph, the bank issued Right Share in 2009 but after that financial results of the Bank was not deteriorated.
- *Explanation of variances between Quarterly and Annual Financial performance:* A brief discussion along with financial information in this regard has been presented in the Directors' Report 2012.

- *Remuneration to directors including independent directors:* Remuneration provided to directors has been presented in the Report on Corporate Governance and Note 38 and Note 39 to the Financial Statements.
- *The financial statements prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity:* A brief description in this regard has been presented in Review of Financial Reporting Section in Directors' Report 2012.
- *Maintenance of proper books of account:* A brief description in this regard has been presented in Review of Financial Reporting Section in Directors' Report 2012.
- *Consistent application of appropriate accounting policies and estimates in preparation of financial statements:* A brief description in this regard has been presented in the Review of Financial Reporting Section in Directors' Report 2012.
- *Following International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, in preparation of financial statements and any departure there from has been adequately disclosed:* Details description including disclosure of departures has been presented in Note 2 to the Financial Statements 2012.
- *The system of internal control is sound in design and has been effectively implemented and monitored:* A brief description in this regard has been presented in the Review of Internal Control System in Directors' Report 2012.
- *Significant doubts upon the Bank's ability to continue as a going concern:* None as yet.
- *Explanations to significant deviations from the last year's operating results:* Nil (Net Interest Income), investment income from secondary market and provision against loans and equity investments experienced significant deviations in 2012 which have

been adequately discussed in the Directors' Report 2012 and MD&A section.

- *Summarization of last five year's key operating and financial data:* Please see 'Five-Year Progression of EBL' in the section of Stakeholders' information.
- *Declaration of dividend or not:* Declared 20% cash dividend for the year 2012.
- *No. of Board meetings and directors' attendance in 2012:* Please see page no. 71 of the Corporate Governance Report 2012.
- *The pattern of share holding:* Please see page number 72 of the Corporate Governance Report 2012 and note 14.1 of the Notes to the FS 2012.
- *Brief resume of the directors and nature of their expertise in specific functional areas:* Brief profile of directors and their representation in other companies have been presented in page no. 24 of this report.

To adhere to good corporate governance practices, the Bank has been complying with two paramount guidelines from Bangladesh Bank (BRPD Circular No 06 dated 04 February 2010) and BSEC (Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012). EBL's compliance status to those prescribed practices is presented in Corporate Governance Report 2012.

The Directors, to the best of their knowledge and information, hereby confirm that the Annual Report 2012 together with the Directors' Report and the Financial Statements have been prepared in compliance with applicable BFRSs, Bank Companies Act 1991, Companies Act 1994, guidelines of Bangladesh Bank and BSEC and other applicable laws and regulations.

On behalf of the Board of Directors



**M. Ghaziul Haque**  
Chairman

# report of the audit committee

## Audit Committee of the Board

In compliance with Bangladesh Bank guidelines and Bangladesh Securities And Exchange Commission (BSEC) Notification on Corporate Governance, the Audit Committee (AC) of the Board of Eastern Bank Limited was formed by the Board of Directors to provide independent oversight of the company's financial reporting, non-financial corporate disclosures, internal control systems and compliance to governing rules and laws etc. Following are the major objectives of the AC:

- To review the financial reporting process, the system of internal control and approach to manage risks, the audit process, findings of central bank comprehensive audit and the bank processes for monitoring compliance with laws and regulations and its own code of business conduct.
- To assist the Board in fulfilling its oversight responsibilities including implementation of the objectives, strategies and overall business plans set by the Board for effective functioning of the bank.

## Composition and Qualifications

In compliance with the section 3.2 (i) of the new Corporate Governance Notification issued by BSEC on 07 August 2012, the Audit Committee of EBL Board was last re-constituted in the 499 Board Meeting held on 5 December 2012 with the following Board Members:

SI No	Name	Status with the Bank	Status with the Committee	Educational Qualification	Meeting Attendance
01.	Meah Mohammed Abdur Rahim	Director	Chairman	Bachelor of Commerce/A.I.C.S	4/5
02.	A.M. Shaukat Ali	Director	Member	B. Sc (Engg.), Civil	5/5
03.	A.Q.I. Chowdhury, OBE (Representing Namreen Enterprise Ltd.)	Director	Member	Graduate	4/5
04.	Asif Mahmood (Representing Aquamarine Distributions Ltd.)	Director	Member	B. Sc Engineer	4/5
05.	Gazi Md. Shakhawat Hossain (Representing Purnima Construction Pvt. Ltd.)	Director	Member	M.com (Accounting)	5/5

The Company Secretary acts as Secretary of the Audit Committee of the Board.

## Roles and Responsibilities of Audit Committee

The roles and responsibilities of Audit Committee of EBL have been framed by considering the provisions of BRPD circular no 12 dated 23 December 2002, New Corporate Governance Notification issued by BSEC on 07 August 2012, and other best practice corporate governance guidelines and standards. Some important roles and responsibilities are highlighted below:

### Internal Control

- Evaluate whether management is adhering to the appropriate compliance culture by communicating the importance of internal control and risk management to ensure that all employees have clear understanding of their respective roles and responsibilities.
- Review the arrangements made by the management for developing and maintaining a suitable Management Information System (MIS).
- Consider whether internal control strategies recommended by internal and external auditors have been implemented timely by the management.
- Review the existing risk management policy and procedures for ensuring an effective internal check and control system.
- Review the corrective measures taken by the management as regards to the reports relating to fraud forgery, deficiency in internal control or other similar issues detected by internal and external auditors and inspectors of the regulators and inform the Board on a regular basis.

## Financial Reporting

- Review the Annual Financial Statements and determine whether they are complete and consistent with applicable accounting and reporting standards set by respective governing bodies and regulatory authorities.
- Meet with Management and External/Statutory Auditors to review annual financial statements before their finalization.
- Review along with management, the quarterly, half yearly and annual financial statements before submission to the Board for approval.

## Internal Audit

- Review the activities and organizational structure of the internal audit function and ensure that no unjustified restrictions or limitations are made.
- Review and assess the annual internal audit plan.
- Review the efficiency and effectiveness of internal audit function.
- Review that findings and recommendations made by the Internal Auditors for removing the irregularities, if any, detected are duly acted upon by the management in running the affairs of the bank.
- Meet the Head of ICC and the head of internal audit at least once in a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the Head of ICC and the head of internal audit shall be given the right of direct access to the Chairman of the Board and to the Committee.

## External Audit

- Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the bank's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- Oversee the relationship with the external auditor including:
  - Approval of their remuneration, i.e. fees for audit or non-audit services.
  - Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services.

- Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the bank (other than in the ordinary course of business).

- Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present; to discuss their remit and any issues arising from the audit.
- Review the findings and recommendations made by the external auditors for removing the irregularities, if any, detected are duly acted upon by the management in running the affairs of the bank.

## Compliance with existing laws and regulations

Review whether the laws and regulations framed by the regulatory authorities (Central Bank, BSEC and other bodies) and internal circular/instructions/policy/regulations approved by the Board and Management have been complied with.

## Meetings of the Audit Committee

Bangladesh Bank suggested banks to hold at least 3 to 4 meetings in a year. The Audit Committee of EBL held 5 (Five) meetings in the year 2012 and had detailed discussions and review session with the Head of Internal Audit, Head of Internal Control & Compliance, External Auditors etc. regarding their findings, observations and remedial suggestions on issues of bank affairs that need improvement. The AC instructed management to follow those remedial suggestions and monitored accordingly. Meeting dates are as follows:

Sl #	Meetings	Date of Meeting
01.	39 Audit Committee Meeting	07-03-2012
02.	40 Audit Committee Meeting	24-04-2012
03.	41 Audit Committee Meeting	12-09-2012
04.	42 Audit Committee Meeting	23-10-2012
05.	43 Audit Committee Meeting	20-11-2012

The major areas of focus by the Audit Committee of the Bank during the year 2012 are mentioned below:

- Review of the Compliance and related risk level of branches and various departments.
- Review of the organogram of the Internal Control and Compliance Department.
- Review of the process of strengthening the Internal Control Systems and Procedures and also the Internal Audit Team of the Bank (EBL).

- Recommendation to the Board for appointment of Statutory Auditors of EBL for the Year 2012 till the next Annual General Meeting (AGM) to be held in 2013.
- Advised the Management to ensure fulfillment of KYC (Know Your Customer) requirement and treat its deviation with "Zero Tolerance".
- Review of the Management Report on the Bank for the year ended 31 December 2011 as submitted by the External Auditors, KPMG Rahman Rahman Huq, Chartered Accountants and its subsequent Management's Compliances thereof.
- Review of the Comprehensive Inspection Report on EBL by Bangladesh Bank as on 30 September 2011.
- Review of the Audit Rating by Internal Audit on Anti Money Laundering of all branches for the Year 2011 and 2012.
- Review of the summary of Classified, Written-Off and Recovery of loans for the year 2011.
- Review of the ToR for Penetration Testing on IT security and resources, and penetration testing on Internet Banking and Report on the same.
- Review of the Third Quarter (Q3) 2012 Financial Statements (Un-Audited) before submission to the Board for approval in compliance with the BSEC's Corporate Governance Guidelines 2012.
- Advising the management to ensure maintenance of optimum level of cash to reduce idle cash in hand as far as practicable.
- Advising the management to launch vigorous attempts to realize classified loans and reduce NPL both in Percentage (%) and Amounts.
- Review of Bangladesh Bank, DOS Circular Letter no. 17, dated 7 November 2012 on quarterly 'Self-Assessment of Anti-Fraud Internal Controls' in a specific format to be signed by the Managing Director & CEO of the Bank and countersigned by the Chairman of the Audit Committee of EBL Board to be implemented from December 2012.

The Minutes of the Audit Committee meetings containing various suggestions and recommendations to the management and the Board are placed to the Board for ratification on regular basis.

On behalf of the Audit Committee,



Meah Mohammed Abdur Rahim  
Chairman of the Audit Committee of the Board



# chairman's statement



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"The principles of sustainability are increasingly getting integrated with business practices of the bank in order for us to deliver consistent and sustained value to all our stakeholders".

**M. Ghaziul Haque, Chairman of the Board of Directors**

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earnings per share **BDT 3.72**

dividend per share **BDT 2.00**

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### Dear Shareholders,

The completion of another eventful year for the bank gives me pleasure to welcome you all to the 21st Annual General Meeting (AGM) of Eastern Bank Limited and to present before you the Annual Report comprising audited Financial Statements for the year 2012.

#### Recovery of global economy: slower than forecast

The recovery of global economy continues, but at a weaker pace than forecast. Low growth and uncertainty in advanced economies are affecting emerging market and developing economies adding to their homegrown weaknesses, through both trade and financial channels. Indicators of activity and unemployment show increasing and broad-based economic sluggishness with sharp slowdown of global manufacturing. The euro zone has seen a marked decline in activity driven by financial difficulties; disappointing activity has been in other economies too, notably the USA and the UK. Weak financial institutions and inadequate policies in key advanced economies and building financial imbalances in emerging market and developing economies played major role in slowing economic growth.

Global growth prospects for 2013 are expected to be marginally better than 2012, with significant downside risks in key trading partners. In 2013, global growth is expected to be 3.6 percent with the average for developing countries projected at 5.6 percent and high income countries at 1.5 percent - a marginal improvement over 2012.

#### Bangladesh economy: sustained growth with macroeconomic stability

The economy of Bangladesh has continued to show its resilience in facing a prolonged downturn of the global economy, which dampened the country's export growth prospects and underscored the need for rebalancing sources of growth. The macroeconomic conditions were mixed; volatile first half of the year became stable in later half with higher than expected remittance inflow, improved balance of payment (BOP) position, comfortable foreign exchange reserve, higher revenue mobilization and declining inflation rate. Although our financial system has escaped the primary shock due to relative insulation from world financial market, the morbid capital market, declining growth of export with commensurate weaker

import demand, weak infrastructure and energy crisis played due role in slowing economic growth which was 6.3 percent in Fiscal Year 2012.

Overall mode of investment during the year was sluggish and is feared to continue in 2013, as seen in last year of a political government in recent past. Annual inflation is expected to moderate from 10.6 percent in FY2012 to 8.5 percent in FY2013. While the outlook of macro economic conditions remain stable, a combination of factors like weakening global demand, unsatisfactory labor relationship in RMG sector, scarcity of power and, above all, the political conditions centering around next general election may play crucial role for investment and economic growth in 2013. As such, the projected GDP growth for FY 2013 falls in the range of 6.0-6.3 percent.

#### Banking Industry: weak governance, stricter regulations

The year that gone by was not a healthy one for the banking industry in Bangladesh. Weak governance and control practices of few banks (mainly state-owned ones) exposed through big volume financial scams put a dent on confidence in banking system. Some major sectors in the economy like textiles, ship-breaking, real estate, commodity import and RMG suffered from various external and internal events. In a bid to strengthen shock absorption capacity of banks, Bangladesh Bank (BB) enforced stricter loan classification and provisioning criteria from December 2012. All these combined posed a formidable challenge for the banks in maintaining asset quality in 2012. Classified loans of the industry experienced an alarming 85 percent plus growth in a year with NPL ratio reached to 10.03 percent at year end 2012 from 6.12 percent one year earlier.

The overall profitability of the banking industry was affected due to deteriorating asset quality, lower non-funded income and revenue from equity investments which put pressure on distributable profit of the banks through increase of provision requirement against loans and equity investments. Moreover, series of regulatory investigation, tighter watch and stringent regulations by BB are on cards to prevent any such incidence in future. BB already launched a software to better monitor large loans (which is about 20 to 25 percent of total loans given by banks, as per BB statistics).

### **Financial Performance: slower growth with asset quality decreased**

Despite facing growing challenges in maintenance of asset quality, increase of non-funded income and revenue from capital market, the Bank continued to deliver consistent financial performance in core banking activities. Asset quality as indicated by NPL ratio of the bank reached to 3.17 percent at year end 2012 against 1.91 percent one year earlier. In addition to weak repay ability of few borrowers, stricter classification and provisioning criteria enforced by BB played instrumental role for this rise in NPL ratio. However, efficient asset liability management of the bank and stable money market helped achieving a significant growth of NII (by 45.25 percent) but operating profit grew by 9.28 percent due to offsetting growth of operating expenses. Hefty growth of total provision (39.20 percent) including 20.06 percent growth of loan loss provision and 93.07 percent growth of provisions against traded equity securities forced our Profit After Tax (PAT) down by 9.74 percent during 2012 over that of 2011.

Consequentially our Earnings Per Share (EPS) has decreased to BDT 3.72 (consolidated BDT 3.91) against BDT 4.12 (restated) in 2011. Board has recommended Cash Dividend @ 20 percent or BDT 2.0 dividend per share (DPS) for the year 2012 after a mandatory transfer of BDT 1.38 per share to statutory reserve.

### **Sustainable Banking: we balance growth potentials with stronger governance practices**

Corporate governance, stronger control measures and risk management practices, compliance, and ethical values have always been core components of our corporate values and foundation of our sustainable banking.

As a responsible corporate we have always upheld environmental and social responsibilities arisen from our business operations as well as activities of customers and suppliers. Our progressive Environment and Social Risk Management System modeled on globally accepted guidelines ensure EBL does not lend, invest or enter into business agreements with organizations that are exposed

to socially and environmentally hazardous activities. To enforce this, we have included a robust checklist of prohibitive activities in credit policies, ensuring that each and every transaction is screened on such parameters.

I am happy to share that our ethical business policy, better risk appraisal and management system, and internal control mechanism protected us from any direct loss originated from recent financial scams.

### **Upholding the interest of stakeholders: govt. and the society at large**

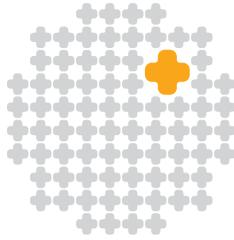
Being a responsible corporate citizen, EBL regularly pays corporate tax on time, deposit excise duty, withheld tax and VAT to govt. exchequer on time. During the calendar year 2012 we contributed BDT 3,856.12 million to national exchequer as tax, VAT and excise duty which is 53.49 percent higher than that of 2011. The bank has also been engaged in a number of CSR and charitable causes throughout the year focusing on the areas of education, sports, art and culture.

### **Appreciations: we remain grateful and resolute as before**

I am grateful to our customers, shareholders and regulators especially Bangladesh Bank and BSEC for their trust and confidence in our capability and thankful to my fellow members of the Board of Directors for their judicious guidance and support. My sincere thanks go to all the employees of EBL led by the Managing Director & CEO for their hard work and commitment. We know the challenges posed by all the contributory factors around our business operations, but remain pledge bound to take every measures possible to increase shareholders' value by upholding social, environmental and national priorities as before.



**M. Ghaziul Haque**  
Chairman of the Board of Directors



# our brand value proposition

## **Sustainability**

Setting Standards  
Mobilizing Capital

## **Innovation**

Embracing changes  
Devising Solutions

## **Impact**

Promoting Green Banking  
Creating Lasting Value

## **Commitment**

Initiating Co-Creation  
Building Social Capital



# review of the managing director & CEO



## **Our economy remains resilient so does our Bank**

Bangladesh economy continues to be affected by sustained recessions or weak recovery in key trading partner countries especially the EU and US, the destination of 75 percent of our exports. Prolonged economic sluggishness manifested through slowing activity and higher unemployment in key trading nations already started dampening our export growth prospects. However, the resilience of our economy has once again been shown through stable macroeconomic conditions buoyed by higher than expected inward remittances, improved balance of payment (BOP), comfortable foreign exchange reserve, higher revenue mobilization and declining inflation rate. Despite facing slowdown in export and investments, our GDP growth remains above 6 percent for last couple of years. In home front, efficient asset liability management, stable money market and enhancement in banking governance helped our bank ensure sustainable operating performance.

## **We remain vigilant to uphold stakeholders interest**

Deteriorating asset quality, increased provision requirement on loans and equity investments and

shrinkage of pie of non-funded income and income from capital market affected overall profitability of the country's banking industry. In addition to lackluster performance of some economic sectors like real-estate, ship-breaking and commodity trading, the industry suffered a damaging blow on confidence as big volume financial scams exposed weak governance. All these, and stricter circular enforced by central bank pushed overall NPL ratio of banks from 6.12 percent (31-12-2011) to 10.03 percent (31-12-2012) with estimated increase of 2 percent due to new classification criteria. But I am happy to share with our shareholders that our ethical business practice, prudent risk management system, and strong control measures protected us from any direct or indirect loss originating from these scams and thus helped us contain our NPL ratio at 3.17 percent, which is far below than the average NPL ratio of PCBs (4.58 percent at year end 2012). Separation of our cards operation from business also gave us protection from cards fraud, which is on the rise in the industry.

**We sustained growth in operating performance but not distributable profit**

Despite facing enormous challenges, we continued to produce consistent results in core banking activities. Backed by 45.25 percent growth of NII partly offset by negative growth (9.96 percent) of non-interest income, our operating profit grew by 9.28 percent and net profit (PAT) decreased by 9.74 percent due to hefty growth (39.20 percent) of provisions (20.06 percent against loans and 93.07 percent against traded equities) during the year. Cost to income ratio increased to 36.89 percent against 34.44 percent last year mainly because of slower growth in revenue (13.53 percent). However, we did not look for an easy way out to increase distributable profit by taking the advantage of deferral of provision (as allowed by central bank on applied basis) against unrealized loss on traded equities.

**We remain focused on enhanced solvency through capital adequacy**

In maintaining adequate capital against overall risk exposure of the bank, our guiding philosophy has been to strengthen risk management and control environment. EBL has been generating most of its incremental capital from retained profit (stock dividend and statutory reserve transfer etc.) to support incremental growth of Risk Weighted Assets (RWA). As a result, our Capital Adequacy Ratio (CAR) remains consistently and comfortably above MCR ranging from 11.85% to 12.24% (on solo basis) in 2012 against MCR i.e. 10% of RWA despite no fresh injection of capital. Vigorous initiative to pursue our corporate and mid segment (SME) customers to do their entity rating by eligible ECAs played a major role in decreasing capital requirement.

**We remain focused on strategic relations and inorganic growth**

In line with our inorganic growth strategy, we established our fully owned first foreign subsidiary 'EBL Finance (HK) Limited' in Hong Kong to handle trade finance and off-shore banking businesses. This subsidiary is set to commence business soon. We also acquired final 40% shares of 'EBL Securities Limited' in 2012 to make it fully owned.

The Bank has entered into a prestigious outsourcing deal with the world renowned JP Morgan Chase Bank (JPMC), under which EBL will act as an agent of JPMC in relation to handling of the latter's import bills from Bangladesh. We continued to leverage our strategic alliances with ADB, IFC,

DEG, FMO and the like through various FCY deals which will continue in near future too. We have made collection arrangements with RJSC, BRTA, DPDCL etc. to collect fees for them through the network of EBL which will increase flow of low cost deposit.

**We continued to invest in people**

Recognizing 'Service excellence' as the prime differentiator in a market of homogenous products and services, we continued to invest in people to enhance and upgrade their skill sets through various training programs at home and abroad. We have earned ISO 9001:2008 certificates for our 'Trade Service' and 'Service Delivery' Departments that indicates our commitment to deliver quality services to our customers. We have achieved ASIA'S BEST EMPLOYER BRAND AWARDS in 2012 for the Best HR Strategy in Line With Business awarded by World HR Congress, Singapore.

**Protecting the environment: we mean sustainable banking**

We have integrated sustainability principles into day to day activities of the Bank. Our aim is to do the best to ensure that the credit we extend to our customers is utilized for environmentally sound and sustainable purposes. As per Environmental and Social (E&S) Risk Policy of the Bank approved by the Board, all business units must recognize the social concerns and impact on the environment caused by their customers before taking business decisions. EBL SME Banking has launched two green banking products in 2012: "EBL Nobodoy" for renewable energy and "EBL Green Credit" for green energy.

**We appreciate your renewed trust in us**

I express my sincere thanks to the Governor of Bangladesh Bank and his able team for judicious guidance and support. I convey my gratitude to the chairman and the Board of Directors of EBL for their support, guidance and cooperation. Thanks are also due to all our customers and shareholders who remained loyal and kept faith in us through thick and thin.

Finally, I salute the winning spirit of my team, their dedication, commitment and renewed vigor for the cause of the company.



Ali Reza Iftekhar  
Managing Director & CEO



# directors report 2012

The Board of Directors of Eastern Bank Limited takes pleasure in welcoming you all to the 21st Annual General Meeting (AGM) and presenting Annual Report along with the Audited Financial Statements for the year 2012.

## Global Economy: An Overview

The recovery of global economy continues, but in weaker pace than forecast. In advanced economies, growth is now too low to make a substantial dent in unemployment. Low growth and uncertainty in advanced economies are affecting emerging market and developing economies, through both trade and financial channels, adding to homegrown weaknesses. Worries about the ability of European policy makers to control the euro crisis and worries about the failure to date of U.S. policy makers to agree on a fiscal plan surely play an important role, but one that is hard to nail down. Trust and confidence are crucial to avoiding a relapse and setting the course for global economic stability, Christine Lagarde, IMF Chief explained. "Trust is a crucial factor for the economy. It has been eroded, and in order to rebuild it you need to face reality constantly. You need to tell people the truth – that's what they want."

Indicators of activity and unemployment show increasing and broad-based economic sluggishness in the first half of 2012 and no significant improvement in the third quarter. Global manufacturing has slowed sharply. The euro area periphery has seen a marked decline in activity driven by financial difficulties. Activity has disappointed in other economies too, notably the United States and United Kingdom. Other causes of disappointing growth include weak financial institutions and inadequate policies in key advanced economies. Furthermore, a significant part of the lower growth in emerging market and developing economies is related to domestic factors, notably constraints on the sustainability of the high pace of growth in these economies and building financial imbalances. Global imbalances, and the associated vulnerabilities, have diminished, but there is still a need for more decisive policy action to address them.

**Outlook 2013:** "2013 will be a make or break year," Christine Lagarde, IMF's premier said and added that "2012 was tough. A lot happened in Europe, a lot happened in the U.S. and there is clearly a lot happening in Asia."

Whether the current year will be 'make or break' depends, according to Lagarde, on "whether or not policy decisions that were made in the past year, which have stabilized financial markets, will translate into improvement of the real economy and whether policy makers will continue to implement those decisions."

While global growth prospects for 2013 are expected to be marginally better than 2012, they remain highly uncertain in key trading partner countries, particularly in Europe. The United States is showing some signs of recovery but overall the growth prospect for 2013 in advanced economies remains bleak while growth has slowed in developing countries. In 2013, global growth is expected to be 3.6% with the average for developing countries projected at 5.6% and high income countries at 1.5% - a marginal improvement over 2012 and with significant downside risks in key trading partners.

GDP growth (year- on- year, in percent)

	2011	2012e	2013 p
World	3.8	3.3	3.6
High income countries	1.6	1.3	1.5
Other Advanced Economies	2.5	1.5	2.4
Euro Area	1.4	-0.4	0.2
USA	1.8	2.2	2.1
Developing countries	6.2	5.3	5.6
China	9.2	7.8	8.2
India	6.8	4.9	6.0

Source: IMF World Economic Outlook (October 2012); e for estimate & p for projection.

## Bangladesh Economy: A Brief Review

The economy of Bangladesh has been enduring well with a respectable growth (6.3% in Fiscal Year 2012) of GDP in facing a prolonged downturn of the global economy, which dampened the country's export growth prospects and underscored the need for rebalancing sources of growth. The macroeconomic conditions were mixed; volatile first half of the year became stable in later half with sturdy remittance inflow, improved balance of payment (BOP) position, and higher revenue mobilization. On the downside, declining growth of export with commensurate weaker import demand, hefty subsidy for quick rental power plants, increased government borrowing from bank, continuation of energy crisis slowed the pace of economic growth. Over dependence on ready-made garments and remittances exposes the economy to significant vulnerability to external shocks. Promoting labor-intensive manufacturing exports and diversifying domestic economic activities are vital for developing dynamic growth drivers which Bangladesh needs to identify.

**External Sector Performance:** Exports grew by 7.01 per cent to USD 12,599.73 million despite weak demand

prevailing in major export markets whereas import payments decreased by 8.11 percent to USD 16,355.00 million in July-December 2012 compared to same period last year. Remittance receipts in July-December 2012 increased by 21.89 percent to USD 7,396.94 million compared to the negative growth of 6.27 percent during the same period last year. All these contributed in building up a satisfactory foreign exchange reserve of USD 12,750.58 million as of end December 2012 which is equivalent to import payments of about 4 months based on the preceding 12 months average.

Higher earnings from remittances, aid inflows continued to succeed in keeping current account balance positive to USD 43 million in the first five months of FY13. The Taka: USD exchange rate has remained largely stable with the Taka appreciating by 2.6 percent between 01 July – 31 December 2012. Pro-active steps to secure alternative sources of external financing for oil imports, lower import demand especially for food-grains, continuing export growth combined with strong remittance growth all contributed to this strengthened external position.

**Inflation:** Average inflation has been declining steadily over the last nine months of 2012, from a peak of 10.96 percent in February to 8.74 percent (old basis) in December 2012. This decline has been due both to lower food and non-food price inflation with point to point non-food inflation declining from a peak of 13.96 percent in March to 8.43 percent in December 2012. A measure of core inflation defined as nonfood, non-fuel, inflation also reflects these downward trends. While all these inflation measures were based on old base (1995/96), newer base (2005/06) is reporting lower inflation figures.

### **Economy and Business Outlook 2013**

Bangladesh Bank's second half yearly (H2, FY 2013) Monetary Policy stance (believed to be balanced rather than contractionary) is expected to ensure adequate credit flow for productive investments in attainment of the government's real GDP growth target keeping it consistent with the targeted 7.5 percent average inflation rate. Annual inflation is expected to moderate from 10.6 percent in FY 2012 to 8.5 percent in FY 2013. The recent upward power tariff adjustment and anticipated further upward adjustment in domestic fuel and energy prices will increase nonfood inflation in the coming months, but overall inflationary pressures are expected to be moderate in FY 2013 with food prices easing due to a likely good domestic crop harvest subject to normal weather.

External sector is set to be stable; unfortunately at the cost of lower GDP growth. Investment was sluggish during 2012 and is feared to be depressed further. A combination of factors like high inflation, weakening global demand, inadequate infrastructure, unsatisfactory labor relationship in RMG sector, and scarcity of power will remain hindrances for investment growth.

The subdued trend in major stock market indicators is apprehended to continue during 2013 with declining market PE ratio. Overall, the economy is set to grow moderately in the range of 6 percent to 6.3 percent in FY 2013 with macroeconomic stability given political ambience centering on next general election doesn't create an environment beyond shock absorbing capacity of the economy.

### **Banking Industry Outlook 2013**

Maintenance of asset quality was the major challenge in 2012 and is feared to remain so in 2013. Some major sectors in the economy suffered from external and internal events: textile sector faced tough time on inventory buildup, ship breaking and commodity import businesses swindled on volatile international price, real-estate sector was stagnant with unsold inventory, and export growth of RMG faced slow down. Considering the business and political outlook in 2013, these sectors may not overcome woes overnight. Moreover, stricter loan classification criteria enforced by BB from December 2012 is expected to put further pressure on bank's distributable profit due to increase of default loan and provision requirement. However, on the positive side, increased provision requirement will strengthen the bank's shock absorbing capacity in facing credit risk.

The financial soundness indicators manifested through only NPL ratio tell far less than required. Deterioration in banking governance and control practices were surfaced through the major instances of financial irregularities by few borrowers. Series of regulatory investigation, tighter watch and stringent regulations are on cards to prevent any such incidence in future. Unless the confidence towards those banks involved is restored, it will certainly have its negative impacts in coming days.

'Investment income from secondary market' which used to occupy a significant pie of revenue of banks and financial institutions (during 2009 and 2010) heavily active in stock market continued to shrink this year. Rather, hefty provision was required to be made against loss of value of investments during 2012 unless the respective bank/NBFI accepted 'Deferral' in making provision allowed by BB. Restoring investors' confidence will be a formidable challenge in 2013; bank's distributable profit will have a considerable dependence on the outcome of the restoring measures.

### **Financial Performance Highlights**

Banking sector in Bangladesh passed somewhat a moderate year in terms of governance, profitability and soundness in 2012. Continued setback suffered by some major sectors in the economy i.e. textiles, ship-breaking, real estate and commodity trading and lackluster performance of the capital market put pressure on banks' liquidity, asset quality and profitability. Effective from December 2012, the stricter regulation from BB related to

loan classification and rescheduling affected the volume of classified loans, raised the requirement of provision and thereby decreased the amount of distributable profit.

Besides ensuring consistent financial performance, we redirected our focus towards service excellence, portfolio diversification, launching new technology and service propositions, building strategic relations, raising awareness of green banking - to see us through bad times. Despite facing growing challenges, the bank continued to deliver consistent financial performance during the year.

Efficient asset liability management, focus on mobilization of low cost deposit, stable money market – all played a

contributory role in growing NII by 45.25% during the year. However, decrease of other non-interest income and usual growth of operating expenses (by 22.17%) ate up a significant portion of NII growth to fetch an Operating Profit to grow by 9.28% (growth in 2011 was 15.82%). Hefty growth of total provision (39.20%) including 20.06% growth of loan loss provision and 93.07% growth of provisions for loss on revaluation of traded equity securities forced Profit After Tax (PAT) to decrease by 9.74% during 2012 over that of 2011.

Following table summarizes comparative financial performance of EBL both as a Group and as the Bank:

(Figures are in million BDT)

Particulars	Group		Bank		% Change (Group)	% Change (Bank)
	2012	2011	2012	2011		
Net interest income (NII)	4,885.52	3,370.86	4,814.12	3,314.42	44.93%	45.25%
Profit before provision and tax/Operating profit	5,731.31	5,177.96	5,581.31	5,107.36	10.69%	9.28%
Provision for loans and contingent assets:						
Specific provision	845.88	320.97	845.88	320.97	163.54%	163.54%
General provision	23.89	403.47	23.89	403.47	-94.08%	-94.08%
Provision for equity investments and other assets	491.92	253.78	491.92	253.78	93.84%	93.84%
Total provisions	1,361.70	978.22	1,361.70	978.22	39.20%	39.20%
<b>Profit before tax for the year</b>	<b>4,369.61</b>	<b>4,199.75</b>	<b>4,219.61</b>	<b>4,129.15</b>	<b>4.04%</b>	<b>2.19%</b>
Tax provision	1,976.88	1,647.32	1,944.51	1,608.44	20.01%	20.89%
<b>Profit after tax (PAT)</b>	<b>2,392.73</b>	<b>2,552.43</b>	<b>2,275.10</b>	<b>2,520.70</b>	<b>-6.26%</b>	<b>-9.74%</b>
PAT attributable to Shareholders of EBL*	2,392.73	2,532.72			-5.53%	
Minority Interest share in PAT	-	19.71				
<b>Earnings per share (EPS)</b>	<b>3.91</b>	<b>4.14</b>	<b>3.72</b>	<b>4.12</b>	<b>-5.53%</b>	<b>-9.74%</b>

\* Group PAT was BDT 2,392.73 million during the year and the same is attributable to EBL shareholders as there is no non-controlling interest as on the reporting date.

Following table also summarizes both the stand alone performance of the Bank and its two operational subsidiaries along with overall group during the year 2012:

(Figures are in million BDT)

Particulars	Eastern Bank Limited			Subsidiaries		Inter company elimination	Consolidated
	Onshore	Offshore	Total	EBL Securities Limited	EBL Investments Limited		
Net Interest Income (NII)	4,576.84	237.28	4,814.12	46.38	25.01	-	4,885.52
Total operating income	3,994.21	36.06	4,030.27	60.72	-	(40.00)	4,050.98
Total operating expense	3,241.55	21.52	3,263.07	45.53	0.07	-	3,308.67
Total non operating income	-	-	-	-	-	-	103.47
<b>Profit before provisions</b>	<b>5,329.50</b>	<b>251.81</b>	<b>5,581.31</b>	<b>61.58</b>	<b>24.94</b>	<b>(40.00)</b>	<b>5,731.31</b>
Total provisions	1,330.51	31.19	1,361.70	-	-	-	1,361.70
Profit before tax (PBT)	3,998.99	220.63	4,219.61	61.58	24.94	(40.00)	4,369.61
<b>Profit after tax (PAT)</b>	<b>2,054.48</b>	<b>220.63</b>	<b>2,275.10</b>	<b>36.44</b>	<b>17.72</b>	<b>(40.00)</b>	<b>2,392.73</b>

Since the profit after tax (PAT) decreased by 9.74 percent during 2012, all the ratios (including ROE and ROA) whose numerator is the PAT have decreased accordingly. Following table presents some of the major financial ratios:

Particulars	BANK	
	Year 2012	Year 2011
Return on average equity (PAT/Average Equity)	14.44%	19.03%
Return on average assets (PAT/Average Assets)	1.72%	2.52%
Cost to income ratio (Operating expense/Revenue)	36.89%	34.44%
Capital adequacy ratio (Basel II)	12.05%	10.18%
NPL ratio	3.17%	1.91%
EPS (BDT)	3.72	4.12
Price to book value ratio	113.24%	206.77%

## Appropriation of Profit

Although the Profit after tax (PAT) of the Bank is BDT 2,275.10 million during 2012, it contains a deferred tax income of BDT 241.86 million calculated on specific provision made against classified loans (Bad/Loss Only) during the year. As per BRPD circular no 11, dated 12 December 2011 of Bangladesh Bank, benefit arisen out of deferred tax income against this provision can neither be distributed nor can be shown as a component of tier 1 capital while reporting Capital Adequacy Status of the Bank. After a mandatory transfer of BDT 843.92 million (20 percent of Profit Before Tax), profit available for distribution stands at BDT 1,208.65 million. However, an amount BDT 30 million was decided to be transferred from General Reserve to allow Board of Directors of the Bank to recommend 20% cash dividend for the year 2012:

(Figures are in million BDT)

Particulars	BANK		% Change
	2012	2011	
Profit after tax (PAT)	2,275.10	2,520.70	-9.74%
Less: Deferred tax income	(241.86)	(131.40)	84.07%
<b>Profit after tax (PAT) net of Deferred tax income</b>	<b>2,033.24</b>	<b>2,389.30</b>	<b>-14.90%</b>
Retained Earnings (RE) carried forward	150.73	40.39	-
Less: Deferred tax income included in RE	(131.40)	-	-
<b>To be appropriated (Net of Deferred Tax Income)</b>	<b>2,052.57</b>	<b>2,429.69</b>	<b>-15.52%</b>
Less: Transfer to statutory reserve	(843.92)	(825.83)	2.19%
<b>Profit available for distribution</b>	<b>1,208.65</b>	<b>1,603.87</b>	<b>-24.64%</b>
Add: Transferred from General Reserve	30.00	-	-
<b>Distributable Profit</b>	<b>1,238.65</b>	<b>1,603.87</b>	<b>-22.77%</b>
<b>Dividend for the year (recommended):</b>			
Dividend (Cash 20% for 2012 vs. Stock 35% for 2011)	1,222.36	1,584.54	
Retained earnings to be carried forward	16.29	19.32	
Dividend Payout Ratio (Dividend/PAT)	53.73%	62.86%	

## Payment of Dividend

In a commendable continuity of paying consistent rate of dividend, EBL has been paying more than 30% dividend for the last five years (2007 to 2011) except in the year of 2008 when 20% dividend was paid due to increased paid up capital base from issue of right shares. Except for the year 2009 when 20% cash and 17% stock dividend was paid, all the distributions were through stock dividend to enhance solvency through capital adequacy. While stock dividend increases reinvestable resources and strengthen

capital base, it puts pressure on future EPS due to larger capital base. As there was no regulatory restriction for the bank in paying cash dividend (applicable for banks who opted for deferral of making provision against unrealized losses against securities traded in the secondary market), the Board of Directors of EBL proposes to pay 20% cash dividend for the year 2012.

**Capital Adequacy Status Under Basel II:** Bank has been maintaining 11.50% plus CAR in all the quarters of 2012 against required MCR of 10% without injecting any fresh

capital through Right Issue, Subordinated Debt etc. as presented in following table. Bank's strength in capital base is also signified in the fact that the ratio of Tier i capital to RWA was always hovering above 9.25% throughout the year.

Following is the summary of Basel II reports of EBL (Solo Basis) as reported to BB during 2012:

(Figures are in million BDT)

Risk weighted assets (RWA) for	Q4, 2012	Q3, 2012	Q2, 2012	Q1, 2012
<b>A. Credit Risk for</b>	<b>108,686</b>	<b>103,530</b>	<b>96,751</b>	<b>94,542</b>
On Balance Sheet exposures	81,444	77,104	76,219	72,549
Off Balance Sheet exposures	27,243	26,426	20,532	21,993
<b>B. Market Risk (capital charge X 10) for:</b>	<b>8,473</b>	<b>9,199</b>	<b>9,183</b>	<b>10,060</b>
a. Interest Rate Related Instruments	2,811	2,636	2,522	2,764
b. Equities	5,387	6,081	5,555	6,405
c. Foreign Exchange Position	275	482	1,106	891
<b>C. Operational Risk (capital charge X 10)</b>	<b>12,653</b>	<b>10,241</b>	<b>10,241</b>	<b>10,241</b>
<b>Total Risk Weighted Assets (A + B + C)</b>	<b>129,812</b>	<b>122,970</b>	<b>116,175</b>	<b>114,843</b>
<b>D. Eligible Capital</b>				
1. Tier-1 (Core Capital)	12,232	11,410	11,185	10,757
2. Tier-2 (Supplementary Capital)	3,414	3,156	3,037	2,870
3. Tier-3 (Eligible for market risk only)	-	-	-	-
<b>4. Total Eligible Capital ( 1+2+3)</b>	<b>15,646</b>	<b>14,567</b>	<b>14,222</b>	<b>13,627</b>
E. Total Risk Weighted Assets (RWA)	129,812	122,970	116,175	114,843
<b>F. Capital Adequacy Ratio (CAR) (D4/E)*100</b>	<b>12.05%</b>	<b>11.85%</b>	<b>12.24%</b>	<b>11.87%</b>
G. Core Capital to RWA (D1/E)*100	9.42%	9.28%	9.63%	9.37%
H. Supplementary Capital to RWA $\{(D2+D3)/E\} * 100$	2.63%	2.57%	2.61%	2.50%
<b>I. Minimum Capital Requirement % (10% of RWA)</b>	<b>12,981</b>	<b>12,297</b>	<b>11,617</b>	<b>11,484</b>
Minimum CAR Requirement	10%	10%	10%	10%
<b>Excess/(Shortfall) Capital over MCR</b>	<b>2,665</b>	<b>2,270</b>	<b>2,605</b>	<b>2,143</b>

### Highlights of Capital Adequacy Status

Vigorous initiative of bank management to pursue its corporate and mid segment (SME) customers to do their entity rating by eligible ECAs played a major role in decreasing capital requirement. As on the reporting date, number of corporate (including SME-Mid) customers having valid entity rating with funded exposure were 170 compared to 58 at 31 December 2011. Funded exposure to rated regular corporate and mid segment customers was BDT 35,662.84 million or 48.15% of total funded exposure to corporate and mid segment customers against BDT 17,081.24 million or 27.15% of total funded exposure to corporate and mid segment customers as on year end 2011.

Funded exposure to a customer having external rating of

at least double B (BB) with Bangladesh Bank (BB) rating grade 4, requires risk weight of 100% whereas exposure to any unrated customer is risk weighted by 125%. Since external rating of most of our rated corporate and mid segment customers falls in the range of A to AAA (BB rating grade 1 & 2) bearing risk weight of 50% or below, the more our customers do their entity rating, the less will be the capital requirement for EBL. So, drive of the Bank to this end will continue throughout the year 2013.

### History of Raising Capital

As on the reporting date (31-12-2012), the bank had a paid up capital of BDT 6,111,797,850 of which 78.84% was raised through stock dividend. The history of raising our paid up capital to BDT 6,111.80 million as on year end 2012 is presented below:

AGM Date	Particulars	No. of Shares*	Volume in Taka	Cumulative Paid up Capital in Taka
9 December 1993	As per MOA & AOA	60,000,000	600,000,000	600,000,000
5 August 2001	20% Bonus Share	12,000,000	120,000,000	720,000,000
8 December 2003	15% Bonus Share	10,800,000	108,000,000	828,000,000
12 June 2007	25% Bonus Share	20,700,000	207,000,000	1,035,000,000
25 May 2008	34% Bonus Share	35,190,000	351,900,000	1,386,900,000
25 May 2008	Right Share 2:1 at Par	69,345,000	693,450,000	2,080,350,000
28 April 2009	20% Bonus Share	41,607,000	416,070,000	2,496,420,000
30 March 2010	17% Bonus Share	42,439,140	424,391,400	2,920,811,400
30 March 2011	55% Bonus Share	160,644,627	1,606,446,270	4,527,257,670
29 March 2012	35% Bonus Share	158,454,018	1,584,540,180	6,111,797,850
31 March 2013	20% Cash Dividend	-	-	6,111,797,850

\*Face value per share of BDT 10 has been considered in all the cases to conform to comparability.

## Status of Asset Quality

Banking industry in Bangladesh experienced an alarming growth in classified loans during 2012. Just in a year span, classified loans of banks in Bangladesh have almost doubled (BDT 42,725.51 crore from BDT 22,644.16 crore). In 2012, classified loans reached to 10.03% of total loans against 6.12% in previous year. Mainly three drivers caused this sharp downfall of asset qualities: country's biggest financial irregularities by few corporate groups, negative performance of some of the economic sectors like real-estate, ship-breaking and commodity import and stringent regulations of BB for classification and rescheduling of loans.

However, compared to 30 PCBs' NPL ratio of 4.58 percent (as on 31-12-2012), EBL's NPL ratio was 3.17% as on the reporting date (As on 31-12-2011: EBL 1.91% vs. PCBs 2.95%).

(Figures are in million BDT)

	31-12-2012	31-12-2011	% Change
<b>Unclassified loans:</b>	<b>93,648.96</b>	<b>80,213.32</b>	<b>16.75%</b>
Standard (Including staff loan)	93,006.03	79,365.54	17.19%
Special Mention Accounts (SMA)	642.93	847.78	-24.16%
<b>Classified loans:</b>	<b>3,070.77</b>	<b>1,560.59</b>	<b>96.77%</b>
Sub-standard (SS)	263.72	418.55	-36.99%
Doubtful (DF)	593.08	172.18	244.45%
Bad/loss (BL)	2,213.97	969.86	128.28%
<b>Total loans</b>	<b>96,719.74</b>	<b>81,773.91</b>	<b>18.28%</b>
<b>NPL %</b>	<b>3.17%</b>	<b>1.91%</b>	

## Variance Between Quarterly and Annual Financial Performance

To gauge the said variance, five key financial information of each quarter of 2012 (Q1 to Q4) was analyzed or compared using Quarterly Average (QA) as the base. Profit before Tax was not considered mainly due to abrupt change in provision against loans in Q4 (for new provisioning and rescheduling circulars from BB) and equity investments whereas Profit after Tax was not considered due to deferred tax calculated once in a year (Q4). Following table presents stand-alone quarterly information with average of four quarters.

(Figures are in Million BDT)

Particulars	Q1, 2012	Q2, 2012	Q3, 2012	Q4, 2012	QA*, 2012	Annual 2012
Net Interest Income	1,113	1,347	1,196	1,158	1,204	4,814
Non Interest Income	893	985	929	1,223	1,008	4,030
Operating Income	2,006	2,332	2,126	2,381	2,211	8,844
Operating Expense	654	756	786	1,066	816	3,263
Operating Profit	1,352	1,575	1,339	1,314	1,395	5,581

\* Quarterly Average

Setting 25% as threshold for signification variance, no significant variance was observed in 2012 except operating expense in the Q4. Operating expenses increased significantly (31% higher than that of QA) in Q4 mainly due to channel expansion initiatives (launching of new branches, ATMs, EBL 365, service centers etc.) and payment of festival bonus and accrual of performance bonuses for the employees.

## Brief Review of Subsidiaries Business

The Bank had four subsidiaries, all of them fully owned, as on the reporting date i.e. 31 December 2012. Having acquired rest 40% shares of the brokerage house 'EBL Securities Ltd.', EBL completed full acquisition of the same in 2012 which is the only functional subsidiary of the Bank. The other three fully owned subsidiaries (among which one had raised capital) have got registered with relevant regulatory authorities but yet to swing into operations.

**EBL Securities Limited (EBLSL):** Initially, the authorized and paid up capital of EBLSL was BDT 30 million and BDT 12.5 million respectively which was increased to BDT 500 million and BDT 300 million respectively in 2012. This company obtained Chittagong Stock Exchange membership in 2012 which will be operational soon after getting the operational license from BSEC. Following is the brief review of EBLSL business during 2012:

Market performance of DSE squeezed to very low and daily average turnover came down to BDT 4,206.23 million in 2012, below that of 2009 level, which was BDT 6,642 million and 16,434 million respectively in 2011 and 2010. As securities brokerage firm's performance is positively correlated with the market performance, EBLSL being comparatively a new entrant in brokerage business suffered a corresponding setback with 29.19% fall in commission earnings during the year compared to that of 2011. However, EBLSL maintained organic growth in market share in respect of trade volume in contrast to the under-performing bourse. The daily turnover of EBLSL in 2012 was about 1.78 % of that of DSE which was 1.5% & 1% in 2011 and 2010 respectively. On the other hand, other operating income which comprises mostly net interest income in margin loan registered 36.90% growth in 2012 over 2011 though new loan disbursement was close to zero. EBLSL demonstrated a standout performance in margin loan handling (only 2.80 % margin loan lost equity) compared to what the industry did.

**EBL Investments Limited:** a private limited company established to do merchant banking operations, obtained approval from BSEC for Merchant Banking License in January 2013. It has already started the process of establishing business setup acquiring required software and hiring additional human resources to start in early 2013.

**EBL Finance (HK) Limited:** the first foreign subsidiary of EBL was incorporated on 28 November 2011 with Hong Kong (HK) authority to handle trade finance and off-shore banking business in Hong Kong. EBL obtained all the required licenses from Bangladesh and HK authority and is set to commence business in early 2013 after completing necessary formalities of subscriptions.

**EBL Asset Management Limited:** a private limited company was formed to grab the potential business opportunity in managing mutual funds and institutional

wealth. EBL has already obtained permission from Bangladesh Bank and is under process of applying for the license to BSEC.

## Highlights of Business and Operations

**Foreign currency loans/deals:** The Bank arranged USD 20.0 million long term loans from DEG for EBL Off-shore Banking Unit (OBU) for on-lending to customers in FCY. OBU already provided funds of USD 9.75 million to Novo Air Ltd. for purchasing two Embraer ERJ- 145 aircrafts and USD 2.24 million to one of its corporate clients Trims International (BD) Limited. Also coordinated a unique FCY loan deal for USD 16.0 million from United Bank Ltd., Dubai for the OBUs of 6 local banks. Other major FCY deals were:

- Second Crop Diversification Project (SCDP) deal for USD 12.75 million with ADB closed on February 08, 2012. Received fund of USD 1.3 million and disbursed the same to BRAC.
- Signed participation agreement with Bangladesh Bank under Brick Kiln Efficiency Improvement Project under financial assistance of USD 50.00 million from ADB.
- Signed with FMO a Term Facility Agreement for USD 20.00 million for 6 years; disbursement scheduled on 02 January 2013.
- Increased IFC GTFP Line (Global Trade Finance Facilitation Program) from USD 65.00 million to USD 90.00 million. In addition, renewal of agreement signed with IFC for USD 30.00 million for OBU.

### Delivery of 02 new 777-300 ER Aircrafts from Boeing:

The Bank arranged delivery of financing/commercial loan of USD 65.00 million as the Co-Arranger with Standard Chartered Bank for Biman Bangladesh Airlines Ltd. for purchasing two 777-300 ER aircrafts from Boeing Company.

**Mobilization of low cost fund:** In order to increase the flow of low cost deposit EBL took following initiatives during 2012:

- Mobilized BDT 4,754 million from handling Hajj Flight Collection of BIMAN Bangladesh Airlines in 2012 compared to BDT 2,317 million in 2011.
- Fee collection of RJSC through EBL branch network commenced from 2012.
- Started collecting fees on behalf of BRTA for Retro-Reflective Number Plate (Digital Number Plate) for motor vehicles.

**Establishing first foreign subsidiary in Hong Kong:** Although incorporated on 28 November 2011, major formalities (with Hong Kong authority) for establishing the first foreign subsidiary of EBL 'EBL Finance (HK) Limited' were completed in 2012. This subsidiary will handle trade finance and off-shore banking business in Hong Kong. This

company is set to commence business in early 2013 after completing necessary formalities of capital subscriptions.

**Outsourcing Business with JP Morgan Chase Bank:** The Bank has put ink to paper to an outsourcing deal with the world renowned JP Morgan Chase Bank (JPMC), where Trade Services Division of EBL will act as an agent of JPMC in relation to handling of the latter's import bills from Bangladesh. This kind of prestigious deal, first of its kind in the banking sector of Bangladesh is expected to usher a new era for the Bank which will, in coming days, provide us with a strong global foothold in the banking arena.

**Green Financing Initiatives:** EBL SME Banking, recognized by IFC as the most structured SME finance provider in South Asia, has launched two green banking products in 2012: "EBL Nobody" for renewable energy and "EBL Green Credit" for green energy. EBL SME is also the highest refinance recipient in 2012 from Bangladesh Bank like the previous year. The Bank has received in total BDT 3,720 million as refinance from BB in recognition to our continuous effort and alignment in the priority sectors of the economy.

The number of E-statement receiving customers increased manifold in 2012 compared to 2011. One fourth of the total customers of the bank are now receiving our E-statement. EBL has been working with other customers to send most of the account statement through E-statement by limiting the usage of hard copy in commensurate with the concept of 'Go-green'.

**Development in Alternate Distribution Channel:** In addition to expand conventional branch network, the Bank has opened different avenues to excel customer service. SMS banking services, SMS alert services and new services through internet banking facility have been launched.

**IT Security and Back up:** Drill of transactions by all branches and departments through Disaster Recovery (DR) site was done to ensure that DR site works okay. The successful testing of transaction in 2012 from DR site boosted up the confidence among the users that in case of any major failover, transaction can continue in Live from DR location.

**Giving priority to Continuous Professional Development:** Recognizing human resource as the most valuable soft factor of the organization, EBL continued to invest to enhance and upgrade skill sets of the people. A significant number of seminars, workshops and trainings both in home and abroad were arranged during the year. In 2012 EBL HR arranged 531 training programs in home and abroad for 6,100 participants on various issues related to banking operations. Under newly introduced e-learning exam system 2,251 officers from Consumer Banking, SME Banking, Cards, Special Asset Management and Operations Division have attended 32 e-learning exam sessions countrywide to enhance Product knowledge & soft skills in order to provide better service.

## Awards and Recognitions

**Best employer Brand Award:** Achieved ASIA'S BEST EMPLOYER BRAND AWARDS in 2012 for the Best HR Strategy in Line With Business awarded by World HR Congress, Singapore.

**Achieved Quality Management Systems Certificate:** After centralized operations, EBL HR was awarded ISO 9001: 2008 certification by Bureau Veritas and Accredited by United Kingdom Accreditation Service.

**Awarded by IFC as the Most Active GTFP Issuing Bank in South Asia:** Award received from IFC, World Bank Group as the "Best GTFP Issuing Bank in South Asia" in 2012.

**Annual Report 2011 recognized by ICAB & ICMAB:** EBL Annual Report 2011 was awarded 2nd prize by ICAB as 'Best Presented Annual Reports 2011' and 3rd prize by ICMAB as 'Best Corporate Awards'.

## Review of Internal Control System

*"EBL has a sound system of internal controls to safeguard shareholders' investments and the Bank's assets. The Board retains the ultimate responsibility for its operations, though has delegated to the Audit Committee for the review of the adequacy and effectiveness of the system of internal controls."*

A resonant internal control system helps a bank growing in a safe and sustainable way. The design and implementation of any internal control system depends largely on a bank's size, the mode of its operation and its risk profile. Effective control practices generally include -

control environment

risk assessment

control activities

segregation & rotation of duties

accounting information and reconciliation

IT security and

self-assessment/monitoring

**Control Environment** of the Bank reflects the commitment of the Board of Directors and the management to an effective internal control mechanism to safeguard stakeholders' interest. EBL is, at present, performing its whole banking activities through two major groups; business segment and support services for better control and improved service. Where business segments are separately assigned with a set business target, support teams including centralized operations are totally independent from the business team to ensure avoiding conflict of interest and better risk management and control practices. One of the major beauties of centralized operations lies in the fact that EBL has been delivering highest profit per employee for last couple of years despite

having a moderate size of balance sheet compared to peers.

**Risk Assessment** is the identification, measurement, analysis and management of risks both internal & external, at individual business level and for the bank as a whole. EBL has formed a Risk Management Unit (RMU) as per Bangladesh Bank guideline to oversee and monitor bank wide risk assessment, identification, measurement, analysis and mitigation activities performed by different risk management functions. RMU in accordance with Board's acceptance sets the risk appetite of the Bank.

**Control Activities** are those which ensure all the firewalls/checkpoints established through various policies, procedures and best practices are in order so that the Bank is exposed to surprises, financial or otherwise, to the acceptable minimum level. EBL has developed and is following appropriate policies, guidelines and best practices as well as all the regulatory guidelines to control its daily activities. For example, a loan proposal sourced by relationship manager is assessed by the Certified Credit Analyst of Credit Risk Management Department, documentation and disbursement done by Credit Administration Department and collection (if it becomes classified) done by Special Assets Management Department. EBL has been maintaining an NPL ratio far below the industry average (3.17% at yearend 2012) under more stringent regime of classification criteria set by Bangladesh Bank during 2012.

**Segregation of Duties** reduces a person's opportunity to commit and conceal fraud or errors. EBL has introduced segregation of duties for each employee through a specific job description and separate reporting line to make every employee accountable and responsible for his job. As a result, both business and support activities of the Bank are always in an optimum level which, in turns, generates better revenue for the Bank and the Shareholders.

Due to having proper segregation of duties, the Bank has not yet faced any significant fraud and forgery committed by the employees. Recently, several banks have faced credit cards fraud but EBL did not face that, due to separation of cards business and credit appraisal and approval (done by CFC). The Bank further segregated cards operations from the umbrella of cards business to Central Operations for avoiding any influence of cards business team upon the cards operations. Even the Bank's internal investigation till writing this report cleared the possibility of any direct loss originated from Hall-Mark Scam. Our ethical business practice, better credit appraisal system, and internal control mechanism protected us from negative outcome of the incidence.

**Accounting Information and Reconciliation** - accurate and updated accounting information and proper reconciliation of accounts help the bank in providing timely and authentic information to the Bank's Board of Directors and management for decision making. We have in place a "GL

Control & Reconciliation Policy" to ensure better control and monitoring over financial transactions and reduction of financial irregularities by taking confirmation of GL (General Ledger) balances from GL Owners on quarterly basis.

**IT Security** is, no doubt, a must for modern and high tech-based banking system. EBL has introduced Universal Banking System (UBS) software for running its daily activities in a faster, safer & smoother way. We are also going to introduce a new Card Management Software to centrally monitor, control the Card Business in an effective way. IT security is monitored rigorously and ensured to keep its network off limit from malicious attempts keeping maximum layers of failover process for all types of system related services. Data is replicated from Live to Disaster Recovery site on real time basis and our Internet Banking service was awarded as "Secure" grade by external auditor at their Penetration Testing.

**Self-Assessment/Monitoring** is the Bank's own oversight of the control system's performance. Self-assessment is evaluations of departmental or operational controls by the departments themselves. EBL has an independent internal risk based audit system in place who are regularly evaluating, assessing and rating the risks of various Departments and Branches and submit these audit reports periodically to the Audit Committee of the Board for their further evaluation and recommendation. Surprise visit to different branches/departments has also been introduced as a part of strong monitoring and control over the daily activities of the Bank. The Compliance Unit of ICCD is also monitoring the regulatory compliance status of EBL on a continuous basis and updating the relevant departments upon the compliance of any new issue imposed by regulatory authorities.

However, Bangladesh Bank vide their DOS circular letter no: 17/2012 has launched a Self-Assessment Format in order to aid Bank for assessing itself and advised Bank to send a quarterly assessment to BB. EBL has already started its self-assessment activities to report to Bangladesh Bank timely.

## Review of Financial Reporting

The directors are responsible for the preparation and fair presentation of financial statements in accordance with applicable financial reporting framework, laws and regulations.

### ■ Fair Presentation of Financial Statements

We (the Directors') are responsible for the preparation and fair presentation of the Financial Statements of EBL. We have prepared the said financial statements as at and for the year ended 31 December 2012 to present fairly, in all material respects, its state of affairs, the results of its operations, cash flows and changes in equity. The external auditors i.e. Hoda Vasi Chowdhury

& Co., Chartered Accountants also provided their opinion on the same by issuing an unqualified audit report. We are referring page no. 166 to see the audit report issued by the external auditors.

#### ■ Maintenance of Proper Books of Account

Proper books of account as required by law have been kept by EBL. The external auditors i.e. Hoda Vasi Chowdhury & Co., Chartered Accountants also provided their opinion on the same in section ii) of "Opinion Paragraph" of their audit report. The said audit report has been mentioned in page no 166.

#### ■ Application of Accounting Policies and Accounting Estimates

Appropriate accounting policies have been consistently applied in preparation of the financial statements of the Bank and that the accounting estimates are based on reasonable and prudent judgment. Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to these are recognized in the period in which the estimate is revised and in any future period affected. The significant accounting policies applied and accounting estimates used for preparation of the financial statements of the Bank have been stated in details in note 2 of the FS 2012.

#### ■ Preparation of Financial Statements as per BAS/ BFRS and any Departure there-from

The financial statements of the Bank as at and for the year ended 31 December 2012 have been prepared under the historical cost convention and in accordance with Bangladesh Financial Reporting Standards (BFRSs), the "First Schedule" (section 38) of the Bank Companies Act 1991, as amended by the BRPD Circular no. 14 dated 25 June 2003, other Bangladesh Bank Circulars, the Companies Act 1994, the Securities and Exchange Rules 1987, Dhaka and Chittagong Stock Exchange's listing regulations and other laws and rules applicable in Bangladesh. In case the requirement of provisions and Circulars issued by Bangladesh Bank differ with those of other regulatory authorities and accounting standards, the provisions and Circulars issued by Bangladesh Bank shall prevail.

As such the Bank has departed from few contradictory requirements of BFRS in order to comply with the rules and regulations of Bangladesh Bank, being the prime regulator, which are adequately disclosed in Note 2.1 (i to xiv) to the financial statements in page no 180.

#### ■ Going Concern of EBL'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 entity (i.e. EBL) is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that EBL has neither intention nor the need to liquidate or curtail materially the scale of its operations.

#### ■ Disclosure of Related Party Transactions

The basis for related party transactions has been stated in page no. 74 of Report on Corporate Governance and a statement of related party transactions has been presented in Annexure C1 of the FS 2012.

### CSR Activities

Being a socially responsible corporate, EBL continued to be engaged in a number of CSR activities throughout the year, including a number of donations towards charitable causes.

Recognizing 'education' as a focus area of the bank's CSR activities, EBL continued to award scholarships to deserving students from various departments of University of Dhaka under "EBL-DUAA Inspiration" financial grant program. To fulfill a continued commitment for ten years effective from March 2009, EBL contributed BDT 4.8 lacs to Prime Minister's Relief & Welfare Fund every year to one family of a martyred army officer killed in BDR carnage in February 2009.

EBL also contributes to promote sports on national and international events, cultural heritage and other related fields.

### Contribution to National Exchequer

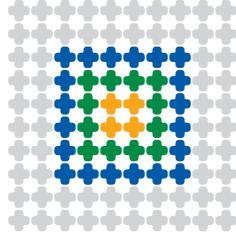
Being a responsible corporate citizen, EBL regularly pays corporate tax on time, sometime even before it falls due as required and asked by the tax authority. We also deposit excise duty, withheld tax and VAT to govt. exchequer on time deducted from employees' salary as well as payments to customers and vendors. During the calendar year 2012 we contributed BDT 3,856.12 million to national exchequer as tax, VAT and excise duty which is 53.49% higher than that of 2011. We paid advance corporate tax of BDT 2,123.60 million while deposited withheld tax of BDT 1,346.10 million, VAT of BDT 294.39 million and Excise Duty of BDT 92.03 million during the year 2012.

On behalf of the Board of Directors



**M. Ghaziul Haque**

Chairman of the Board of Directors  
26 February 2013, Dhaka.



# stakeholders information

## FINANCIAL HIGHLIGHTS

BDT Million

Particulars	Group			Bank		
	2012	2011	Change %	2012	2011	Change %
<b>Performance During the Year</b>						
Net Interest Income	4,886	3,371	44.93%	4,814	3,314	45.25%
Non Interest Income	4,051	4,535	-10.67%	4,030	4,476	-9.96%
Operating Income	8,937	7,906	13.04%	8,844	7,791	13.53%
Operating Profit	5,628	5,178	8.69%	5,581	5,107	9.28%
Profit After Tax	2,393	2,552	-6.26%	2,275	2,521	-9.74%
<b>Year End Financial Position</b>						
Loan	96,894	81,768	18.50%	96,720	81,774	18.28%
Investments	21,655	16,911	28.05%	21,655	16,910	28.06%
Deposits	91,435	75,025	21.87%	91,781	75,357	21.79%
Shareholders equity	17,250	14,592	18.21%	17,109	14,407	18.76%
Total Assets	147,044	117,585	25.05%	147,148	117,601	25.12%
<b>Information Per Ordinary Share</b>						
Earnings per share (weighted average)	3.91	4.14	-5.65%	3.72	4.12	-9.71%
Dividend (%)	20%	35%	-42.86%	20%	35%	-42.86%
Price earning ratio (times)	8.11	15.88	-48.94%	8.52	15.97	-46.65%
Net asset value per share (BDT)	28.22	31.82	-11.31%	27.99	31.82	-12.03%
Market price per share (BDT)	31.70	65.80	-51.82%	31.70	65.80	-51.82%
<b>Ratios (%)</b>						
Capital adequacy ratio (as per Basel II)	12.18%	10.24%	19.09%	12.05%	10.18%	18.40%
Non performing loans	3.17%	1.93%	64.65%	3.17%	1.91%	66.36%
Cost to income ratio	37.02%	34.51%	7.30%	36.89%	34.44%	7.13%

### Reaching Closer: Channel Standing 2012

Branch	ATM	EBL 365	Bills pay	SME Center	Student Center
<b>67</b>	<b>160</b>	<b>40</b>	<b>42</b>	<b>50</b>	<b>3</b>

#### Phone Banking (24X7 Contact Center):

Just a call away to 16230

#### Internet Banking:

log in from PC or mobile from anywhere in the world

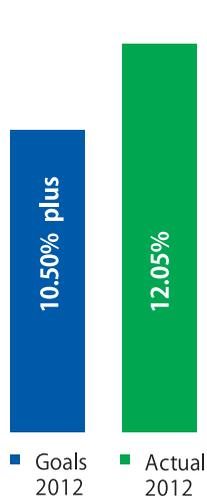
#### SMS Banking:

Just an SMS away to 6969

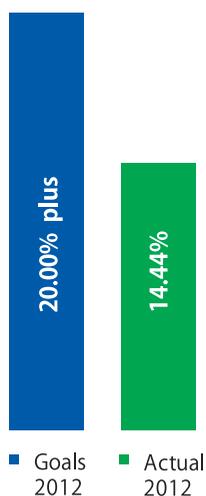
## FINANCIAL GOALS AND PERFORMANCE (BANK)

Financial Goals and Performance (Bank)	Goals 2013	Goals 2012	Actual 2012	Actual 2011
Capital Adequacy Ratio (CAR) %	11% Plus	10.50% Plus	12.05%	10.18%
Return on average equity (ROE) %	20% Plus	20% Plus	14.44%	19.03%
Return on average assets (ROA) %	2.5% plus	2.5% plus	1.72%	2.52%
Cost to income ratio (%)	Less than 35%	Less than 35%	36.89%	34.44%
NPL to total loans and advance (%)	Less than 3%	Less than 2%	3.17%	1.91%
Weighted Average Credit Risk Grade (Number)	4.50	4.50	4.83	4.70
Deposits (BDT Million)	109,524	96,503	91,781	75,536
Loans and advances (BDT Million)	107,873	90,349	96,720	81,774

**CAR**  
Percentage



**ROE**  
Percentage



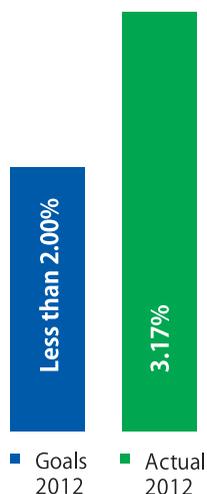
**ROA**  
Percentage



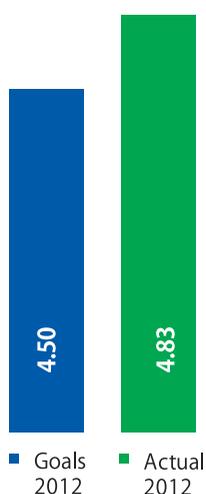
**COST TO INCOME RATIO**  
Percentage



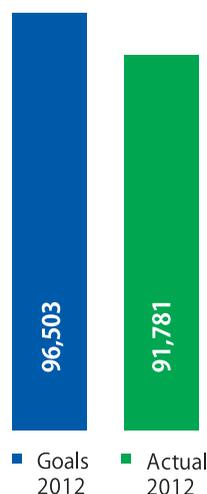
**NPL**  
Percentage



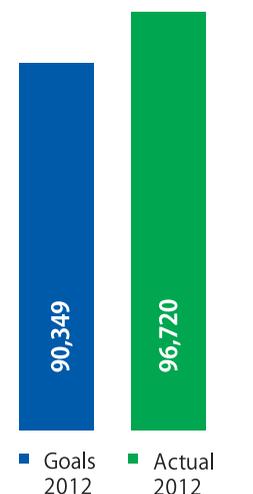
**WACRG**  
Number



**DEPOSITS**  
BDT million



**LOANS & ADVANCE**  
BDT million



## FIVE-YEAR PROGRESSION OF EBL

BDT Million

PARTICULARS	2012	2011	2010	2009	2008
<b>BALANCE SHEET METRIC</b>					
Authorised capital	12,000	12,000	12,000	3,300	3,300
Paid up capital	6,112	4,527	2,921	2,496	1,387
Shareholders' equity	17,109	14,407	12,084	8,429	4,733
Deposits	91,781	75,536	56,425	49,190	41,573
Borrowings	31,158	21,652	9,257	8,835	4,948
Loans and advances	96,720	81,774	58,607	47,668	39,662
Credit to deposit ratio (Gross)	105.38%	108.26%	103.87%	96.91%	95.40%
Credit to deposit ratio - Gross (excluding OBU loans)	95.36%	99.86%	95.09%	93.78%	94.84%
Investments	21,655	16,910	9,827	8,806	5,325
Fixed Assets	5,768	4,453	3,614	1,804	1,246
Interest bearing assets	119,334	104,572	71,759	62,125	46,831
Total assets	147,148	117,601	82,098	69,871	54,598
<b>INCOME STATEMENT METRIC</b>					
Net interest income (excluding Investment Income)	4,814	3,314	2,973	2,317	1,551
Non-interest income	4,030	4,476	3,487	2,313	2,153
Investment Income	1,495	1,970	2,050	955	863
Non Investment Income (Exchange, fees & charges)	2,536	2,506	1,437	1,358	1,290
Operating Revenue	8,844	7,791	6,461	4,630	3,704
Operating Profit (Profit before provision and tax)	5,581	5,107	4,410	2,980	2,386
Provision for loans, investment and other assets	1,362	978	417	280	455
Profit before tax	4,220	4,129	3,992	2,701	1,931
Profit after tax (PAT)	2,275	2,521	2,425	1,455	798
<b>CAPITAL METRIC</b>					
Risk weighted assets (RWA) under Basel II (Basel I for 2008)	129,812	130,351	104,440	73,316	41,315
Core capital (Tier 1)	12,232	10,199	8,375	6,441	4,271
Supplementary capital (Tier 2)	3,414	3,071	2,912	1,875	981
Total Capital / Regulatory capital (Tier 1 and 2)	15,646	13,270	11,287	8,317	5,252
Statutory capital (Paid up capital and statutory reserve)	10,507	8,079	5,646	4,423	2,774
Capital adequacy ratio (Regulatory capital/RWA) [Basel II from 2009 & Basel I for 2008]-Solo Basis	12.05%	10.18%	10.81%	11.34%	12.71%
Core capital (Tier 1) to RWA	9.42%	7.82%	8.02%	8.79%	10.34%
RWA to total assets [Basel II from 2009 & Basel I for 2008]	88.22%	110.84%	127.21%	104.93%	75.67%
<b>CREDIT QUALITY</b>					
Non performing/classified loans (NPLs)	3,071	1,561	1,169	1,172	1,309
Specific Provision	1,387	866	611	756	692
General Provision	1,563	1,541	1,107	876	727
NPL to total loans and advance	3.17%	1.91%	1.99%	2.46%	3.30%
<b>TRADE BUSINESS METRIC</b>					
Export	67,518	58,589	39,633	34,548	35,555
Import (LC)	103,171	100,639	70,665	54,370	62,203
Guarantee	6,528	4,497	2,727	1,319	2,170

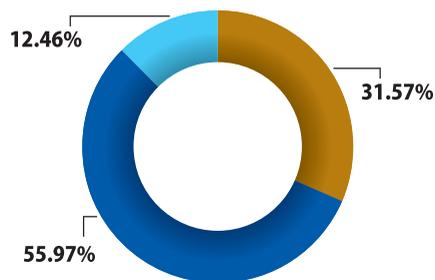
BDT Million

PARTICULARS	2012	2011	2010	2009	2008
<b>EFFICIENCY/PRODUCTIVITY RATIOS</b>					
Return on average equity (ROE)	14.44%	19.03%	23.64%	22.10%	18.64%
Return on average assets (ROA) (PAT/average assets)	1.72%	2.52%	3.19%	2.34%	1.68%
Cost to income ratio (Operating expense/Total Revenue)	36.89%	34.44%	32.10%	35.62%	35.60%
Yield on advance (average)	15.01%	13.40%	12.75%	13.69%	13.90%
Cost of deposits (average)	9.26%	8.40%	6.74%	8.55%	8.66%
Net interest margin ratio (NII/Average interest bearing assets)	4.30%	3.76%	4.44%	4.25%	3.80%
Statutory liquidity reserve ratio	22.93%	24.98%	19.93%	23.17%	19.80%
Cash reserve ratio (daily basis)	5.98%	6.00%	5.84%	5.51%	5.51%
Operating profit per employee	4.16	4.21	4.53	3.39	3.13
Operating profit per branch	83.30	86.57	89.99	76.41	70.16
<b>SHARE-DISTRIBUTION METRIC</b>					
Earnings per share (EPS) in BDT (Considering face value at Tk 10 per share).	3.72	4.12	5.36	5.00	3.45
Operating profit per share in BDT (Considering face value at Tk 10 per share)	9.13	8.36	15.10	10.24	17.20
Price earning ratio (times)	8.52	15.97	24.16	12.89	17.07
Market price per share (BDT) as on close of the year at DSE (Considering face value at Tk 10 per share).	31.70	65.80	129.40	64.43	58.93
NAV (book value) per share in BDT (Considering face value at Tk 10 per share).	27.99	31.82	41.37	33.76	34.12
Dividend Cover ratio (times): (EPS/DPS)	1.86	1.18	0.97	1.35	1.73
Dividend (%)	20	35	55	37	20
Cash (%) [proposed for 2012]	20	-	-	20	-
Stock (%)	-	35	55	17	20
Market capitalization (at close of year)	19,374	29,789	37,795	16,083	817
Market price to net assets ratio (times)	1.13	2.07	3.13	1.91	1.73
<b>OTHER INFORMATION (ACTUAL FIGURE)</b>					
No of branches	67	59	49	39	34
No of employees	1,343	1,214	973	878	763
No of deposit accounts	305,363	218,239	194,351	176,080	159,445
No of Loan Accounts	132,238	88,375	65,656	35,125	34,324
No of foreign correspondents	663	660	644	665	876
ATMs	160	125	74	55	36
EBL 365	40	23	5	5	5
SME Centers	50	40	33	23	18
No. of Bills pay Machine	42	27	10	8	5
No. of Priority Center	8	7	6	6	NA

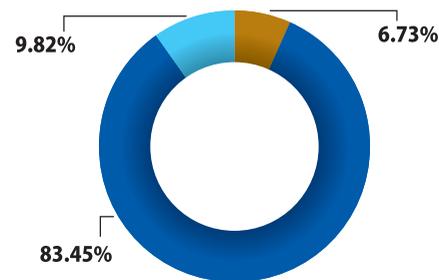
## DISTRIBUTION OF SHAREHOLDING

Shareholders' group	31-12-2012			31-12-2011		
	No. of shares	(%) of share holding	Taka	No. of shares	(%) of share holding	Taka
Directors	192,923,886	31.57%	1,929,238,860	30,480,330	6.73%	304,803,300
General Public	342,083,464	55.97%	3,420,834,640	377,809,189	83.45%	3,778,091,890
Financial Institutions	76,172,435	12.46%	761,724,350	44,436,248	9.82%	444,362,480
<b>Total</b>	<b>611,179,785</b>	<b>100.00%</b>	<b>6,111,797,850</b>	<b>452,725,767</b>	<b>100.00%</b>	<b>4,527,257,670</b>

Shareholding Position: 2012 (%)



Shareholding Position: 2011 (%)



■ Directors ■ General Public ■ Financial Institutions

■ Directors ■ General Public ■ Financial Institutions

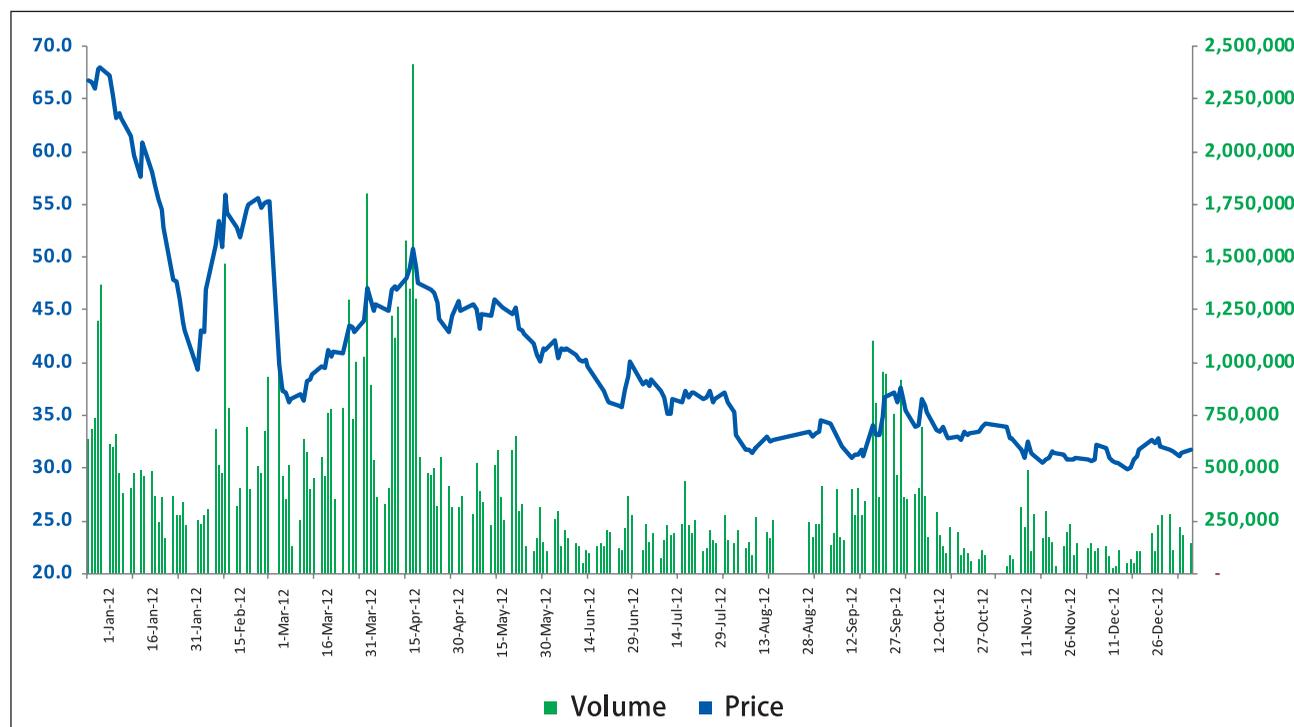
## DIRECTORS SHAREHOLDING STATUS

			31-12-2012	
Sl.	Name	Position	No of Shares Held	% of total shares
1.	M. Ghaziul Haque	Chairman	19,625,599	3.21%
2.	Mir Holdings Ltd. (Represented by Mir Nasir Hossain)	Director	30,476,236	4.99%
3.	A. M. Shaukat Ali	Director	12,518,491	2.04%
4.	Namreen Enterprise Ltd. (Represented by Md. Showkat Ali Chowdhury)	Director	60,908,280	9.97%
5.	Namreen Enterprise Ltd. (Represented by A.Q.I. Chowdhury, OBE)	Director	Mentioned in Sl. No. 4	-
6.	Borak Real Estate (Pvt.) Ltd. (Represented by Salina Ali)	Director	29,315,925	4.80%
7.	Meah Mohammed Abdur Rahim	Independent Director & Director from the Depositors	36,869	0.01%
8.	Aquamarine Distributions Ltd. (Represented by Asif Mahmood)	Director	12,466,796	2.04%
9.	Ormaan Rafay Nizam	Independent Director & Director from the Depositors	-	-
10.	Purnima Construction (Pvt.) Ltd. (Represented by Gazi Md. Shakhawat Hossain)	Director	27,575,690	4.51%
11.	Ali Reza Iftekhar	Managing Director & CEO	-	-
	<b>Total</b>		<b>192,923,886</b>	<b>31.57%</b>

## MARKET PRICE INFORMATION

Month	DSE			CSE			Total Volume on DSE & CSE
	Month High	Month Low	Total Volume	Month High	Month Low	Total Volume	
Jan-12	68.1	46	11,753,400	70.00	45.10	1,006,787	12,760,187
Feb-12	56	39.3	9,965,200	60.00	38.90	1,250,380	11,215,580
Mar-12	55.4	36.3	11,476,800	44.30	35.00	1,380,940	12,857,740
Apr-12	50.8	42.9	19,190,000	55.00	42.00	1,733,403	20,923,403
May-12	46.1	40.2	6,987,800	47.40	38.50	877,846	7,865,646
Jun-12	42.1	35.8	3,462,400	43.00	34.00	787,651	4,250,051
Jul-12	38.4	35.2	4,017,400	40.10	32.20	743,700	4,761,100
Aug-12	35.3	31.5	2,892,800	36.00	30.00	337,723	3,230,523
Sep-12	37.7	31	10,145,200	38.50	29.90	1,198,288	11,343,488
Oct-12	36.5	32.7	3,487,800	37.50	30.00	352,788	3,840,588
Nov-12	32.9	30.5	3,569,200	33.50	30.00	299,475	3,868,675
Dec-12	32.8	29.9	2,489,800	33.10	28.00	376,384	2,866,184

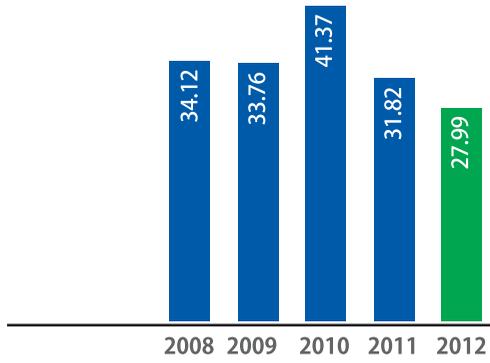
## DSE PRICE VOLUME CHART OF EBL SHARE: 2012



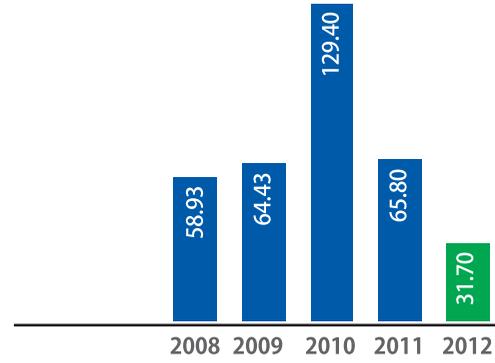
## VITAL GRAPHS

### Key Performance Indicators: Per Share

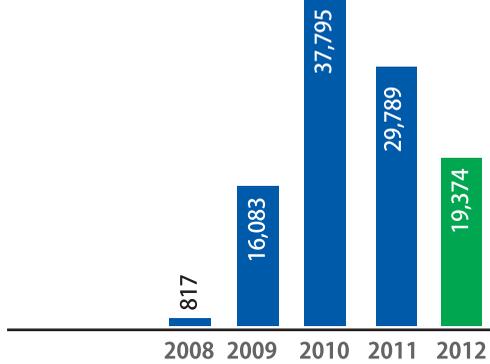
Net Asset Value Per Share  
BDT



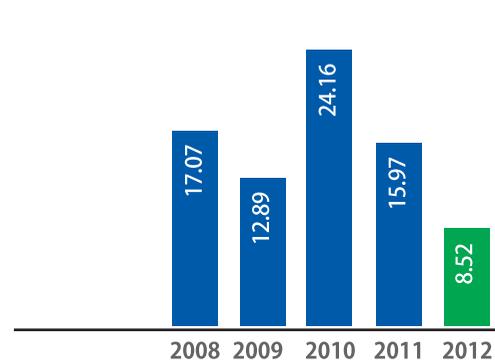
Market Price Per Share  
BDT



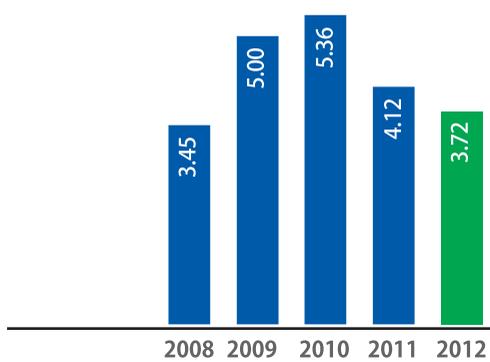
Market Capitalization  
BDT Million



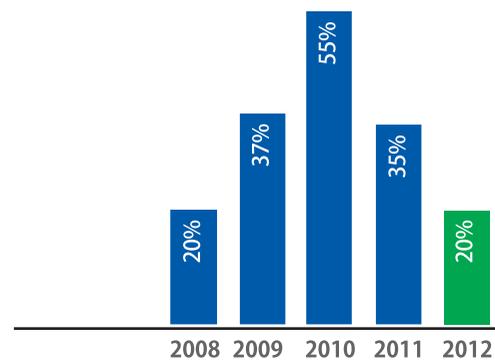
Price Earning Ratio  
Times



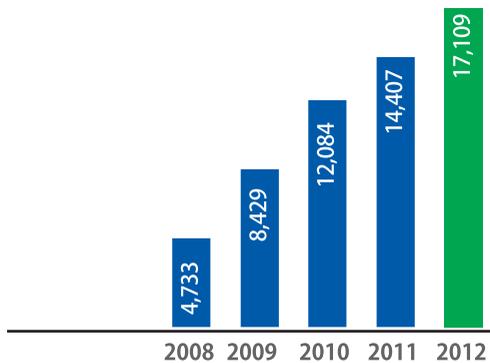
Earnings Per Share  
BDT



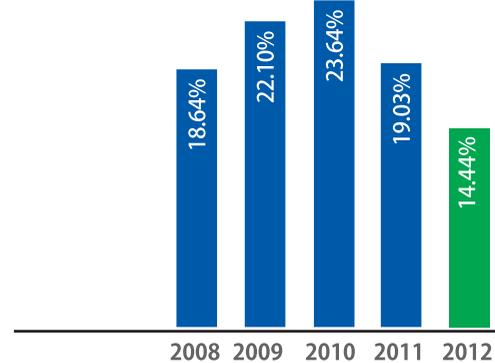
Dividend  
Percentage



Shareholders Equity  
BDT Million

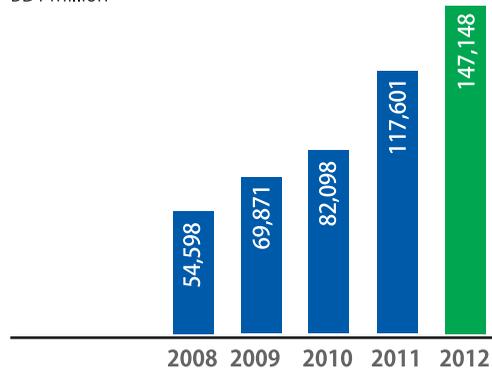


Return on Average Shareholders Equity  
Percentage

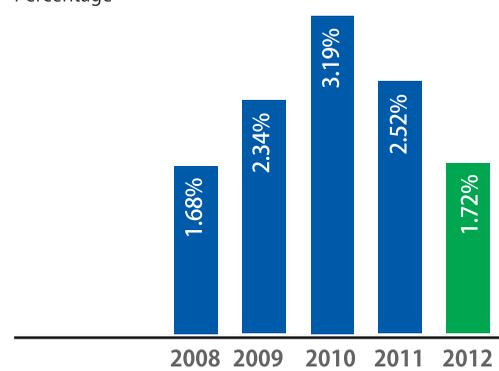


## Year-end Financial Position 2012

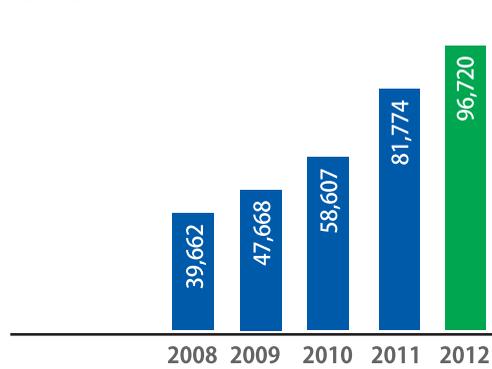
**Total Asset**  
BDT Million



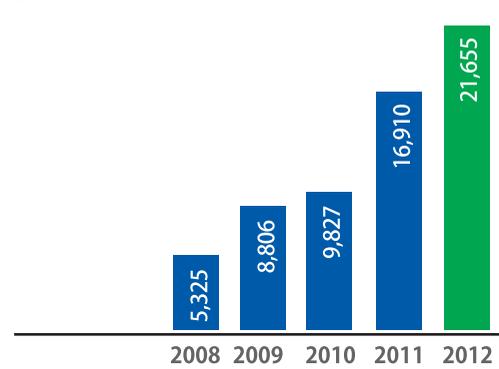
**Return on Average Total Asset**  
Percentage



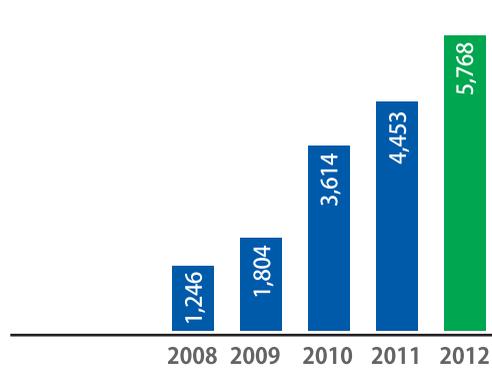
**Loans and advances**  
BDT Million



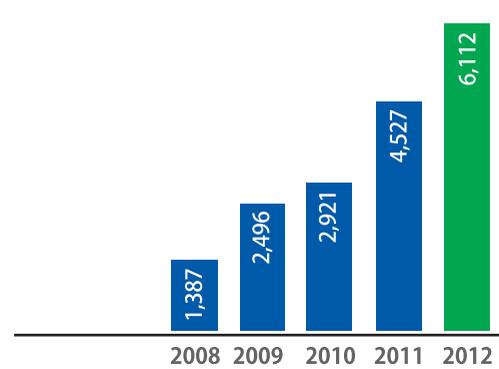
**Investments**  
BDT Million



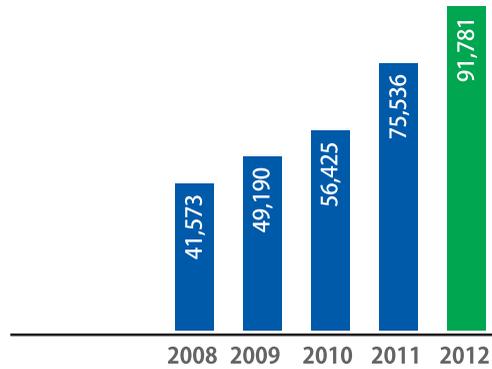
**Fixed assets**  
BDT Million



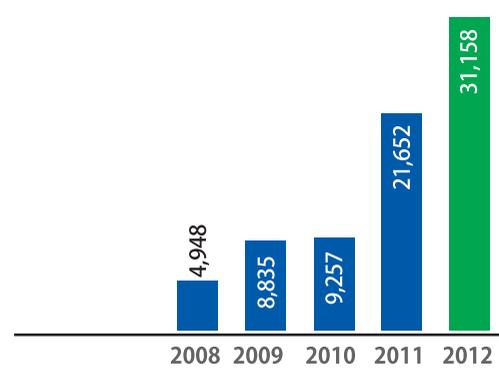
**Paid up capital**  
BDT Million



**Deposits**  
BDT Million

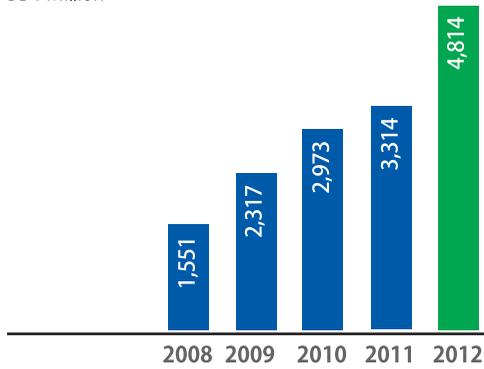


**Borrowings**  
BDT Million

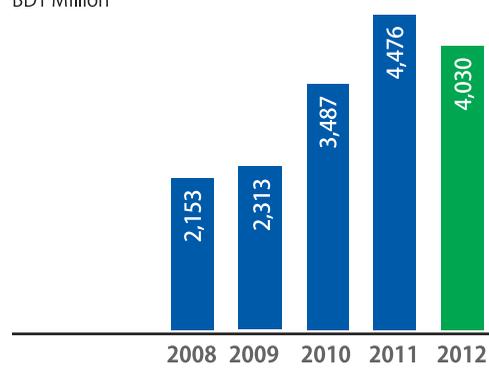


## Performance During The Year 2012

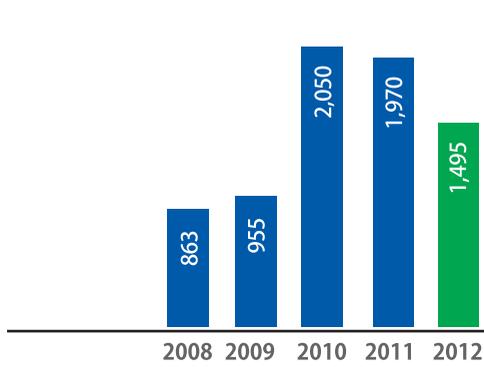
**Net interest income**  
BDT Million



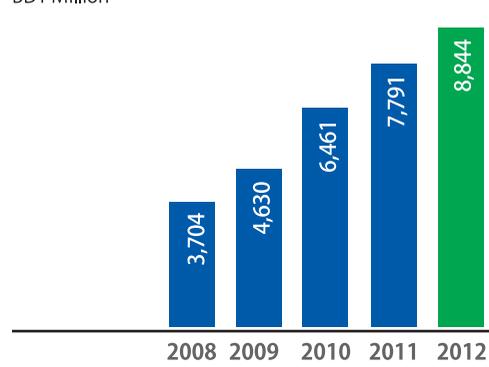
**Non-interest income**  
BDT Million



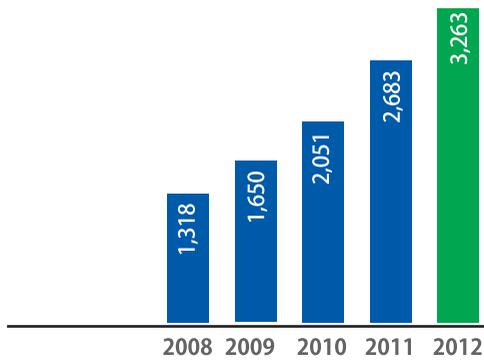
**Investment income**  
BDT Million



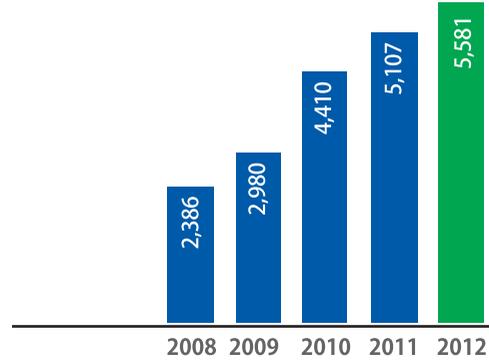
**Operating revenue**  
BDT Million



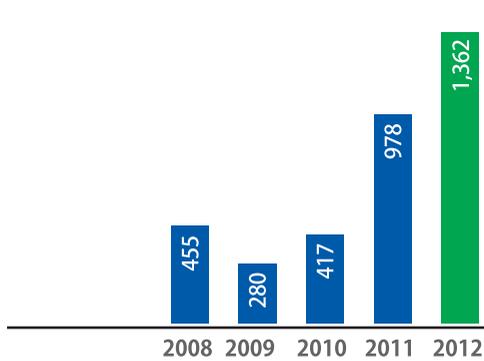
**Operating expense**  
BDT Million



**Operating profit**  
BDT Million



**Total provision**  
BDT Million

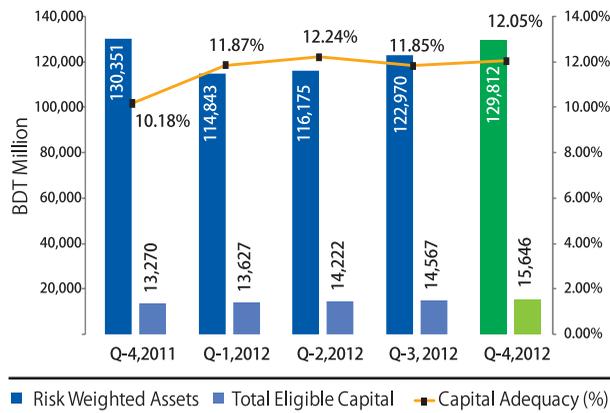


**Profit (Before & After Tax)**  
BDT Million

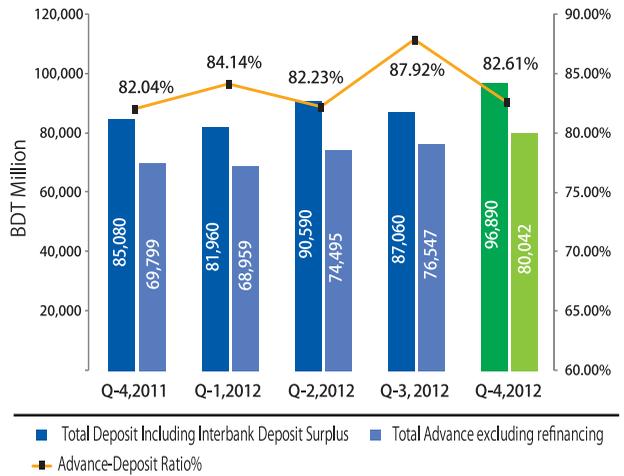


## Following Basics of Banking

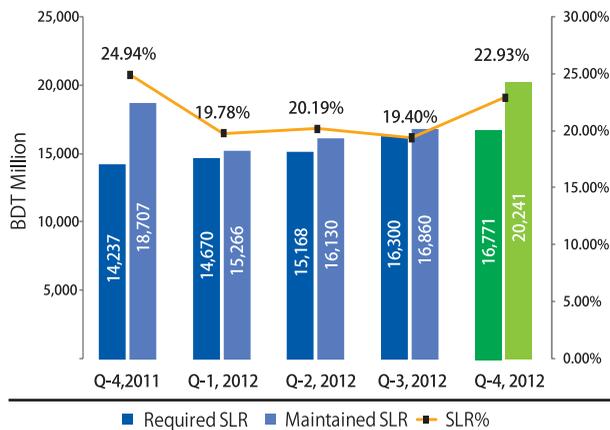
### Quarterly Capital Adequacy Ratio (Solo Basis)



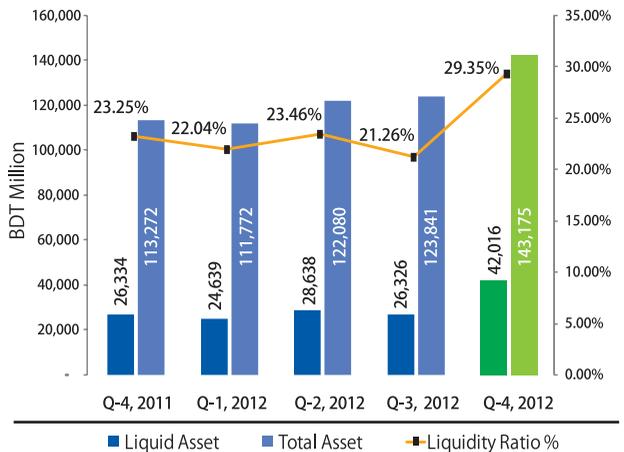
### Quarterly Advance-Deposit (AD) Ratio



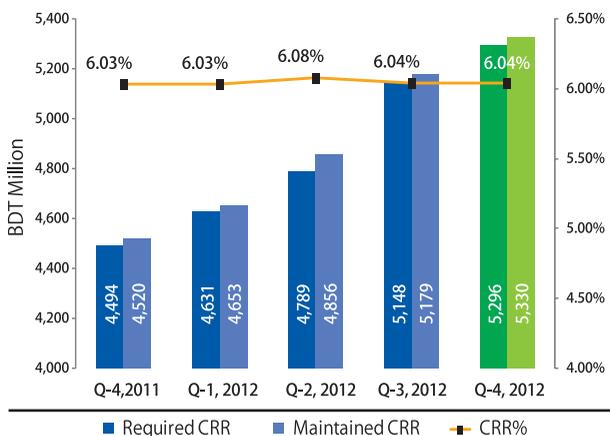
### Quarterly Statutory Liquidity Reserve Ratio (SLR)



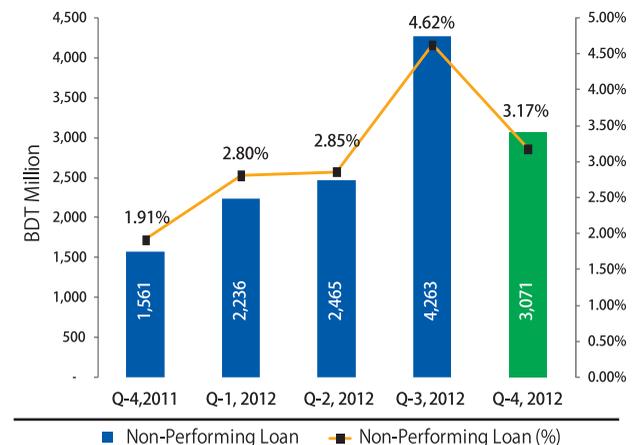
### Quarterly Liquidity Ratio



### Quarterly Cash Reserve Ratio (CRR) Bi-Weekly Basis



### Quarterly Asset Quality (NPL %)



## VALUE ADDED STATEMENT

Value added is the wealth accretion made by Eastern Bank Limited through providing banking and other financial services in 2012 for its employees, directors, government and shareholders in the form of salaries & allowances, remuneration, duties & taxes, net profit after tax respectively and also indicates value of use of fixed assets through depreciation.

### Value Added for the year ended 31 December

Particulars	2012	%	2011	%
	Taka		Taka	
Income from Banking services	17,676,649,445		14,113,923,928	
Less: Cost of services & supplies	(10,096,354,197)		(7,373,255,730)	
	7,580,295,248		6,740,668,198	
Non-banking income	51,838,834		75,392,860	
Provision for loans & other assets	(1,361,700,635)		(978,217,332)	
<b>Wealth creation</b>	<b>6,270,433,448</b>		<b>5,837,843,726</b>	

### Wealth distribution

#### Employees & Directors

Employees as salaries & allowances	1,750,682,613	28%	1,471,530,156	25%
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Directors as remuneration & fees	17,711,880	0.3%	16,558,597	0.3%
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<b>Government</b>	<b>2,027,720,346</b>	<b>32%</b>	<b>1,670,968,227</b>	<b>29%</b>
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Corporate tax	1,944,513,381		1,608,442,948	
Service tax/ Value added tax	81,906,916		61,183,057	
Municipalities/ local taxes	533,669		887,222	
Excise duties	766,380		455,000	

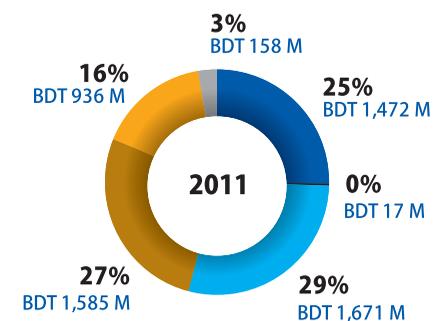
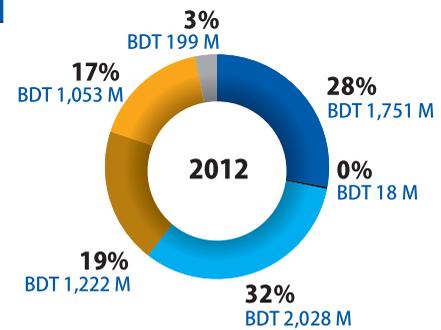
#### Shareholders

Dividend to shareholders	1,222,359,570	19%	1,584,540,185	27%
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#### Retention for future business growth

Retained earnings	1,052,741,140	17%	936,164,229	16%
Depreciation and amortization	199,217,899	3%	158,082,332	3%
	<u>6,270,433,448</u>	<u>100%</u>	<u>5,837,843,726</u>	<u>100%</u>

### Distribution of added value



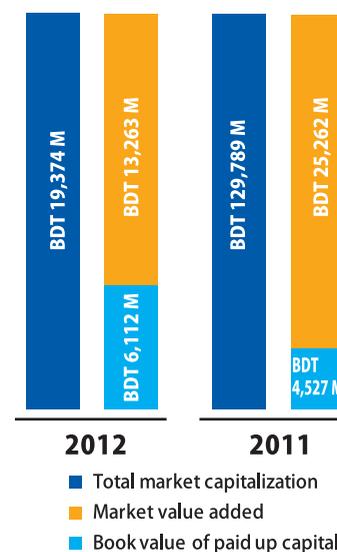
- To employees as salaries & allowances
- To directors as remuneration & fees
- To Govt. as income tax
- To shareholders as dividend
- Retained earnings
- Depreciation and amortization

## MARKET VALUE ADDED (MVA) STATEMENT

Market value added statement reflects the company's performance evaluated by the market through the share price. This amount is derived from the difference between market capitalization and book value of the shares outstanding. It signifies the enhancement of financial solvency as perceived by the market.

### Market Value Added statement as on 31 December

Particulars	2012	2011
Face Value per Share	10.00	10.00
Market value per share	31.70	65.80
Number of shares outstanding	611,179,785	452,725,767
Total market capitalization	19,374,399,185	29,789,355,469
Book value of paid up capital	6,111,797,850	4,527,257,670
Market value added	13,262,601,335	25,262,097,799



## ECONOMIC VALUE ADDED STATEMENT

Economic Value Added (EVA) is the measure of financial performance of an organization. It is based on the principle that since a company's management employs equity capital to earn a profit, it must pay for the use of this equity capital. This management tool is useful to shareholders in particular and other stakeholders in general to take decision for increasing wealth.

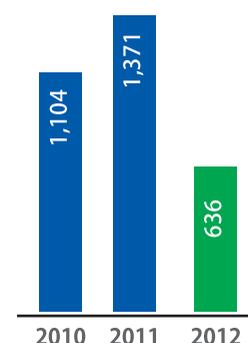
EVA is equal to Profit after Tax (PAT) plus the provision for

loans & other assets less written off during the year minus cost of equity where cost of equity is the opportunity cost that the shareholders forego. This cost of equity is calculated considering the risk free rate based on weighted average rate of 10 years treasury bond issued by Bangladesh Government plus 2% risk premium. EBL management is deeply concerned for maximization of wealth of its shareholders and other equity providers.

### EVA statement for the year ended 31 December

Particulars	2012	2011	2010
Shareholders equity	17,109,339,472	14,407,051,469	12,083,554,563
Add: Accumulated provision for loans & advances and other assets	3,695,777,983	2,689,027,412	1,744,972,617
Capital Employed (Average Shareholders' equity)	20,805,117,455	17,096,078,881	13,828,527,180
Earnings	18,950,598,168	15,462,303,031	11,931,381,438
Profit after tax	2,275,100,710	2,520,704,414	2,424,789,795
Add: Provision for loans & advances and other assets during the year	1,361,700,635	978,217,331	417,171,855
Less: Written off loans during the year	385,918,914	79,565,429	366,107,376
	3,250,882,430	3,419,356,316	2,475,854,274
Average cost of equity (Based on weighted average rate of 10 years treasury bond issued by the Bangladesh Government) Plus 2% risk premium	13.80%	13.25%	11.50%
Capital charge (Cost of average equity)	2,615,182,547	2,048,755,152	1,372,108,865
<b>Economic Value Added</b>	<b>635,699,883</b>	<b>1,370,601,164</b>	<b>1,103,745,408</b>

**Economic Value Added**  
BDT Million



## FINANCIAL CALENDAR

### Quarterly Results

Particulars	Submission Date to BSEC	Publication Date on Dailies/Website
Audited consolidated results for the 4th quarter ended 31 December 2011	March 13, 2012	March 26, 2012
Unaudited consolidated results for the 1st quarter ended 31 March 2012	May 10, 2012	May 10, 2012
Unaudited consolidated results for the 2nd quarter and half-year ended 30 June 2012	July 30, 2012	August 1, 2012
Unaudited consolidated results for the 3rd quarter ended 30 September 2012	October 25, 2012	October 30, 2012

### Dividends

Distribution of 35% stock dividend in respect of financial year ended 31 December 2011	Record date	March 1, 2012
Issuance of Bonus/Stock Dividend	Allotment Date	April 10, 2012
20th Annual General Meeting	Notice Date	March 01, 2012
20th Annual General Meeting	Held On	March 28, 2012

### Taxation on Dividend Income

Stock dividend is tax exempted. In case of cash dividend, following is the current deduction of tax at source on dividend income as per current fiscal act:

- If the shareholder is a company, either resident or non-resident, at the rate applicable to the company i.e. 20%
- If the shareholder is a resident person, other than company, at the rate of 10%
- If the shareholder is a non-resident (Other than Bangladeshi) person, other than company, at the rate of 25%

Since stock dividend is out of the loop of withholding tax deduction, its effective rate of return is much higher than cash dividend.

### Taxation Arising From Capital Gain

Capital gain arising from transfer or sale of Government Securities is tax exempted. Capital gain arising from transfer or sale of Stocks and Shares of publicly listed companies listed with stock exchanges is taxable at the rate of at least 10%. For non-resident the tax exemption on capital gain shall be allowed if the similar exemption is allowed in the country of residence of the non-resident.

### Other Information

#### Exchange controls and other limitations affecting equity security holders

Non-residents can buy and sell EBL's share and transfer the dividends after complying with Foreign Exchange Transaction Guidelines 1996 and SEC Rules.

#### Stock Details

Particulars	DSE	CSE
Stock Symbol	EBL	EBL
Company Code	148	22025
Listing Year	1993	2004
Market Category	A	A

Particulars	DSE	CSE
Electronic Share	Yes	Yes
Market Lot (Nos)	200	200
Face Value (Taka)	10	10
Total Number of Securities (Nos)	611,179,785	611,179,785

## Accessibility of Annual Report 2012

Annual Report 2012 and other information about EBL may be observed on EBL's website [www.ebl.com.bd](http://www.ebl.com.bd). EBL provides copies of Annual Reports to the Bangladesh Securities and Exchange Commission, Bangladesh Bank, Dhaka Stock Exchange and Chittagong Stock Exchange for their reference. Respectable stakeholders may read them at their public reference room or library.

## REDRESSAL OF INVESTORS COMPLAINTS

The Board Secretariat of EBL maintains effective communication and provides necessary services to shareholders including redressing investors' complaints, if any. Common services include but not limited to allow or rejection of transfer or transmission of shares, issue of duplicate certificates, allotment of shares issued from time to time, opening and operation of bank accounts for payment of dividend, redemption of paper shares and the listing of securities on stock exchanges etc. Any complaint, received at AGM or throughout the year, related to transfer or transmission of shares, non-receipt of Annual Reports & dividends timely and other share related matters is resolved lawfully in time. During 2012, only 1 (one) complaint was received from a shareholder which was resolved in time.

The Company Secretary of EBL plays the role as a Chief Compliance Officer in handling any such issue related to our shareholders, investors etc.

## Stakeholders Inquiries

Share Department  
Jiban Bima Bhaban  
10, Dilkusha C/A, Dhaka-1000  
PABX-02-9556360  
Email: [info@ebl-bd.com](mailto:info@ebl-bd.com)  
Web: [www.ebl.com.bd](http://www.ebl.com.bd)

## GLIMPSES OF THE 20TH AGM



Registration of shareholders for the 20th AGM-2012 of EBL in progress



Directors of EBL and MD & CEO of the bank are seen on the dias at the 20th AGM in 2012



Chairman of EBL Mohd. Noor Ali addressing the 20th AGM of the bank



A section of the shareholders attending the 20th AGM of EBL in 2012



A shareholder speaks while CS of the bank Safiar Rahman looks on at the 20th AGM.



A shareholder gives her opinion about the annual report at the 20th AGM



# report on corporate governance

## Conceptual Framework

Corporate governance (CG) is the system of principles, policies, procedures and clearly defined responsibilities and accountabilities framed by key stakeholders to overcome the conflicts of interest inherent in the corporate form. Corporate in today's business world is subject to a variety of conflicts of interest due to its inherent complexities in forms and structures. So, two major objectives of corporate governance can be:

- To eliminate or mitigate conflicts of interest particularly those between management and shareholders.
- To ensure that the assets of the company are used efficiently and productively and in the best interests of its shareholders and other stakeholders.

From the view point of conflicts of interest, two relationships (between management and shareholders and directors and shareholders) are the primary focus of most of the systems of corporate governance. Board of directors is a critical component of the check and balance system that lies at the heart of corporate governance system. Board members owe a duty to make decisions based on what ultimately is best for the long-term interests of the shareholders. In order to do this effectively, Board members need a combination of three things: independence, experience and resources.

## Corporate governance practices at EBL

*As a Bangladesh-incorporated bank, the Bank is guided in its corporate governance practices mainly by two regulatory bodies: Bangladesh Bank (Central Bank of Bangladesh) and Bangladesh Securities and Exchange Commission (BSEC).*

However, the Bank's corporate governance philosophy encompasses not only regulatory and legal requirements but also various internal rules, policies, procedures and practices based on the best practices of local and global banks. At EBL we attach a simple meaning to 'Corporate Governance' which is 'Due

Diligence' in observing responsibilities by Board as well as by management to safeguard interest of key stakeholders i.e. depositors, shareholders, employees and the society at large. Two very important pillars of a good corporate governance structure are "Transparency" and "Accountability" backed by strong Internal Control and Compliance Structure and MIS capabilities.

## Structure of the Board

According to Clauses 94 of the Articles of Association of Eastern Bank Limited, the Board of Directors is currently constituted with 11 directors among whom 10 (ten) are Non executive directors including the Chairman and 1 (one) is Managing Director (Ex-Officio). Regarding the Independent (Non-shareholder) Directors as guided by BSEC CG guidelines (No. 1.2), the Board is constituted including two Independent Directors in the present Board of Directors of EBL. The Board also appointed two Directors from among the Depositors as per Rule 2008 of Bangladesh Bank.

## Retirement and Election of Directors

According to clauses 105 and 106 of the Articles of Association of Eastern Bank Limited, the following director retired and being eligible for re-election, were re-elected at the 20th Annual General Meeting (AGM) held on 28 March 2012.

SL. No.	Name of Director	Mode of Change
1.	A. M. Shaikat Ali	Re-elected

To comply with the SEC Notifications dated 22 November 2011 and 07 December 2011, the following Directors resigned from the office of Directors in the same AGM:

1. Mohd. Noor Ali
2. Mir Nasir Hossain
3. Md. Showkat Ali Chowdhury
4. A. Q. I. Chowdhury, OBE
5. M/s. Unique Eastern (Pvt.) Ltd.  
[Represented by Gazi Md. Shakhawat Hossain]

The following Directors were elected at the 20th AGM of EBL after fulfilling the conditions mentioned in the SEC Notifications dated 22 November 2011 and 07 December 2011 respectively:

1. Mir Nasir Hossain – Representing: Mir Holdings Ltd.
2. Md. Showkat Ali Chowdhury – Representing: Namreen Enterprise Ltd.
3. A. Q. I. Chowdhury, OBE - Representing: Namreen Enterprise Ltd.
4. Salina Ali - Representing: Borak Real Estate (Pvt.) Ltd.
5. Gazi Md. Shakhawat Hossain – Representing: Purnima Construction (Pvt.) Ltd.

As per Clauses 105 & 106 of the Articles of Association of the Bank (EBL), 3 (three) Directors shall retire by rotation from the office of the Directors in the 21st AGM.

All the retiring Directors will be eligible for re-election in the ensuing 21st AGM subject to compliance with the SEC Notifications dated 22 November 2011 and dated 07 December 2011 respectively.

## Board meetings and attendance

The Board of Directors holds meetings on a regular basis: usually twice a month but emergency meetings are called when required. At each meeting, management provides information, references and detailed working papers for each agenda to all Directors for consideration sufficiently before the date fixed for the meeting. At the meeting, the Chairman of the Board of Directors allocates sufficient time for the Directors to consider each agenda item in a prudent way and allow them to freely discuss, inquire, and express opinions on the items of interest so that they can fulfill their duties to the best of their abilities. During the year 2012, total 26 Board Meetings were held; the attendance records of those meetings are as follows:

Sl.	Name	Position	Total No. of Meetings Held	No. of Meetings attended
1.	M. Ghaziul Haque	Chairman (From 29.03.2012)	26	23
2.	Mohd. Noor Ali	Chairman (up to 28.03.2012)	26	06
3.	Mir Nasir Hossain (Representing Mir Holdings Ltd.)	Director	26	17
4.	A. M. Shaukat Ali	Director	26	22
5.	Md. Showkat Ali Chowdhury (Representing Namreen Enterprise Ltd.)	Director	26	21
6.	A.Q.I. Chowdhury, OBE (Representing Namreen Enterprise Ltd.)	Director	26	19
7.	Salina Ali (Representing Borak Real Estate (Pvt.) Ltd.)	Director (From 28.03.2012)	26	13
8.	Meah Mohammed Abdur Rahim	Independent Director & Director from the Depositors	26	18
9.	Asif Mahmood (Representing Aquamarine Distributions Ltd.)	Director	26	19
10.	Ormaan Rafay Nizam	Independent Director & Director from the Depositors	26	11
11.	Gazi Md. Shakhawat Hossain (Representing Purnima Construction (Pvt.) Ltd.)	Director	26	23
12.	Ali Reza Iftekhar	Managing Director & CEO	26	22

The Directors who could not attend the meeting(s) were granted leave of absence by the Board.

## Ownership Composition

As on 31 December 2012 the Directors of Eastern Bank Limited held only 31.57% of total shares as opposed to 6.73% at year end 2011:

Sl.	Composition	31-12-2012		31-12-2011	
		No of Shares Held	% of total shares	No of Shares Held	% of total shares
1	Directors	192,923,886	31.57%	30,480,330	6.73%
2	General Public	342,083,464	55.97%	377,809,189	83.45%
3	Financial Institutions	76,172,435	12.46%	44,436,248	9.82%
		<b>611,179,785</b>	<b>100.00%</b>	<b>452,725,767</b>	<b>100.00%</b>

## Directors Shareholding Status

As per SEC Notifications dated 22 November 2011 and dated 07 December 2011, each Director other than Independent and Depositors Director (s) of any listed company shall hold minimum 2% (two percent) shares of the paid up capital by 21 May 2012, otherwise there shall be a casual vacancy of director (s). And all sponsors/

promoters and directors of a company listed with any stock exchange shall all time jointly hold minimum 30% (thirty percent) shares of the paid up capital of the company.

All the eligible directors of EBL have taken required number of shares to comply with the above notifications.

Shareholding structure of directors is as follows:

Sl.	Name	Position	31-12-2012	
			No of Shares Held	% of total shares
1.	M. Ghaziul Haque	Chairman	19,625,599	3.21%
2.	Mir Holdings Ltd. (Represented by Mir Nasir Hossain)	Director	30,476,236	4.99%
3.	A. M. Shaukat Ali	Director	12,518,491	2.04%
4.	Namreen Enterprise Ltd. (Represented by Md. Showkat Ali Chowdhury)	Director	60,908,280	9.97%
5.	Namreen Enterprise Ltd. (Represented by A.Q.I. Chowdhury, OBE)	Director	Mentioned in Sl. No. 4	-
6.	Borak Real Estate (Pvt.) Ltd. (Represented by Salina Ali)	Director	29,315,925	4.80%
7.	Meah Mohammed Abdur Rahim	Independent Director & Director from the Depositors	36,869	0.01%
8.	Aquamarine Distributions Ltd. (Represented by Asif Mahmood)	Director	12,466,796	2.04%
9.	Ormaan Rafay Nizam	Independent Director & Director from the Depositors	-	-
10.	Purnima Construction (Pvt.) Ltd. (Represented by Gazi Md. Shakhawat Hossain)	Director	27,575,690	4.51%
11.	Ali Reza Iftekhar	Managing Director & CEO	-	-
<b>Total</b>			<b>192,923,886</b>	<b>31.57%</b>

### Shareholding of CEO, HOF, CS, Head of ICC and top 5 Salaried Executives

Please refer to Note 14.1 of FS 2012.

### Separation of Chairman and Chief Executive Officer Roles

In compliance with Bangladesh Bank BRPD Circular No. 06 dated 04 February 2010 and Clause 1.4 of BSEC CG Guidelines dated 07 August 2012, we report that the Chairman of the Board Mr. M. Ghaziul Haque has been elected from among the directors and there are clear and defined roles and responsibilities of the Chairman and the Chief Executive Officer Mr. Ali Reza Iftekhar.

The Chairman of the Board approves the agenda for the Board meetings, assisted by the Managing Director and the Company Secretary. Regular agenda items include approving credits beyond CEO's authority and aspects of the Bank's corporate strategy, financial performance, core risks and credit policy, corporate governance, CSR and organizational structure, human resources policy, customer and services strategies, procurement policy, etc.

On the other hand, CEO, being the Head of management team of the Bank, is accountable to the Board and its Committees to run and manage the Bank in accordance with the prescribed policies, principles and strategies established by the Board and rules, regulations

and guidelines from the Central Bank, BSEC and other regulatory authorities. Management's primary responsibilities are to:

- Manage the operation of the Bank safeguarding interests of customers and other stakeholders in compliance with the highest standards of ethics and integrity;
- Implement the policies and strategic direction established by the Board;
- Establish and maintain a strong system of internal controls;
- Ensure that the Bank's compliance with applicable legal and regulatory requirements.

### Responsibilities of the Chairman of the Board

To set out the following responsibilities, BRPD Circular No. 06 dated 04 February 2010 issued by Bangladesh Bank and Corporate Governance Notification issued by BSEC on 07 August 2012 has been taken into consideration.

#### The overall responsibility of the Chairman is to:

- Ensure that the Board sets and implements the Bank's direction and strategy effectively.

- Act as the Bank's lead representative, explaining aims and policies to the Shareholders.
- Ensure no participation in or interfere into the administrative or operational and routine affairs of the Bank.

### **The specific responsibilities of the Chairman, among others, are to:**

- Provide over all leadership to the Board, supplying vision and imagination, working closely with the CEO.
- Take a leading role in determining the composition and structure of the Board which will involve regular assessment of the:
  - size of the Board
  - interaction, harmony and involvement of the directors
- Set the Board's Agenda and plan Board Meetings.
- Chair all Board Meetings, directing debate towards consensus.
- Ensure the Board receives appropriate, accurate, timely and clear information.
- Chair the AGM and other Shareholders' Meetings to foster effective dialogue with Shareholders.
- Ensure that the views of shareholders are communicated to the Board as a whole.
- Work with Chairman of Board Committees.
- Conduct (if required) on-site inspection of any bank-branch or financing activities under the purview of the oversight responsibilities of the Board.

### **Benefits provided to Directors and Managing Director**

As per Bangladesh Bank BRPD Circular No. 09 dated 19 September 1996 banks in Bangladesh can only provide the following facilities to the Directors:

- The Chairman of the Board of Directors may be provided car, telephone, office chamber and private secretary.
- In addition to the above, Directors are entitled to fees and other benefits for attending the Board/ Executive Committee meetings (Notes to the Financial Statements No. 39)
- Managing Director is paid salaries and allowances as per approval of the Board and Bangladesh Bank (Notes to the Financial Statements No. 38)

The Bank (EBL) has fully complied with Bangladesh Bank Circular and Guidelines.

### **Appointment of External Auditors**

The Board of Directors of EBL in the 20th AGM held on 28 March 2012 appointed Hoda Vasi Chowdhury & Co., Chartered Accountants (an Independent Correspondent Firm to Deloitte Touche Tohmatsu) as the statutory auditors for the year 2012.

### **Services not Provided by External Auditors**

Complying with provision 4 of BSEC guidelines we declare that Hoda Vasi Chowdhury & Co., Chartered Accountants, involved in statutory audit, was not engaged in any of following services during 2012:

- Appraisal or valuation services or fairness opinions.
- Financial information system design and implementation.
- Bookkeeping or other services related to accounting records or financial statements.
- Broker-dealer service.
- Actuarial services.
- Internal audit services.
- Any other service that the Audit Committee determines.

No partner or employees of the Hoda Vasi Chowdhury & Co., Chartered Accountants, possesses any share of the EBL during the tenure of their audit assignment at EBL.

### **Highlights on Central Bank Inspections**

Bangladesh Bank carried out a comprehensive inspection of EBL Head Office and 10 branches (among 49 branches) based on 30-09-2011, 07 core risks based on 30-06-2011 financials and information along with Foreign Exchange & Trade, Dhaka. They submitted their detailed inspection report during 2012 which was placed to the Audit Committee of the Board first and then to the Board. Major findings of the inspection were discussed in a meeting participated by the Board, Bangladesh Bank representatives and related management personnel of the Bank. The Board took the observations with utmost importance and instructed management to comply with BB suggestions for improvement. BB also conducted several other audits on different units/departments of the bank all the year round which include Treasury Department, Trade Service Department, Credit Administration Department and Off-shore Banking Unit etc.

Bangladesh Bank has also completed their comprehensive inspection at our 11 branches based on 30-09-2012 financials and information while Head Office inspection is yet to be completed.

### **Related Party Transactions**

The Bank in its ordinary course of business accomplished financial transactions with some entities or persons that fall within the definition of 'Related Party' as contained in BAS 24 (Related Party Disclosures) and as defined in Bangladesh Bank BRPD circular 14, 2003. As on the reporting date, the bank had a funded line to its subsidiary (EBL Securities

Ltd.), non-funded exposures to some current and ex directors, credit card limit to few of its directors. Besides, the Bank had procured some goods and services from the entities of related party during 2012. Please refer to Annexure C1 (page no. 238) for details of related party transactions.

## Board Committees and their responsibilities

To ensure good governance i.e. corporate governance in bank management, **Bangladesh Bank issued a circular (BRPD Circular No 06 dated 04 February 2010) through which it restricted banks to form more than two committees or sub-committees of the Board.**

To ensure proper accountability and transparency through 'due diligence', EBL has two Board committees namely Audit Committee and Executive Committee mainly to oversee and direct the operations, performance and strategic direction of the Bank. The composition of both the Board Committees is presented in the page no16.

### Audit Committee (AC)

**Regulatory Guideline:** As per new Circular of Bangladesh Bank BRPD Circular Letter No. 08, dated 19 June 2011, Audit Committee (AC) of EBL Board was re-constituted in the Emergency Board Meeting held on 29 June 2011 to provide independent oversight of the company's financial reporting, non-financial corporate disclosures, internal control systems and compliance to governing laws, rules and regulations etc.

On 07 August 2012, the Bangladesh Securities and Exchange Commission (BSEC) had issued a new Corporate Governance (CG) Guidelines on "Comply Basis" instead of 'Comply or Explain Basis' (earlier CG Guidelines issued on 20 February 2006) for all Companies listed with any stock exchange in Bangladesh. According to Section 3.2 (i) of the Corporate Governance Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012, the Audit Committee of EBL Board was again re-constituted in the Board Meeting held on 5 December 2012. Now the Chairman of the AC of EBL is an Independent Director. Details of AC members are stated in page no 16.

**Our Practices:** The Audit Committee of EBL held 5 (Five) meetings in the year 2012 and had detailed discussions and review session with the Head of Internal Audit, Head of Internal Control & Compliance, External Auditors etc. regarding their findings, observations and suggestions with corrective measures on the related areas and on other issues of bank affairs that need improvement. The AC instructed the management to follow those suggestions and monitored accordingly from time to time.

The major areas focused by the Audit Committee of the Bank during the year 2012 are presented in the Report of the Audit Committee.

The Minutes of the Audit Committee Meetings containing various suggestions & recommendations to the Management and the Board are placed to the Board for ratification on a regular basis.

### Executive Committee (EC)

**Regulatory Guideline:** In Compliance with BRPD Circular No. 06 dated 4 February 2010 and BRPD Circular Letter no. 04 dated 14 March 2010, the Board of Directors of EBL re-constituted the Executive Committee (EC) of the Board in the Board Meeting held on 03 April 2012 which was duly confirmed by the Board in the next meeting.

**Our Practices:** This Committee is comprised of 3 (Three) Non-Executive Directors and Managing Director of the Bank. This EC is entrusted with the following broader responsibilities and functions:

- Establish and periodically review the Bank's overall credit and lending policies and procedures.
- Develop and implement uniform and minimum acceptable credit standards for the Bank.
- Approve all revision, restructure and amendments made to the credit proposals initially approved by this Committee.

Since the current size of the Board of EBL (11 members including MD & CEO) is slim enough to hold two meetings in a month on a regular basis, there were not so many urgent issues for EC to deal with during 2012. Hence, only two EC meetings were held during the year 2012.

### No Remuneration Committee but Activities

As the Bank is restricted (by central bank) to have more than two sub-committees of the Board, the Board oversees the recruitment and remuneration process of the employees by reviewing and approving of the following:

1. Human Resources (HR) Policies i.e. "People Management Manual" of the Bank.
2. Directly involved in recruitment, promotion and remuneration process of top executives (Up to two-level below the rank of the Managing Director) as per the Bangladesh Bank Circular (BRPD Circular No.06 dated 04 February 2010).
3. Other than the above as mentioned in (2), all appointments, promotions and fixing remuneration are made by the Managing Director of the Bank as authorized by the Board.
4. Board also approves the appointment of Management Consultants one-off basis for conducting periodic (usually once in every two years) Salary Survey to determine EBL's competitive position with peer Banks in the industry. Based on the Survey Result, Board approves required adjustments to existing benefit packages for the employees of the Bank.

## Management committees and their responsibilities

In an effective CG structure, corporate/bank management has a collective mandate under the leadership of MD & CEO to carry out daily operations to the best interest of the stakeholders. Besides conventional segregation of functional departments, EBL has some designated committees entrusted with specific objectives. The composition of all these committees are presented in the page number 28.

- Monthly review of control and compliance (internal and regulatory) issues.
- Consider and propose innovative projects, products and services as well as management methodology and business strategies to the Board of Directors (if needed).
- Management and development of human resources.
- Exploring ways to strengthen and vitalize support functions (Operations, HRD, ITD, CRM etc.).



### Management Committee (MANCOM)

**MANCOM** is considered the highest decision and policy making authority of the Bank which consists of the CEO and different business and support unit heads.

#### Scope of the Committee

- Set or review vision, mission and strategies of the Bank as a whole and for business units for effective discharging of management responsibilities.
- Strategic and tactical decisions relating to business, credit, operations, administration, HR, internal and financial control and compliance etc.
- Analysis of business and financial performance of the Bank.
- Review and discuss policies and procedures of the Bank and make changes if necessary before taking to the Board (if needed).
- Finalize periodic (usually once in a year) employee performance appraisal and promotions.
- Market analysis and internal service quality.
- Discuss and approve Budget before forwarding to Board.
- Empowered to co-opt any other member as deemed and decided suitable by MANCOM.
- Acting Managing Director can preside over the MANCOM meeting in absence of MD.

#### Routine work of the Committee

- Monthly business and financial performance analyses.
- Monthly business review and analysis of each business units (Corporate, Consumer, SME and Treasury) performance.

### Frequency of the Meeting

Usually MANCOM sits once in every month. However, EBL MANCOM held 7 meetings during the year 2012.

### Expanded Management Team (EMT)

Expanded Management Team (EMT) is a platform to enhance leadership capability of the potential individuals to drive business results.

#### Scope of EMT

The team is represented by member (s) from every division and is accountable to Management Committee for its deliverables. Chairman of this EMT is a MANCOM member by default who acts as a bridge between EMT and MANCOM. Chaired by Syed Rafiqul Haq, SEVP & Area Head, Corporate Banking, Dhaka, EMT comprises mid level managers (26 members at present) from cross sections nominated by their respective divisional heads on yearly basis. The Scope of this team is to excel the projects and initiatives approved by the MANCOM.

### Bank Risk Management Committee (BRMC)

Following BB instructions (DOS EW 1164/14 EBL/2009-449 dated 10 June 2009 and DOS EW 1164/14 EBL/2009-590 dated 24 September 2009), the Bank formed a separate risk management unit named 'Bank Risk Management Committee(BRMC)' with DMD (Operations) in the chair, to ensure proper and timely identification, measurement and mitigation of risks exposed by the bank in a comprehensive way. This committee and its Terms of Reference (TOR) were subsequently approved by the Board in its 445 meeting dated 14 July 2010. At present, this committee is being headed by the Head of ICC.

#### Scope of BRMC

This committee is designated as a 'Supervisory Review Process Team or SRP Team' as BB instructed all scheduled banks (BRPD Circular no 13 dated 21 April 2010) to

form such team or committee to ensure maintenance of sufficient capital to fully cover their risk exposure. Furthermore, determination of level of adequate capital will be subject to evaluation and dialogue between Bangladesh Bank (BB) and the well designated SRP team of banks. Major functions of BRMC are:

- Ensure through independent oversight that different risks are identified, evaluated, monitored and reported within the established risk management framework.
- Oversee the capital management functions of the bank in consistence with the risk based capital adequacy/measurement accord (Basel II).
- Review market conditions and take precautionary measures towards facing abnormal market situation and vulnerability of investments of the bank.
- Conduct periodic Stress Test so that any errors or lapses are eliminated gradually during daily operation of the bank.

#### Frequency of the Meeting

As suggested by BB, meeting of this committee should be held at least once in every month, it can be more upon necessity. The minutes of the meeting are being forwarded to Department of Offsite Supervision (DOS) of BB on quarterly basis. This committee directly reports to the Managing Director & CEO and submits reports on monthly basis.

However, BRMC as the designated SRP team of the bank is yet to sit in any dialogue session with Bangladesh Bank.

#### Asset Liability Committee (ALCO)

ALCO of EBL was engaged with full of activity in setting strategies and revamping previously taken strategies to cope with current market scenario.

#### Scope of ALCO

- Measuring overall risk appetite of the bank both in banking book and in trading book.
- Measuring liquidity requirement of the bank in various time buckets and taking strategic and proactive actions to meet the requirements.
- Monitoring the interest rate risk of the bank and taking actions to keep the interest rate gap at the desired level.
- Monitoring the movement of macro variables and yield curve shift and taking strategy for short, mid and long term interest rate risk management.
- Keeping the balance sheet mix at desired level for Main Operation and OBU.
- Measuring and monitoring concentration risk, diversification and product profitability.

#### Frequency of the Meeting

As suggested by BB, meeting of this committee should be held at least once in every month, it can be more upon necessity.

#### Bank Operational Risk Committee (BORC)

It's a key 'Operations Risk Management' forum of the bank to identify, measure, manage and monitor issues that expose the bank to operational risks.

#### Scope of BORC

- To transform a somewhat 'form filling exercise' into a proactive forum of senior management to discuss, evaluate and decide on existing and potential operation risks.
- To ensure that Managing Director & CEO is being informed timely regarding status of compliance by the respective employees.
- To ensure compliance with business/function operation risk policies and procedures across all units in the bank.
- To ensure that operation risks identified within businesses are assessed in terms of wider implications of business and strategic risks and those risks are reviewed and reported accordingly.
- To assess reputational implication of operation risks identified and ensure that MANCOM is duly updated of the same.
- To ensure that all significant issues raised through internal audit and regulatory review are resolved effectively within agreed timeline.
- To ensure implementation of the real time incident reporting process.

#### Frequency of the Meeting

This committee meets once in every month.

#### Investment Committee (IC)

This three member committee looks after investment in capital market and meets as and when required. They oversee and monitor to ensure that the investment decisions are carried out as per approved strategy and investment policy. This committee regularly monitors our 'Holding of Shares' and 'Capital Market Exposures' and ensures keeping investments within prescribed limit (currently 10% of total liabilities) stipulated by Bangladesh Bank.

#### Purchase Committee (PC)

The seven member Purchase Committee (PC) drawing members from Administration, Operations, HRD, Finance, projects, IT and Marketing, plays an instrumental role in the procurement procedure of the Bank.

### Scope of PC

The main objectives of this committee are to contribute towards sustainable development of the bank following Board approved procurement policy and ensure that value for money is achieved in all procurement activities. Following is the charter of this committee:

- This committee recommends the lists of vendors for annual enlistment after thorough investigation of submitted documents and physical visit of vendors' facilities, if required, to the Managing Director & CEO for final approval.
- The procurement divisions such as Administration, IT, Cards and Brand & Communication refer all purchases of BDT 1.00 lac and above to this committee.
- As per Procurement and Disposal Manual, sealed quotations are opened by purchase committee and recommend the vendors considering price and quality of the goods and services.
- In case of large procurement such as renovation of branches, PC opens the sealed quotations in front of vendors and declares the name of winning vendor. This practice has increased competitiveness among vendors which resulted in cost effectiveness in procurement of goods and services which ultimately increased the value to all stakeholders.

### Frequency of the Meeting

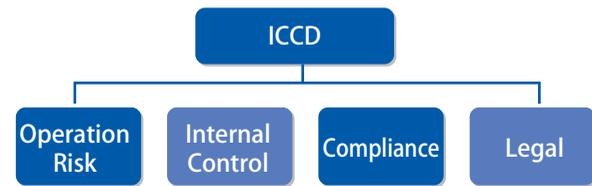
This committee meets once in every week.

### Internal Controls: the watchdog of transparency and accountability

The internal audit, compliance, legal and risk functions of the bank are responsible for overseeing and managing various aspects of internal controls. Well-devised internal control system helps to ensure that the Bank is compliant with regulatory rules, procedures and laws of the land as well as internal policies, procedures, instructions to minimize risk of unexpected losses or damage to the bank's reputation.

At EBL, the Head of ICC (Internal Control & Compliance) has dual reporting lines to CEO and Audit Committee of the Board and thus acts as a bridge between management and Board. ICC acts as a watchdog to ensure safe, sound and compliant operations of the Bank. It keeps informed the management and Board (where necessary) with any relevant update which is not routinely covered by financial reporting and other non-financial disclosures.

The department has four separate units i.e. Operation Risk Unit, Compliance Unit, Internal Control (Audit) Unit and Legal Unit.



**Operation Risk Unit (ORU):** This unit is responsible to monitor the operations risk of various branches and departments. They set the strategy, collect relevant data and analyze those to assess the risk of operational area of the Bank. In case of any lapses/ irregularities, ORU takes appropriate corrective measures within the respective business/operation areas and if they find major deviation, they recommend to the higher management (MANCOM/ BORG) through Head of ICC for immediate resolution of the same. Some major tools of this unit are as follows:

- A framework for business and support functions to identify their major operational risks and mitigation plans.
- Branch/ Departmental Control Function Checklist (DCFCL).
- Prime Risk Indicator (PRI).
- Quarterly Operation Report (QOR).
- Spot check/ Surprise Check.
- Incident Report etc.

**Compliance Unit:** This unit is entrusted to ensure that bank complies with all regulatory requirements while conducting its business. They maintain liaison with the regulators at all levels and notify the other units/ departments regarding the regulatory changes. Some major functions of this unit are as follows:

- Ensure compliance of all Comprehensive and Special Inspection reports of Bangladesh Bank.
- Ensure compliance of Internal Audit Report.
- Ensure compliance of regulatory bodies like the central bank, tax authority, Ministry of Finance, Law enforcing agencies and other regulators.
- Supervise and monitor the legal issues against the bank.
- Ensure smooth resolution of various complaints of branches and departments under legal framework.
- Checking whether the appropriate policies include a. top level review, b. appropriate activity controls for different departments and divisions, c. system of approval and authorizations, d. appropriate segregation of duties and personnel are not assigned with conflicting responsibilities.
- Review the Quarterly Operation Report.

- Review of Policies/ Guidelines and PPGs of the Bank.
- Arrange various training for the employees of the Bank.
- Arrange training of Anti Money Laundering as a “Lead Bank”.
- Support and advice departments and branches in complying with their various regulatory and other compliance issues as required.
- Follow up of Bank’s regular and ad hoc submission of returns/ reports/ queries to Bangladesh Bank and other regulatory bodies.
- Monitoring and follow up of the suits/ cases/ writs/ Appeals/ Revisions filed, by and against the Bank, in the Judge Court and especially in the Supreme Court of Bangladesh.
- Obtaining Legal Opinion from the Retainer/ Legal Advisors/ Expert Lawyers on complicated issues.
- Maintaining Liaison with Retainer/ Panel lawyer for smoothly conducting the suits/cases/writs/Appeals/ Revisions and providing them all kinds of logistic and documentary support for proper execution of the respective cases.
- Taking initiative and performing all procedures regarding enlistment (i.e. making memo, submitting the memo before the Board, making offer letter after final approval of the Board in favor of enlisted lawyers) of Retainer and Panel lawyer for the Bank.
- Mitigating the queries of different authorities such as Bangladesh Bank, tax authority, Ministry of Finance, Anti-Corruption Commission, CID, Police, Central Intelligence Cell etc. regarding various illegal & irregular transactions & activities and investigation of different cases.
- Providing up to date report regarding conducting cases as per requirements of internal and external authorities.
- Vetting of property documents as well as Lease Agreements in connection with the floor spaces purchased for the Branch Premises.
- Vetting of property documents as well as Contract for Sale & Deed of Sale in connection with Land/Floor Spaces to be purchased by the Bank.
- Drafting of Lease Agreement & vetting of property documents purchased for the ATM Booth.

**Internal Control (Audit) Unit:** This Unit prepares a Risk Based Internal Audit (RBIA) program on annual basis which is approved by the bank’s senior management and by the Audit Committee of the Board. This risk based approach is superior to traditional audit approaches for two reasons:

**First,** it focuses on risks of the underlying causes of financial surprises, not just the accounting records.

**Second,** the Risk Based Audit shifts the focus from inspecting the quality of financial information that is recorded in the financial statements to building quality into the financial reporting process and adding value to the bank’s operations.

**Internal Control (Audit) Findings:** To comply with the Bank’s Audit Policy and Guidelines, this unit completed Risk Based Audit of all 59 branches and 47 departments/units/divisions of EBL during 2012 in first phase and in second phase, this unit completed Risk Based Audit of 28 branches and 39 departments/units/divisions and assigned rating based on the ‘Risk Level’ of the observations. Branches and departments getting risk based rating below a threshold level are audited twice in a year.

Major findings include but not limited to different types of operational lapses due to human error, non-compliance of internal policies or circulars, lack of thorough knowledge about relevant laws and regulations etc.

**Legal Unit:** This Unit plays a significant role ensuring legal support to all branches & departments of EBL and maintaining liaison with different regulatory bodies such as Bangladesh Bank, tax authority, Ministry of Finance, Anti-Corruption Commission, CID, Police, Central Intelligence Cell etc. by mitigating their queries regarding illegal & irregular transactions/ activities and complained matter. The major functions of this unit are as follows:

## **BB Guidelines for Corporate Governance: Our Compliance Status**

To ensure good governance i.e. corporate governance in bank management, Bangladesh Bank (Central Bank of Bangladesh) issued a circular (BRPD Circular No 06 dated 04 February 2010) which replaced earlier two circulars (BRPD circular no 03 dated 19 February 2002 & BRPD circular no 16 dated 24 July 2003). These guidelines were aimed to provide a clear segregation of authority and responsibilities between the CEO, The Chairman of the Board and the Board of Directors in the overall functioning of the bank.

The details of the BB guidelines and EBL's compliance thereto are presented below:

SI No.	Particulars	Compliance Status
1	<p><b>Responsibilities and authorities of the Board of Directors:</b></p> <p><b>(a) Work planning and strategic management:</b></p> <p>(i) The Board shall determine the objectives and goals and to this end shall chalk out strategies and work plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rests the development of implementation of work plans.</p>	Complied. Board formulates strategies, policies and set targets for the corporate management. Management puts best efforts in implementing the strategies to achieve set goals.
	<p>(ii) The Board shall have its analytical review incorporated in the Annual Report as regard the success/failure in achieving the business and other targets as set out in its annual work plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies. It shall set the Key Performance Indicators (KPIs) for the CEO and the other senior executives and have it evaluated at times.</p>	Complied
	<p><b>(b) Loan and Risk Management:</b></p> <p>(i) The policies, procedures, strategies, etc. in respect of appraisal of loan/ investment proposal, sanction, disbursement, recovery, re-scheduling and write-off thereof shall be made with the Board's approval under the purview of the existing laws, rules and regulations. The Board shall specifically distribute the power of sanction of loan/investment and such distribution should desirably be made among the CEO and his subordinate executives as much as possible. No director, however, shall interfere, directly or indirectly, into the process of loan approval.</p>	Complied
	<p>(ii) The Board shall frame policies for risk management and get them complied with and shall monitor at quarterly rests the compliance thereof.</p>	Complied
	<p><b>(c) Internal Control Management:</b></p> <p>The Board shall be vigilant on the internal control system of the bank in order to attain and maintain satisfactory health or grade of its loan/investment portfolio. It shall review at quarterly rests the reports submitted by its audit committee regarding the compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.</p>	Complied
	<p><b>d) Human Resources Management and Development:</b></p> <p>(i) Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules shall be framed and approved by the Board. The chairman or the directors shall in no way involve themselves and interfere into or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the set service rules. No member of the Board of directors shall be included in the selection committees for recruitment and promotion to different levels. Recruitment and promotion to the immediate two tiers below the CEO shall, however, rest upon the Board. Such recruitment and promotion shall have to be carried out complying with the service rules i.e., policies for recruitment and promotion.</p>	Complied. EBL Board approves HR policy from time to time which guides all actions or decisions related to HR of EBL.

SI No.	Particulars	Compliance Status
	(ij) The Board shall focus its special attention to the development of skills of bank's staff in different fields of its business activities including prudent appraisal of loan/investment proposals, and to the adoption of modern electronic and information technologies, and the introduction of effective Management Information System (MIS). The Board shall get these programs incorporated in its annual work plan.	Complied
	<b>(e) Financial Management:</b> (j) The annual budget and the statutory financial statements shall finally be prepared with the approval of the Board. It shall at quarterly rests review/monitor the positions in respect of bank's income, expenditure, liquidity, non-performing assets, capital base and adequacy, maintenance of loan loss provision and steps taken for recovery of defaulted loans including legal measures.	Complied
	(jj) The Board shall frame the policies and procedures for bank's purchase and procurement activities and shall accordingly approve the distribution of power for making such expenditures. The maximum possible delegation of such power shall rest on the CEO and his subordinates. The decision on matters relating to infrastructure development and purchase of land, building, vehicles etc. for the purpose of bank's business shall, however, be adopted with the approval of the Board.	Complied. EBL Board approves the amendments from time to time as required to the approved 'Procurement and Disposal Policy'.
	<b>(f) Formation of Supporting Committees:</b> For decision on urgent matters an executive committee, whatever name called, may be formed with the directors. There shall be no committee or sub-committee of the Board other than the executive committee and the audit committee. No alternate director shall be included in these committees.	Complied. Besides Audit Committee and Executive Committee, there is no other supporting committee of the EBL Board.
	<b>(g) Appointment of CEO:</b> The Board shall appoint a competent CEO for the bank with the approval of the Bangladesh Bank.	Complied
	(h) The Board shall ensure fulfilling any other responsibility (ies) appropriately assigned by the central bank (Bangladesh Bank).	Complied
2	<b>Responsibilities of the Chairman of Board of Directors:</b> (a) As the chairman of the Board of directors (or chairman of any committee formed by the Board or any director) does not personally possess the jurisdiction to apply policy making or executive authority, he/she shall not participate in or interfere into the administrative or operational and routine affairs of the bank.	Complied
	(b) The chairman may conduct on-site inspection of any bank branch or financing activities under the purview of the oversight responsibilities of the Board. He may call for any information relating to bank's operation or ask for investigation into any such affairs; he may submit such information or investigation report to the meeting of the Board or the executive committee and if deemed necessary, with the approval of the Board, he shall effect necessary action thereon in accordance with the set rules through the CEO. However any complaint against the CEO shall have to be apprised to Bangladesh Bank through the Board along with the statement of the CEO.	Complied
	(c) The chairman may be offered an office room, a personal secretary/assistant, a telephone at the office and a vehicle in the business interest of the bank subject to the approval of the Board.	Complied

SI No.	Particulars	Compliance Status
3	<p><b>Responsibilities of the Adviser:</b></p> <p>The adviser, whatever name called, shall advise the Board of directors or the CEO only on such issues for which he/she is engaged in terms of the conditions of his/her appointment. He shall neither have access to the process of decision making nor shall have the scope of effecting executive authority in any matters of the bank including financial, administrative or operational affairs.</p>	No such Adviser at EBL.
4	<p><b>Responsibilities and authorities of CEO:</b></p> <p>The CEO of the bank, whatever name called, shall discharge the responsibilities and effect the authorities as follows:</p>	
	(a) In terms of financial, business and administrative authorities vested upon him by the Board, the CEO shall discharge his own responsibilities. He/she shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administrative and financial management.	Complied
	(b) The CEO shall ensure compliance of the Bank Companies Act, 1991 and/or other relevant laws and regulations in discharge of routine functions of the bank.	Complied
	(c) The CEO shall include clearly any violation from Bank Companies Act 1991 and/or any other related laws/regulations in the 'Memo' presented to the meeting of the Board or any other committee (s) engaged by the Board.	Complied
	(d) The CEO shall report to Bangladesh Bank of issues in violation of the Bank Companies Act, 1991 or of other laws/regulations and, if required, may apprise the Board post facto.	Complied
	(e) The recruitment and promotion of all staff of the bank except those in the two tiers below him/her shall rest on the CEO. He/she shall act in such cases in accordance with the approved service rules on the basis of the human resources policy and approved delegation of employees as approved by the Board. The Board or the chairman of any committee of the Board or any director shall not get involved of interfere into such affairs. The authority relating to transfer of and disciplinary measures against the staff, except those at one tier below the CEO, shall rest on him/her, which he/she shall apply in accordance with the approved service rules. Besides, under the purview of the human resources policy as approved by the Board, he/she shall nominate officers for training etc.	Complied
5	<p><b>Meetings of the Board of Directors:</b></p> <p>One Meeting of the Board of Directors per month can be held usually but it can be more than one upon necessity. No less than one meeting of the Board in three months to be held.</p>	Complied. Usually EBL holds two Board Meetings in a month.
6	<p><b>Number of members of Executive Committee (EC) of the Board:</b></p> <p>Number of members of the EC cannot exceed 7 members as per BB BRPD Circular Letter No. 2 dated 15 February 2010 and more than one member from one family shall not be included in the EC as per BB Circular Letter No. 4 dated 14 March 2010.</p>	Complied. EBL has 4 members EC of the Board.

SI No.	Particulars	Compliance Status
7	<b>Training of the Directors:</b> The directors of the Board will acquire appropriate knowledge of the Banking Laws and other relevant laws, rules and regulations to effectively discharge the responsibilities as a director of the bank.	Complied

## BSEC Guidelines for Corporate Governance: Our Compliance Status

The Bangladesh Securities and Exchange Commission (BSEC) issued a Corporate Governance (CG) Guideline in 2012 which is being followed by banks on 'Comply' basis. Status of compliance by EBL with the said CG guidelines issued by BSEC through Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969 is as follows:

### (Report under Condition No. 7.00)

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Not complied	
<b>1.0</b>	<b>Board of Directors</b>			
1.1	Board's Size: Board members shall not be less than 5 (Five) and more than 20 (Twenty)	√		
<b>1.2</b>	<b>Independent Director</b>			
1.2 (i)	Independent Director: At least 1/5th	√		
1.2 (ii)	For the purpose of this clause "independent director" means a director:	√		
1.2 (ii) a)	Independent Directors do not hold any share or hold less than one percent (1%) shares of total paid up capital.	√		
1.2 (ii) b)	Independent Directors are not connected with the company's Sponsor Or Director Or Shareholder who holds 1% or more shares.	√		
1.2 (ii) c)	Independent Directors do not have any other relationship, whether pecuniary or otherwise, with the company or its Subsidiary/Associated Companies.	√		
1.2 (ii) d)	Independent Directors are not the Members, Directors or Officers of any Stock Exchange.	√		
1.2 (ii) e)	Independent Directors are not the Shareholders, Directors or Officers of any member of Stock Exchange or an Intermediary of the Capital Market.	√		
1.2 (ii) f)	Independent Directors are/were not the partners or executives during preceding 3 (three) years of concerned company's Statutory Audit Firm.	√		
1.2 (ii) g)	They are not the Independent Directors in more than 3 (three) listed Companies.	√		
1.2 (ii) h)	They are not convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a Bank or a Non-Bank Financial Institution (NBFI).	√		
1.2 (ii) i)	They have not been convicted for a criminal offence involving moral turpitude.	√		

Condition No.	Title	Compliance Status (Put (✓) in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.2 (iii)	The Independent Directors shall be appointed by the Board of Directors and approved by the Shareholders in the AGM.	✓		Such appointment to be approved in the ensuing 21st AGM of EBL.
1.2 (iv)	The post of Independent Directors cannot remain vacant for more than 90 days.	✓		
1.2 (v)	The Board shall lay down a Code of Conduct of all Board Members and Annual Compliance of the Code to be recorded.	✓		
1.2 (vi)	The tenure of office of an Independent Director shall be for a period of 3 (three) years which may be extended for 1 (one) Term only.	✓		
<b>1.3</b>	<b>Qualification of Independent Director (ID)</b>			
1.3 (i)	Independent Director shall be knowledgeable individual with integrity	✓		
1.3 (ii)	The Independent Director must have at least 12 (twelve) years of corporate management/ professional experiences	✓		
1.3 (iii)	In special cases above qualification may be relaxed by the Commission	N/A		
1.4	Separate Chairman and CEO and their clearly defined roles and responsibilities.	✓		
<b>1.5</b>	<b>Directors Report to Shareholders</b>			
1.5 (i)	Industry outlook and possible future developments in the industry	✓		
1.5 (ii)	Segment-wise or product-wise performance	✓		Please refer to MD & A Section
1.5 (iii)	Risks and concerns	✓		
1.5 (iv)	Discussion on cost of goods sold, gross profit margin and net profit margin	✓		Discussion on interest income, expense, operating, net profit provided.
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	✓		
1.5 (vi)	Basis for related party transaction- a statement of all related party transactions should be disclosed in the annual report	✓		Please refer to Annexure C & C1
1.5 (vii)	Utilization of proceeds from public issues, right issues and/ or through any others instruments.	N/A		
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc.	N/A		
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	✓		

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (x)	Remuneration to directors including independent directors.	√		Please refer to note 39 of FS
1.5 (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the results of its operation, cash flows and changes in equity.	√		
1.5 (xii)	Proper books of account of the issuer company have been maintained.	√		
1.5 (xiii)	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.	√		
1.5 (xiv)	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.	√		Departure has been adequately explained in Note 2.1 to the Financial Statements.
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	√		
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	√		
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	N/A		
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
<b>1.5 (xxi)</b>	<b>The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:</b>			
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
1.5 (xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		Please refer to note 14.1 of FS
1.5 (xxi) c)	Executives (top five salaried employees of the company other than stated in 1.5(xxii)b);	√		Please refer to note 14.1 of FS
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	NIL		Please refer to note 14.1 of FS
<b>1.5 (xxii)</b>	<b>In case of appointment/re-appointment of a Director the Company shall disclose the following information to the Shareholders:</b>			
1.5 (xxii) a)	a brief resume of the Director;	√		

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (xxii) b)	Nature of his/her expertise in specific functional areas.	√		
1.5 (xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		Please refer to Annexure C of FS
<b>2.0</b>	<b>Chief Financial Officer, Head of Internal Audit &amp; Company Secretary</b>			
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and their clearly defined roles, responsibilities and duties.	√		In case of EBL Head of Finance
2.2	Attendance of CFO and the Company Secretary at Board of Directors meeting	√		
<b>3</b>	<b>Audit Committee:</b>			
3 (i)	Audit Committee shall be the sub-committee of the Board of Directors.	√		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business.	√		Please refer to report of the Audit Committee
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		Please refer to report of the Audit Committee
<b>3.1</b>	<b>Constitution of the Audit Committee</b>			
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	√		
3.1 (ii)	Constitution of Audit Committee with Board Members including one Independent Director.	√		
3.1 (iii)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	√		
3.1 (iv)	Filling of Casual Vacancy in Committee	√		
3.1 (v)	The Company Secretary shall act as the secretary of the Committee.	√		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√		
<b>3.2</b>	<b>Chairman of the Audit Committee</b>			
3.2 (i)	Chairman of the Audit Committee shall be an Independent Director.	√		
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√		
<b>3.3</b>	<b>Role of Audit Committee</b>			

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3.3 (i)	Oversee the financial reporting process.	√		Please refer to report of the Audit Committee
3.3 (ii)	Monitor choice of accounting policies and principles.	√		
3.3 (iii)	Monitor Internal Control Risk management process.	√		
3.3 (iv)	Oversee hiring and performance of external auditors.	√		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	√		
3.3 (vi)	Review along with the management, the quarterly and half yearly Financial Statements before submission to the Board for approval.	√		
3.3 (vii)	Review the adequacy of internal audit function.	√		
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	√		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	√		
3.3 (x)	When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/ applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results.	N/A		
<b>3.4.</b>	<b>Reporting of the Audit Committee</b>			
<b>3.4.1</b>	<b>Reporting to the Board of Directors</b>			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:			
3.4.1 (ii) a)	Report on conflicts of Interests.	NIL		
3.4.1 (ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;	NIL		
3.4.1 (ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations;	NIL		
3.4.1 (ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.	NIL		
3.4.2	Reporting of anything having material financial impact to the Commission.	NIL		
3.5	Reporting to the Shareholders and General Investors.	NIL		
<b>4</b>	<b>External/Statutory Auditors:</b>			
4 (i)	Appraisal or valuation services or fairness opinions.	√		
4 (ii)	Financial information systems design and implementation.	√		
4 (iii)	Book-keeping or other services related to the accounting records or financial statements.	√		
4 (iv)	Broker-dealer services.	√		
4 (v)	Actuarial services.	√		

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Not complied	
4 (vi)	Internal audit services.	√		
4 (vii)	Any other service that the Audit Committee determines.	√		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that Company.	√		
<b>5</b>	<b>Subsidiary Company</b>			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	√		
5 (ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	√		
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	√		
5 (iv)	The Minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the Subsidiary Company also.	√		
5 (v)	The Audit Committee of the holding company shall also review the Financial Statements, in particular the investments made by the Subsidiary Company.	√		
<b>6</b>	<b>Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO):</b>			
6 (i)	They have reviewed financial Statements for the year and that to the best of their knowledge and belief:	√		Please refer to Statement on Integrity of FS by MD & CEO and Head of Finance
6 (i) a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.	√		
6 (i) b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	√		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	√		
<b>7</b>	<b>Reporting and Compliance of Corporate Governance:</b>			
7 (i)	The company shall obtain a Certificate from a Professional Accountant/Secretary(CA/CMA/CS) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	√		Please refer to following page
7 (ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	√		

## **Certificate on compliance of conditions of corporate governance guidelines to The shareholders of Eastern Bank Limited**

We have examined the compliance of conditions of corporate governance guidelines of the Bangladesh Securities and Exchange Commission ("BSEC") by Eastern Bank Limited (the "Bank") as stipulated in clause 7(i) of the BSEC notification no SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012.

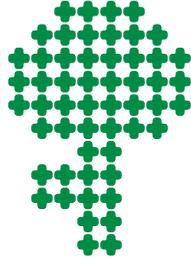
The compliance of conditions of corporate governance guidelines as stated in the aforesaid notification and reporting of the status of compliance is the responsibility of the Bank's management. Our examination for the purpose of issuing this certification was limited to the checking of procedures and implementations thereof, adopted by the Bank for ensuring the compliance of conditions of corporate governance and correct reporting of compliance status on the attached statement on the basis of evidence gathered and representation received.

To the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of corporate governance stipulated in the above mentioned BSEC notification dated 7 August 2012 and reported on the attached status of compliance statement.



Manzoor Alam, FCA  
Senior Partner  
ICAB Enrolment Number 132  
For Hoda Vasi Chowdhury & Co  
Chartered Accountants

Dhaka, 26 February 2013



# sustainability report and SME success stories

## **Sustainability Report**

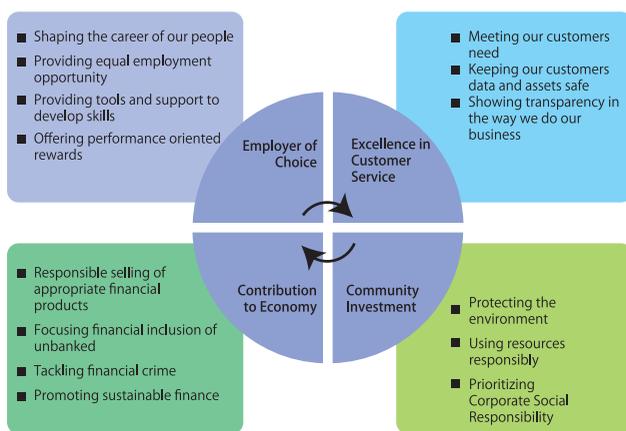
We would like to share with the stakeholders our sustainability principle that steers EBL towards its corporate targets with a direction of growth that meets expectations of shareholders, customers, employees, investors, international financial institutions, regulators, business partners, above all the community we operate in. Sustainability is embedded in our corporate culture. We believe that long term success has direct bearing on health and prosperity of the community and environment.

Corporate governance, transparency, employability, compliance, and ethical values have always been core components of our corporate values and have provided the buttress of the foundation of our sustainable banking.

As a responsible corporate we have always shown our respect for human rights issues and upheld environmental and social responsibilities arisen from operations as well as customers' and suppliers' activities. The bank is ready to provide financial services for cleaner energy, energy efficiency, and agricultural/ rural inclusions. Our progressive Environment and Social Risk Management System modeled on globally accepted guidelines ensure EBL does not lend, invest or enter into business agreements with organizations that are exposed to socially and environmentally hazardous activities. To enforce this, we have included a robust checklist of prohibitive activities in credit policies, ensuring that each and every transaction is screened on such parameters. Besides, elaborate process has been set up to assess and minimize environmental and social impacts of our customers' initiatives. We have plans to compute our par capita carbon emission and set a strategic objective to reduce emission by 20% within 2020.

## **Approach to Sustainability**

The principles of sustainability are increasingly getting integrated with business practices of the bank. Adoption of the triple bottom-line ethos – 'People, Planet and Profit' –therefore is the essence of competitive advantage and sustainability



leadership. We believe that responsible banking addressing social, environmental and financial conditions are key to long term success and beneficial for immediate community that includes our clients, employees and the place where we operate.

## Contribution to Real Economy

Promoting sustainable growth in the real economy is our core business of banking. Offering ethical and appropriate product to the right customer is the principal philosophy of our business models. We are working to widen access to finance in our markets focusing on un-banked and underserved population. We have already started our journey towards sustainable financing by supporting cleaner and efficient energy projects and programs.

## Responsible Sales and Services

Our aim is to offer the best experience in fair manner to our customers at all times providing them with solutions that meet their needs. To enhance product knowledge, we arranged e-Learning program in 2012 wherein 1,963 employees successfully completed on retail and SME products. We have a dedicated unit that is working to improve service quality of the bank. Currently, treating client fairly is a requirement of banks 'Code of Conduct' and GAP (Graceful, Appropriate, Pleasing)- written guidelines on dealing with people, customer, premises and documentary communication. In 2012, we have handled 942 numbers of customer complaints, those reached through our complaint boxes at branches, web portal, call center, and central bank's complaint cell. Usual turnaround time to resolve received complaints was 3-7 days. We believe, automation of complain management system will improve our performance significantly.

## Financial Inclusion

Millions of people across the country remain unbanked or have limited access to banking services. We remain committed to agricultural and rural credit (micro finance) as a means of increasing financial inclusion in the country. Our approach is to support this sector by providing a range of financial services to microfinance institutions

(MFIs) as well as through our own branch network. Small and medium enterprises (SMEs) played crucial role in generating jobs and economic growth in Bangladesh. In 2012, we continued to demonstrate our support for SMEs, increasing our lending to the sector by more than 28 percent to BDT 13.39 billion, and enriching our SME products and services. During 2012, we have provided a total of BDT 2,347 million to MFIs to serve financial needs of 81,584 individuals (including pre-finance from Asian Development Bank). EBL channeled low cost fund from ADB to MFIs for financing farmers and rural population taking the credit risk on its own. We continue to explore new ways of increasing financial inclusion.

## Tackling Financial Crime

Financial crime is a concern for financial institutions across the globe. At EBL, we devote our efforts to minimize its damaging effect on our business, our customers, and community. Our key areas of priority are:

- Compliance with all applicable laws, regulations, and sanctions.
- Actions to prevent Money Laundering and Terrorism Financing.
- Prevention of fraud.

To guard against the risk of financial crime within our business, we focus on training of our employees, strengthening our screening systems and ensuring that our policies and procedures are effective and up to date. Employee awareness about fraud trends and combating technique is the key to successful financial crime prevention. During 2012, a total of 1,563 staffs completed anti-money laundering training to reinforce our capacity to protect money laundering activities. We have prioritized fraud prevention in coming years; hence planned to launch comprehensive fraud prevention strategy and training program for our employees.

Suspicious Transaction Reporting (STR) and KYC procedure are tools bank is presently using to prevent financial crimes and money laundering. Our core fraud combating units are security, compliance, internal audit, IT security, human resource, and risk management unit. These units are working together to strengthen fraud prevention management system in the bank.

## Promoting Sustainable Finance

We aim to capture the growing opportunities present in the renewable energy and clean technology sector. Accordingly the bank took advisory assistance from IFC (International Finance Corporation) and trained 12 staffs on 'Sustainable Energy and Cleaner Production'. We then launched 'EBL Green Credit' on 24 September 2012 targeting areas of renewable energy, energy efficiency, and cleaner technology. Since 2011, EBL financed BDT 5.19 million to 7 small poultry farms for generation of electricity from bio-gas and BDT 250.00 million for assembling pv

solar panel. We also signed participation agreement with Bangladesh Bank for using Asian Development Bank (ADB) fund to finance cleaner brick kiln technology.

## Employer of Choice

At EBL, we do not offer a job, we shape career. Our mission is to be and remain the 'Employer of Choice' by respecting human rights and equal employment opportunity, providing tools and support to develop skills, and offering performance oriented rewards. Our excellence in this area is recognized by ISO 9001:2008 certificate. Moreover, on 19 July 2012, EBL HR achieved Asia's Best Employer Brand Awards 2012 in the category of 'Best HR Strategy in line with business' conferred by World HR Congress & Employer Branding Institute.

The following factors differentiate EBL as an excellent workplace from generally good workplaces around the country:

- **Recruitment:** Our recruitment policy is getting the right people at the right place without any discrimination of their race, religious belief, gender, and age. We are mainly focused on employing fresh graduates who do not have professional experience, and to train them as future leaders of the industry.
- **Quality of working relationships:** People treat each other as friends, colleagues and co-workers; support and help each other to get the job done.
- **Having a say:** Staff can freely participate in decision making process which will build up their confidence and also help the bank to get innovative ideas for developing new products and improvement of existing operations in an effective and efficient manner.
- **Compensation and benefit policy:** EBL is committed to performance based reward policy, which recognizes contribution of each of the employees and links to the market competitive remuneration. Salary and benefits are dependent of employee's job grade and performance with no gender based differentiation.
- **A sense of ownership and identity:** EBL is always involved in an active change management process knowing the business and controlling the technology.
- **Learning:** EBL provides opportunity to its people to learn on the job and off the job, acquire skills and knowledge from everywhere and develop a greater understanding of the whole workplace.
- **Support for proficiency certifications:** EBL supports employees in obtaining internationally recognized certificates in their areas of specialization, although these are not offered as reward. Fees for exams, study materials, and preparatory trainings are partially or

fully borne by the bank pursuant to certain criteria.

- **Occupational Health and Safety:** The physical and mental well-being of our staff is important to us, especially considering stressful effects of the performance driven culture. Towards achieving the objective of a healthy workforce, the bank has hospitalization reimbursement policy. All confirmed full time employees are eligible to claim reimbursement of hospitalization bill in each calendar year up to the actual amount not exceeding their three months basic pay. This policy covers employee's spouse and unmarried children below 21 years of age.

## Excellence in Customer Service

Country's banking industry offers homogeneous products in a shallow market; hence building core competency on product diversification is extremely difficult. At EBL, it is our strategy, to gain core competency by promising best services to our customers continuously. One of our main pillars of sustainable banking is excellence in customer service. In order to achieve this objective, we are pursuant to meet our customers' need, determined to keep our customers' data and assets safe, and committed to transparency in the way we do our business. We have earned ISO 9001:2008 certificates for our 'Trade Service' and 'Service Delivery' Departments that indicates our commitment to deliver quality services to our customers.

## Community Investment

As a leading commercial bank in the country, we are in a stronger position to influence our customers for taking efforts to reduce their carbon footprint that will contribute to ease climate change effects on the community. Bank itself can promote initiatives to economize and optimize the use of paper, water, and energy. Finally, creation of social value by giving back a share of our success to the society is important for sustainable existence.

## Protecting the Environment

Depending on our perspective, EBL could be said to have relatively little impact on the environment (based on its own consumption of resources and emissions) or potentially an enormous one (through the environmental consequence of economic activities of its customers). Accordingly, our main thrust is minimizing indirect impacts through the business and industrial activities we finance. Our aim is to do the best to ensure that the credit we extended to our customers is utilized for environmentally sound and sustainable purposes. Bank's Board of Directors has approved the Environmental and Social (E&S) Risk Policy that governs the E&S risk management system of the bank. As per the said Policy, all business units must recognize the social concerns and impact on the natural environment caused by their customers before taking business decisions. Business units must also minimize

bank's exposure to environmental and social issues, and must establish procedures to satisfy all regulatory and internal guidelines.

## Using Resources Responsibly

In addition to social and environmental policies outlined above, EBL makes every effort to ensure that its own operations and activities are minimal in their environmental impact. The rules and procedures adopted in this regard are published in 'Green Office Guide'. These guidelines relate the following issues for a Greener Bank.

- i. Reduction of Energy Consumption
- ii. Conservation of Water
- iii. Management of Waste
- iv. Procurement of Green supplies
- v. Self assessment and reporting

Board of Directors of the bank also approved Green Banking Policy for overall governance of green banking initiatives. As per the said policy, EBL and its subsidiaries will comply with all laws and regulations related to environmental protection, green banking and other regulatory requirements.

## Delivering Our Promises

Value addition and distribution to economy	Year 2012
<b>Value added</b>	
Income from Banking Services	17,676.65
(-) Cost of services	(10,091.18)
Value added by Banking Services	7,585.47
Non Banking Income	51.84
(-) Provision for loan losses and other assets	(1,361.70)
<b>Total</b>	<b>6,275.61</b>
<b>Distribution of added value</b>	
<b>To Employees &amp; Directors</b>	
Salaries and other benefits	1,750.68
Remuneration and fees	17.71
<b>Total to Employees &amp; Directors</b>	<b>1,768.39</b>
<b>To capital providers</b>	
Dividend to shareholders	1,222.36
Interest to debenture/bond holders	-
<b>Total to providers of capital</b>	<b>1,222.36</b>
<b>To Government</b>	
Income tax	2,186.38
VAT	81.91
Other duties & taxes	1.30
<b>Total to Government</b>	<b>2,269.59</b>
<b>To expansion and growth</b>	
Retained profit	1,052.74
Depreciation	199.22
Deferred tax	(241.86)
<b>Total to Expansion and Growth</b>	<b>1,010.10</b>
<b>To community investments</b>	
Donations and Gifts	5.17
<b>Total to community</b>	<b>5.17</b>
<b>Total Distributed</b>	<b>6,275.61</b>
<i>Note: All figures above are in Million Bangladesh Taka</i>	
<b>Excellence in Customer Service</b>	<b>Year 2012</b>
Number of average customers*	479,053
Number of complaints received through all channels	942
Complaints per 1000 customers	1.97
Usual turnaround time to resolve any complaint	3-7 days
<i>*Simple average of number of customers at the beginning and ending of the year 2012</i>	

<b>Financial Inclusion</b>	<b>Year 2012</b>
Cumulative Agricultural and Rural Credit extended through MFIs (BDT in Million)	1,635
Cumulative Agricultural Credit extended through own network (BDT in Million)	45
Cumulative Agricultural and Rural Credit extended from ADB fund (BDT in Million)	667
Total Number of individual impacted*	81,584
Total Number of MFI partnered	12
<i>*Data up to 30/09/2012 is actual, while estimated for Oct-Dec 2012</i>	
<b>Tackling Financial Crime</b>	<b>Year 2012</b>
Number of staffs completed training on AML	1,563
Number of Suspicious Transactions reported to Bangladesh Bank	4
Number of accounts closed for unsatisfactory KYC	4
<b>Promoting Sustainable finance</b>	<b>Year 2012</b>
Amount financed for installation of ETP to plants in operations	-
Amount financed in plants having ETP (loan disbursed to projects having ETP)*	22,264
Amount financed to solar panel / renewable energy plants	1
Amount financed to Bio-fertilizer plants	-
Amount financed to brick kilns adopted cleaner technology	-
Amount financed to other green projects	-
Total Sustainable Finance	22,265
<i>Note: All figures above are in Million Bangladesh Taka</i>	
<i>*Approximate amount</i>	
Number of employee trained in sustainable finance	12
<b>Employer of Choice</b>	
Headcount (Permanent staff) [As on 31 December 2012]	1,343
Percentage* of female representation	20%
Percentage* of voluntary attrition	7%
Number of permanent staff received training	1,279
Total number of training days	4,051
Average training days per employee	3
Percentage*Growth in Headcounts	4%
Number of fresh graduates recruited as Management Trainee Officer (MTO)	26
Number of fresh graduates recruited as Probationary Officer	30
Number of fresh graduates recruited in other positions	18
Years of service with EBL as percentage* of total permanent staff headcount	
Less than 5 years	67%
5 > 10 years	17%
10 > 15 years	5%
Over 15 years	11%
<i>Note: *Expressed as percentage of Total permanent staff headcounts</i>	
<b>Protecting environment</b>	<b>Year 2012</b>
Number of customers eligible for Environmental Due Diligence	84
Number of customers appraised for Environmental Risk Rating	84
Low	73
Moderate	11
High	0
Cost of water consumed by the bank (BDT in Million)	7.97
Cost of paper consumed by the bank (BDT in Million)	3.44
Cost of energy (electricity, fuel, and gas) consumed by the bank (BDT in Million)	52.05
Installed capacity of solar energy to run bank premises and ATMs (in Kilowatt)	2.59
Percentage of bank branches connected online	100%
Number of staff received training on Environmental and Social Risk Management	60
<b>Corporate Social Responsibility</b>	<b>Year 2012</b>
Major Expenditure for CSR (BDT in Million)	5.17

## SME Success Stories

### “Investing in alternative energy”

After passing his Higher Secondary School in 1987, Mojibur Rahman of Ramu of Cox’s Bazar wanted to pursue his studies or go abroad in search of a better life. But his family was not in a position to give him financial support to pursue his education or realize his dream of going abroad. The result: he was job-less for few years and suffered mental agony and depression.

*‘A loan from EBL was instrumental for the setting up of the biogas plant,’ says Mojibur. Before he got the EBL loan in December 2011, soaring fuel prices almost drove him to close down the farm.*

Mojibur now has a farm of 8,000 poultry birds that give 5,500-6,000 eggs everyday meaning that he earns BDT 42,350-46,200 everyday by selling eggs. He has expanded his business

to a bio-gas plant and earns a good amount by selling this gas to his neighbors who are also happy to get cooking gas at this remote part of the country.

‘Frequent power outages are normal here, especially in summer. So, alternative energy, instead of diesel generators, is essential,’ says Mojibur. He had no idea that bio-gas was an efficient alternative energy option for electricity. ‘Now, electricity generated at my plant saves me 20,000 liters of diesel a year,’ explains Mojibur.

Currently, he is planning to take another loan from EBL and expand his bio-gas plant to enhance the capacity. His aim is to generate electricity commercially for local hotels and restaurants. He has three acres of land for the project. Hard work has been his guiding principles ever since Mojibur Rahman began the enterprise of poultry farming around 16 years ago. The extraordinary success story of his Golden Poultry and Fish Farm began with only 1000 birds.



*The Governor of central bank Dr. Atiur Rahman and Managing Director & CEO of EBL formally inaugurate the biogas plant, a set-up by Mojibur Rahman in Ramu, Cox’s Bazar.*

Despite a good business potential he was facing challenges in running the farm as natural disasters - from cyclone to flood and bird flu- hit the area several times since he began his business. ‘Prices of poultry feed have increased manifolds in the past one decade. The government policy of egg imports also hurts our business as the price goes down than the production cost,’ says Mojibur.

Generating gas and electricity alone cannot make the business sustainable and commercially viable, according to him. Diversification is the key to sustainability.

### “Dream comes true”

They say doing something of your own is better than serving others. This passion for entrepreneurship plus competitive edge can change a person’s life.



*The broad smile in Anwar Hossain’s face says it all.*

**Anwar Hossain**, a farmer in Dhamrai, has proved it again. He preferred agriculture farming after staying in Singapore as a carpenter for 5 years over a stable government job 12 years ago.

He did not think twice in choosing farming to make a living. ‘Farming is in my blood. My family has been in framing for ages. I inherited some land and decided to get on with my passion for farming,’ elaborates Anwar.

Initially, Anwar started with BDT 50,000. He was crazy to expand farming, but lack of fund hampered his dream. As the cost of borrowing from village lenders is too high, he contacted a state-owned bank. But he found corruption eats up a segment of his loan there. Acting on a suggestion of one of his friends he went to Eastern Bank Limited at Savar a few years ago.

Anwar availed EBL loans twice to expand his farming. He bought power tiller and shallow deep tube well. He has now diverted his farming from paddy to pulse and mustard. ‘I produce seed for the Bangladesh Agriculture Development Corporation (BADC). BADC sells this seed to the farmers,’ he says. This year he would cultivate paddy on

12 bighas of land to produce seeds for the BADC. He gets 25/30 maunds of paddy per bigha. This success did not come automatically. Anwar had to struggle a lot to reach that level.

*Anwar was astonished to see the benefits of interest rates. As he learnt from training that import substitute crop cultivation could be more profitable than other crops, he decided to cultivate maize in 3 acres of land receiving BDT 60,000 loan from EBL.*

He communicated with the agriculture officials at Dhamrai to learn more about modern crop cultivation methods and techniques. He also attended several training programmes and gathered knowledge on modern

methods and techniques of crop cultivation. Surprisingly, he was introduced with EBL's relationship team at Savar SME by an existing KRISHI RIN client. He came to know that EBL is offering credits to farmers at 4% interest rates for import substitute crops cultivation as per instruction of the Bangladesh Bank.

Anwar's innovative thinking, training and practical experiences helped him to take prompt decision for early cropping of maize with a hope of getting better price. In the first attempt he got a very good profit from maize production. He earned nearly BDT 90,000 net profit. He repaid the loan in due time.

'SME relationship team of EBL inspired me to cultivate maize and they provided me required financial support in due time. Otherwise, I might not be able to cultivate the crop in that season due to financial hardship,' says Anwar.

This year he is farming another import substitute crop "Mustard" in 5 acres of land receiving more financial support from EBL at reduced interest rate. Now Anwar wants to expand his area further to cattle farming. 'I want more loans this year to buy cattle,' he says. 'It can add further value to my business.'

### **"Of conviction and hard work"**

**Munna Dal Mill** is an inspiring success story in Savar area under Dhaka district. In two decades, Mustakim Munna has become a prominent business person of pulse (dal) items in Savar. Now he owns a pulse processing mill at Nama Bazar in Savar. Presently, his total net worth of business stands at approximately BDT 3.20 crore. Last year he earned whopping profit of BDT 85 lakh.

His success did not come easily. He had to face odds soon after starting his pulse processing mill. Still he cannot forget the pains of 1988 flood. After few months of setting up the business platform, the worst ever flood hit the country.



*Mustakim Munna stands happy and confident at his Dal Mill*

Again he started the business with a new hope after recovering from the flood impacts. But it was not giving him the output. Later, he borrowed BDT 10 lakh from a finance company to install some pulse processing machines. But the interest rate was a bit higher than the banks. He was facing troubles to pay the installments. But Munna never gets defaulted.

'His (Munna) conviction and hard work is the key to his success,' says Mohammad Alam,

Munna's younger brother, who assists his brother in the business. The mill has a total of 15 workforces. Of them, three are full-time employees.

Getting informed by an existing EBL SME client about special product features of EBL Nobodoy, Munna became interested. He talked to others and finally decided to receive EBL loans. He first borrowed Tk 10 lakh from EBL in 2011.

Being satisfied with EBL's product features and with the services quality of EBL's Savar SME Centre, he is expecting to build a long term, strong and participatory banking relationship with EBL.

'I am planning to expand my business and hope to get continued support from EBL in my endeavour. Now I would like to go for automation,' says Munna. Accordingly, he has recently applied for BDT 70 lakh enhancement facility on his existing loan limit to accommodate required financial needs considering his recent business growth.

*'Customers from different parts of the country come to my mill to buy pulses of all types. I feel proud to see some people are working for me and earning their livelihood,' says Munna with aplomb.*



# corporate social responsibility

At EBL, we believe the most rewarding investment is investing in the society. We are driven by our purpose to sustain and ensure growth by making profit for people and not over them. We believe in creating lasting value for our clientele, shareholders, and employees and above all for the community we operate in.

As a responsible corporate, we ensure our CSR activities are anchored on the principle of 'Building Social Capital'. We recognize that we have some definite responsibilities to our customers, employees, government, environment, and to the communities at large. To materialize the same, EBL recognizes and always upholds the rights of other group of stakeholders, and treats them fairly.

## **EBL and its Customers**

To the EBL crew, customers are the cause of existence, never just a queue in the bank counter. Recognizing 'customer satisfaction' as a journey not destination, EBL is determined to serve its customers' needs by offering innovative but useful financial products and services, while maintaining good relationships with them as trusted partner. To do so, the Bank has developed working systems, applied modern technology, and made available knowledgeable and skilled people so as to ensure that customers receive the best possible service. To uphold the spirit of 'inclusive banking', the Bank continually expands its reach through branches, ATMs, EBL-365 (Kiosk) and business centers nationwide. EBL protects confidentiality of customer's information, and attaches highest importance in complaint management.

## **EBL and its Employees**

Recognizing human resources as the most valuable asset, EBL has established a competitive and enabling working environment to help employees perform their best. To attract and retain good people, EBL follows a balanced compensation scheme comprising financial and qualitative benefits. Besides providing competitive package, the Bank provides various welfare schemes such as healthcare and contributory provident funds, house building and car loan schemes as well as gratuity and superannuation benefits to eligible employees. Various annual conferences and

*Our passion to perform has been appreciated by the World HR Congress when they conferred us Asia's best Employer Brand Award 2012.*

recreational events are arranged for EBL employees which add vitality and motivation towards work and organization. Employees are provided with orientation, local and foreign training and development programs. The Bank allocates a considerable budget each year for various technical and leadership training and development programs to help improve the capabilities of its people.

### Contribution to National Exchequer

Being a responsible corporate citizen, EBL regularly pays corporate tax on time, sometime even before it falls due as required and asked by the tax authority. We also deposit excise duty, withheld tax and VAT to govt. exchequer on time deducted from employees' salary as well as customers and vendors. Following graph shows our contribution:

Contribution to National Exchequer



### EBL and its Environment

We believe that every small 'GREEN' step taken today would go a long way in building a greener future. As an environment-responsive bank we initiated Go Green campaign in our Bank.

*EBL is the first bank to claim refinance from the central bank for carbon credits.*

EBL is the first bank to claim refinance from the central bank for carbon credits. We have reduced electricity consumption by 30 percent and paper use by 20 percent in 2012. Four branches and six automated teller machines of the bank are now run on solar power.

The Bank also ensures that the customer having production facilities susceptible to damage environment has due environmental clearance certificate from the concerned ministry while granting or renewing credit facilities. EBL is the first bank in Bangladesh to offer Sustainable Energy Finance loan product with assistance from the South Asia Enterprise Development

*In 2012 we launched a product named 'Nobody', designed to finance and promote environment-friendly economic activities.*

Facility (SEDF), managed by IFC in partnership with the UK Department for International Development and the Norwegian Agency for Development Cooperation to help companies implement energy-saving measures and boosting the competitiveness of private enterprises.

### EBL and its Community

Our responsibilities to the community are manifested in actions taken in following areas:

#### Education

As the global economy becomes more and more knowledge-intensive, human capital will be the future point of differentiation between nations. We believe in human capital development and competencies and are committed to improving educational opportunities for our future generation. We promote talented young people and give them a fair chance because we are convinced that education is the most important resource for ensuring the future of societies.

*In 2012, we awarded scholarships to 300 deserving students from all 72 departments of University of Dhaka under "EBL-DUAA Inspiration" financial grant program.*



*Prof. AK Azad Chowdhury, Chairman of University Grants Commission, hands a scholarship cheque and certificate to a student of University of Dhaka (DU) at Nabab Nawab Ali Chowdhury Senate Bhaban in the university*

Our goal is to give children and young people from underprivileged families the opportunity to successfully complete high school or vocational training through targeted programs. At the same time, we would like to help them build their own social networks. Our commitment to education is to help young people discover their own creative potential, develop skills and build confidence. And in the area of academic development, we contribute to the lively dialogue between research and practice.

Recognizing 'education' as the most pivotal area of human capital development, EBL along with Dhaka

University Alumni Association (DUAA) has been awarding scholarships to all the departments of University of Dhaka since 2009. In 2012, we awarded scholarships to 300 deserving students from all 72 departments of University of Dhaka under "EBL-DUAA Inspiration" financial grant program. There were 37 differently able students among this group. EBL salutes their spirit and is privileged to honor these young achievers. EBL also donated BDT 1.5 million and more than 30 computers to various schools and educational institutions.

## Health

According to Bangladesh Thalassemia Foundation seven percent of the population of Bangladesh carry thalassemia. About 7,000 babies are born with it every year and there are about 60,000 living patients in the country. But there is a serious lack of awareness about the disease. EBL decided to support Bangladesh Thalassemia Foundation in their effort to create awareness and ensure availability of appropriate treatment to patients with Thalassemia. EBL supports their awareness campaigns and recently donated a Refrigerated Centrifuge to the foundation. The equipment will be used for preparing blood component for thalassemia patients.

Dr. Md. Abdur Rahim, Secretary General of Bangladesh Thalassemia Foundation says, 'With the introduction of the cell separator machine, we are better equipped to treat our patients. We can now separate red blood cells from whole blood which is key for our patients.'

Ragib Shahriar, aged seven years, is being treated for Hb E Beta Thalassemia since he was three and a half years old. 'I used to have fever and itching during blood transfusion. Now that I am getting blood treated with the new machine, I don't have fever or irritation anymore,' says Ragib with a big smile in his face.



*A new lease of life*

Bangladesh has almost 800,000 blind people. Blind people are considered as a burden to their family but EBL would like to consider blind people as an asset and extended support to Blind Education and Rehabilitation Development Organisation (BERDO) which has been working since July 1991 to foster the development of the visual, physical, intellectual, and speech and hearing impairment community in Bangladesh. EBL recently donated 5 computers for the education of the blind students.

Proyash, an institution run by Bangladesh Army, is

dedicated to the wellbeing of persons and children with special needs through education and training. The institute is also working to generate awareness about disability in Bangladesh; develop quality teachers, therapists and caregivers; and empower persons with disability to ensure equal opportunities and promote disability friendly right based society. EBL has been working with Proyash for a long time and has donated some computers.

EBL believes that mental health is the key to rapid socio-economic development of the country; the Bank has donated large volumes of equipment to various hospitals across the country to underline its commitment to quality healthcare delivery in Bangladesh.

## Art and Culture

At EBL, we believe art and culture are the essence of a nation and its identity. As responsible corporate citizens, we believe it is our foremost duty to support our sports and uphold our art and culture. We are passionate about our patronage of music, sports and art and culture.

For years, EBL has promoted promising young artists and, at the same time, has given a broad audience access to experience art and music. In this way, we encourage people to try something new and broaden their horizons. EBL is not just a patron of music. For long it has been the patron of arts in this country, promoting fine arts, literature and culture. EBL has been sponsoring art camps and exhibitions on a regular basis. EBL has a rich treasure of art works by leading artists of Bangladesh in its permanent collection.

## Other Supports

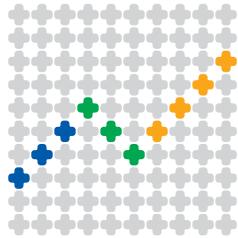
EBL considers the society as an extended family. We are always at their side when they are in distress and need our help most. Every year, we distribute blankets to the cold hit people of the country.

This year as well, we have distributed over 6,000 blankets in Trishal, Mymensingh and Sreepur districts.

EBL is committed to give every year for ten years BDT 4.8 lac to Prime Minister's Relief & Welfare Fund to one family of the officers killed in BDR carnage.



*Honorable Prime Minister Sheikh Hasina hands over a cheque to a member of the bereaved families of the valiant army officers killed at the BDR carnage. Former Chairman of EBL Mohd. Noor Ali and Director Meah Mohammed Abdur Rahim were also present.*



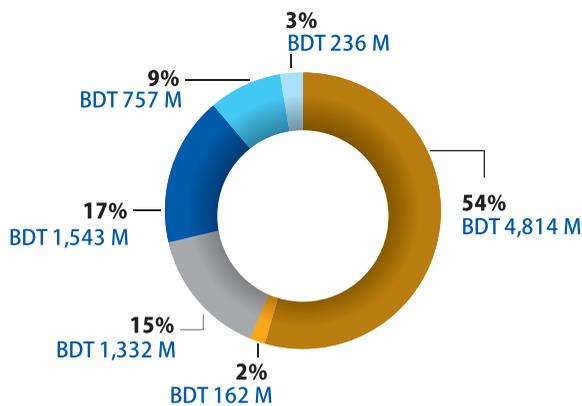
# management discussion and analysis

# review of bank financials

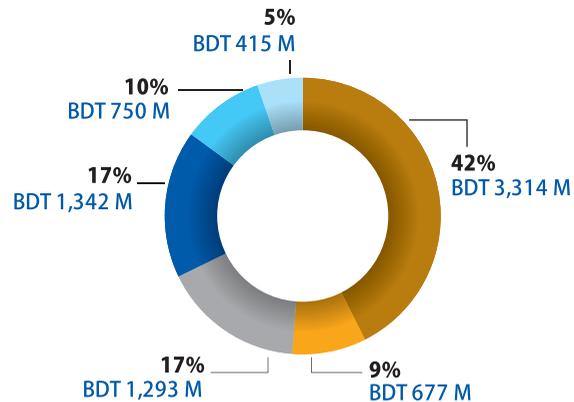
The Banking industry of Bangladesh passed an eventful year 2012 marked by the biggest financial irregularity by Hall-Mark and the like that exposed weak banking governance in the sector especially of those banks involved. Some major sectors in the economy i.e. textiles, ship-breaking, real estate and commodity trading suffered huge setback causing asset quality of the banks down. Continued lackluster performance of the capital market suffering from lack of investors' confidence impacted profitability of those banks that used to earn a significant pie of revenue from capital market. Effective from December 2012, the stricter regulation from BB related to loan classification and rescheduling affected the volume of classified loans, raised the requirement of provision and thereby decreased the amount of distributable profit.

Despite all odds we continued to produce stable performance due to our agile strategy and flexibility in decision making in a challenging time. Besides ensuring consistent financial performance, we redirected our focus towards service excellence, portfolio diversification, launching new technology and service propositions, building strategic relations, raising awareness of green banking - all those help in bad times. Precisely we believe in the idea of sustainable banking. Our track record in delivering consistent performance is the testament to the resilience of the Bank's business model, and underscores the sheer diversity of our income sources. These results are not a bounce-back, nor flattered by big one-off items. Such consistency is all the more important given the scale and unpredictability of the external events and trends affecting us. Our revenue mix for 2012 & 2011 is compared below:

**Revenue Mix (%): 2012**



**Revenue Mix (%): 2011**



- Net Interest Income
- Investment Income From Secondary Market
- Investment Income From Treasury & Others
- Fees & Commission
- FX Income
- Other Operating Income

The shrinkage of pie of Investment Income from capital market & treasury in 2012 has been to some extent balanced by the increased pie of net interest income (45%+). Operating expense grew by 22% (BDT 3,263 M vs. BDT 2,683 M in 2011) which is lower than the growth of operating income 14% (BDT 8,844 M vs. BDT 7,791 M in 2011). Profit after tax (PAT) of the Bank (EBL main operation & Offshore) decreased by 10% to BDT 2,275 M compared

to BDT 2,521 M in 2011. Consolidated PAT during 2012 was BDT 2,393 M and attributable to EBL shareholders is BDT 2,393 M since EBL completed acquiring full ownership of EBL Securities Limited, a securities brokerage firm, after obtaining rest 40% share during 2012. Therefore, Earnings per Share (EPS) in 2012 stands at BDT 3.72 compared to BDT 4.12 (restated) in 2011.

This performance can be attributed to, but not limited to, the following causes:

- Net Interest Income increased by 45% in 2012 to BDT 4,814 M and its share in total revenue increased from 42% in 2011 to 54% in 2012.
- Investment Income from Treasury & Others increased by 3% in 2012 to BDT 1,332 M and its share in total revenue decreased from 17% in 2011 to 15% in 2012.
- Investment Income from capital market decreased by 76% to BDT 162 M in 2012 and its share in total revenue has fallen from 9% in 2011 to 2% in 2012.
- Fees and commission income increased by 15% to BDT 1,543 M in 2012 and its share in total revenue remain same both in 2011 and 2012.
- FX income increased by 1% to BDT 757 M in 2012 & its share in total revenue decreased from 10% in 2011 to 9% in 2012.
- Other Operating Income decreased by 43% to BDT 236 M in 2012 and its share in total revenue decreased from 5% in 2011 to 3% in 2012.

### Income Statement for 2012 (Bank Only)

The bank's total revenue comprised two major items: net interest income BDT 4,814 M (54%) and non-interest income BDT 4,030 M (46%). **Details are explained below:**

#### Net Interest Income (+45%)

Net interest income (NII) in 2012 was BDT 4,814 M, an increase of BDT 1500 M from last year (45% y-o-y). Increase of Interest Income by 41% to BDT 13,698 M and increase of Interest Expense by 39% to BDT 8,884 M contributed to growth of NII. In 2012, growth of yield on loans was higher than the growth of cost of deposits and borrowing. This could be explained by the following changes (main operations figure only):

Particulars	BDT Million		
	2012	2011	Changes
Average loan	78,387	62,897	15,490
Interest income on loan	11,930	8,545	3,385
Yield on loan (%)	15.01%	13.40%	1.61%
Average placement	7,628	7,046	582
Interest income on placement	1,300	845	455
Yield on placement (%)	16.81%	11.82%	4.99%
Average deposit	82,316	66,319	15,997
Interest expense on deposit	7,623	5,572	2,051
Cost of deposit (%)	9.26%	8.40%	0.86%
Average borrowing	13,605	7,778	5,827
Interest expense on borrowing	1,045	630	415
Cost of borrowing (%)	7.58%	7.99%	-0.41%

In addition to the increase of yield of loan in 2012, our effort towards mobilization of low cost deposit (current and savings deposit increased 42% in total to BDT 3,462 M in 2012), receiving low cost refinancing facility from Bangladesh Bank under different arrangement (refinancing amount increased 31% to BDT 7,594 M in 2012) and last but not the least our proficient asset liability management targeting AD ratio to maintain at the prescribed limit of Bangladesh Bank played an instrumental role towards the growth of NII by 45% during the year 2012.

#### Non-Interest Income (-10%)

Non-interest income in 2012 decreased by 10% y-o-y to BDT 4,030 M mainly due to negative growth of Investment Income from secondary market (-76%), Other operating Income (-43%) and only 1% increase of FX Income. **Details are explained below:**

#### Fees & Commission Income (+15%)

Fees & commission income witnessed a moderate growth of 15% during the year 2012 to BDT 1,543 M with trade related income taking center stage.

#### Trade Transaction (main operation): 2012

In 2012, trade transactions increased by 22% over the previous year. Overall business volume increased by 8% to BDT 177,218 M in 2012 compared to BDT 163,725 M in 2011. Tailor made Structured Letter of Credit has been issued worth BDT 23,443 M in 2012 compared to BDT 20,722 M in 2011. Summary on trade transactions is given below:

Category	Year 2012		Year 2011		GROWTH (%)	
	No.	Volume	No.	Volume	No	Volume
Import	14,214	103,171	12,731	100,639	12%	3%
Export	21,453	67,518	16,370	58,589	31%	15%
Letter of Guarantee	705	6,528	686	4,497	3%	45%
<b>Total</b>	<b>36,372</b>	<b>177,218</b>	<b>29,787</b>	<b>163,725</b>	<b>22%</b>	<b>8%</b>

#### Trade Transaction (Off-shore operation): 2012

Overall trade business volume of off-shore banking increased by a hoping 59% and stood at USD 7.27 M in 2012 compared to USD 4.56 M in 2011. Summary on trade transactions is given below:

Category	Year 2012		Year 2011		Growth (%)	
	No.	Volume	No.	Volume	No	Volume
Import (LC)	114	4.07	61	3.49	87%	17%
Export (Bills)	68	3.20	19	1.07	258%	200%
<b>Total</b>	<b>182</b>	<b>7.27</b>	<b>80</b>	<b>4.56</b>	<b>128%</b>	<b>59%</b>

## Investment Income from Treasury & Others (+3%)

### Local Money Market in 2012

- Scarcity of liquidity or liquidity crisis was so common a phrase that extended even to the verse of common people in the year 2011 which prolonged up to 3rd quarter of 2012. Money market rate showed a lot of volatility within the range of 7% to 20%. Last quarter of 2012 showed a relative improvement in overall liquidity mainly due to cyclical effect as overall business activity was not at its peak for which demand for loanable fund eventually dropped. Deals were settled between 15% and 20% in first 3 quarters of the year; however in the last quarter it dropped to a range of 7% to 11%. Bangladesh Bank was active throughout the year to tackle inflation and limit credit growth. Throughout the year of 2012, Bangladesh Bank keeps the Repo rate unchanged to 7.75%. Special Repo (only for Primary Dealers) rate was 10.75%.
- Yields of 91 days, 182 days and 364 days T-bill were 9.50%, 10.85% and 11.18% respectively in the end of 2012 which were 10.00%, 9.25% and 10.50% respectively in the end of 2011. Yield on 5 years, 10 years, 15 years and 20 years T-Bond were 11.52%, 11.80%, 12.10% and 12.28% respectively at the end of 2012 which were 8.50%, 9.55%, 11.00% & 11.50% respectively at the end of 2011.
- For such improvement in liquidity, interest for short-term instruments decreased. Yields of 91 days, 182 days and 364 days T-bill were 11.12%, 11.35% and 11.37% respectively as of September 2012. During this time, banks had strong preference for short-term instruments because of the higher fraction of time banks get assured liquidity support from central bank against these short-term instruments. Also, banks are skeptical about this liquidity scenario in longer time frame. These factors ultimately increased the yield for longer term Treasury bonds.

### EBL Performance

Increased money market average daily turnover on various instruments; up from BDT 15,494 Million in year 2011 to BDT 22,684 Million in 2012; together with improved spread enabled the bank to book higher revenue from money market dealing. Although EBL is not a Primary Dealer (PD), we were very active in the secondary Govt. Securities trading in both buy side and sell side and this trading activity generated a substantial amount of revenue for the bank. In 2012, our money market income increased by 16% to BDT 1768 M.

## Investment Income from Capital Market (-76%)

### Capital Market in 2012

2012 proved another depressive year for investors;

with prime index DGEN losing 19.58% over the year (approximately 1000 points below January 1st), and turnover drying to the level of BDT 2115 M daily.

December proved rather harsh, with participation drying out and flat index movement. Rugged by end of year effect, political clouds and shaky confidence, DGEN closed at 4219.31, and average daily turnover suffered a 23.61% decline over last month.

Following table summarizes the comparative capital market performance between 2011 and 2012:

Particulars	Year 2011	Year 2012	Decline (2011 to 2012)
Total Turnover (BDT Million)	1,560,912	1,001,085	-36%
Average Daily Turnover (BDT Million)	6,642	4,480	-33%
Market Capitalization (BDT Million)	2,616,731	2,403,556	-8%
DSE General Index	5,258	4,219	-20%
Mkt. Capitalization To GDP Ratio	33.32%	25.65%	-23%
Market P/E	13.53	13.04	-4%

### EBL Performance

2012 was an equally grim year for both institutional & individual investors. Secondary market return of EBL portfolio declined in 2012 as did the returns to all other investors. Investment income from secondary market decreased by 76% to BDT 162 M. However, our portfolio combination remains fundamentally focused as ever with focus on shares of bank, NBF1 and power sectors.

## FX Income (+1%)

### Local FX Market in 2012

- Foreign Exchange market in 2012 opened with a lot of volatility, soaring up in the first two months of the year, but eventually taka appreciated against USD in the rest of the year with periodic swings. USD BDT pair traded in range of BDT 79.75 to BDT 84.50, quite a large range compared to previous history of USD BDT pair. January 2012 was a big month in history of taka, where taka depreciated against USD by more than 3%. Dollar price climbed to BDT 84.50 from BDT 81.50 within just a month. Dealers faced a lot of difficulties in funding import payments, as market was suffering from liquidity and volatility was high. Daily volatility in January 2012 was BDT 0.93 per day. This is mainly due to fact that country made largest amount of import payment of USD 3.3 billion in a single month, whereas export performance and remittance inflow was as usual.

- Import pressure began to fall from the middle of February. Although export was timid in the first quarter of 2012 (quarterly growth of 2.82%), outstanding remittance inflow (quarterly growth of 18.4%) ultimately helped taka appreciated against greenback. In the rest of the year, Taka mainly appreciated against USD with some periodic swings within tight band. Market liquidity increased tremendously starting from end of February and continued throughout the year.
- To stabilize the foreign exchange market and safeguard the exporter, in July 2012, the Bangladesh Bank resumed purchasing the US dollar from the commercial banks directly. Bangladesh Bank from time to time, intervened into the foreign exchange market by buying greenback to protect the interest of exporters and migrant workers. In 2012, central bank bought more than 2.0 million of USD from the market, which eventually boost up foreign exchange reserve of the country. Foreign Exchange reserve was USD 9.63 billion in 01 January 2012 whereas it was USD 12.75 billion on 30 December 2012.
- In 2012, Taka appreciated against USD by roughly 3% compared to year high in January end, appreciation of taka was more than 5.76%. Increased liquidity in foreign exchange market decrease volatility largely which cut the margin of dealers.

#### Performance of Major Currency Pair in 2012

- The EUR/USD was up slightly at 1.32 at the end of 2012 after spending much of the year in a range bound between 1.27 and 1.33. At one stage, however, the pair tested a low at 1.20. This was when the Greek political crisis was at its peak in the second quarter of 2012. When the European Central Bank hinted at the need for a more aggressive monetary easing in July, the euro picked up to 1.3160. Finally, European countries continued to implement vast array of severity measures to rein in fiscal deficits.
- The Japanese yen and Swiss franc, two safe haven currencies, underwent a correction in 2012 after appreciating strongly in previous years. Against the euro, the Swiss franc held relatively stable given the action of the Swiss National Bank, which defended its 1.20 floor rate for the EUR/CHF, at the expense of a strong increase in its foreign currency reserves. The Bank of Japan never set a floor rate for the USD/JPY, but the yen depreciated at the end of the year after the victory of the Liberal Democratic Party (LDP), whose leader Shinzo Abe has advocated the implementation of a fiscal stimulus package, with an objective to achieve inflation of 2% compared with 1% previously. As a result, the USD/JPY traded above 87, in addition to which the yen has depreciated against most Asian currencies.

- It is commodity currencies that recorded the best performances in 2012, spurred by the quantitative policies pursued by leading central banks. The Canadian and Australian dollars put on around 3.5% and 3.0%, respectively. The Australian dollar under performed because the Reserve Bank of Australia cut its rate to a historically low level of 3.0%, also because of concerns the Chinese economy would slow. Similarly, the Canadian dollar fared better than its Australian counterpart because it is closely correlated to crude oil prices, which remained firm. The Australian dollar, on the other hand, is more sensitive to metal prices (in particular for iron ore), which were extremely volatile in 2012.
- Sterling managed to appreciate by nearly 3.5% against the US dollar despite the Bank of England's quantitative easing policy, the deep economic recession experienced by the UK, and the still significant public deficit.

#### EBL Performance

Throughout the year 2012, EBL always kept its open position within its set limit of 21.09 million USD. In 2012, EBL total turnover was increased by 19% to USD 15.25 billion compared to USD 13.17 billion of 2011 in foreign exchange business. Although our turnover increased, competition got severe in foreign exchange market which compromised our spread also. In addition to this, fall in volatility reduced trading opportunity for traders. Even though these circumstances, we were able to show growth (1%) in our exchange earnings from BDT 750 M to BDT 757 M.

#### Other Operating Income (-43%)

Other operating income experienced a negative growth by 43% largely caused by 61% decrease of Recovery from written off loans from BDT 302 M to BDT 117 M in 2012.

#### Operating Expenses (+22%)

Total operating expenses of the Bank have increased by 22% to BDT 3,263 M compared to BDT 2,683 M during 2011. Changes of some major operating expenses are appended below:

BDT Million

Particulars	Year 2012	Year 2011	% Change
Salary and allowances	1,765	1,485	19%
Rent, taxes, insurance, electricity etc.	350	254	38%
Postage, stamp, telecommunication etc.	96	79	23%
Stationery, printing, advertisement, etc.	210	204	3%

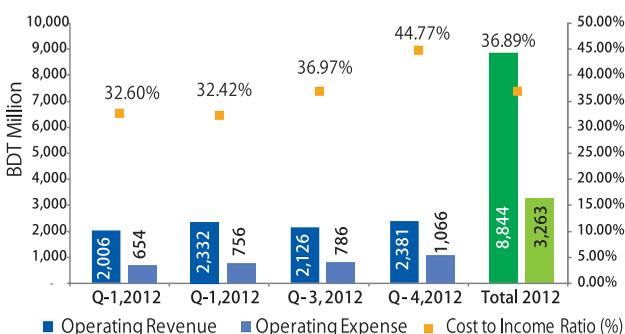
Particulars	Year 2012	Year 2011	% Change
Repairs, maintenance and depreciation	420	309	36%
Other expenses	421	352	20%
<b>Total operating expense</b>	<b>3,263</b>	<b>2,683</b>	<b>22%</b>

- Salary and allowances have increased by 19% in 2012 over that of 2011 mainly due to increase of allowances by 24% to BDT 861 M (caused by increase of permanent employees from 1,214 to 1,343 in 2012).
- Depreciation on fixed assets amounting to BDT 41 M has increased by 26% during 2012 mainly due to addition of fixed asset by BDT 478 M (of which addition of tangible asset is BDT 370 M & addition of intangible asset is BDT 108 M) compared to those of 2011.
- Overall bank rent & tax, utility bills, insurance premium, printing & stationary, repair, maintenance, office security, advertisement & business promotion expenses increased considerably during 2012 mainly because of addition of 08 new branches, 35 new ATMs, 25 'EBL 365' inclusive of Bills Pay Machines and hiring new offices for Audit, Credit administration, Service delivery etc

### Cost to Income Ratio (%)

Overall Cost to income ratio of EBL increased from 34.44% to 36.89% during 2012 mainly because of channel expansion initiatives which EBL has undertaken for increasing the deposit base as well as for better customer service. This expansion triggers instant increase of relevant operating expenses whereas these branches would take a reasonable time to generate the revenue, causing the mentioned raise of cost to income ratio. Quarterly cost to income ratio of 2012 is presented below:

#### Cost to Income Ratio (%): 2012



### Total Provision (+39%)

#### Provision for Loans and Advance (+20%)

Specific provision charged during the year 2012 against classified loan increased by 164% to BDT 846 M as against BDT 321 M of previous year. General provision against

unclassified loans & off-balance sheet exposures charged during the year decreased significantly in 2012 to BDT 24 M as against BDT 403 M in 2011 mainly due to revised provisioning rate of unclassified SME loans from 1% to 0.25%. Nonetheless, the general provision is allowed (by BB) to be treated as Tier-II capital of the bank and provides safeguard against future default as well as supports business growth by strengthening the capital base.

#### Provision for Loss on Revaluation of Shares (+93%)

As per Bangladesh Bank Circular investments in quoted shares and unquoted shares are revalued at the yearend comparing market price and carrying value of last audited balance sheet respectively. Provision is made on 'portfolio basis' for any loss arising from diminution in value of investments. Provision charged during the year 2012 against revaluation of shares increased by 93% to BDT 479 M as against BDT 248 M of previous year.

#### Profit Before Tax (+2%)

After making above provisions, during 2012 profit before tax of EBL stood at BDT 4,220 M registering a growth of 2%. Higher growth of fees and commission (15 %+) and Net Interest Income (45%+) to some extent offset the growth of operating expenses and provisions leading to the increase of profit before tax only by 2% in 2012.

#### Provision for Income Tax (+21%)

Provision against current year income tax of EBL was BDT 1,945 M compared to BDT 1,608 M of preceding year 2011. Although our income tax rate is 42.5%, our effective tax rate for the year 2012 increased to 51.81% from 42.14% of 2011 due to reduction of our tax exempted income from dividend and capital gain, increase of general & specific provision and also nondeductible expenses as per tax law.

#### Profit after Tax (-10%)

Decline of our non-interest income by 10% to BDT 4,030 M and usual growth of operating expenses by 22% to BDT 3,263 M consumed substantial portion of NII growth 45% which caused operating profit growth of only 9% to BDT 5,581 M (In 2011 growth was 16%).

Beside these, large growth of total provision (39%+) caused due to loan loss provision and provisions for loss on revaluation of traded equity securities led negative growth of Profit After Tax (PAT) by 10% to BDT 2,275 M in 2012.

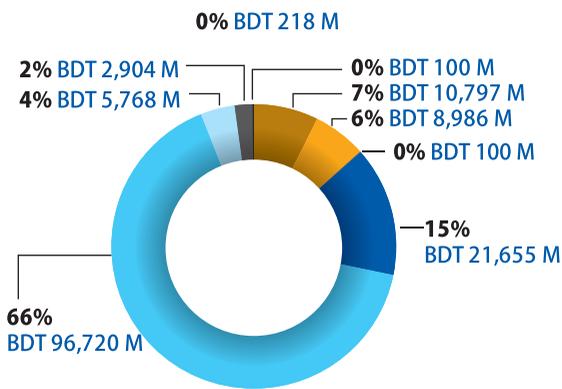
As per Bank Company Act 1991, 20% of profit before tax is required to be transferred to statutory reserve until the balance of the same reaches to the level of paid up capital. As such an amount of BDT 844 M has been transferred to statutory reserve during the year 2012.

For 2012, Average ROA and ROE stood at 1.72% and 14.44% respectively.

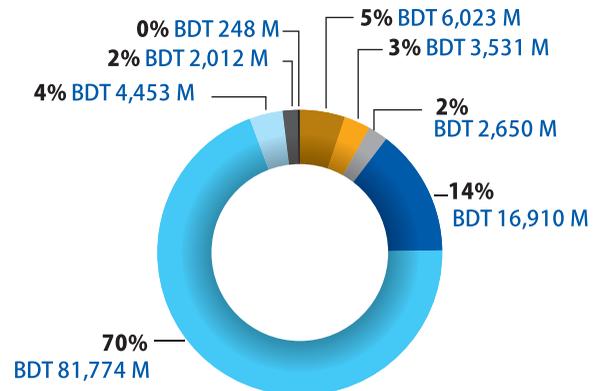
## Balance sheet as on 31 December 2012 (Bank Only)

Overall assets of the bank stood at BDT 147,148 M in 2012 as against BDT 117,601 M in 2011 registering a growth of 25%. Loans & advance grew by 18% whereas deposits grew by 22% in 2012. The increase in asset was mainly funded by growth of deposits by 22% and borrowing by 44%. Deposit growth was used for funding credit growth and holding of securities for SLR purpose.

Asset Mix (%): 2012

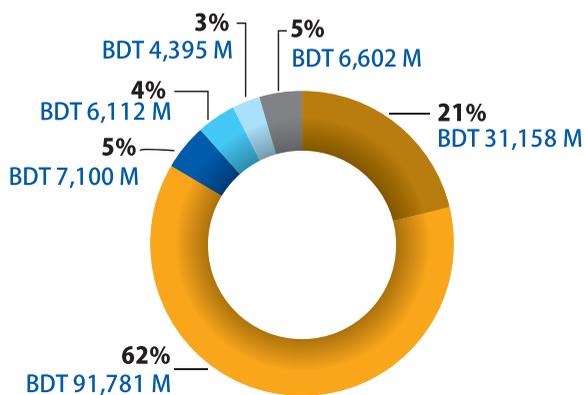


Asset Mix (%): 2011

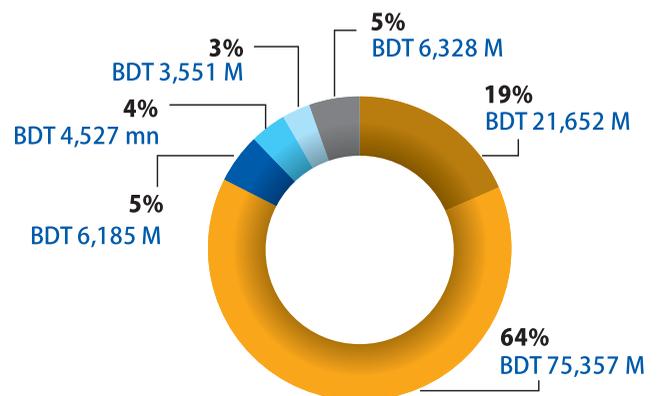


- Cash
- Money at call and short notice
- Loans and Advances
- Non-Banking Assets
- Balances with other Banks and FI
- Investments
- Fixed Assets
- Other assets

Asset Funding Mix (%): 2012



Asset Funding Mix (%): 2011



- Borrowing
- Other liabilities
- Statutory reserve
- Deposits
- Paid up capital
- Others equity

## Investment (+28%)

Overall investment during the year 2012, stood at BDT 21,655 M. The bank investment comprises of Government securities of BDT 17,789 M & others (Investment in debenture, corporate bond, ordinary share and preference share etc.) of BDT 3,866 M. Banks investment in ordinary share (Quoted and Unquoted) was BDT 3,655 M in 2011 which was brought down to BDT 3,549 M in 2012 i.e. 3% negative growth over 2011. EBL Investment composition as at 31 December 2012 & 2011 is compared below:

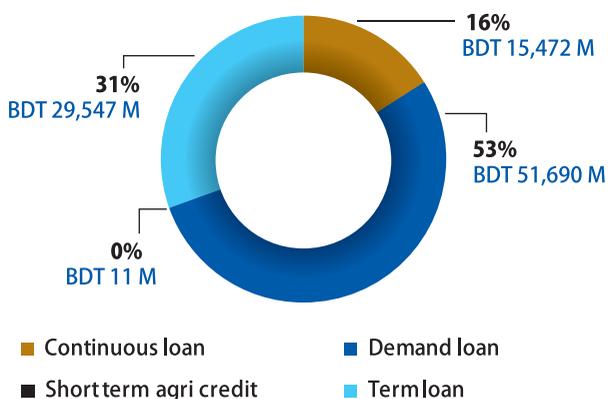
BDT Million

Particulars	Year 2012	2012 Mix %	Year 2011	2011 Mix %	Changes
<b>Government</b>	<b>17,789</b>	<b>82%</b>	<b>12,841</b>	<b>76%</b>	<b>4,948</b>
Treasury bills	8,662	40%	-	0%	8,662
Treasury Bonds	9,124	42%	12,839	76%	(3,715)
Prize Bonds	4	0%	2	0%	1
<b>Others</b>	<b>3,866</b>	<b>18%</b>	<b>4,069</b>	<b>24%</b>	<b>(203)</b>
Debentures	37	0%	54	0%	(17)
Corporate bonds	280	1%	340	2%	(60)
Ordinary Shares (Quoted and Unquoted)	3,549	16%	3,655	22%	(106)
Preference Shares		0%	20	0%	(20)
<b>Total Investment</b>	<b>21,655</b>	<b>100%</b>	<b>16,910</b>	<b>100%</b>	<b>4,744</b>

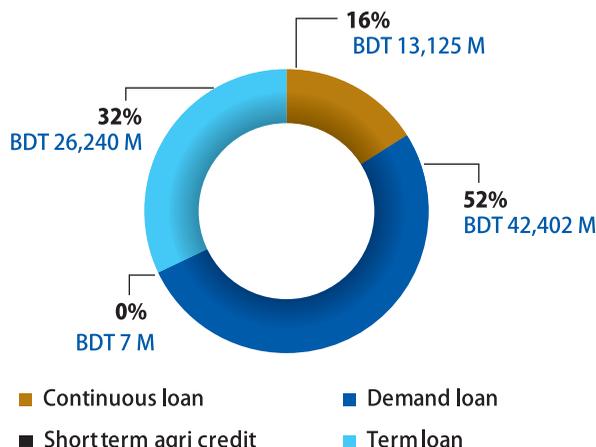
## Loans and Advances (+18%)

Overall loans and advances of the bank increased by 18% and stood at BDT 96,720 M in 2012. During the year 2012, our working capital loan like OD, Demand loan and other short term loan increased considering the nature of sources of funds. Product wise loans and advance as at 31 December 2012 & 2011 is compared below:

Product Wise Loan Mix (%): 2012



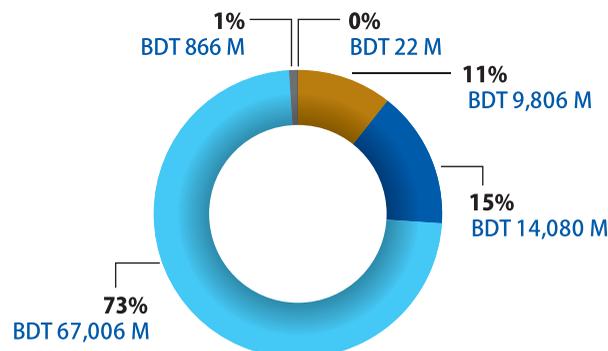
Product Wise Loan Mix (%): 2011



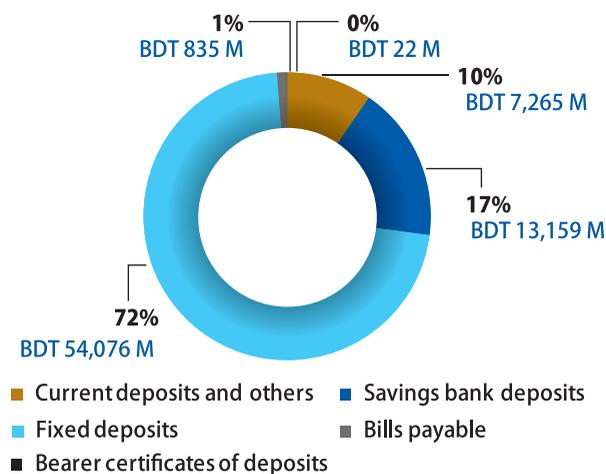
## Deposits (+22%)

Overall deposits of the bank increased by 22% and stood at BDT 91,781 M at year end 2012. The growth was facilitated by expanding branch network and high standard service provided to customers along with liability campaign carried out by business units for mobilization of deposits. Deposit grew faster than loan growth (22% vs. 18% y-o-y) during the year.

Product Wise Deposit Mix (%): 2012



Product Wise Deposit Mix (%): 2011



During the year 2012, savings deposit pie decreased from 17% to 15% and fixed deposit pie increased from 72% to 73% which consequently led the increase of cost of deposit from 8.40% to 9.26%.

## Borrowing (+44%)

Overall borrowing of the bank increased by 44% in 2012 to BDT 31,158 M (of which demand borrowing increased from BDT 2,840 M to BDT 9,310 M, term borrowing decreased from BDT 9,939 M to BDT 6,059 M & other borrowing also increased significantly).

Overall borrowing composition as at 31 December 2012 & 2011 is compared below:

Particulars	Year 2012	2012 Mix %	Year 2011	2011 Mix %	Changes Amount	Changes %
<b>Inside Bangladesh</b>	<b>26,920</b>	<b>86%</b>	<b>18,560</b>	<b>86%</b>	<b>8,360</b>	<b>45%</b>
Demand Borrowings	9,310	30%	2,840	13%	6,470	228%
Term Borrowings	6,059	19%	9,939	46%	(3,880)	-39%
Other borrowings From BB	7,594	24%	5,782	27%	1,813	31%
Repo with BB against ALS	3,956	13%	-	-	-	-
<b>Outside Bangladesh</b>	<b>4,238</b>	<b>14%</b>	<b>3,092</b>	<b>14%</b>	<b>1,146</b>	<b>37%</b>
Non-Interest Bearing	6	0%	233	1%	(227)	-97%
Interest Bearing by OBU	4,232	14%	2,859	13%	1,373	48%
<b>TOTAL</b>	<b>31,158</b>	<b>100%</b>	<b>21,652</b>		<b>9,506</b>	<b>44%</b>

## Balance Sheet Management: 2012

From the beginning of 2012, we experienced tough challenges in managing the asset-liability of our bank. With money market rate as high as 20%, we were thriving for deposit on the first quarter of 2012. Despite this challenge, we were able to increase our deposit base by BDT 16,424 million (22%) while our advance growth was BDT 14,946 M (18%). Volatility of deposit rate and high deposit demand by banks shifts consumer preference for shorter term deposit, which put challenge on our deposit mix. Concentration on 3 months deposit increased to 40% of total term deposit on end of 2012 from 31% of beginning of the year. Such consumer preference also put challenge on us to maintain medium term funding ratio within limit. On the asset side, we maintained sufficient liquid asset as we bought large amount of bills/bond starting from October, 2012. Liquid asset to total asset ratio was 29.35% on year end.

As these bond/bills buying was funded by Assured Liquidity Support (ALS) from Central Bank and money market borrowing, this created pressure on our shorter-term bucket of asset-liability mismatch but eventually lower money market rate enabled us to book profit from this mismatch. As market situation were improving from November, 2012 and projection of ALCO was reduction

in interest rate, ALCO cut deposit rate by 100 to 150 bps on November, 2012 with a view to get rid off high cost deposit and this will reduce the cost of deposit in medium term. The decision deemed prudent, as bank was able to reduce cost of deposit by 29 bps in last 1.5 months of 2012, after implementation of rate cut.

## Major Risks and Uncertainties in 2013

EBL like any other bank takes risks, which is the core of banking business, to generate value for its stakeholders. As a responsible bank we accept selected risk by taking informed decision, and such decisions are exposed to uncertainties. We seek to contain and mitigate these risks within our appetite set by the Board of Directors and price for adequate compensation. Since risks by their nature are uncertain, there is no tool available that can prevent losses with certainty from unfavorable outcome. Good judgment and prediction of future with more accuracy are fundamental for risk management. Some major uncertainties bank may face in coming year are set out below. This should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties that the bank may experience.

## Macroeconomic Conditions of the Country

GDP growth in Fiscal year 2012-13 was forecast at 7.0% but after elapse of six months, estimations by DFIs and Government fell within the range of 6% to 6.4%. We understand that personal expenditure and consumption, domestic demand, availability of credit for private sectors, and the availability of capital and liquidity funding for the bank has direct relationship with GDP. Lower GDP growth, sluggish investment, declining export may create strain on macroeconomic conditions that may depress our growth in 2013.

## Change in Government and Regulatory Policy

It is anticipated that monetary policy will remain hawkish and contractionary to attain macroeconomic stability with moderate growth. Regulatory policy for early classification of loans and reduction of bank's exposure on capital market will increase pressure on operating income. Bank' consumer and SME banking business often use 'Post dated Cheques' to initiate legal actions under the provisions of Negotiable Instrument Act, but recently some opinions are building up that bank should go for Money Loan Court to release pressure on judiciary system. Since retail loans are extended without or with inadequate collateral; any change in existing practice may weaken growth in these markets.

## Energy Crisis and Weak Infrastructure

Energy crisis is persistent since last couple of years. Many industrial units are not getting adequate gas and electricity; some newly set up manufacturing plants are waiting for gas connections; transportation and port facilities are yet to be efficient. Such issues along with uncertainty about donors' participation may have negative

impact on business confidence, and will be a major challenge in 2013.

### **Geopolitical Events**

US fiscal cliff and prolonged Euro-zone debt crisis affected our export in 2012, and the sluggish growth is expected to continue in 2013. Political situation in Middle Eastern countries are not stabilized and hope for the same is a distant one. Despite economic and political turbulences in markets where our people earn remittance, country received USD 1,285.30 Million administering 12.04% growth over preceding year. Dis-continuation of such growth in remittance receipt together with lower export might unstable the external sector in 2013. We further anticipate that GSP facility in US market may be jeopardized for non compliance of US recommended labor standards and the US priority for internal resource mobilization on the context of fiscal cliff.

### **Risk of Fraud**

Internal fraud and external financial crime are increasing in the country due to weak corporate governance, inadequate policies and procedures, lack of monitoring, and increasing use of technology by criminals. EBL seek to be vigilant against internal fraud and financial crime in management of its people, process, and systems. Control points have been established in processes, which are reviewed on regular basis. In 2012, the banking sector was rocked by detection of Hall-Mark scam – the biggest financial forgery in the history of Bangladesh. About 3,600 crore taka was embezzled, which is 6.6% of our ADP. Such massive fraud may not only hamper the growth of banking

sector but also the economic growth of the country.

### **Directed Lending and Interest Rate Cap**

Since 2011, central bank directed commercial banks to disburse 2% of its total loans to agro and rural sector at maximum of 13% interest rate. Such directed lending generates return lower than the prevailing opportunity and sometimes compel to operate with limited management resources. Bangladesh bank has prioritized lending in agriculture sector; but absence of established value chain, crop insurance, and price protection are key threats to sustainability of the Agricultural and Rural Lending Program.

### **Uncertainty in Political Front**

Political uncertainty is looming and could be a major factor for stability of the country during the year 2013. Our past experience shows that general election without consent of all major political parties triggered unwarranted circumstances that affects private sector negatively. So far major political parties failed to reach an agreement on this agenda.

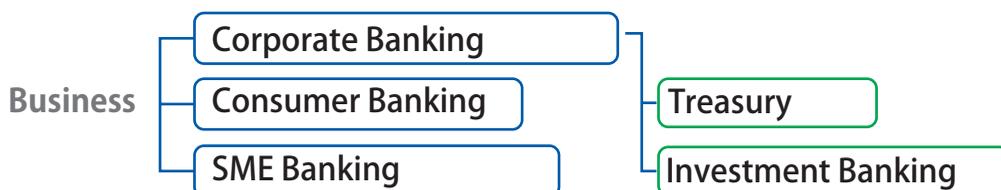
### **Climate Change Effect and Natural Calamity**

Bangladesh is one of the most vulnerable countries to climate change effects and natural disaster is a perennial phenomena. Agricultural sector, which contributes around 17 percent of GDP, is the most susceptible sector to such risk. Besides, unwarranted resource allocation for post event disaster management put pressure on economic equilibrium.

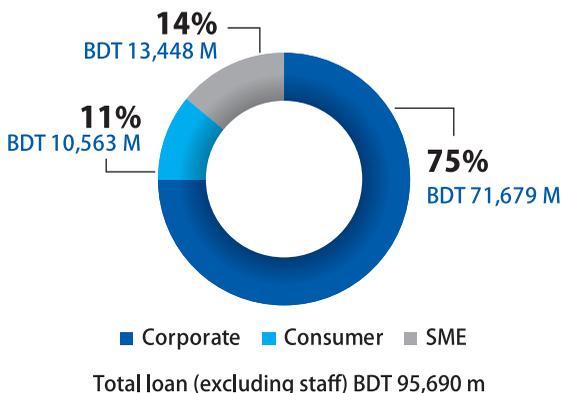


# business review

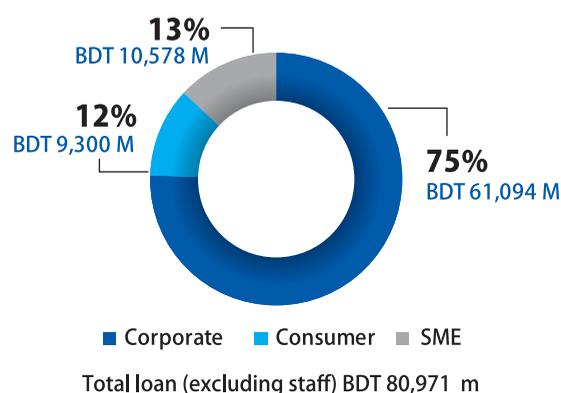
EBL follows centralized business matrix as opposed to branch based business matrix used by most of the local banks. The Business Matrix of EBL consists of Corporate, Treasury, Consumer and SME Banking as core business units and Treasury being the manager of funds maintains CRR, SLR with Bangladesh Bank, makes investments, placements and borrowing in money and capital markets, deals with foreign exchange etc. Investment banking, under the umbrella of corporate banking, contributes towards investment income of bank arising from investing in securities of capital market.



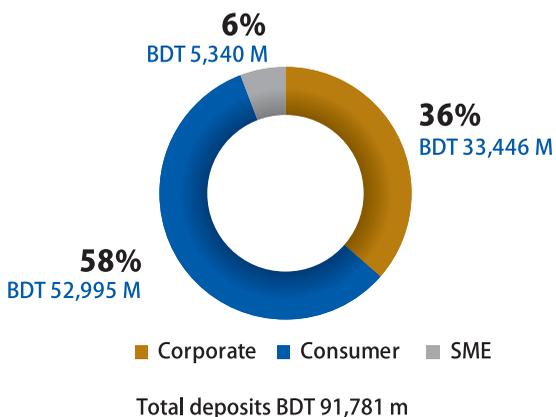
**Business Unit Wise Loan Mix (%): 2012**



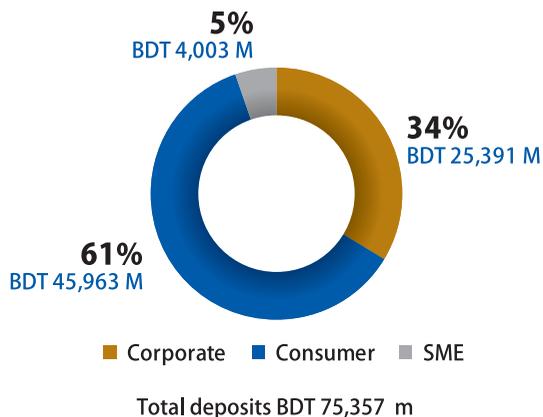
**Business Unit Wise Loan Mix (%): 2011**



**Business Unit Wise Deposit Mix (%): 2012**



**Business Unit Wise Deposit Mix (%): 2011**



*Corporate Banking along with Investment Banking & Treasury, contributes the lion share to the bottom line of the Bank. Corporate Banking occupies the largest pie of loan book (around 75%) whereas Consumer Banking contributes most in mobilizing funds (around 58%) as on year end 2012. The high priority Small & Medium Enterprise (SME) division continued to experience growth in both loan and deposit.*

# corporate banking



“Despite lackluster performance of few sectors of the economy, Corporate Banking Division has endeavored to diversify businesses with reasonable growth in key business parameters during 2012. As the business outlook 2013 suggests, things are set to be more challenging due to struggling exports underpinned by European zone crisis, fiscal policy uncertainties in a slowly recovering US economy and sluggish domestic investments in the country. EBL Corporate Banking will continue to leverage the existing relationships, capitalize on innovative financial solutions and create a synergetic value for the stakeholders keeping asset quality intact.”

**Md. Fakhru Alam**  
Deputy Managing Director  
Corporate, Treasury & Investment  
Banking

## Our Strategy

Leveraging our relationships, mitigating risks and minimizing cost in order to maintain the existing portfolio efficiently and uphold superior performance by attracting potential customers.

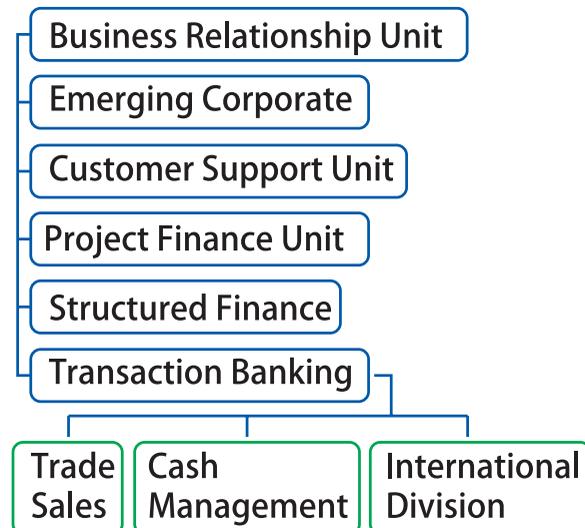
## Our Priorities in 2013

- Extending the superior services to our Corporate Clients by improving internal process through innovation and enhanced employee capability.
- Maximizing efforts to recover and minimize Non-performing Loans.
- Exploring new avenues for low cost fund both from domestic and international sources by extending customized solutions.
- Maximizing corporate portfolio by growing with the existing clients and extending innovative financial solutions to potential customers. Will continue to focus on RMG, Renewable Energy, Telecommunications, Agri-business, Health care, Food, Power etc.

## Review of Corporate Banking

2012 was one of the most challenging year for the banking industry. Despite the challenges, EBL Corporate Banking Division has achieved reasonable growth in almost every avenue through leveraging strong client relationships and innovation through structured financing deals.

## Corporate Banking



As guided by objectives to expand and deepen client relationship and to facilitate the international standard services to our ever increasing list of corporate clients, we have in place 10 corporate relationship units and 01 emerging corporate relationship unit. 03 units are stationed in Chittagong and rest 8 units are in Dhaka. Out of the total 8 units of Dhaka 03 of these are positioned in Motijheel and remaining 04 units are in Gulshan.

To facilitate and support business units we have 03 customer supports Units (CSU) and 01 Project Finance Unit (PFU). Besides, we also have 02 product specific

## Financial Highlights

### Loans & Advance

**+17%**

**2012: BDT 71,679 M**

**2011: BDT 61,094 M**

2012: 75% of Total loan, 2011:75% of Total Loan

### Deposits

**+32%**

**2012: BDT 33,446 M**

**2011: BDT 25,391 M**

2012: 36% of Total deposit, 2011:34% of Total deposit

### Interest Income

**+35%**

**2012: BDT 8,634 M**

**2011: BDT 6,388 M**

### Interest Expense

**+38%**

**2012: BDT 3,070 M**

**2011: BDT 2,230 M**

### Fees & Commission Income

**+14%**

**2012: BDT 917 M**

**2011: BDT 802 M**

### Non-Performing Loan %

**+1.40%**

**2012: 2.70%**

**2011: 1.30%**

solution based units Structured Finance Unit (SFU) and Transaction Banking (TB) Transaction Banking is formed in 2012 and supported by 03 particular Units Cash Management Unit (CMU) Trade Sales Unit (TSU) and International Division.

## Corporate Banking Initiatives 2012

### Business Relationship Unit

Corporate Relationship managers(RM)under supervision of individual Unit Heads are highly equipped with efficient management skill and sound knowledge about the industry. The RM's are here to provide a full array of corporate banking solutions, ranging from working capital management, cash management, foreign exchange and currency hedging services to trade finance, loans and structured products. Corporate Banking Division has the highest number of internationally recognized Credit Skill Assessment-Omega certified professionals among all the Private Commercial Banks operating in Bangladesh.

### Emerging Corporate (EC)

Emerging Corporate unit has been launched in mid of 2011 under asset teams aiming to cater the "Missing Middle" of the industry. The unit completed a full year of operation in 2012 and achieved all the given targets in good margin with high year on year growth.

#### *EC Initiatives: 2012*

- Financed Bay Cruise International Limited to import a Catamaran ship for plying directly from Cox's Bazar to St. Martin Island which opened a new horizon in tourism industry of Bangladesh.
- Financed Leisure Bangladesh Limited to implement Kaalmegh Country Club And Forest Lodge at Gazipur.

### Structured Finance Unit (SFU)

SFU is a specialized unit under Corporate Banking Division with the aim to facilitate syndication arrangements, arranging both on shore and off shore structured finance, Agency and Trustee services and Pre-investment feasibility Studies.

#### *SFU Initiatives: 2012*

- SFU coordinated the unique US Dollar loan deal for USD 16.0 Million from United Bank Ltd., Dubai for 6 local banks' offshore banking units.
- SFU arranged USD 20.0 Million long term loan from DEG for EBL Off-shore Banking unit. EBL is on-lending the fund through off-shore Unit. Already implemented following major projects-
- USD 9.75 Million to Novo Air Ltd. for purchasing two Embraer ERJ- 145 aircraft. EBL funding supported this new airline starting operation in domestic aviation sector

- USD 2.24 Million to one of its corporate clients Trims International (BD) Limited, a concern of Mondol Group involved in garments accessories business.
- Arranged Delivery Financing/Commercial loan of USD 65.00 Million as the Co-Arranger with Standard Chartered Bank for Biman Bangladesh Airlines Ltd. for purchase of two 777-300 ER aircraft from Boeing Company Ltd.
- Arranged foreign currency fund for Ananta Group for USD 12.50 Million from DEG.
- Second Crop Diversification project (SCDP) deal for USD 12.75 Million closed on February 08, 2012. Received fund of USD 1.3 Million and disbursed the same to BRAC.
- ADB Agribusiness Development Project Revolving Modality Deal closed on May 07, 2012. Disbursement made in three tranches for the amount of BDT 560.00 million among ASA, BRAC & TMSS.
- Completed raising fund as the incremental financing for Giant Textiles Ltd.
- SFU signed Participation Agreement with Bangladesh Bank under Brick Kiln Efficiency Improvement Project under financial assistance of USD 50.00 million from ADB.
- Fee Collection of RJSC through EBL branch network commenced from 2012.
- Started collecting fees on behalf of BRTA for Retro-Reflective Number Plate (Digital Number Plate) for motor vehicles.
- Successfully managed 7 new IPOs and Right Share subscription as Banker to the Issue.
- Booked settlement account of Dhaka Stock Exchange (DSE).
- Substantial deposit from Asset Management Companies through retention and acquisition.
- Opened Central VAT Collection account of DPDCL.
- Godnail Oil Depot (largest Oil Depot) of Meghan Petroleum added to our list of collection.

### **Trade Sales Unit**

Trade Sales Unit, a unit of Transaction Banking contributed and played significant role to boost up non-funded and fee based earnings of Corporate Banking Division.

#### *Trade Sales Unit Initiatives: 2012*

- For bonding business established relationship with 25 local agents of foreign principals who participate in International Tender under the project of PDB, BAPEX, Titas Gas, Bangladesh Railway, Bangladesh Gas Field, Chittagong Port Authority, Jalalabad Gas, DGDP.
- Originated 142 guarantees both bid and performance bond against counter guarantees of overseas foreign banks favoring beneficiaries in Bangladesh.
- Total volume of guarantee issued against counter guarantee is BDT 3,130 Million.
- Introduced 18 new customers to EBL for export LC Advising.
- Assisted Unit Heads in driving utilization.
- Introduced and assisted the RM's in booking new relationship.

#### *International Division (ID)*

In order to facilitate Foreign Exchange (FX), Foreign Trade and Other Foreign Currency (FCY) Business and Transactions, ID maintains Correspondent Banking Relationship with number of banks at home and abroad. Standard Settlement Instructions (SSI) including Drawing and Telegraphic Transfer (TT) arrangements have been established in all major currencies. Business lines have been established with International Finance Corporation (IFC) and Asian Development Bank (ADB), along with other Global Correspondents.

### **Transaction Banking**

Transaction Banking has been formed to provide an array of cash management and trade finance solutions and services to corporate customers (borrowing and non-borrowing) and correspondent banks. Business units include Cash Management, Trade Sales and International Division. This business model enables to provide a stream of financial solutions tailored to the specific needs of our clients.

**Transaction Banking comprises following 03 units Cash Management Unit (CMU), Trade Sales Unit & International Division.**

#### **Cash Management Unit (CMU)**

CMU plays a critical role in sourcing low cost deposit providing 'Transactional Value' to customers in an increasingly competitive market for fund mobilizations at reasonable rates. Cash management solutions thus help customers in managing liquidity, payments, collection, reconciliation and MIS. EBL has been managing efficiently collection and payment services of large corporate through own branch network and correspondent branch network (under BEFTN).

#### *CMU Initiatives: 2012*

- Successfully handled Hajj Flight Collection 2012 of BIMAN Bangladesh Airlines. BDT 4,754 Million have been collected in 2012 whereas in 2011 the figure was BDT 2,317 Million.

### *ID Initiatives: 2012*

- Formation of EBL's first 100% owned foreign subsidiary in Hong Kong in the name of "EBL Finance (HK) Limited".
- Term Facility Agreement for USD 20.00 Million for 6 years signed with FMO; disbursement is scheduled on 2nd Jan 2013.
- JP Morgan Chase Bank N.A selected EBL as an Agent for In-sourcing business Agreement signed in this connection in Hong Kong. Another agreement with JP Morgan Chase Bank NA, Singapore under process.
- Award received from IFC, World Bank Group as the "Best GTFP Issuing Bank in South Asia" in 2012.
- New relationship for Chinese business: To explore the business, met Mr. Wu Guangsheng, Vice Chairman of Chinese Chamber of Commerce in Bangladesh.
- Arranged a mega event with a big group of Development Banks- FMO, IFC, DEG, CDC, OeEB, Proparco, Dutch Embassy etc. (first time such an Event in Bangladesh) on Sustainable Business: Environmental & Social Developments.
- Established Relationship Management Application (RMA) with Bank of China (BOC) & Industrial & Commercial Bank of China (ICBC), China. Chinese Guarantee business done for total BDT 27.55 Million (for the first time).
- IFC GTFP Line (Global Trade Finance Facilitation Program) increased from USD 65.00 Million to USD 90.00 Million. In addition, rollover of agreement signed with IFC for USD 30.00 Million fund for OBU.

### **Customer Support Unit (CSU)**

CSU assists all relationship teams to analyze and assess financing proposals and provides transactional support to corporate customers and works on developing new products.

### **Project Finance Unit (PFU)**

PFU is a specialized unit comprising of experienced professionals who are expert in conducting the Technical & Financial Feasibility of all types of projects. This unit extends its assistance to all the business units of EBL around the country. PFU does vetting of project risks by appraising financial feasibility and viability of the customers' projects during the pre-booking stage and also monitors the progress of the project implementation during the post-booking stage.

### **Business Outlook 2013**

The year 2013 will be challenging. However, the country's economy had faced so many difficulties on different occasions but exhibited moderate level of resilience because of high inflows through foreign remittance, Bumper yield in agricultural sector, increasing trend of RMG exports etc.

The players in the Banking industry will face fierce competition as soon as new banks kick off their operation. Existing Banks will have to implement useful innovative products and services to satisfy their clients and retain deposits.

Taking into consideration of all difficulties, our dedicated team who possessed sound knowledge in risks, business, structuring and financing and said to be the best in the industry will exert their best possible effort to wallet sharing of their existing clients and explore new avenues of business through extending innovative way of financial solutions.

The team will concentrate on its existing portfolio to reduce non-performing loans and be vigilant throughout the year to arrest any surprises in business conditions spilled over from local and international threats.

Corporate Banking Division sees the Year 2013 as another potential year for growth which will unfold into a much more prosperous year for the Division.

# corporate banking event highlights 2012



The picture of the ship of Bay Cruise International Ltd. financed by EBL



Award of Recognition for Best GTFP Issuing Bank in South Asia by IFC



Embraer ERJ-145 aircraft of NOVO air financed by EBL



Agreement signing ceremony between EBL & FMO



EBL signed an agreement in Dhaka under which DEG extended a long term loan to EBL through off-Shore Banking Unit



EBL Corporate Banking Division arranged a cultural program for the executives of corporate customers to celebrate Bengali New Year

# treasury

The conduit for Treasury in 2012 was full of volatility and uncertainties which eventually led us to big challenge of managing risk and keeping the sustainable growth. Although global market crisis eased a bit still it is far away from desired pace. Liquidity tightness both in local currency and foreign currency, sustaining stock market loss and challenges in keeping the macro variables in line imposed further pressure on business performance of wholesale market. Despite all these impediments EBL kept its run in full swing.

## Our Strategy

Managing market risk through array of financial products by acting positively to ensure favorable “risk-return” trade off.

## Our Priorities in 2013

- Creation of new avenues to utilize market opportunities especially in the fields of derivatives.
- Closely monitoring market behavior to catch significant business prospects out of volatility.
- Maximizing portfolio size as well as portfolio returns by discovering new investment opportunities.
- Putting more & more efforts to Build Rapport with external & internal counterpart.
- Managing Balance Sheet with specific focus on interest rate movement.

EBL has a committed and well-trained treasury team capable of providing all kind of treasury solutions through wide range of products. For providing superior service with respect to pricing and catering the best possible solution to customer, EBL Treasury has five separate desks.

## Treasury



## Review of EBL Treasury

### Money Market Desk

The EBL money market desk is one of the most active and efficient desk in the inter-bank market of the country. Dealers exercise all kind of existing Money Market products like call money, term money, swap, Repo & Reverse- Repo, securities swap etc. EBL money market desk also executes various structured deals involving combinations of various instruments and currencies.

## Financial Highlights

### Net Money Market Income

**+16%**

**2012: BDT 1,768 M**

**2011: BDT 1,518 M**

### Average Daily Money Market Turnover

**+46%**

**2012: BDT 22,684 M**

**2011: BDT 15,494 M**

### Net Exchange Income

**+1%**

**2012: BDT 757 M**

**2011: BDT 750 M**

### Total FX Transaction Volume

**+16%**

**2012: USD 15.25 Billion**

**2011: USD 13.17 Billion**

### Fixed Income & Investment Desk

EBL Fixed Income & Investment Desk is responsible for Banks investment in various Govt. securities like Treasury bills and Bonds in different tenors and debentures that qualify for SLR. This desk is an active participant in secondary market trading of Govt. Securities though EBL is not a Primary Dealer.

### Foreign Exchange Desk

EBL - Forex desk offers full range of vanilla and derivative products in forex market. These include spot, forwards and swap in USD/BDT and other major cross currencies. EBL Forex desk also offers derivative products (swap, option) linked to currency, commodity and interest rate. EBL- forex desk is one of the leading market maker in USD/BDT spot, swaps, forward transactions in inter-bank market. EBL has good sources of forex through its own export customers, Non-residence Remittances and local & multinational corporate houses remittances/exports.

### Asset Liability Management (ALM) Desk

EBL has a highly efficient ALM desk. The ALM Desk provides analysis, instruction and guidance in the area of asset liability management in order to promote the financial wellbeing of the bank and proper management of balance sheet.

### Corporate Sales Desk

EBL Corporate Sales Desk assists clients in managing their risk exposures so as to minimize the impact of market volatility on the company. This includes analyzing the business/ balance sheet structure of the company and quantifying the net exposures in terms of interest rates, foreign exchange, mismatch in cash flows, etc. Based on the risk appetite of a client, hedging strategies are then tailor-made to suit the client's needs.

### EBL Treasury in Money Market

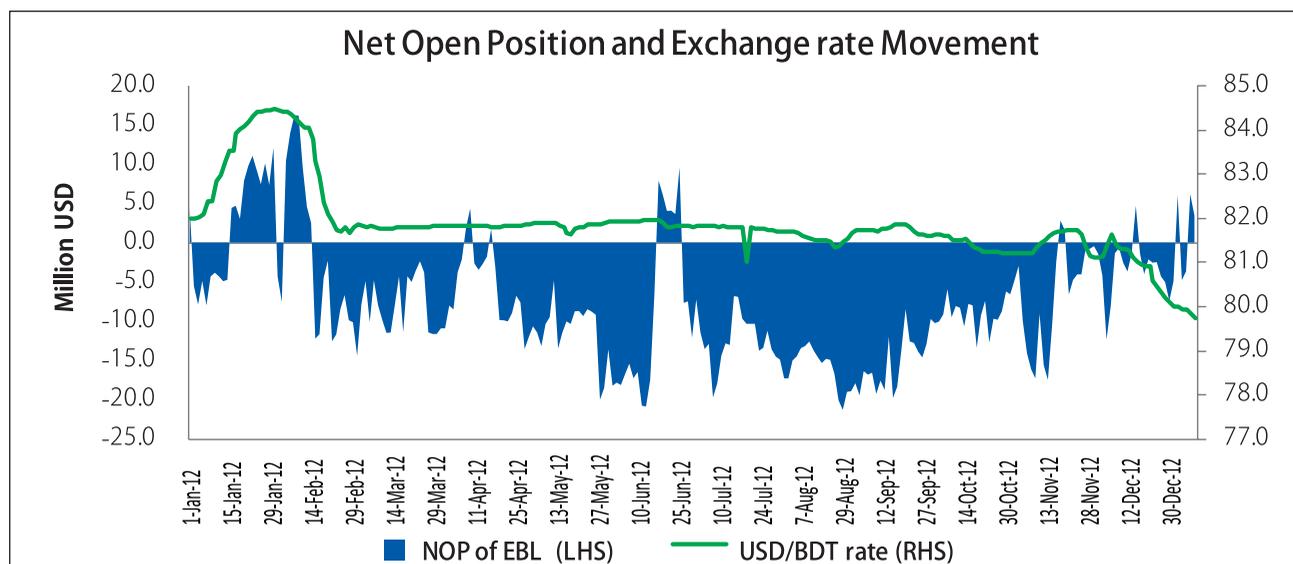
Increased money market average daily turnover on various instruments; up from BDT 16,920.0 Million in year 2011 to

BDT 22,684.3 Million in 2012; together with improved spread enabled the bank to book higher revenue from money market dealing. Though not a Primary Dealer, EBL was very active in the secondary Govt. Securities trading in both buy side and sell side and this trading activity generated a substantial amount of revenue for the bank. During 2012, Money market income increased by 16% to BDT 1,768 M.

### EBL Treasury in Foreign Exchange

#### Foreign Exchange Position Management

Throughout the year, EBL treasury always keeps its open position within its set limit of 21.09 million USD. EBL treasury makes forecast about future exchange rate movement on a regular basis and maintains its open position according to its future projection- that is when treasury's focus is BDT will depreciate against USD and projected depreciation rate of BDT is more than money market funding rate, it maintains and holds position long. When treasury's projection is appreciation of BDT against USD, it maintains its position short.



### Transaction Volume and Profit

In foreign exchange area, total turnover was USD 12.5 billion in 2012, while it was 10.5 billion in 2011 and USD 4.1 billion in 2010. Growth of total turnover in 2012 compared to 2011 was 19%. Although, turnover increased in 2012, competition got severe in foreign exchange market which curtailed our spread. Also, fall in volatility reduced trading opportunity for traders. Albeit these circumstances, EBL treasury was able to show growth in exchange earnings. EBL was involved in forward dealing, corporate dealing, SWAP etc. in FX market. In 2012, EBL was active in cross currency settlement with other banks with the help of multiple trading platforms.

### BUSINESS OUTLOOK 2013

Market outlook always correlates with the money growth, targeted inflation, private sector growth and benchmark rates. The monetary policy stance for 2nd half of the financial year 2012-13 is expected to ensure that the credit envelope

is sufficient for productive investments to support the attainment of the government's financial year'13 real GDP growth target while keeping it consistent with the targeted 7.5% average inflation rate. Strong remittance flow will keep Broad money growth higher compared to the FY13H1 MPS target of 16.5%. As central bank is purchasing USD from market, we expect that M2 money growth will also be higher in the 2nd half of the financial year 2012-13. We expect yields of all kinds of Treasury securities shall go down significantly this year. Deposit rates and advance rates shall also experience a downward pressure sooner. As broad money growth is expected to increase we expect sufficient liquidity and less volatility in money market. In foreign exchange, we expect taka to appreciate further, as remittance flow is buoyant, export performance is robust and import payment is on its normal level. But appreciation of BDT against USD will make export uncompetitive, and central bank will continue its market intervention, which will keep foreign exchange market liquid and stable.

# investment banking

Investment Banking passed yet another challenging and volatile year in 2012. Diminishing investor confidence, liquidity crisis, high interest rates, constrained monetary policy, macroeconomic challenges, political instability, and prolonged global economic crisis- all played their role in imposing further pressure on the already volatile market. Despite these challenges, there were some achievements for EBL from the capital market operations this year.

## Our Strategy

Providing a full range of capital market services under one umbrella, through innovative products & services, technical expertise & business relationships and focused approach.

## Our Priorities in 2013

- Plan, setup & fully operationalize complete range of Merchant Banking services
- Creation of new avenues & innovative products to grab market opportunities, especially in the issue management business
- Operationalize the CSE windows in EBL Securities Ltd. and expand its business
- Closely monitor the market to catch/ maximize investment opportunities to generate return out of volatility

## Review of Investment Banking

### Own Portfolio Performance

EBL never believes in speculation rather invests strategically with long-term perspective. In 2010 & 2011, EBL generated significantly higher return than the market through investing in fundamentally strong shares. However, 2012 was an equally grim year for both institutional & individual investors. Therefore, the secondary market return of EBL portfolio declined in 2012 as did the returns to all other investors. However, the portfolio combination remains fundamentally focused as ever with focus on shares of bank, NBFIs and power sectors. When the market returns to its normal streak, the well-balanced EBL portfolio is expected to perform well.

### Underwriting and Placement Participation

EBL has been actively involved in underwriting different IPOs which helped in earning fee based income. EBL makes underwriting commitments after making in-depth analysis, valuation & due diligence. So far, no IPO underwritten by EBL was undersubscribed and EBL did not have to make any fund involvement for taking over undersubscribed IPOs.

## Financial Highlights

### Investment in share

Quoted (Cost price)

**+21%**

**2012: BDT 3,418 M**

2011: BDT 2,824 M

Quoted (Market price)

**+6%**

**2012: BDT 2,693 M**

2011: BDT 2,551 M

### Investment Income from share & others

**-67%**

**2012: BDT 246M**

2011: BDT 755M

### Yearend provision for Investment in shares

**+165%**

**2012: BDT 724M**

2011: BDT 273 M

Apart from these, EBL has participated in the private placement of several new issues with a view to facilitating the supply side in the capital market. EBL mainly focuses in shares offered at face value or having justified premiums after detailed financial analysis. Following this strategy, EBL has earned hefty return in the past and also expects to earn significant returns after the lock-in period of the current investments.

### EBL Investment Banking Initiatives: 2012

- Obtained approval for Merchant Banking License of EBL Investments Ltd. from BSEC.
- Completed the acquisition of remaining 40% shares from other owners of EBL Securities Ltd.
- Completed the acquisition of CSE Membership from Agraneer Securities Ltd. and is in the process of obtaining operational license from BSEC.

# consumer banking



"In 2013, we would like to revisit the banking fundamentals to increase our efficiency, understand the needs and trends of the market better and nurture the customers for a mutually rewarding and sustainable relationship"

**Muklesur Rahman**  
Deputy Managing Director  
Consumer Banking

## Review of Consumer Banking

In 2012, EBL Consumer Banking has strengthened the value center and channel concept like Cards, Asset, Liability, NRB Business, Branches and Alternative distribution channels. The value centers are responsible to ensure product development to product profitability through proper management of Balance Sheet. The branches, priority centers, ATMs, EBL 365, Internet banking, phone banking and SMS banking are the channels to ensure the value centers business, service and compliance.

## Consumer Banking



## Major Operational Highlights: 2012

- Reached out to the new market segment across the country and added value to the customers in terms of accessibility through 8 new branches, 35 ATMs and 25 'EBL 365' inclusive of Bills pay machines.
- Catered the need of the clientele by launching SMS banking and Internet banking in mobile which now enabled EBL customers to access their financial data from anywhere in the world.
- Reshaped business modality by strengthening the value centers and managing the consumer banking balance sheet through efficient distribution channels.

## Consumer Banking Initiatives: 2012

### Liability & Wealth Management

The Liability & Wealth Management value center is responsible to ensure all consumer deposit products balance sheet, product development, Direct sales team for own products and the value addition for high net worth (HNW) segment as priority banking.

- 2012 was a volatile year in terms of deposit mobilization. Cash crisis was buzz word round the year. Despite the challenge, EBL Consumer Banking collected BDT 7,032 million consumer deposits, considered to be the highest in the market. Customer trust, impeccable service and commitment helped the bank to achieve the feat.

## Financial Highlights

### Loans & Advance

**+14%**

**2012: BDT 10,563 M**

**2011: BDT 9,300 M**

2012: 11% of Total loan, 2011: 11% of Total Loan

### Deposits

**+15%**

**2012: BDT 52,995 M**

**2011: BDT 45,963 M**

2012: 58% of Total deposit, 2011: 61% of Total deposit

### Interest Income

**+41%**

**2012: BDT 1,727 M**

**2011: BDT 1,225 M**

### Interest Expense

**+36%**

**2012: BDT 4,530 M**

**2011: BDT 3,336 M**

### Fees & Commission Income

**+37%**

**2012: BDT 649 M**

**2011: BDT 473 M**

### Non-Performing Loan %

**+2.12%**

**2012: 5.87%**

**2011: 3.74%**

- To tap new deposit segments, EBL launched two new deposit product suits titled 'EBL Savings Plus' and 'EBL 50 Plus' in 2012. The new product and service offerings helped the bank to grow at a much faster pace than the market.
- EBL Priority Banking continued its journey as country's number one premium banking service this year. Various customer surveys brought out the fact that EBL managed to rightfully serve the upper echelon of the society with great success.

### Customer Proposition & NRB Business

The Customer Proposition & NRB Business value center is responsible for all consumer product re-packaging, Product development, Business development and NRB products business & remittance. A dedicated team of Business Development Managers have been engaged to source consumer banking business through corporate tie-ups. The unit is also responsible for the market penetration and growth of the student banking business.

- EBL was the first bank to launch Student Banking in Bangladesh and now boasts with a base of approximately 11,000 student banking customers. These are the future base that is now being harnessed under the student banking umbrella.
- In 2012, the total NRB remittance was USD 135 million and the number of transaction was 226,125 while in 2011 total NRB remittance was USD 121.5 million. Mobile Remittance Service with Banglalink&Robi, two of the country's leading telecom operators grew significantly and promises to be even bigger and better in 2013.
- In 2012, EBL NRB Business adopted a completely new dimension in terms of customer acquisition and focused on the number of customers. A planned business drive resulted in 13,338 accountholders across the country.

### Asset Value Center

The Asset value center is responsible to ensure all consumer loan products balance sheet, product development, business target throughout the branches and ensure loan services throughout the channels as well. Consumer banking managed to grow its loan & advance base by 14% during the year to BDT 10,563 M (of which credit card outstanding is BDT 3,759 M) and thereby contributes 11% of total loans of the bank as of 31.12.2012.

### Cards Value Center

EBL emerged as a major force in Cards market in 2012. With over 50% portfolio growth for the fourth consecutive year – EBL now holds approximately 23% of the Bangladesh Cards market share. EBL launched two new "first to the market" card products in 2011, namely EBL Visa Signature and EBL

Visa Payroll Cards – those are continued as market leader in 2012 too.

- EBL Visa Payroll Card is a low-cost and easy management solution for the payroll management. Companies who have large work force or high turn-over rate can easily take this product to make their employee payment management hassle-free.
- EBL was the first bank to offer this out-of-the box product and the market embraced it with lot of enthusiasm and support. Till year end 2012, total Credit card outstanding portfolio is BDT 3,759 M and total number of Credit cards reached to 120,696.
- In 2013, EBL Cards is poised to expand the market even more with new to the market products and introducing full blown acquiring business.

### **Branches**

Till 2012, total 67 Branches uphold the EBL Brand and consumer Banking existence in terms of ensuring to achieve the value centers business and service excellence across the country. Branches have their own team for business, customer service, cash management, operational risk management etc. and also responsible for individual operational risk and control. In 2012, EBL opened 8 new branches to reach out the new market segments across the country and added value to the account holders.

### **Alternative Distribution Channel (ADC)**

The ADC value center is responsible to ensure all alternative banking channels to ensure customer convenience and e-banking for the bank across the country. These low cost electronic channels are becoming very popular day by day across the world due to remote and convenient accessibility, low set-up cost for the banks.

EBL is fully equipped now having all the alternate channels to provide customer support. In many ways customers don't need to come to branches for many queries now a days. This is all about just a call to the Contact Center or SMS Banking or Internet Banking login away!

EBL opened 35 new ATMs and 25 new 'EBL 365' (these are manned booths where an ATM, a Bills pay machine and a PC with internet banking access reside) in 2012. This helped the bank to reach out to the new market segment and added value to the customers in terms of access to their money 24X7. Customers can use these booths for their deposit, withdrawal and limited banking services round the year anytime of the day or night.

### **Business Outlook 2013**

In 2013, EBL Consumer Banking has taken a vow to take a quantum leap focusing on four (4) key areas: Low cost deposit (CASA), Student Banking, Payroll Banking and Low cost/Alternate distribution channel penetration. In order to do so, it has reshaped its business modality and strengthened the Value Center concept for the Bank. The five value centers will drive the business and manage the Consumer Banking balance sheet through the distribution channels.

2013 will be a challenging year as per the key economic indicators and upcoming national election wind. But EBL Consumer Banking is fully prepared to take on the business challenges head-on. Exciting new products, new branches and as rapid growth of alternate channels are on the book this year. Dominating core target segments through service, brand perception and products and bank with unbanked by creating own market segment is the vision that EBL Consumer Banking Division has embraced for 2013. With almost half a million customer base – EBL Consumer Banking team is all set for the drive.

# consumer banking event highlights 2012



EBL MD & CEO Mr. Ali Reza Iftekhar gave a presentation on the performance of the bank at Customer Service Officers (CSO) Night.



Launching of EBL-ACCA Card for ACCA students fee payment.



EBL Chairman Mr. M. Ghaziul Haque presenting the crest to one of EBL customers at EBL Consumer Night.



'Meet the Customers Sessions' - a regular customer feedback session of the bank



EBL Consumer Banking team organized Student Banking Road Show in different schools, colleges & universities



EBL Mehedibagh Branch opening at Chittagong in 2012

# SME banking



“EBL SME Banking will constantly strive for sustainable growth by offering diversified and innovative products through dedicated SME Centers to our target customers and ensure quality booking to enhance the value of the shareholders.”

**Md. Khurshed Alam**  
Head of SME Banking

## Our Strategy

Ensure qualitative & sustainable growth by providing world class customer services applying ‘beyond lending approach’.

## Our Priorities in 2013

- Broadening horizons of ‘Beyond Lending Approach’ in building loyal customer base.
- Contributing 12% of EBL’s Operating Profit.
- Introducing Credit Scoring Model.
- Focus on Low Cost fund;
- Shifting overall pie of SME business emphasizing ME Business. Finishing 2013 with equal composition of SE and ME Segment at 50%-50%.
- Launching a new Agri Loan product to facilitate farmers for Agri equipment.
- Launching Special Card for Women Entrepreneurs.

## Review of SME Banking

Having rightly identified that the sustainable growth of a financial institution hinges on developing and nurturing SME sectors, EBL SME Banking started its journey on June 01, 2006. Since then the division has been on right track to an upward stride and has managed to grow its portfolio to more than Tk.1,300 crore by financing 7,186 entrepreneurs by the year end 2012. Starting with only 16 centers in 2006, at present we

have 50 centers and dedicated personnel around the country. The success story of EBL SME Banking is directly tied with the growth of its customers. At EBL SME Banking we share the spirit with our business partners: together we grow!

EBL SME Banking, recognized by IFC as the most structured SME finance provider in South Asia, is also the highest refinance recipient in 2012 from Bangladesh Bank like the previous year 2011. The Bank has received Tk. 372 crore in total as refinance from BB in recognition to our continuous effort in the priority sectors of the economy and in doing so contributing to the overall economic development through business expansion, employment creation and improving overall quality of life.

To ensure access to finance with innovative financial solutions, EBL SME Banking has been divided into 3 (three) segments i.e. Small Business, Medium Business & Liability Business. There are some sub-divisions within the Small Business i.e. Relationship unit, Women Entrepreneur Cell, Agri loan unit & Recovery unit. In addition to above we have a MIS team and an independent monitoring department at Head office level. Every business Unit has separate segmental Head. Restructured in 2011, the existing organogram of EBL SME Banking ensures flexibility and precision in decision making, strong control and monitoring to maintain good health of the SME Portfolio. In order to keep pace with potential leap front of business, we have plans to increase two units (Research/Development Team and Sourcing/Sales Team) under Medium Business Segment and bring into Area Head concept broadly in Dhaka & Chittagong.

## Financial Highlights

### Loans & Advance

**+27%**

**2012: BDT 13,448 M**

2011: BDT 10,578 M

2012: 14% of Total loan, 2011:13% of Total Loan

### Deposits

**+33%**

**2012: BDT 5,340 M**

2011: BDT 4,003 M

2012: 6% of Total deposit, 2011:5% of Total deposit

### Interest Income

**+58%**

**2012: BDT 1,947 M**

2011: BDT 1,231 M

### Interest Expense

**+55%**

**2012: BDT 413 M**

2011: BDT 267 M

### Fees & Commission Income

**+7%**

**2012: BDT 74 M**

2011: BDT 69 M

### Non-Performing Loan %

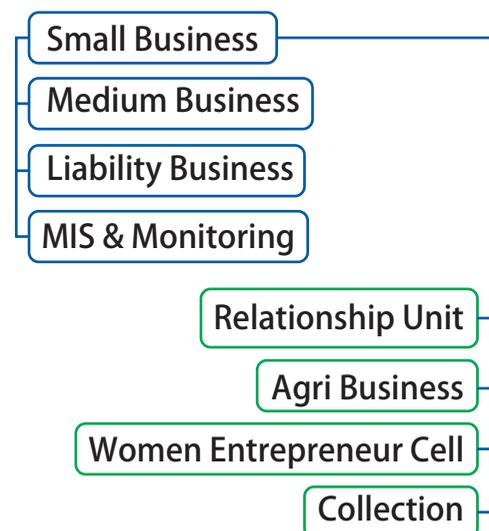
**-0.13%**

**2012: 3.82%**

2011: 3.94%

The present organizational structures is as follows:

### SME Banking



### SME Banking Initiatives: 2012

#### Small Business

##### Relationship Unit

Small Business primarily deals with Product Program Guidelines (PPG) based products which all are duly approved by the Board of Directors. Small Business has 8 (eight) Products namely EBL Asha, EBL Unnoti, EBL Uddog, EBL Uddom, EBL Mukti, EBL Agrim, EBL Nobodoy and EBL Udoy, all are being well accepted by the customers. The Small unit is headed by Head of Small Business and under his leadership there are 6 Unit Heads and 49 Relationship Managers. There are also 2 to 4 Sales Executives under each Relationship Manager. Small Business team are also looking after the collection up to 90 day past dues.

##### Relationship Unit Initiatives in 2012

- Highest refinance received from Bangladesh Bank among commercial banks in the country.
- First SME loan product for renewable energy "EBL Nobodoy" launched.
- First Loan product for green energy "EBL Green Credit" launched.

#### Agri Business

To facilitate the direct farmers EBL SME banking has started another wing in last year as Agricultural Business Unit. There is one Relationship Manager and two Agri Sales Executives looking after the activity of the department under direct supervision of Small Business Unit. Initially this unit has been extending loan to the farmers of Savar & Dhamrai area through our Savar branch. Under this unit, we are allowing loan from Tk. 10 to 150 thousands without any collateral. This loan is fully complied with Bangladesh Bank Agricultural Credit Policy.

### *Agri Business Initiatives in 2012*

- Agri Unit disbursed loan to the vegetable growers of Hemayetpur area.
- A good number of farmers were provided agricultural credits by the unit including financing to Import Substitute Crops such as Maize, Mustard etc. at the rate of 4% interest only.

### **Women Entrepreneur Cell**

In order to facilitate financial & non-financial needs of women entrepreneurs we have formed the Women Entrepreneur Cell headed by a Unit Head. At present there are 4 (four) women entrepreneur cells across the country. These centers, three in Dhaka and one in Chittagong, are fully dedicated to provide banking solutions to women entrepreneurs.

#### *Women Entrepreneur Cell initiatives in 2012*

- International Women Day celebration with the 50 prominent Women entrepreneurs.
- Eastern Bank Limited and Bangladesh Women Chamber of Commerce and Industry (BWCCI) honored women entrepreneurs with BWCCI-EBL Progressive Award 2012.
- Entered agreement with BWCCI for facilitating women customers in Chittagong.

### **Collection Unit**

A separate collection unit has been formed under small segment business unit. We have Special Asset Management Department to monitor the Special Mention as well as classified loans. But the mentioned team will basically monitor the overdue loan up to 90 days. This team is being formed to support the relationship team to maintain the good quality of asset. Since, our main challenge is to maintain the quality of SME portfolio; hence this unit will play a significant role to protect new classification. One Associate Manager and seven Collection Executives are looking after the department.

### **Medium Business**

Primarily deals with traditional loan and advances as per customer's requirement in addition to the 2 (two) Product Program Guidelines (PPG) based products. Our Medium Business Team is now efficient and very much capable to offer tailor made products depending on customers demand in addition to the generic lending products. Medium Business has 2 (two) Products namely EBL Banijya and EBL Invoice Factoring. Under the leadership of Head of Medium Business there are 6 Unit Heads and 30 Relationship Managers offering loans up to Tk 250 million.

#### *Medium Business Initiatives in 2012*

- In the year 2012 Medium Business enhanced maximum single borrower exposure from BDT 150 million to BDT 250 million to grab the opportunity to cater the financial requirement of comparatively larger clients. This initiative helped to retain some existing Medium segment clients through enhancement of existing credit limit and to book some new clients with higher credit limit.
- Team strength enhanced from 21 RMs to 30 RMs along with 6 Unit Heads.
- Incorporate Revenue and Liability target beside the earlier loan outstanding target in the appraisal process of Medium Segment staffs to ensure achieving our bottom line target, the profit.

- Signed an MOU with Bata Shoe Company for financing Bata nominated dealers and already financed some of the dealers.

### **Liability Unit**

To ensure self-funded asset growth, we have formed a small liability team under Head of Liability in 2011. Primarily there are 50 (fifty) Sales Executive who deals with SME Liability products. In addition to the general liability products, SME Banking has three unique liability products namely EBL Shubidha, SME Equity Builder & SME Double Return. After establishing the "SME Liability Business Unit" it has delivered & proved to be one of the fastest growing Units of EBL & became the pivotal organ of EBL SME Banking.

#### *Liability Unit Initiatives in 2012*

- Launched new liability product "SME Double Return".
- Introduced "SME Business Debit Card" for SME entrepreneurs.

### **MIS & Monitoring Unit**

To facilitate the business team there is a separate MIS & Monitoring unit under a Senior Manager. They prepare all SME related internal and external reports. External reports are prepared for Bangladesh Bank, IFC/SEDF, SME Foundation and different related agencies/department.

### **Strategic Alliances in 2012**

- EBL has signed a Memorandum of Understanding (MoU) with Argus Credit Rating Service Ltd. (ACRSL) to provide the credit ratings of EBL SME clients, which is expected to add further dynamism to bank's customer service.
- EBL has signed a MoU with Bata Shoe Company (Bangladesh) Ltd. to finance the dealers of Bata. Any dealers having recommendation from Bata will be eligible to apply for this loan. It is an unsecured loan having limit from BDT 10.00 lac to BDT 15.00 lac only.
- EBL gets the membership of an USA based SME Services provider Small Business Banking Network (SBBN). Under this membership EBL will be able to design improved products, processes, and delivery mechanisms to ensure access to finance for underserved entrepreneurs around Bangladesh.

### **Business Outlook 2013**

At the beginning of 2012, the expectation regarding the business prospects was uncertain due to economic crisis in the economies of our international trading partners. As the year unfolded, we have witnessed the crunch in the business growth of the economy. Also, due to recent regulatory changes for provision requirements, further emphasis on quality booking and constant monitoring will be ensured to maintain the quality of the portfolio. At the same time, further focus will be continued on attaining and strengthening liability portfolio of EBL SME Banking in order to ensure self-funded asset growth.

In order to diversify SME banking portfolio we are planning to amend some features of our existing products and also planning to introduce some new products like EBL MediPlus to finance in clinic, hospital, EBL Projukti to finance agricultural machinery & equipment, a product for supply chain management, Farmers Debit & credit cards, SME privilege Account etc. We will emphasize on non-funded business to earn more fees income in medium segment.

# SME banking event highlights 2012



EBL has launched a new lending product titled "EBL Nobody" to finance the renewable energy sector of the country. Dr. Atiur Rahman, Governor of Bangladesh Bank formally launched the product.



EBL and IFC-Business Edge organized workshop on Practical Solutions to SME Management



Women cell of EBL SME Banking celebrated the International Women's Day-2012



EBL introduces two products: SME Double Return and SME Business Debit Card for the Small and Medium Enterprise (SME) customers



EBL and Bangladesh Women Chamber of Commerce and Industry (BWCCI) honored women entrepreneurs through BWCCI-EBL Progressive Award 2012



EBL develops the first Sustainable Energy Finance loan product in the country to help companies implement energy-saving measures and boosting the competitiveness of private enterprises

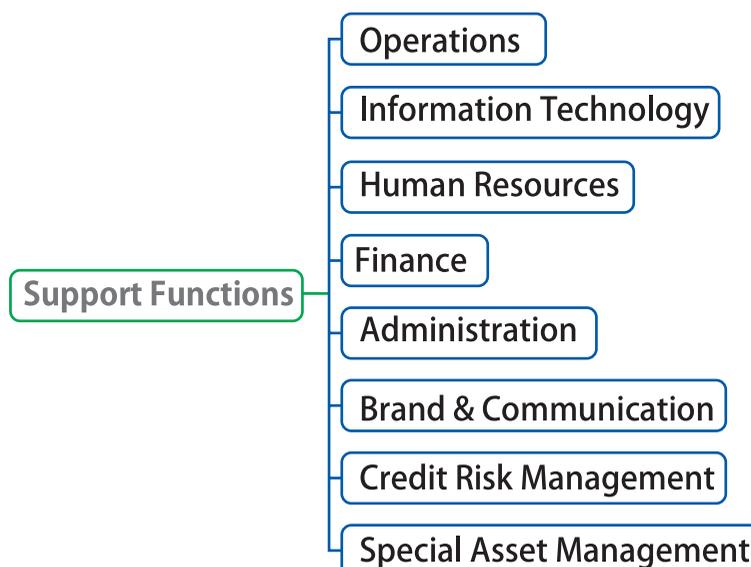
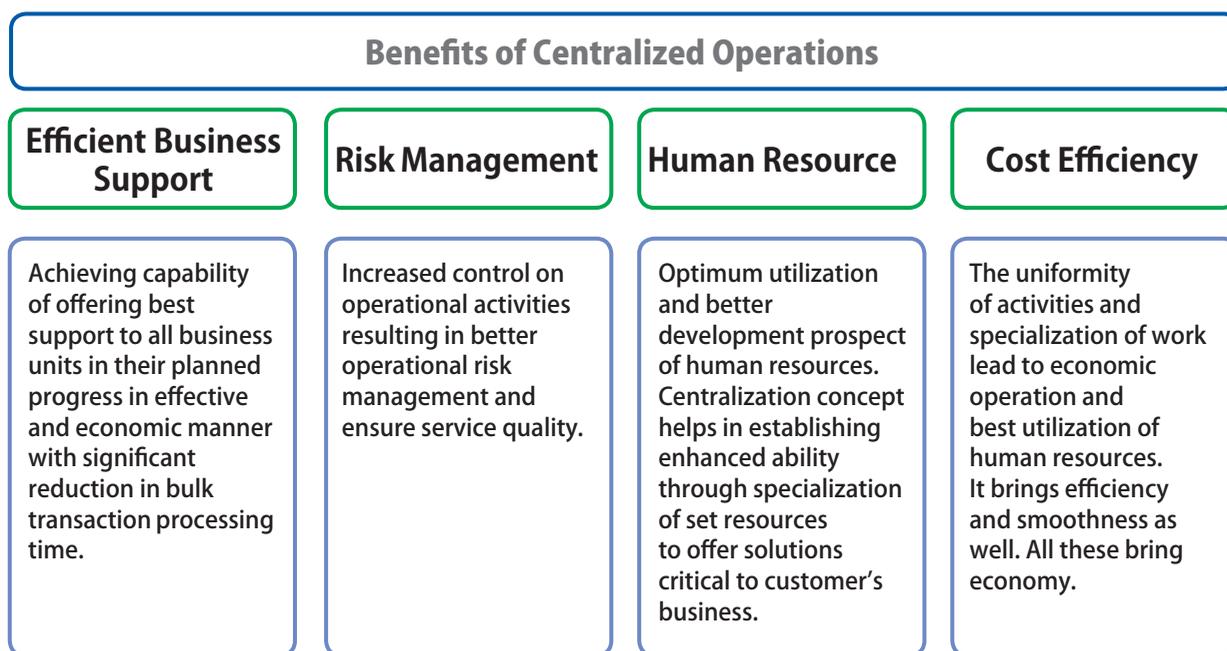
# business support

*“A continuous effort was given into process redesigning to support the growth strategy of EBL”*

In light of Centralized Operations concept, EBL started redesigning its processes back in early 2001 with partial centralization of its Trade product processing and Services. By 2003, entire Trade Operations were fully centralized. With the same spirit, EBL Operations started centralizing its Retail Banking product processing and control in 2006

under the umbrella of ‘Service Delivery’ at Dhaka and Chittagong.

Enormous benefits of centralization started becoming visible when branches started becoming free from bulk processes which enable them to focus more on providing efficient services to customers to their delight.



# operations

## Overview

With a mission to provide cost effective and efficient services, EBL Operations (Ops) started its restructuring process back in 2000 with partial centralization of its Trade Services. In course of time, the entire Operations Division was fully centralized in 2006 to provide one-stop service to both internal and external customers, while ensuring impeccable compliance with internal and external rules and regulations.

Recognizing 'Customer Satisfaction' and 'Continual Improvement' as journey not destination, EBL Ops has performed a number of internal and external surveys to measure the level of trust that our customers have bestowed upon us. Based on the feedback, we are devising our newer strategy and service excellence measures to keep our customers delighted, not just happy. In order to know business requirements better Ops Team took part in a support conference 'Together, We' in 2012 which will definitely help devising action plans suitable to meet customers' need.

## Operations



## Trade Services of EBL in 2012

The year 2012 has not been an easy one for Bangladeshi Banks; most notably because of the Hall-mark scam, Multilayer Marketing scandals and numerous cases of fraud & forgery. While a number of banks and their officials have been on razor's edge because of the anomalies created vide their trade operations, the Trade Services Division of EBL has not only remained unscathed, but also been appreciated by regulatory bodies for its uncompromising stance towards maintaining compliance with candid banking norms.

## Strategic Partnerships and Signature Achievements

Despite facing numerous challenges, EBL Trade Services continued to put its mark via numerous 'first of its kind' achievements:

- **Outsourcing Business with JP Morgan Chase Bank:** We have put ink to paper to an outsourcing deal with the world renowned JP Morgan Chase Bank (JPMC), where Trade Services Division of EBL will act as an agent of JPMC in relation to handling of the latter's import bills from Bangladesh. This kind of prestigious deal, first of its kind in the banking sector of Bangladesh is expected to usher a new era for the Bank which will, in coming days, provide us with a strong global foothold in the banking arena.
- **Initiative in inter-bank connectivity through SWIFT:** Subsequent to the Hall-mark scam, in a meeting that took place in the forum of the Association of Bankers Bangladesh (ABB), our Managing Director and CEO initiated the idea for inter-connectivity between all the banks operating in Bangladesh through SWIFT so that issues related to non-authenticity of local LCs and acceptances get eradicated gradually. This was a very timely suggestion on the heels of the Hall-mark scam, and a number of banks agreed upon this proposal and acted accordingly.

## Skill Development and Certification

Being the first ISO certified Operations Division in the banking industry of Bangladesh, EBL Ops continued to dedicate them in enriching HR capacity through internal and external training sessions, workshops and seminars; geared to make current workforce more capable of meeting the ever increasing complexity of global trade businesses.

- **Professional Degree Achievement:** EBL takes pride in having the first ISO certified Trade Operations division among the private banks in Bangladesh. In order to uplift the key essence of ISO certification as per its 9001:2008 standards, a couple of Trade Services officials took part in the 'Lead Auditor' course and succeeded taking the number of ISO certified Lead Auditors in EBL to seven, which is the highest among all banks operating in Bangladesh. In addition, there are a total of 12 Certified Documentary Credit Specialists (CDCS), 35 IFC FIT graduates and 4 DC Masters; who not only have enriched the team with their knowledge base, but also equipped themselves to provide our customers with complete trade solutions from all aspects.

- Surveillance Audit of QMS as per ISO 9001:2008 Standard:** Together as a team, EBL Ops also faced the 'Surveillance' audit by the Bureau Veritas; who audited the overall standard of our Quality Management System on the notions of 'Continual Improvement' and 'Customer Satisfaction'. We passed the audit successfully and are preparing for the upcoming surveillance audit in February 2013.

### Off-Shore Banking Operations

This year, disbursement of a foreign currency term loan of USD 2.20 million to Trims International (BD) Ltd. has been approved by Bangladesh Bank; the fund arrangement will be done through the Off-shore Banking Unit.

Novo Air Ltd., the newest airline company in Bangladesh and the third aviation client after Biman Bangladesh Airlines and HG Aviation (Regent Airways) is another beneficiary of a milestone OBU deal. EBL OBU team has financed a number of Term Loan and LC payment transactions of USD 9.75 Million for import of two Embraer jet aircraft by Novo Air Ltd.

A brief summary of transaction growth of Off-Shore Banking Operations is depicted below-

Category	2012	2011	Growth
	No.	No.	Percentage
Import (LC)	114	61	87%
Export (Bills)	68	19	258%
Documentary Collections	63	06	950%
Bill Finance	401	216	86%

### Performance Highlights of Trade Services: 2012

Despite ongoing global financial crisis, Trade Services of EBL achieved remarkable growth in trade business in 2012. Processing of Inland Export bills marked a hike of more than two-fifth than that of 2011. In addition, volume of Foreign Export Bills increased by almost one-fourth and LC processing rose by 11.65% compared to those in 2011. Issuance of Structured LC, another innovation of EBL Trade Services saw a 40% rise in number, as we issued a total of 147 Structured LCs in comparison to 105 from the previous year.

### Trade Transactions in 2012

Category	2012	2011	Growth
	No.	No.	Percentage
Letter of credit	14,214	12,731	11.65%
Letter of guarantee	705	686	2.77%
Export bill (foreign)	16,028	12,976	23.52%
Export bill (inland)	5,425	3,394	59.84%

### Regulatory Reporting & Reconciliation in 2012

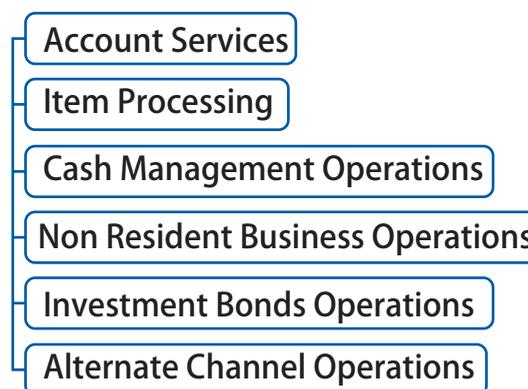
To reap the true benefit of segmentation of operations from business, a new department, namely "Regulatory Reporting and Reconciliation" (RRR), has been formed to handle all regulatory reporting and ensure submission of periodical statements timely and accurately. The commencement of Regulatory Reporting & Reconciliation (RRR) unit is one of the newest ventures that the Operations Division has undertaken. With the sole objective of bringing all regulatory reporting under a broad umbrella, the RRR is equipped with state of the art banking software (the UBS).

Under the new platform, EBL is now reporting through the online gateways of the Central Bank in parallel with the old reporting procedures. The Central Reconciliation Unit is supervising reconciliation of Nostro and other General Ledger (GL) balances of entire Operations Division. In 2013 our objective and priority is to set a new standard in the regulatory reporting and reconciliation activities. RRR will be the single contact point to handle all regulatory requirements, communications and arrange need based regulatory approvals for day to day business support. Such approach will enforce better monitoring and control and responses to regulators will be faster and accurate.

### Service Delivery in 2012

Service Delivery, as a part of centralized operations, was established in 2006 at Dhaka and Chittagong and in 2009 at Sylhet with an objective of providing centralized services to branches and business units (Consumer, SME, Treasury and investment banking). To excel service delivery to its customers at their door steps within shortest possible time, Operations has expanded its centralized processing networks at customer concentrated locations like Gulshan and Uttara and sooner at Shamoly too. Service Delivery' is ensured through six functional units mentioned below:

### Service Delivery



In 2012, Service Delivery achieved the certificate for implementation of Quality Management System (QMS) under ISO 9001:2008 from Bureau Veritas. At the end of 2012, number of live account for which Service Delivery Dept. provided services through different delivery channels reached at 303,445 which were 225,412 at the end of year 2011. New account opening in 2012 stood at a total of 87,455 accounts, signifying a growth of 18% from that of 2011. Simultaneously, Clearing Cheque processing also experienced a growth of 9%, reached a total of 1.09 million processed in 2012.

### Performance Highlights of Service Delivery in 2012

Service Delivery, in 2012, continued to deliver innovative services to excel customer satisfactions. Noted are some of these initiatives taken in 2012:

- Development in Alternate Distribution Channel: In 2012, SMS banking services, SMS alert services and new services through internet banking facility have been launched. Through EBL SMS banking facility customers can access instant account balance, Mini statement, Fixed deposit details, Cheque status, Loan details and avail PIN change support. Through EBL SMS alert services, customers are being notified about Account balance change, Account Status Change, Cheque clearing status, Cheque stop status immediately. Through Internet Banking facility, EBL has allowed its account holders to transfer funds to third party accounts (EBL account holder).
- Account Services: New archive for Service Delivery (SD), Dhaka and Chittagong; has been introduced for archiving all customer account forms and documents under custodianship of SD at Chittagong for all branches of Chittagong Zone and at SD Dhaka for all other branches except the Chittagong Zone.
- In order to reap the benefit of utilizing technology, Operations Division has successfully initiated Document Management System (DMS), an automated solution for document archiving, to store soft copy of documents related to customer Accounts and Trade Operations.
- With the slogan "Simple Math" and "Go Green", EBL SD started sending e-statements to its customers from 2011 and within 2012, 40,000 customers have been shifted to e-statement service. We are planning to bring more EBL customers under e-statement facility during 2013.

**EBL Ops with many things accomplished but so much to venture, is looking forward to 2013 with renewed hope and youthful exuberance to provide superb but useful services to customers, and are committed to remain true to our supreme motto- 'We never follow; We LEAD'.**

### Cash Management Operations (CMO) in 2012

- In 2012 CMO has implemented new Cash Management Product, like special collection arrangements for BRTA, RJSC and DPDCL.
- Overall transaction in the CMO has increased by 69.54 %.
- Implemented AD Branch wise Return & Reporting system for Inward & Outward remittance; which was a regulatory requirement of Bangladesh Bank.
- Enlisted 2 (two) new Airlines Tiger Airways (Flight Operations started) & Bahrain Airlines (Flight Operations yet to be started) in the list of Transaction Banking Customers.
- Successfully implemented Import Payment (for Local LC) through BEFTN, previously this payment was settled through Pay Order.
- Successfully increased EFT transactions by 258.90 % (percent) against which reduction in collection transaction is only 42.70 percent.
- Handled more than forty thousands (40,000 +) Dividend of 'Unique Hotel & Resort Ltd'. These were paid to different banks within 2 (two) days without any error on bank's part.

### Treasury & Investment Banking Support Unit (TSU) in 2012

The team of Treasury & Investment Banking Support of EBL has been operating independently to provide services of product solutions related with treasury, investment banking and other wholesale operations, e.g., Syndication, Corporate and SME refinancing activities etc.

In 2012, the team has undergone many changes in order to cope and support with the rapidly changing and increasingly challenging treasury and investment banking business scenario in Bangladesh. In 2013, the members of Treasury & Investment Banking support are fully ready to provide their best possible supports to the pertinent business teams while striving to improve to a large extent their way of doing things in line with maintaining quality and compliance.

# information technology (IT)

Lasting passion of EBL to accept futuristic technology in all the activities of the bank creates hype and empower our people to deliver the best customer value proposition. Our focus is to supersede the current best practice in the banking industry through innovative process thereby challenging the quality of our services and as a result excelling on and on. We adopt that technology in our bank which beeps up efficiency and cost effectiveness that, in turn, ultimately uplifts the customer services throughout the bank with multiplier effect. Our bank prefers to choose tomorrow's IT platform so that bank can be well prepared to hear the next day's new demand of the customers and thereby deliver the catered services accordingly.

EBL uses many world class premium solutions which are pivotal in providing best quality banking services. For Core Banking operation, Universal Banking Solution of Oracle Financial Services Software, for Loan application processing, Loan Application Processing System (LAPS) of SysArc Infomatix (India) and for Card management, TietoEnator Card Suite (Europe) are now used. New card management system, HPS (Morocco) will be in use soon. Automated Clearing House transactions are handled by AiDPS (UK). Flex Remit of Oracle Financial Services Software Ltd. is in place for processing offshore and local remittance. For Call Center management, Avaya Call Center and for MIS development and its generation purpose, Business Object of SAP are used.

## Process Improvement Initiatives

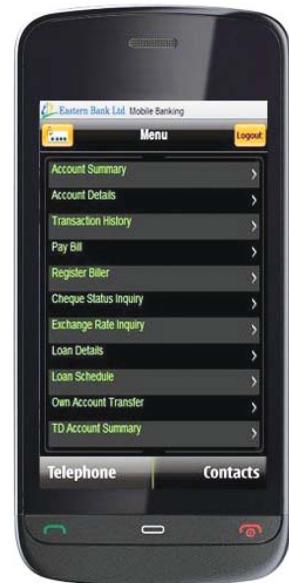
**Document Management Solution (DMS)** implementation gives the sigh of relief from the hassles of maintaining hard copy. Through this solution, all the documentation of previous and concurrent period, within and outside of the concerned department is now within the reach of few clicks. Any of the document (or series of documentation)



with any customer or any other quarter can be retrieved on-the-spur-of-the-moment with safety and security using this solution. Using this solution, multiple soft copies of all the documents are kept; hence the chance of losing any document due to disaster is thin.

**Mobile Banking** application for Core Banking Customers was launched which is customer friendly to check all the accounts of the customer by his/her own. Using this application customer can access to his / her account(s) using internet from his mobile device from anywhere any time.

In our Internet Banking service, **Third Party Fund Transfer** is accommodated according to the guideline of Bangladesh Bank. Air time purchase from various Telco by debiting own account by the customer himself/herself at any point of time from anywhere was successfully tested in 2012. This service will be launched shortly for our customers.



**IP Telephone** system was introduced in many branches and departments through which accountability of the caller is more ensured. History of the call is kept using this phone management system. This reduces the communication cost of the bank as a whole.



**Network Security** is one of the focused avenues which is taken care with due diligence so as to ensure maximum safety of all the transactions of the bank. Continuous update and surveillance for optimum security assurance are in place to keep the transactions of all the applications of EBL in safe harbor. Following are few initiatives with respect to ensure more Network security.

- Stateful inspection improves the functions of packet filters by tracking the state of connections and blocking packets that deviates from the expected state.

- Firewall is now enriched with DMZ that considers which outward-facing services should be run from the DMZ and which are to be remained inside network. Firewalls include Intrusion Prevention System (IPS) technologies, which prevents intrusion to the systems.
- Implementation of latest version of VeriSign Class 3 Extended Validation SSL SGC CA for Internet Banking of EBL that enhances the security.

**Auto Vigilance** to core databases as 24 x 365 is kept on. If any deviation is found by the system with core databases, auto alert SMS is sent to the concerned persons to look into the reason instantly and, thereafter, corrective measure is taken (if required) impromptu, thereby; it ensures that core databases are in healthy condition for all the time throughout the year.

**Report Management Services** were made more robust compared to previous years thereby users could generate MIS with least time and interruption. This ultimately helped the users of EBL to gather required information for customers as well as external and internal authorities with more ease compared to earlier period.

Project to implement new state-of-art solution for **Card Management** was started which would be completed shortly. The purpose to implement this new system for card management is to overcome the shortcoming of old card management system and thereby to offer more diversified Card products and services for the customers. EMV compliant card and E-commerce will be launched once the new card system will go live thereby card holder will do transactions with more ease and security.

The number of **E-Statement** receiving customers increased many folds in 2012 compared to 2011. One fourth of the total customers of the bank are now receiving our E-statement. EBL has been working with other customers to send most of the monthly account statement through E-statement service by limiting the usage of hard copy which is commensurate with the concept of Go-green.

EBL website is now hosted in **DDos (Distributed Denial of Service)** protected environment through which our website is now more secured from the malicious attempts.

## Operational Highlights: 2012

- Using **Easy SMS**, Collection and other departments send bulk SMS in one go to all desired customers with related data, taking from our various applications; such as UBS or Card Management System, LAPS or any other application. Bulk greetings are also sent using this system on different occasions by various departments.
- Through **Easy Apps**, it is now possible to avoid creation of duplicate customer ID for the same customer that helps to abide by the rules of central bank.
- **Easy Inventory Solution** shows the status of any IT equipment throughout EBL with detailed information at any point of time.
- Through **E-statement and SMS status checking solution**, if we receive any complaint from any customer pertaining to non receipt of E-statement or SMS then, it is possible to know the actual cause and status of e-statement or SMS. Call Center of EBL has been using this solution and providing instant response to the customer queries pertaining to the delivery status of E-statement or SMS.
- Drill of transactions by all branches and departments through **Disaster Recovery (DR)** site was done to ensure that DR site works properly. The successful testing of transaction in 2012 from DR site boosted up the confidence among the users that in case of any major failover, transaction can be continued in Live from DR location.
- Network connectivity with newly proposed Hong Kong subsidiary of EBL is tested and ensured.

## Priorities in 2013

- Mobile Banking (for Un-banked population)
- Server Virtualization
- Digitally Signed E-statement
- Two factor authentication for Internet Banking
- Video Conferencing

# human resources

*Quality of working relationships, healthy work life balance, recognition for the performers, investing in people differentiate EBL as an excellent workplace in the country. At EBL we believe 'We don't offer jobs – rather, we shape careers'.*

## Our Highlights in 2012

- World HR Congress awarded CEO OF THE YEAR award to the Managing Director & CEO of EBL in Asian HR Leadership Conference, Dubai.
- EBL HR achieved ASIA'S BEST EMPLOYER BRAND AWARDS for the Best HR Strategy in Line With Business awarded by World HR Congress, Singapore.
- Achieved ISO 9001:2008 by Bureau Veritas and Accredited by United Kingdom Accreditation Service. EBL HR is the first ISO 9001: 2008 Certified Human Resources Division among the Bangladeshi Banks.
- Recruited highest number of Future Leaders.
- Implemented the findings of compensation & benefits survey.
- Staff Car Loan ceiling has been enhanced with 0% interest rate.
- Revamp the Gratuity Policy and enhanced the service length for EBL people.
- Launched Paperless Leave and Automated Attendance System.
- Implemented e-learning system a complete solution for online learning platform.
- Introduced online HR Service Desk to ensure smooth & faster services for staff Claims.

## Our Priorities in 2013

- Salary Benchmarking
- Compensation and Benefits survey
- Employee Satisfaction survey
- Online performance management system
- Up-gradation of Human Resource Information System (HRIS)
- Leadership program for future leaders
- Electronic archive of personal files
- Review of People's Policy

## EBL the “Employer of Choice”

*Eastern Bank Ltd. is considered to be an 'Employer of Choice' in Bangladesh business arena. Our HR Mission Statement is 'We will inculcate a high performance culture where people will work with fun and pride'. High performance workplaces are characterized by their creativity, innovation, flexibility and competitiveness. .*

## Team EBL HR

Team EBL HR is one of the most vibrant HR teams in Bangladesh business arena. The team is working closely with the Bank's management as strategic partner. This team has one CIPD (Chartered Institute of Personnel & Development, UK) certified Chartered Member; one IIP (Investors in People) certified internal auditor; two ISO certified lead auditors; 6 ISO certified auditors; one ABE (Association of Business Executives, UK) certified HR professional; one AIM (Australian Institute of Management) certified HR professional; one MIM (Malaysian Institute of Management) certified HR professional and Certified Strategic Human Resources Professional (UK). All the members of the EBL HR are members of Bangladesh Society for Human Resources Management (BSHRM).

EBL HR is a 15 members team that serving the 2,685 members EBL family. We 'strive for the best'. Our motto is "People First". Our satisfaction is in customer delight. Our motivation is talented EBL. Our encouragement is EBL's success. Because, at EBL HR we believe, "Great Career Starts Here".

## Our (EBL HR) Philosophy to Serve Our Customers

- We ensure we deliver the service to the overall business needs, not one that simply addresses immediate HR issues.
- We start with the service not the process. We know our customer and ensure that what we provide is what they need and can be integrated into their day-to-day business need.
- We ensure HR acts with one voice. All parts of HR work together and support the business through the process.
- We use the right technology that makes people's life easier and the Bank more effective and profitable, but we don't believe in too much reliance on technology that can become a long-term financial headache.
- At EBL, HR is the change agent. In previous years our way of doing business changed in many ways and all

of them were for the betterment of the organization. This happened only because at EBL we spend time, effort and money to ensure that each and every member of the organization understands and get them engaged into this change process.

- At EBL HR we learn from the past but look to the future. Our emphasis is on to ensuring that we continue to deliver that we have promised to our colleagues to help business to improve its performance.

## Our Recruitment Strategy

EBL is an equal opportunity employer. At EBL we recognize the importance of having the right people working for us to achieving our organizational goals. Our recruitment and selection processes are designed to attract and retain suitable candidates. EBL recruits and selects only those people who demonstrate an alignment with our company values and philosophy. Because recruiting decision has a major impact on our business.

Our recruitment and selection is governed by these guiding principles:

- Fairness – We use the same process for all candidates for a particular position;
- Transparency – The process for the recruitment is documented and information provided to all individuals involved;
- Diversity – We welcome candidates with diverse backgrounds and use a variety of sources to attract talented people.

In 2012 total 986 new members including 63 future leaders joined in EBL upholding the image of being 'The Employer of Choice'.

### Some features of Team EBL

Particulars	2012	2011	2010
Number of employees (including trainee officers)	2,685	2,680	1,962
Female Representation	20.0%	19.0%	18.0%
Average Employee Age (year)	33	33	34
Average Length of Service in EBL (year)	6.17	6	6

## Our Learning & Development Strategy

'We will constantly challenge our systems, procedures and training to maintain a cohesive and professional team in order to achieve service excellence' is one of the missions of EBL. As a part of the mission statement EBL is always focusing on continuous professional development to strengthen individual's skill level by removing the weakness to perform the assigned job with perfection. We have a wide range of internal & external programs to

support employee's knowledge base to enhancing their capabilities to contribute to the bottom line.



*Exclusive Banking Foundation Programs for EBL future leaders at Bangladesh Institute of Bank Management (BIBM)*

In 2012 EBL HR has arranged 531 training programs in home and abroad for 6,100 participants on various issues like Asset Liability Management, Basel II & III, Prevention of Money Laundering and Terrorist Financing, Credit Risk Management, Entrepreneurship Development and SME Business, Financing Agro-Based Business, Green Banking, IT Security, ISO 9001:2008 (Quality Management System), awareness to protect fake notes, Legal Aspects of Banking & Credit, Major Policy Issues & Directives of Central Bank, Mobile and E-Banking, Non-Performing Loans and Recovery Strategies, Loan Classification, Provisioning and Rescheduling, Service Excellence. These people development initiatives help them to enhance their capabilities, productivity and functional skills to contribute to the profitability of the Bank. As a result EBL has achieved highest per employee profitability in banking sector of Bangladesh for last 7 years.

This year we have introduced e-learning exam system. Ensuring service excellence through enhancing people's Product knowledge & Soft skills was the objective of this initiative. 2251 staffs from Consumer Banking, SME Banking, Cards, Special Asset Management and Operations Division have attended 32 e-learning exam sessions countrywide.

## Our Compensation & Benefits Strategy

Our compensation and benefits strategy combines the need to maintain a high performance culture along with market competitiveness. A bi-annual benchmarking exercise makes sure that employees' pay is competitive. Moving between pay scales depends on the individuals' performance and we reward employees accordingly.

In addition to the market driven compensation package, we also offer a series of other benefits, including credit facilities, insurance policies, End of Service Benefits, etc. EBL offers an attractive collection of subsidized loans and other staff banking facilities, designed to facilitate long term relationships. EBL also provides Provident Fund, Gratuity, superannuation Fund, Staff Car Loan, Staff House Building loan etc. as long term benefits. Mentionable in 2012 EBL HR recommended and processed highest number of Staff Home Loans & Car Loans in a single year since inception of EBL.

## Our Reward & Recognition Policy

Career at EBL is simply rewarding. We have designed our reward & recognition policy to motivate our people to perform better regardless of our key business issue, whether it is increasing sales or maximizing profitability. Our objective is to reinforce people's behaviors as we want to encourage them to achieve their objectives as well as the Bank's. Our reward and recognition strategy is based on the followings:

- To improve the overall performance of the Bank
- The strategy is developed in consultation with people and representative groups.
- Is rooted in an understanding of what really motivates our people.
- To encouraging teamwork, by creating a culture where individual and team success is recognized.
- Regular benchmarking to compare our reward and recognition strategy with similar organizations.



EBL recognizing a Star Performer at the Outstanding Performer Award ceremony



Award for Customer Service Excellence at CSO Night 2012

## Our Employee Relations Philosophy

EBL HR team is dedicated to excellence, continuous quality improvement of our services, and to meeting the needs of our customers. Our commitment to honesty and integrity is a defining principle upon which all business practices are based. State-of-the-art technology and business

practices augment our commitment to strategic goals and objectives, including a focus on profitability and growth.

To accomplish these goals and uphold these values, we have a commitment to providing a professional, caring work environment dedicated equally to both individual and team achievement. We strive to focus on each individual's needs and successes as well as the spirit and rewards of teamwork. We are individuals working together to obtain common goals. Most importantly, we provide a progressive workplace with open communication, promotion of employee involvement, and the celebration of our successes. Our employees play a vital role in all of our past accomplishments and many more coming in the future.

## Our Performance Management System

Understanding what is working well and what requires further support is essential to our continued success. Our performance management process is a key tool in maintaining high performing teams.

We encourage an ongoing dialogue between managers and employees, and the performance management process aims to clarify what is expected from employees as well as how it is to be achieved.

At specific times of the year we also conduct a formal performance process, setting objectives and identifying development needs.

## Talent Management and Succession Planning

Our approach to talent management begins with our overall business strategy and ends with a refined people and leadership plan. We help our future leaders to uncover organizational competencies and make sure that we have the right people for those pivotal and critical roles which play such a big role in driving success.

We (the HR team) work with other departments to build customized Leadership Development programs that ensure our company has the next generation of leaders in place. These programs are tied directly to our business strategy – making sure the skills being developed are the skills EBL needs to succeed today and tomorrow.

## Our Employee Communications Philosophy

Employee communications is a priority for EBL HR. We believe our employees are smart, so we want to remain transparent, honest. We are consistent in our communications across the organization. Our HR policy is made open on intranet; even a prospective new joiner is given a copy first to read and then they join the Bank if they find it acceptable.



*EBL family celebrating International Women's Day, 2012.*

We communicate things to our people timely, actually we tell them first as we believe our employees are influential. We also believe our employees are knowledgeable that's why we ask for feedback, listen, acknowledge and act on it. We celebrate success of our people and promote best practices among them.

We also arrange town hall program (all staff gathering); family night; away day; etc. We conduct lots of Focus Group Discussions for welcoming people view and criticism on the way the organization operates.

### Human Resource Accounting Disclosure

Human Resource Accounting (HRA) involves accounting for the company's management and employees as "human assets" or capital that provide future benefits. Traditional accounting treats costs related to a company's human resources as expenses on the income statement that reduce profit, rather than as assets on the balance sheet that have future value for the company. On the other hand, Human Resource Accounting (HRA) involves accounting for the company's management and

employees as "human assets" or capital that provide future benefits. HRA suggests that the process of measurement, as well as the measures themselves, have relevance in decision-making. The function of HRA is to provide information with which management can analyze its decisions in relation to human services. It also affords investors the opportunity to truly evaluate and understand the complete picture of an organization.

We are considering the following variables as our Human Resource Accounting Reporting (HRAR) variables:

Particulars	Reporting status
Recruitment strategy	Disclosed on HR report
Learning & development strategy	Disclosed on HR report
Compensation & benefits strategy	Disclosed on HR report
Reward & recognition policy	Disclosed on HR report
Employee relations philosophy	Disclosed on HR report
Performance management system	Disclosed on HR report
Talent management and succession planning	Disclosed on HR report
Employee communications and relations	Disclosed on HR report
Quality of working relationships	Disclosed on Sustainability report
Support for proficiency certifications	Disclosed on Sustainability report
Occupational health and safety	Disclosed on Sustainability report

Since Human Resource Accounting involves sophisticated calculations requiring all sorts of estimations, assumptions and variables, we are planning to stress the costs and benefits of personnel programs and contributions to the success of the organization.



*Together We: Title for a Strategic Conference for Support Function*

# risk management

Financial Institutions are in the business of taking risk and it is important how a bank decides on risk taking transactions. EBL firmly believes that robust risk management is the core function that makes its business sustainable. Ability to generate profit consistently and sustainably is a function of enterprise wide risk management and the bank is restlessly pursuing continuous improvement in this area.

Risk management has traditionally been viewed as support to minimize potential loss that could arise from unexpected outcome of any event. However, there is always an upside of risk; at EBL we view risk management as a business tool that helps the bank to enhance stakeholders' value by proactive management of exposures and optimization of risk return trade off. One of the main risks the bank is exposed to could arise from extension of credit to customers through lending operations. Beyond credit risk, there are ranges of other risk types such as operational, market, liquidity, concentration,

cross country, legal, and reputational. Objective of risk management is to maximize risk-adjusted returns keeping risk appetite within acceptable limit set by the board of directors. EBL Risk management strategy is based on a clear understanding of various risks, disciplined assessment, measurement and continuous monitoring of such risks. The policies and procedures established for this purpose are continuously reviewed to adopt regulatory changes and improvements. Bank's Board of Directors is principally responsible for establishing risk appetites, approving related strategies and policies, overseeing policy compliance and the effectiveness of the risk management framework through reports from Internal Control and Compliance Department.

The risk Management framework of the bank has been established on the basis of guidelines given by Bangladesh Bank vide DOS circular: 02 dated 15 February 2012. Key elements of risk management system are presented in the box:

<p>Risk Management structure with board and senior management.</p>	<ul style="list-style-type: none"> <li>■ Board Audit Committee is responsible for overall risk governance of the bank.</li> <li>■ Bank Risk Management Committee (BRMC) is the apex forum that consists of senior management.</li> <li>■ ALCO, BORC, Investment Committee, are other major risk committees.</li> </ul>
<p>Organizational policies, procedures and limits that have been developed and implemented to manage business operational effectively.</p>	<ul style="list-style-type: none"> <li>■ Risk Management Policies and Procedures for major risk areas like credit, market, operational, and investment are in place.</li> <li>■ Integrated risk management policy will be established within few months.</li> </ul>
<p>Adequate risk identification, measurement, monitoring, control, and management information systems that are in place to support all business operational.</p>	<ul style="list-style-type: none"> <li>■ Bank has identified major sources of risk; e.g. credit, market, operational, liquidity, investment, and reputation.</li> <li>■ Bank is determined to invest in systems, technology, and people for quantification of risk.</li> </ul>
<p>Established internal controls and the performance of comprehensive audits to detect any deficiencies in the internal control environment in a timely fashion.</p>	<ul style="list-style-type: none"> <li>■ Bank has independent audit and compliance functions.</li> <li>■ Robust Internal control points are established and managed by a strong team.</li> </ul>

## Risk Governance Structure

Preliminary risk analysis and negotiation of risk exposure at correct price is the responsibility of business line managers. Their risk taking decisions are complemented by the independent risk management functions, where 'Risk Management Unit' is responsible for measurement, integration, and monitoring of all risks within the risk appetite set by the board of directors. Risk management functions are subject to continuous scrutiny of the ICCD to ensure appropriateness and integrity of the risk management mechanism. The given risk governance structure clearly separates risk taking function from risk acceptance and monitoring functions. This policy to segregate risk management from the business is the foundation of robust risk management framework of the bank.

## Risk Management Committees



<ul style="list-style-type: none"> <li>Bank Risk Management Committee (BRMC)</li> </ul>	<ul style="list-style-type: none"> <li>To monitor activities of the Risk Management Unit responsible for integrated risk management across the bank.</li> </ul>
<ul style="list-style-type: none"> <li>Bank Operational Risk Committee (BORC)</li> </ul>	<ul style="list-style-type: none"> <li>To supervise operational risk management activities of all functional areas of the bank.</li> </ul>
<ul style="list-style-type: none"> <li>Asset Liability Committee (ALCO)</li> </ul>	<ul style="list-style-type: none"> <li>To optimize bank's financial goal retaining liquidity risk and interest rate risk of the bank at desired level.</li> </ul>

## Risk Management Unit

Risk Management Unit (RMU) was established on 03 July 2012 as per the requirement of Bangladesh Bank risk management guidelines. Head of RMU now reports to the Head of Credit Risk Management (CRM) who

also assumes the role of Chief Risk Officer (CRO). Bank understands that the existing governance structure needs some rearrangement to complete the framework, hence committed to appoint 'Chief Risk Officer' at earliest.

RMU continues to monitor bank wide risk exposure through development and monitoring of a set of comprehensive risk indicators reporting to BRMC on a monthly basis to support proactive risk based decision making. In addition to the regulatory measures and compliance, RMU continues to enrich risk culture and management techniques through sharing knowledge on global best practices.

## Management of Credit Risk

**Credit Risk:** Credit risk is the risk of loss that may occur from the failure of any counterparty to make required payments in accordance with agreed terms and conditions and/or deterioration of creditworthiness. Credit risk may arise from both the banking book and trading book. Credit risk is managed through a framework set by policies and procedures established by the Board. The responsibility is clearly segregated between origination and approval of business transaction.

**Credit Philosophy:** Bank's commitment is to achieve excellence in credit risk management by taking informed risks relying on the prudence of individuals having value building leadership ability, creativity, integrity, and, sense of priority to protect bank's overall interest.

**Governance of Credit Risk:** Board of Directors is the apex body for credit approval process of the Bank. However, they delegate authority to the Managing Director & CEO or other officers of the credit risk management division. The Board also sets credit policies to the management for setting procedures, which together has structured the credit risk management framework in the bank. The Credit Policy Manual contains the core principles for identifying, measuring, approving, and managing credit risk in the bank and is designed to meet the organizational requirements that exist today as well as to provide flexibility for future. These policies represent the minimum standards for credit extension by the bank, and are not a substitute for experience and good judgment.

The policy covers corporate, retail, small and medium enterprise exposures. Policies and procedures together have structured and standardized credit risk management process both in obligor and portfolio level. There is a comprehensive credit appraisal procedure that covers Industry/Business risk, management risk, financial risk, facility structure risk, security risk, environmental risk, reputational risk, and account performance risk. Credit risk management function is independent of business origination functions to establish better internal control and check, and to reduce conflict of interest. The Head of Credit Risk Management (HoCRM) has clear responsibility for management of credit risk.

Credit Risk Management Function	<ul style="list-style-type: none"> <li>Independent evaluation of all credit applications to provide unbiased risk review to the approver prior to approval.</li> <li>Independent review of all new lending products from risk point of view</li> <li>Monitoring of counterparty limits.</li> <li>Follow up of non-performing assets and facilitating management of adversely classified loans.</li> </ul>
Credit Risk Review Function	<ul style="list-style-type: none"> <li>Periodic review of portfolio credit risk and sectoral exposure analysis on a continuous basis.</li> <li>Identifies and makes practical recommendations for improvement of the credit risk management process.</li> <li>Monitor self imposed and regulatory limits on continuous basis.</li> <li>Support credit policy and process review functions.</li> </ul>

**Credit Approval Authority:** Board of the Directors has the sole authority to approve any credit exposure and to sub- delegate such authority to the Managing Director & CEO with or without authority for further sub delegation. We have adopted individual authority based approval structure to ensure better accountability.

**Internal Rating Scale:** Risk measurement plays a central role along with judgment and experience in informed risk taking decisions, and portfolio management. For the purpose of risk measurement we use a numerical grading system associated with a borrower. Though this rating system, 'Credit Risk grading Matrix' (CRGM), is not a lending decision making tool but used as a general indicator to compare one customer with another set of customers, and weighted average CRG of all customers indicates movement of the portfolio risk. CRGM analyze a borrower against a range of quantitative and qualitative measures. The numeric grade from 1 to 11 indicates creditworthiness of the borrower - lower numbers are indicative of lower likelihood of default, while 9 to 11 grades are assigned to default borrowers. However, we are yet to assign Probability of Default (PD) corresponding to each risk grade and to cap exposure both at borrower and portfolio level against each risk grade. No score card or rating model for retail and SME (small) borrowers are currently in practice; rather borrowers are assessed against pre approved criteria outlined in Product Program Guidelines (PPG) approved by the Board of Directors. Thus the Credit Risk Grading Matrix provides objective basis for making credit decisions; however final decisions are taken on subjective judgment and prudence of the approver.

**Strategy and priority:** The credit risk management strategy ties into the overall organization strategy and is focused on making a 'clear leader' in sound risk management practices. This is governed by the following:

1. Ratio of non-performing loans to total loans;
2. Weighted Average Credit Risk Grade;
3. Ratio of loan loss provision to gross non-performing loans.

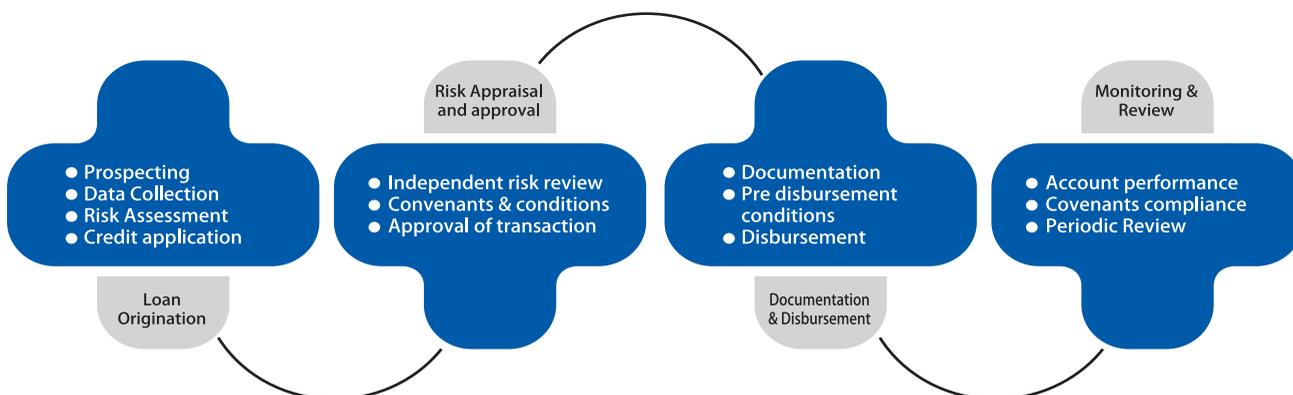
**Credit approval process:** The graph below shows major components of the credit approval process:

**Responsibilities and functions of key stakeholders in credit process:**

The functions of the Credit are handled at different levels by four departments/divisions, namely:

1. Credit Risk Management (CRM);
2. Collection Management;
3. Credit Administration; and
4. Special Asset Management.

**Credit Risk Management** is responsible for the appraisal of all credit requests and to obtain requisite approvals in line with the Bank's policy. The department has been constituted to handle requests from corporate, consumer, and SME banking. CRM also engages in the review and



recommendation of asset product designed by business units. Besides appraisal of credit applications, CRM is responsible for the planning, monitoring and reporting of the credit portfolio.

**Collection Management** is responsible for recovery of retail and small enterprise loans repayable in monthly installments. These are small ticket medium term loans and large in numbers. Dedicated collection team ensure appropriate monitoring of recovery and follow up subsequent repayment commitments by the customers. This team handles delinquency up to 89 days. However, in corporate and medium enterprise business there is no collection team, and the relationship manager is responsible for every aspects of any relationship.

**Credit Administration** is responsible for perfection of loan and security documentation in accordance with approval conditions and is custodian of all related legal documents. Responsibilities of this department also include administration of setting limits, day to day loan related transactions, overdue and expiry reporting, preparation and submission of reports/returns to regulators/internal users, monitoring loan covenants, etc.

**Special Asset Management (SAM)** is responsible to pursue problem credits, by providing independent follow up on customers before the level of delinquency becomes irreversible. If loans are not recovered despite full effort to settle the issue outside the court, this department initiate necessary legal action, compromise settlement, collateral liquidation, write offs, etc. Special Asset Management team took responsibility of all 90 days plus overdue retail and small enterprise loan and 'sub-standard' or worse graded corporate/medium enterprise loans. SAM also liaises with debt recovery agents, receivers/managers and solicitors to ensure recovery of delinquent accounts. By doing so, SAM provides recovery support to all business units and handles all returns on recoveries to management.

**Classification and Provisioning Policy:** The bank follows Bangladesh Bank Circulars and Guidelines for loan classification and provisioning. The summary of some objective criteria for loan classification and provisioning requirement as stipulated by the central bank BRPD circular no. 14 dated 23 September 2012 are as below:

Type of Facility	Loan Classification							
	SMA		Sub Standard		Doubtful		Bad & Loss	
	Overdue Period	Provision (%)	Overdue Period	Provision (%)	Overdue Period	Provision (%)	Overdue Period	Provision (%)
Continuous Loan	60 days or more	5%	3 months or more but less than 6 months	20%	6 months or more but less than 9 months	50%	9 months or more	100%
Demand Loan	60 days or more	5%	3 months or more but less than 6 months	20%	6 months or more but less than 9 months	50%	9 months or more	100%
Fixed Term Loan more than Tk. 10 lac	60 days or more	5%	3 months or more but less than 6 months	20%	6 months or more but less than 9 months	50%	9 months or more	100%
Fixed Term Loan up to Tk. 10 lac	60 days or more	5%	6 months or more but less than 9 months	20%	9 months or more but less than 12 months	50%	12 months or more	100%
Short Term Agricultural & Micro Credit	90 days or more	5%	12 months or more but less than 36 months	5%	36 months or more but less than 60 months	5%	60 months or more	100%

- General provision requirement is 0.25% for all unclassified loan of SME as defined by the SME and Special Programs Department of Bangladesh Bank from time to time; and 1.00% for all unclassified loans other than loans under consumer financing, loans to brokerage house, merchant banks, stock dealers, etc., special mention account as well as SME financing.
- General provision requirement is 5% on the unclassified consumer Loans and 2% for House Finance and Loans to professionals.
- General provision requirement is 2% for unclassified loans to brokerage house, merchant banks, stock dealers, etc.
- General Provision for contingent items (non funded facilities) is 1.00%

**Credit Monitoring:** Respective relationship managers, at least once in a quarter, review credit exposures and portfolio performance. Corporate and Medium Enterprise accounts are continuously monitored under a clearly set out 'Early Alert' policy. Sign of deteriorations are well defined and broad guidelines are given in that policy for business origination units. Early Alerts are raised for financial deterioration, management weakness, irregular repayments, breach of covenants, eroding position in the industry, etc. If early alerts are raised, account plans are then re-evaluated; remedial actions are agreed and monitored. Remedial action includes, but not limited to exposure reduction, security enhancement, exit of relationship or immediate movement of our Special Asset Management Division (SAMD).

**Credit Risk Mitigation and Control:** The Bank believes that credit risk management is a value enhancing activities that ensure regulatory compliance as a minimum measure and look forward to building competency on risk management to gain over competition. Our main focus remains on following agenda:

- i. Appropriate and dynamic credit risk management framework that ensure optimization of opportunity keeping balance between risk and return.
- ii. A sound credit appraisal and approval process.
- iii. Efficient credit administration and monitoring process with necessary control points for effective internal checking system.
- iv. Ensure control over credit risk by portfolio review on a continuous basis.

Bank's comprehensive credit policies and procedures always support effective credit risk management with transparency at all times. Adherence to lending guidelines, clear lending authority to individuals, early warning system, and high ethical standards are core elements for risk control.

Potential credit losses from any given customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, and other guarantees. The reliance that can be placed on these mitigates is carefully assessed in light of issues such as legal certainty and enforceability, market valuation, and counterparty risk of the guarantor. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit. Collateral is valued by independent third party surveyor in accordance with our credit policy and procedures.

## Management of Liquidity Risk

**Liquidity Risk:** Liquidity Risk is the potential for loss (financial, reputational or so) to a bank arising from either its inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable

cost or losses. While excess liquidity costs profitability, chronic shortage can increase the risk of insolvency. The Bank is deemed to have adequate liquidity when it can obtain sufficient fund promptly and at a reasonable rate. Liquidity risk is often triggered by the consequences of other financial risks such as credit risk, interest rate risk, foreign exchange risk, etc.

### Governance and measurement of Liquidity Risk:

Responsibility of managing and controlling liquidity of the bank lies with Asset Liability Committee (ALCO) that meets at least once in every month. Asset Liability Management (ALM) desk of the treasury function being primarily responsible for management of liquidity risk closely monitors and controls liquidity requirements on a daily basis by appropriate coordination of funding activities. Treasury determines the adequacy of the liquidity position by doing analysis based on following factors:

- historical funding requirements,
- current liquidity position,
- anticipated loan disbursement,
- anticipated future funding needs,
- present and anticipated asset quality,
- present and future earnings capacity,
- sources of funds,
- socio economic perspective of present and the near future,
- regulatory guidelines and
- capital planning

A monthly projection of fund flows is reviewed in ALCO meeting regularly. On monthly basis, ALCO monitors liquidity management by examining key ratios, maximum cumulative outflow, upcoming funding requirement from all business units, asset-liability mismatch etc. Ratios that ALCO regularly monitors are:

- Liquid Asset to total Asset
- Credit-Deposit ratio
- Volatile Liability Dependency ratio
- Medium Term Funding Ratio
- Snap Liquidity Ratio
- Short term borrowing to Total Asset

ALCO also monitors concentration of deposits on large institutional depositors which is volatile in nature. In addition to these ratios, Bank prepares structural liquidity profile, maturity profile of term deposit, cash flow modeling, and contingency funding plan on monthly basis, which are analyzed in ALCO meeting to ensure liquidity at the level acceptable to the bank and regulators.

**Regulatory requirement:** Regulatory framework of the bank's liquidity management has been formulated in compliance with Bangladesh Bank Core Risk Management Guidelines, and these include, among others, maintenance of Statutory Liquidity Reserve (SLR) which is 19% of total demand and time liabilities at present. Bank maintained adequate SLR on daily and weekly basis, as appropriate, throughout the year.

## Management of Market Risk

**Market Risk:** Market Risk is the risk of potential losses in the on balance sheet and off balance sheet positions of a bank arising from adverse movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads, and/or commodity prices. Market risk can be subdivided into three categories depending on risk factors: Interest Rate Risk, Foreign Exchange Risk, and Equity Price Risk.

The primary objective of the market risk management is to ensure that bank's activities which are exposed to various market risks are generating optimum return, and downside risks are in control and within the limit of agreed appetite.

Market Risk Management Structure		
Interest Rate Risk	Exchange Rate Risk	Equity Price Risk
Impact on NII	Impact on FX Position	Marking to Market
Re-pricing Gaps	Value at Risk at 95% Confidence	Marking to Market
Net interest Margin		
Marking to Mkt of bond/bill		

**Market Risk governance:** Risk Management Unit (RMU) is responsible for overall monitoring, control, and reporting of market risk while Treasury Mid Office is an integral part of market risk management which independently evaluates and monitors treasury department's transaction from risk perspective. Overall risk parameters and exposures of the bank are monitored by RMU and periodically reported to Bank Risk Management Committee (BRMC).

**Interest Rate Risk:** Interest rate risk is the risk to earnings or capital of bank arising from movement of interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (re-pricing risk); from changing rate relationships among yield curves that affect bank activities (basis risk); from changing rate relationships across the range of maturities (yield curve risk); and from interest-rate-related options embedded in bank products (option risk).

The movement of interest rates affects a bank's reported earnings and capital by changing:

- Net interest income,
- The market value of trading accounts (and other

- instruments accounted for by market value), and
- Other interest sensitive income and expenses.

**Management of Interest Rate Risk:** To manage interest rate risk, ALCO regularly monitors various ratios and parameters. Bank deploys several analysis techniques to measure interest rate risk, its impact on Net Interest Income and take insight about course of actions. Such analysis includes:

**Rate Sensitive (RS) Gap Analysis:** Bank use simple maturity/re-pricing schedules to generate simple indicators of the interest rate risk sensitivity of both earnings and economic value to changing interest rates. From Gap analysis, bank calculates the following two ratios to know the relative exposure on interest rate:

- Relative RS Gap for a respective time band =  $\text{RS Gap} / \text{Bank's Total Asset}$
- Interest Sensitive ratio for a respective time band =  $\text{RSA} / \text{RSL of that band}$

Bank use Rate sensitive Gap schedules to have an estimate of changes in bank's net interest income given changes in interest rates. Result of Gap analysis as on Dec-31-2012 is presented below:

Particulars	1 month	3 Months
For 100 basis point increase in Interest rate, Impact on NII	-16.6 million	-61.1 million
For 100 basis point decrease in Interest rate, Impact on NII	16.6 million	61.1 million
For 200 basis point increase in Interest rate, Impact on NII	-33.2 million	-122.2 million
For 200 basis point decrease in Interest rate, Impact on NII	33.2 million	122.2 million

**Duration Gap Analysis:** The focus of the Duration Analysis is to measure the level of a bank's exposure to interest rate risk in terms of sensitivity of Market Value of its Equity (MVE) to interest rate movements. Duration Gap can be used to evaluate the impact on the Market Value of Equity of the bank under different interest rate scenarios. ALCO uses duration gap analysis based on its long term view of interest rate. In cases where bank predicts that future interest rate will go upward, ALCO takes decisions to reduce its positive duration gap, and if possible, it may shift its portfolio to negative duration regime. To achieve this, bank should book assets for shorter duration (either by creating assets for shorter tenor or by keeping the re-pricing date closer-that is by giving floating rate loan).

**Exchange Rate Risk:** Foreign exchange risk is the risk that a Bank's financial performance or position will be affected by fluctuations in the exchange rates between currencies and

implied volatility on foreign exchange options. Bank faces foreign exchange risk typically from the following sources:

1. Bank makes import payment and outward remittance as its outflow, whereas it gets foreign currency inflow as export receipts and inward remittance. Exchange rate risk arises, if on a particular day, these inflow-outflows don't match and bank runs its position long/short from these customer driven activities.
2. Bank's inflow and outflow took place in different currency pair. Such multi-currency transactions expose bank to exchange rate risk.
3. Bank regularly takes trading positions based on its expectation about exchange rate where it deliberately runs foreign exchange position long/short in different currency. This trading position exposes Bank to foreign exchange risk.
4. Bank also faces foreign exchange risk if it sources its funding in one currency by converting fund from another currency. Currently, the Bank is facing such transaction exposure in foreign currency for its off-shore banking unit. But these transactions exposure is always hedged.

Currently, EBL computes VaR (Value at Risk) on its foreign exchange position arising from customer driven foreign exchange transactions at 95% confidence level. Bank uses historical simulation method taking previous 100 days exchange rates.

**Equity Price Risk:** Equity price risk is the risk of losses caused by changes in equity prices. These losses could arise because of changes in the value of listed shares held directly by the bank; changes in the value of listed shares held by a bank subsidiary; changes in the value of listed shares used as collateral for loans whether the loan was made for the purpose of buying the shares; and changes in the value of unlisted shares.

The bank is yet to compute VaR on equity portfolio to measure Equity Price Risk but managing the risk by keeping its exposure within the regulatory limits. As on 31 December 2012, total exposure to capital market was 3.06% of total liabilities, which is well below the regulatory threshold of 10%. However, banks capital exposure, if measured as percentage of Paid up Capital stands at 65.04%.

Marking to Market is the tool bank applies for making full provision against losses arisen from changes in market price of securities. As of 31 December 2012, bank set aside BDT 478.77 million charging its profit and loss account to cover the differential amount between purchase price and market price of securities traded in the secondary market.

## Management of Operational Risk

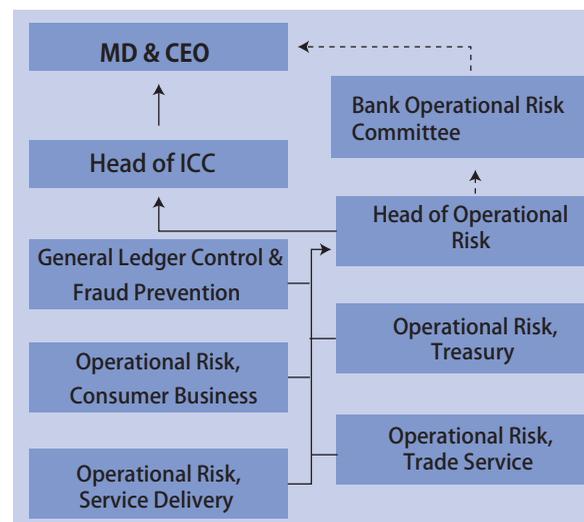
**Operational Risk:** Operational Risk is defined as the risk of

unexpected losses due to physical catastrophe, technical failure, and human error in the operation of a bank; including fraud, failure of management, internal process errors and unforeseeable external events.

Operational risk is different as there is no upside of this risks – these risk can not be taken for direct reward. Thus objective of the management of operational risk is to minimize the risk in cost effective manner, if elimination is not possible.

Currently bank is not using any model or tool to capture operational loss data for historical analysis rather it is a self assessment process. Bank has a separate Operational Risk Management unit reporting to the Head of Internal Control and Compliance Division.

**Operational Risk governance:** Operational Risk Unit is primarily responsible for risk identification, measurement, monitoring, control, and reporting of operational risk. This unit presently reports to Head of ICC. Besides, there is a committee called 'Bank Operational Risk Committee' (BORC) that reports to MD & CEO and plays the supervisory role.



**Operational Risk Mitigation & Control:** Operational risks are analyzed through review of Departmental Control Function Check List (DCFCL). This is a self assessment process for detecting HIGH risk areas and finding mitigation of those risks. These DCFCLs are then discussed in monthly meeting of Bank Operational Risk Committee (BORC). The committee analyzes HIGH and MODERATE risk indicators and set responsibility for suitable personnel to resolve the issue. If anything remains unresolved or marked HIGH, it is referred to MANCOM.

**Management of Reputational Risk:** Reputation Risk may arise from the possibility that negative publicity regarding the bank and its business practices, in the territory or elsewhere through related entities, and whether accurate or not will adversely impact the operational and positions of the bank.

Reputation risk is difficult to measure and manage. The Bank is not using any technique to quantify reputation risk. Qualitative statements are agreed as below:

- i. Under no circumstance bank's reputation to be compromised by revenue generating activities.
- ii. EBL shall always avoid potential brand damaging issues.
- iii. EBL shall avoid anti environment and anti social elements in its business.

However, news in media was published on the issue of opening account of undesired persons. EBL protested the news, and explain the issue to regulators to their complete satisfaction.

## Stress Testing

Stress testing is a simulation technique to determine the reactions of different financial institutions under a set of exceptional, but plausible assumptions. EBL performs quarterly stress testing within the scope of Bangladesh Bank DOS (Department of Off-Site Supervision) Circular: 01 dated 23 February 2011.

The scope of stress testing is limited to simple sensitivity analysis. Followings describe the methodology of stress testing and calibration of shocks:

**Credit Risk:** Stress test for credit risk assesses the impact (on the bank's capital adequacy ratio or CAR) of the increase of non performing loans triggered by five pre determined shock events with three levels of shock – Minor, Moderate and Major. These five shock events are:

- i. **Increase in NPL:** This individual shock explains the impact if a portion of performing loan directly downgraded to 'Bad & Loss' category that requires 100% loan loss provision. Levels of shock are: 3%, 9% and 15%.
- ii. **Increase in NPL due to large top borrowers:** Default of large borrowers can create significant impact on the bank. This indicator explains the impact of three standard events; default of 3 top borrowers, top 7 borrowers, and top 10 borrowers directly to 'Bad & Loss' category.
- iii. **Fall in the forced sale value (FSV) of mortgaged collateral:** This measures the loss bank could suffer from the event of decrease in market value of Land & Building mortgaged with the bank as collateral. Standard levels of shock applied are 10%, 20% and 40%.
- iv. **Negative shift in NPL category:** This shock indicator measures additional requirement of loan loss provision due to negative shift of a portion of non performing loan to the next worse category. For example, Special Mention to Sub Standard, Sub Standard to Doubtful and Doubtful to Bad & Loss. Applied levels of shock are

5%, 10%, and 15%.

- v. **Increase of NPL in RMG and Capital Market sectors:** This shock indicator measures additional requirement of loan loss provision due to shift of performing loans of the RMG and Capital Market segments directly into 'Bad & Loss' category. Applied levels of shock are 3%, 9%, and 15%.

**Interest Rate Risk:** Interest rate risk is potential that the value of the on balance sheet and off balance sheet positions of the bank would negatively be affected with the change in the interest rates. The vulnerability of adverse effect due to interest rate can be measured by 'simple sensitivity' and 'duration gap' analysis.

Simple sensitivity analysis measures the impact on NII (Net Interest Income) at each maturity bucket resulted from the change in interest rate. On the other hand Duration Gap Analysis measures a single duration GAP from weighted average remaining maturity of each risk sensitive assets and liabilities. Once the GAP is determined, effect on NII can be computed applying level of shocks. For both measures, shock levels are fixed at 1%, 2% and 3%.

**Exchange Rate Risk:** The stress for Exchange Rate Risk assesses the impact of exchange rate on Capital Adequacy Ratio (CAR). The stress is determined by computing the decline of the value of assets (net short/long Fx position) due to adverse change in exchange rate by 5%, 10% and 15%.

**Equity Price Risk:** The stress for Equity Price Risk assesses the impact of the fall of market price of shares and securities on bank's capital market exposure. Levels of shock are 10%, 20% and 40%, which are calibrated on CAR.

**Liquidity Risk:** The stress test Liquidity risk evaluates the resilience of the bank if the bank faces cash withdrawal pressure above the average pattern for continuous five working days. A bank is considered well liquid if it survives continuous stress for 5 working days without resorting liquidity from outside. Standard levels of shock are 2%, 4% and 6% over normal withdrawal.

**Combined Shock:** The stress test also measures effect of combined shocks on Capital Adequacy Ratio for assumptions that include: decrease in the FSV of the collateral, increase in Non Performing Loans, negative shift in NPL categories, change in interest rate, change in foreign exchange rate, and change in the market value of shares and securities. Combined shocks from all these events are calibrated on CAR.

**Credit shock under Basel II:** Standardized approach of Basel II allows banks to compute its Risk Weighted Assets following external rating of the borrower. Higher the external rating, lower the risk weight; hence regulatory requirement of capital depends on the external rating customers. Under such circumstance, if credit rating of any customer downgraded, CAR of the bank will be affected.

The stress test measures how CAR will be affected if risk weighted assets are increased due to downgrading of customer's external rating. Applied levels of shock are 5%, 10% and 15%.

**Summary of Stress Testing Results as on 31 December 2012 is presented below:**

Stress Test : Simple Sensitivity Analysis

Positions as on : 31 December 2012

Regulatory CAR : 10.00%

CAR before shock: 12.05%

Individual Shocks	Post Shocks CAR (%)		
	Minor	Moderate	Major
Performing loan directly downgraded to B/L (RMG sector)	11.86	11.49	11.10
Performing loan directly downgraded to B/L (Capital Market Sector)	11.97	11.80	11.63
Increase in NPLs due to default of top large borrowers	9.07	6.55	5.00
Negative shift in NPL categories	11.78	11.15	10.91
Decrease in FSV of the collateral	11.94	11.83	11.62
Interest Rate Shock	11.79	11.54	11.28
FX: Currency Depreciation	12.04	12.03	12.03
Equity Shock	11.83	11.63	11.19

Particulars	Level of Shock		
	Minor	Moderate	Major
CAR after combined shock	10.01	6.11	1.44

Particulars	Level of Shock		
	Minor	Moderate	Major
CAR after credit shock under Basel II (Balance Sheet)	11.34	11.27	11.20

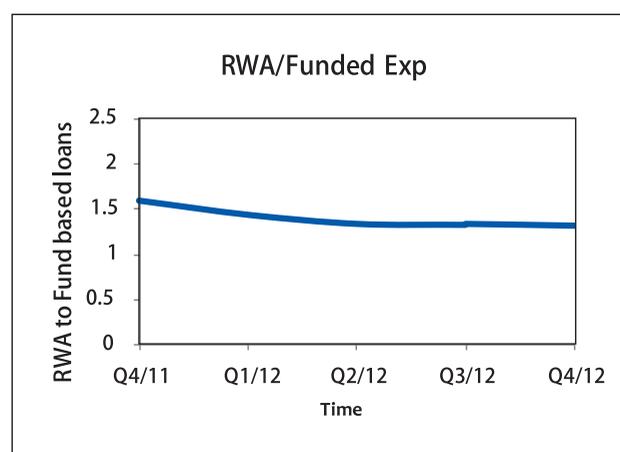
Particulars	Level of Shock		
	Minor	Moderate	Major
CAR after credit shock under Basel II (Off Balance Sheet)	11.97	11.92	11.87

## Risk Management Unit – Approach to Measurement of Risk

### Credit Risk

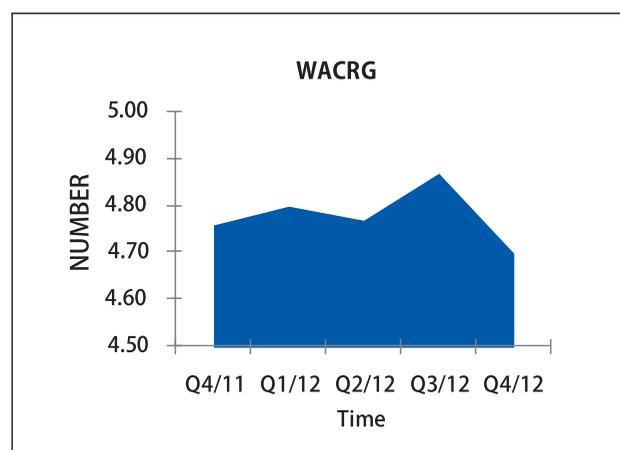
#### Risk Weighted Assets (RWA) to Total fund based Loans – to measure portfolio credit risk based on external rating of borrowers

Risk weighted assets to fund based loans indicates overall portfolio risk expressed in external ratings of bank's borrowers. Generally lower value of this ratio indicates better risk of the portfolio.



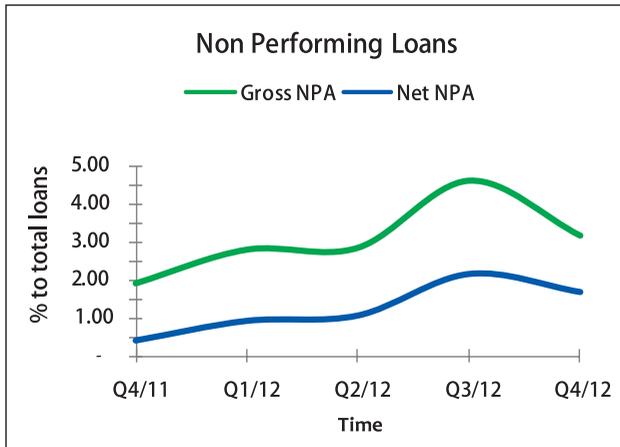
#### Weighted Average Credit Risk Grade (WACRG) – to measure portfolio credit risk based on internal rating of borrowers

Weighted Average Credit Risk Grade (WACRG) is the sum of product derived multiplying each customer's, other than retail, risk grade with percentage of total loans outstanding with them on reference date. This value indicates risk of performing portfolio expressed in internal rating of the borrowers. Better risk is indicated by lower value of WACRG.



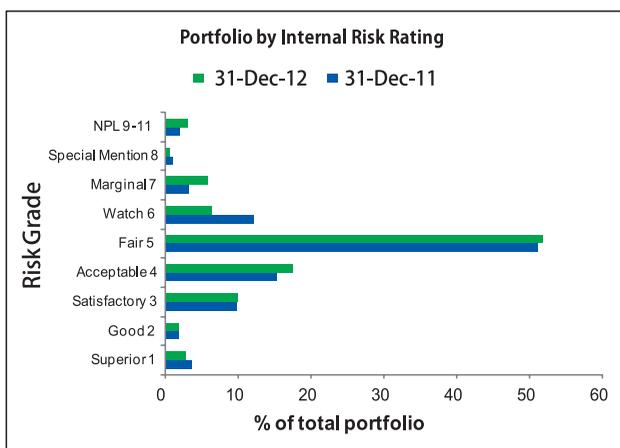
**Non Performing Loans (NPL) – to measure overall portfolio credit risk based on delinquent repayment or expected credit loss**

Non Performing Loans (NPA) are those classified as sub-standard, doubtful, and bad-loss. Gross NPA means outstanding of all NPA contracts as on reference date. Net NPA is computed by deducting specific provision and interest suspense from Gross NPA. These two ratios indicate overall portfolio health setting aside the expected loss form possible non repayment by borrowers.



**Portfolio by Internal Risk Rating – compares percentage of portfolio in to different risk rating bucket**

Internal Risk Rating Model is an 11 scale score card applied to corporate and medium enterprises. Though lending decisions are not taken solely on the basis of the said model, it provides useful benchmarking of customers on certain parameters. This segmental analysis assist bank to set its portfolio strategy like: exit of weaker customer and booking of stronger customer.

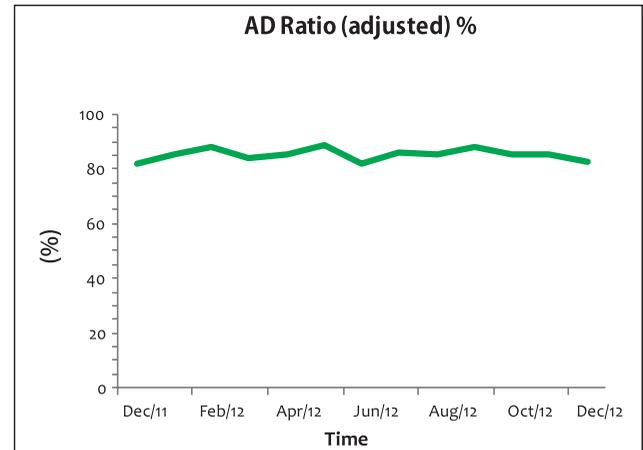


**Liquidity Risk**

**Asset to Deposit (AD ratio) – to measure gross liquidity position of the bank**

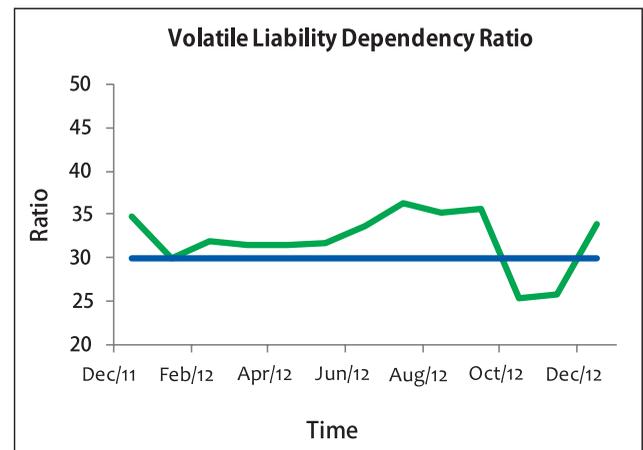
Asset to Deposit ratio measures the portion of deposit

the bank lends to borrowers. Since the bank maintains a certain portion of its deposit (liability) to Bangladesh Bank in the form of cash and securities, AD ratio should below 100%. Bangladesh Bank set the prudential limit at 85%. Lower AD ratio generally indicates better liquidity position but lower profitability.



**Volatile Liability Dependency Ratio – to measure dependency on unstable fund**

Volatile Liability Dependency Ratio denotes the portion of loans financed by short term liability exclusive of liquid assets. Since liquidity has inverse relationship with profitability, it is difficult to set any common threshold to justify one's position. It is true that higher of this ratio means stable liquidity, but bank's net interest margin might be affected for longer re-pricing period and higher cost of term deposit. Thus the desired level depends on bank's risk appetite and market conditions. Currently EBL set its internal appetite to 30 percent.

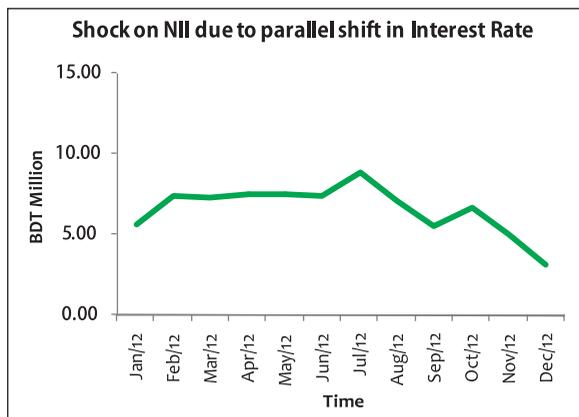


**Interest Rate Risk**

**Interest Rate Shock – to measure impact of Net Interest Income as a result of parallel rate shock**

Interest rate shock has been computed analyzing gap between Risk Sensitive Assets (RSA) and Risk Sensitive Liabilities (RSL). The shock is computed for 1% parallel shift in interest rate. This ratio measures the possible loss

of income if interest payment on liability increases by 1% while bank can not charge on its assets before next re-pricing period. Upside of the risk i.e. possibility of gain where RSA is greater than RSL is not considered on principle of conservatism.



### Foreign Exchange Risk

#### Value at Risk (VaR) at 95% confidence interval

The risk of loss may arise from the movement of exchange

rate as the bank must take foreign currency positions, either short or long to continue its day to day operational. We compute VaR at 95 percent confidence interval under the historical data method. Bank's internal threshold is Tk 10.0 million and as on 31 December 2012, expected loss as measured by this tool was Tk. 29.76 million.

### Equity Price Risk

Bank has a considerable exposure on capital markets in the form of proprietary equity investment, exposure against shares, loans to share brokers, and merchant banks. Adverse movement of the market value of these assets is potential source of risk. Bank presently mitigates such potential risk by marking to market of the portfolio that ensures full provision against potential loss due to decline of market value below the purchase price.

### Operational Risk

Operational risks are measured using control function check lists and predefined reports. Breaches are then discussed in a high level meeting to assign responsibility for resolving issues. Quantification of operational risk is important for capital allocation and risk retention policy. RMU is working on this respect within the scope of advanced approach of Basel II guidelines.



# disclosures on risk based capital (Basel II)

**Background:** These disclosures under Pillar III of Basel II are made following revised 'Guidelines on Risk Based Capital Adequacy (RBCA)' for banks issued by Bangladesh Bank (Central Bank of Bangladesh) in December 2010. These quantitative and qualitative disclosures are intended to complement the Minimum Capital Requirement (MCR) under Pillar I and Supervisory Review Process (SRP) under Pillar II of Basel II.

The purpose of these disclosures is to present relevant information on adequacy of capital in relation to overall risk exposures of the Bank so that the market participants can assess the position and direction of the Bank in making economic decisions.

**Consistency and Validation:** The quantitative disclosures are made on the basis of consolidated audited financial statements of EBL and its Subsidiaries as at and for the year ended 31 December 2012 prepared under relevant international accounting and financial reporting standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and related circulars/instructions issued by Bangladesh Bank from time to time. The assets, liabilities, revenues and expenses of the subsidiaries are combined with those of the parent company (EBL), eliminating inter company transactions. Assets of the subsidiaries were risk weighted and equities of subsidiaries were crossed out with the investment of EBL while consolidating.

So, information presented in the 'Quantitative Disclosures' section can easily be verified and validated with corresponding information presented in the consolidated audited financial statements 2012 of EBL and its Subsidiaries along with separate audited financial statements 2012 of the Bank available on the website of the Bank ([www.ebl.com.bd](http://www.ebl.com.bd)).

## Scope of Application

**Applicable top corporate entity:** The Risk Based Capital Adequacy framework applies to **Eastern Bank Limited (EBL)** on 'Consolidated Basis' as there were two operational subsidiaries of the Bank as on the reporting date i.e. 31 December 2012. However, 'Solo Basis' information has been presented beside those of 'Consolidated Basis' to facilitate comparison.

**Entities within the group:** The Bank had four subsidiaries, all of them were fully owned, as on the reporting date i.e. 31 December 2012.

**EBL Securities Limited:** Having acquired rest 40% shares of a brokerage house namely 'EBL Securities Ltd.', EBL completed full acquisition of the same in 2012. This company obtained Chittagong Stock Exchange membership in 2012 which will be operational soon after getting the operational license from BSEC.

**EBL Investments Limited:** a private limited company established to do merchant banking operations, obtained approval from BSEC for Merchant Banking License in January 2013. It has already started the process of business setup acquiring required software and hiring additional human resources to start in early 2013.

**EBL Finance (HK) Limited:** the first foreign subsidiary of EBL was incorporated on 28 November 2011 with Hong Kong (HK) authority to handle trade finance and off-shore banking business in Hong Kong. EBL obtained all the required licenses from Bangladesh and HK authority and is set to commence business in early 2013 after completing necessary formalities of subscriptions.

**EBL Asset Management Limited:** a private limited company was formed to grab the potential business opportunity in managing mutual funds and institutional wealth. EBL has already obtained permission from Bangladesh Bank and is under process of applying for the license to BSEC.

**Restriction on movements of funds:** The rules and regulations of BRPD of Bangladesh Bank that govern 'Single Borrower Exposure Limit' for the customers are equally applicable for the Bank in financing its own subsidiaries. Currently the BRPD circular 05 dated 09 April 2005 is being applied by the Bank in determining maximum amount of finance to the subsidiaries of the Bank. As on year end 2012, EBL had a credit line to 'EBL Securities Ltd.' of BDT 850 million and a Guarantee of BDT 250 million (against clearing settlements with DSE).

**Aggregate amount of capital deficiencies:** As on the reporting date there was no such deficiency.

## Capital Structure

**Summary information on the terms and conditions of tier I & II capital instruments:** Regulatory capital, as stipulated in the revised RBCA guidelines by BB, is categorized into three tiers according to the order of quality of capital (Tier I, II & III). Tier I or Core Capital comprises the highest quality capital components, Tier II or Supplementary Capital comprises capital elements that fall short of some

of the characteristics of core capital but contribute to overall strength of the Bank and Tier III or Additional Supplementary Capital comprises short term subordinated debt with maturity of two to five years. As on year end 2012, there was no tier III component of capital at EBL. Component wise details are presented in the quantitative disclosure part that follows:

**Conditions for maintaining regulatory capital (solo basis):**

The Bank complied with all the required conditions for maintaining regulatory capital as stipulated in the revised RBCA guidelines by Bangladesh Bank as per following details:

- The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital:  
✓ **Status of Compliance:** Complied.
- 50% of revaluation reserves for fixed assets and securities eligible for Tier 2 capital:  
✓ **Status of Compliance:** Complied.
- 10% of revaluation reserves for equity instruments eligible for Tier 2 capital:  
✓ **Status of Compliance:** There was no unrealized

gain from quoted equities as on the reporting date.

- Subordinated debt shall be limited to a maximum of 30% of the amount of Tier 1 capital:  
✓ **Status of Compliance:** As on the reporting date there was no subordinated debt in the capital structure of EBL.
- **Limitation of Tier 3:** A minimum of about 28.5% of market risk needs to be supported by Tier 1 capital. Supporting of Market Risk from Tier 3 capital shall be limited up to maximum of 250% of a bank's Tier 1 capital that is available after meeting credit risk capital requirement.  
✓ **Status of compliance:** Complied. Excess tier i capital maintained after meeting credit risk was BDT 1,363.12 million (BDT 12,231.76 million minus BDT 10,868.64). Whereas capital required for meeting 28.5% of market risks was BDT 241.47 million (BDT 847.26 X 28.5%) as on the reporting date.

No deduction from tier i and ii capital was required to be made as on the reporting date.

**Quantitative Disclosures:** As on the reporting date (31 December 2012), the Bank had a consolidated capital of BDT 15,786.28 million comprising tier i capital of BDT 12,371.96 million and tier ii capital of BDT 3,414.32 million. Following table presents component wise details of capital (Tier i & ii) as on reporting date i.e. 31 December 2012:

*(Figures are in million BDT)*

A	Tier – 1 ( Core Capital)	Consolidated	Solo (Bank)
1	Fully Paid-up Capital	6,111.80	6,111.80
2	Statutory Reserve	4,395.27	4,395.27
3	Non- repayable Share premium account	-	-
4	General Reserve	160.00	160.00
5	Retained Earnings	1,348.85	1,208.64
6	Minority interest in Subsidiaries	-	-
7	Non- Cumulative irredeemable Preference shares	-	-
8	Dividend Equalization Account	356.04	356.04
9	Other (if any item approved by Bangladesh Bank)	-	-
10	<b>Sub-Total: (1 to 9)</b>	<b>12,371.96</b>	<b>12,231.76</b>
B	Tier -2 (Supplementary Capital)		
1	General Provision (Unclassified loans + SMA+ off balance sheet exposure)	1,562.65	1,562.65
2	Assets Revaluation Reserves up to 50%	1,844.75	1,844.75
3	Revaluation Reserve for Securities up to 50%	6.93	6.93
4	Revaluation Reserve for equity instruments up to 10%	-	-
5	All other preferences shares	-	-
6	Subordinated debt	-	-
7	Other (if any item approved by Bangladesh Bank)	-	-
8	<b>Subtotal (1 to 7)</b>	<b>3,414.32</b>	<b>3,414.32</b>
9	Deductions from tier i and ii capital (if any)	-	-
C	Total Eligible Capital (A+B)	<b>15,786.28</b>	<b>15,646.08</b>

## Capital Adequacy

**Assessment of the adequacy of capital:** Assessing regulatory capital in relation to overall risk exposures of a bank is an integrated and comprehensive process. EBL follows the 'asset based' rather than 'capital based' approach in assessing the adequacy of capital to support current and projected business activities.

The Bank focuses on strengthening risk management and control environment rather than increasing capital to cover up weak risk management and control practices. EBL has been generating most of its incremental capital from retained profit (stock dividend and statutory reserve transfer etc.) and occasional issue of right shares to support incremental growth of Risk Weighted Assets (RWA). Besides meeting regulatory capital requirement, the Bank maintains adequate capital to absorb material risks foreseen. Therefore, the Bank's Capital Adequacy Ratio (CAR) remains consistently within the comfort zone since

the parallel run from 1 January 2009. During the year 2012, the CAR ranges from 11.94% to 12.41% on consolidated basis and from 11.85% to 12.24% on solo basis against minimum requirement of 10% of RWA.

Risk Management Unit (RMU) under guidance of the SRP team/BRMC (Bank Risk Management Committee), is taking active measures to identify, quantify, manage and monitor all risks to which the Bank is exposed to.

**Quantitative Disclosures:** Following table shows component wise allocation of capital to meet three risks and an amount of additional capital maintained over MCR i.e. 10% of RWA. As on the reporting date i.e. 31 December 2012, EBL maintained a Capital Adequacy Ratio (CAR) of 12.18% on 'Consolidated Basis' and 12.05% on 'Solo Basis' against required minimum of 10%. We had an excess capital of BDT 2,822.77 million (Consolidated) after meeting all three risks as on the reporting date as shown in the following table:

*(Figures are in million BDT)*

Capital Adequacy	Consolidated	Solo (Bank)
Capital requirement for Credit Risk	10,833.52	10,868.64
Capital requirement for Market Risk	847.26	847.26
Capital requirement for Operational Risk	1,282.73	1,265.33
<b>Minimum capital requirement (MCR)</b>	<b>12,963.52</b>	<b>12,981.22</b>
Additional capital maintained over MCR	2,822.77	2,664.86
<b>Total capital maintained</b>	<b>15,786.28</b>	<b>15,646.08</b>
<b>Risk weighted assets</b>	<b>129,635.17</b>	<b>129,812.22</b>
Total capital ratio (CAR)	12.18%	12.05%
Tier I capital ratio	9.54%	9.42%

## Credit Risk

### Qualitative Disclosures:

**Definition of Credit Risk:** Credit risk is the risk of loss that may occur from the failure of any counterparty to make required payments in accordance with agreed terms and conditions and/or deterioration of credit worthiness. Credit risk may arise from both the banking book and trading book and is managed through a framework set by policies and procedures established by the Board of Directors. The responsibility is clearly segregated between originator of business transaction and approver in the risk function.

**Credit approval:** Board of Directors of EBL has the sole authority to approve any credit exposure and to sub delegate such authority to the Managing Director & CEO with or without authority for further sub delegation. We have adopted individual authority based approval structure to ensure better accountability. Currently, MD & CEO's lending authority is further sub delegated to Head of Credit Risk Management Division and Departmental Heads.

**Credit policies and procedures:** The Credit Policy Manual contains the core principles for identifying, measuring,

approving, and managing credit risk in the bank. These policies are established by the Board of Directors, and are designed to meet the organizational requirements that exist today, and to provide flexibility for future. These policies represent the minimum standards for credit extension by the bank, and are not a substitute for experience and good judgment.

There is a comprehensive credit appraisal procedure that covers industry/business risk, management risk, financial risk, facility structure risk, security risk, environmental risk, reputational risk, and account performance risk. Credit risk management function is independent of business originating functions to establish better control and check, and to reduce conflict of interest. The Head of Credit Risk Management (HoCRM) has clear responsibility for management of credit risk.

**Credit risk grading and measurement:** Risk measurement along with judgment and experience play a central role in informed risk taking decisions, and portfolio management. For the purpose of risk measurement we use a numerical grading system 'Credit Risk Grading Matrix' (CRGM) associated with a borrower. This CRGM is not a lending decision making tool but used as a general indicator to

compare one set of customers with another set, and its weighted average value indicate movement of portfolio risk.

CRGM analyzes a borrower against a range of quantitative and qualitative measures. Quantitative measurements scale has numeric grades from 1 to 11; lower numbers are indicative of lower likelihood of default while 9 to 11 grades are assigned to default borrowers. However, we are yet to assign Probability of Default (PD) corresponding to each grade and to cap exposure both at borrower and portfolio level against each risk grade. No score card or rating model for retail and SME (small) borrowers) are currently in practice; rather borrowers are assessed against some pre approved criteria outlined in Product Program Guidelines (PPG), which are approved by the Board of Directors.

**Credit risk mitigation:** Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, and other guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation, and counter party risk of the guarantor. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed

assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit. Collateral is valued by independent third party surveyor in accordance with our credit policy and procedures.

**Credit monitoring:** Credit exposures and portfolio performance are monitored at least quarterly at EBL. Corporate and medium enterprise accounts are continuously monitored under a clearly set out 'Early Alert' policy. Sign of deteriorations are well defined and broad guidelines are given in the credit policy to be followed by business origination units. Early Alerts are raised for financial deterioration, management weakness, irregular repayments, breach of covenants, eroding position in the industry, etc. If early alerts are raised, account plans are then reevaluated; remedial actions are agreed and monitored. Remedial actions include but not limited to exposure reduction, security enhancement, exiting the relationship or immediate movement to our Special Asset Management Division (SAMD) – the dedicated loan recovery unit of the Bank.

**Definitions of past due and impaired credit:** The bank follows Bangladesh Bank Circulars and Guidelines related to classification and provisioning to define past due and impairment. Following table summarizes the objective criteria for loan classification and provisioning as stipulated by the central bank vide BRPD circular no. 14 dated 23 September 2012:

Type of Facility	Loan Classification							
	SMA		Sub Standard		Doubtful		Bad & Loss	
	Overdue Period	Provision (%)	Overdue Period	Provision (%)	Overdue Period	Provision (%)	Overdue Period	Provision (%)
Continuous Loan	60 days or more	5%	3 months or more but less than 6 months	20%	6 months or more but less than 9 months	50%	9 months or more	100%
Demand Loan	60 days or more	5%	3 months or more but less than 6 months	20%	6 months or more but less than 9 months	50%	9 months or more	100%
Fixed Term Loan more than Tk. 10 lac	60 days or more	5%	3 months or more but less than 6 months	20%	6 months or more but less than 9 months	50%	9 months or more	100%
Fixed Term Loan up to Tk. 10 lac	60 days or more	5%	6 months or more but less than 9 months	20%	9 months or more but less than 12 months	50%	12 months or more	100%
Short Term Agricultural & Micro Credit	90 days or more	5%	12 months or more but less than 36 months	5%	36 months or more but less than 60 months	5%	60 months or more	100%

Any continuous loan if not repaid/renewed within the fixed date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date.

Any demand loan if not repaid within the fixed expiry date

for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date.

In case of any installment(s) or part of installment(s) of a fixed term loan is not repaid within the fixed expiry date,

the amount of unpaid installment(s) will be treated as past due/overdue from the following day of the expiry date.

The short term agricultural and micro credit if not repaid within the fixed expiry date for repayment will be considered past due/overdue after six months of the expiry dates.

### Approach to General and Specific Loan Loss Provision

Bank maintains loan loss provision for both unclassified and impaired assets as per stipulations of the Central Bank. Presently no statistical models are used to compute expected loss.

Specific provision for classified loans and general provisions for unclassified loans and advances and contingent assets are measured following BB prescribed provisioning rates as mentioned below:

General provision on:	Rate
Unclassified general loans and advances	1%
Unclassified loans to small and medium enterprises	0.25%
Loans to BHs/MBs/SDs against shares etc.	2%
Unclassified loans for housing finance and on loans for professionals	2%
Unclassified consumer financing other than housing finance and loans for professionals	5%
Short term agri credit and micro credit	5%
Special mention account	5%
Off balance sheet exposures	1%
Specific provision on:	
Substandard loans and advances other than short term agri credit and micro credit	20%
Doubtful loans and advances other than short term agri credit and micro credit	50%
Bad/loss loans and advances	100%
Substandard short term agri credit and micro credit	5%
Doubtful short term agri credit and micro credit	5%

**Problem Credit Management:** The Bank has a Special Asset Management Division (SAMD), dedicated for management, settlement and recovery of problem credits. Major responsibility of this department is to formulate strategy and action plans for minimization of risk, prevention of loss, maximization of recoveries, and restructuring, direct recovery, and/or pursuing legal actions.

### Quantitative Disclosures

**Total gross credit risk exposures by major types:** Bangladesh Bank guidelines on Basel II, stipulated to segregate bank's asset portfolio into different categories, and the below table shows our gross exposure in each asset category.

*(Figures are in million BDT)*

SL.	Exposure type	Consolidated	Solo (Bank)
a)	Cash	1,097.92	1,097.92
b)	Claims on Bangladesh Government (Other than PSEs) and BB (denominated in domestic and foreign currency)	9,702.74	9,702.74
	Different Risk Weights	449.53	449.53
	Unrated	810.80	810.80

SL.	Exposure type	Consolidated	Solo (Bank)
c)	Claims on Banks and NBFIs (denominated in domestic as well as foreign currency)		
	i) Original maturity over 3 months:		
	Different Risk Weights	1,150.00	1,150.00
	Unrated	1,320.00	1,320.00
	ii) Original maturity less than 3 months	7,920.50	7,883.50
d)	Claims on Corporate (excluding equity exposures):		
	Different Risk Weights	38,164.90	38,164.90
	Unrated	25,732.40	25,732.40
e)	Claims under Credit Risk Mitigation (Corporate)	29.73	29.73
f)	Claims categorized as retail portfolio & Small Enterprise (excluding consumer finance and staff loans)	4,564.76	4,564.76
g)	Consumer finance	7,014.59	7,014.59
h)	Claims fully secured by residential property (excluding staff loan)	785.50	785.50
i)	1. Past Due Claims (Risk weights are to be assigned net of specific provision):		
	Where specific provisions are less than 20 per cent of the outstanding amount of the past due claim	958.91	958.91
	Where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim	553.68	553.68
	Where specific provisions are more than 50 per cent of the outstanding amount of the past due claim	178.89	178.89
j)	Capital market exposures	883.00	678.80
k)	Unlisted equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in banking book.	130.86	1,205.46
l)	Investments in premises, plant and equipment and all other fixed assets	5,777.76	5,768.26
m)	All other assets:		
	i) Claims on GoB & BB (eg. Coupon Receivable from Govt T Bonds & reimbursable from BB on PSP, SC etc.)	299.70	299.70
	ii) Staff loan/investment	1,029.26	1,029.26
	v) Other assets (net of specific provision, if any)	2,251.89	1,532.00
	<b>Total:</b>	<b>110,807.34</b>	<b>110,911.34</b>

**Geographical distribution of exposures:** Our business is concentrated in two major cities – Dhaka and Chittagong as country's business activities are concentrated in these two locations. Below table shows our credit exposure as at year end 2012 in different divisions:

(Figures are in million BDT)

Division	Corporate	SME	Consumer	Total
Dhaka	50,979.89	8,129.76	8,396.19	67,505.84
Chittagong	20,365.88	3,638.31	2,571.92	26,576.12
Sylhet	-	293.83	171.76	465.59
Rajshahi	332.09	537.87	213.29	1,083.25
Khulna	-	811.18	224.34	1,035.52
Rangpur	-	37.37	16.06	53.43
<b>Total</b>	<b>71,677.85</b>	<b>13,448.32</b>	<b>11,593.57</b>	<b>96,719.74</b>

**Industry wise distribution of exposures:** Major industry wise credit exposure of the bank (not group) as on 31 December 2012 was as below, and the numbers remained within the appetite of the bank as approved by the Board of Directors.

(Figures are in million BDT)

Industry/sector	31-12-2012	Mix %	31-12-2011	Mix %
Commercial and Trading	14,007.93	14.5%	8,915.13	10.9%
Importer of Commodity	2,745.01	2.8%	2,414.88	3.0%
Construction	1,141.40	1.2%	599.14	0.7%
Sugar & Edible Oil Refinery	4,497.19	4.6%	4,093.07	5.0%
Crops, fisheries & live stocks	2,062.27	2.1%	2,314.84	2.8%
Electronics Goods	3,590.71	3.7%	3,510.65	4.3%
Individuals	11,634.71	12.0%	11,862.06	14.5%
Pharmaceuticals Industries	3,102.20	3.2%	3,176.31	3.9%
Readymade Garments Industry	11,055.38	11.4%	9,922.30	12.1%
Ship Breaking Industry	5,508.78	5.7%	5,111.63	6.3%
Metal & Steel Products	7,116.32	7.4%	4,485.47	5.5%
Transport & E-communication	7,089.52	7.3%	6,451.37	7.9%
Textile Mills	8,361.72	8.6%	7,024.14	8.6%
Power Sector	2,747.14	2.8%	2,914.52	3.6%
Others	12,059.47	12.5%	8,978.41	11.0%
<b>Total</b>	<b>96,719.74</b>	<b>100.0%</b>	<b>81,773.91</b>	<b>100.0%</b>

**Residual contractual maturity of credit exposure:** Residual maturity of credit exposure in our major business (counter party type) as on 31 December 2012 was as below:

(Figures are in million BDT)

Business Segments	0-90 Days	3-6 Months	6-12 Months	1-5 Years	More than 5 Years	Total
Consumer	767.13	704.26	1,650.45	6,603.07	838.26	10,563.17
Corporate	37,597.42	14,585.43	4,336.37	13,172.19	1,987.58	71,678.99
SME (small)	274.86	387.57	901.24	5,240.69	-	6,804.35
SME (medium)	4,096.39	874.81	1,013.78	658.98	-	6,643.96
Staff	0.53	2.05	5.55	144.71	876.42	1,029.26
<b>Total</b>	<b>42,736.33</b>	<b>16,554.12</b>	<b>7,907.38</b>	<b>25,819.64</b>	<b>3,702.26</b>	<b>96,719.74</b>

**Business segment wise impaired loans:** as on 31 December 2012:

(Figures are in million BDT)

Business Type	SMA	Sub-Standard (SS)	Doubtful (DF)	Bad & Loss (BL)	Total Classified Loans & SMA
Corporate	32.99	7.00	430.60	1,500.34	1,970.93
SME (small)	222.36	89.97	78.70	210.44	601.47
SME (medium)	85.01	-	-	133.98	219.00
Consumer	302.57	166.75	83.78	369.21	922.30
<b>Total</b>	<b>642.93</b>	<b>263.72</b>	<b>593.08</b>	<b>2,213.97</b>	<b>3,713.70</b>

**Gross Non Performing Assets (NPAs):** As on the reporting date i.e. 31 December 2012, NPA ratio was 3.17%.

**Movement of NPAs:** Movement of classified loans during the year is presented in the following table:

(Figures are in million BDT)

Particulars	2012	2011
Opening Balance as on 01 January	1,560.59	1,168.74
Additions during the year	2,255.63	745.09
Reductions during the year	745.45	353.24
<b>Closing Balance as on 31 December</b>	<b>3,070.77</b>	<b>1,560.59</b>

**Movement of Specific Provisions for NPAs** (provisions for classified loans) is presented in following table:

(Figures are in million BDT)

Particulars	2012	2011
Opening balance of provision held	866.44	610.68
New provisions during the year	845.88	320.97
Provisions no longer required (written off loans)	(325.00)	(65.21)
<b>Closing balance of provision held</b>	<b>1,387.32</b>	<b>866.44</b>

## Equities: Disclosures for Banking Book Positions

**Nature and purpose of Equity investment:** Investment of EBL in equity securities is broadly categorized into two parts: securities (Ordinary shares, Mutual Fund) that are traded in the secondary market (trading book assets) and Un-quoted securities (including preference share and subscription for private placement). Unquoted securities are categorized as banking book equity exposures which are further subdivided into two groups: unquoted securities which are invested without any expectation that these will be quoted in near future (i.e. held to maturity) and securities that are acquired under private placement or IPO and are going to be traded in the secondary market after completing required formalities. Usually these securities are held for trading or investment for making capital gains.

**Policies for valuation and accounting of equity holdings:** For valuation of Unquoted HTM and quoted HFT equity securities, relevant BFRS and Bangladesh Bank circulars are followed respectively. Unquoted HTM securities are recorded at purchase price including transactions costs, if any and are impairment tested whereas quoted HFT securities are marked to market quarterly and revaluation loss (if any) is booked accordingly calculated on portfolio basis (gain net off). No unrealized gain is booked against HFT equity securities as per Bank policy. Dividends received from these securities are accounted for as and when received.

**Quantitative Disclosures:** As EBL Securities Ltd maintains an insignificant portfolio of proprietary equity investment, comparison between consolidated and solo (bank) positions showed almost identical balance as on the reporting date i.e. 31 December 2012. For unquoted equities (including private placement), market value has been assumed identical to cost in the following table only to facilitate calculation of unrealized losses.

(Figures are in million BDT)

	Cost		Market Value	
	Consolidated	Solo (Bank)	Consolidated	Solo (Bank)
Quoted shares and Mutual Funds	3,417.67	3,417.65	2,693.34	2,693.30
<b>Unquoted shares and Mutual Funds:</b>	<b>130.86</b>	<b>130.86</b>	<b>130.86</b>	<b>130.86</b>
Unquoted (HTM)	90.86	90.86	90.86	90.86
Private placement	40.00	40.00	40.00	40.00
<b>Total</b>	<b>3,548.53</b>	<b>3,548.51</b>	<b>2,824.20</b>	<b>2,824.16</b>

Other information related to equity investments including capital requirement for the year has been presented as follows:

*(Figures are in million BDT)*

	Consolidated	Solo (Bank)
Cumulative realized gains (losses) arising from sales	112.31	112.31
Total unrealized gains (losses)	(724.33)	(724.35)
Total latent revaluation gains (losses)	-	-
Any amount of the above included in Tier 2 capital	-	-
<b>Capital required for quoted securities:</b>	<b>538.67</b>	<b>538.66</b>
Specific risk	269.33	269.33
General market risk	269.33	269.33
Capital required for unquoted securities (specific risk)*	16.36	150.68

\* BDT 134.33 million excess capital shown in the Solo (Bank) book was required for investment in subsidiaries but the same was eliminated in Consolidated book.

## Interest Rate Risk in the Banking Book

Interest rate risk is the risk that a bank will experience deterioration in its financial position as interest rates move over time. Interest rate risk is typically divided into two parts:

- Traded interest rate risk
- Non-traded interest rate risk (balance sheet)

Interest rate risk in the banking book (IRRBB) arises from a bank's core banking activities. It arises from differences between the timing of rate changes and the timing of cash flows (re-pricing risk); from changing rate relationships among yield curves that affect bank activities (basis risk); from changing rate relationships across the range of maturities (yield curve risk); and from interest-rate-related options embedded in bank products (option risk).

The process of interest rate risk management by the bank involves determination of the business objectives, expectation about future macro economic variables and understanding the money markets and debt market in which it operates. Interest rate risk management also includes quantifying the appetite for market risk to which bank is comfortable.

The Bank uses the following approach to manage interest rate risks inherent in the Balance sheet:

**Simple Gap Analysis:** Traditional Gap analysis of on-balance sheet Asset Liability Management (ALM) involves careful allocations of assets and liabilities according to repricing/maturity buckets. This approach quantifies the potential change in net interest income using a specified shift in interest rates, e.g. 100 or 200 basis points, or a simulated future path of interest rates.

Assumptions: For Gap analysis, bank considers the following:

- For fixed-rate contract, remaining maturity is considered
- For contracts with provision of re-pricing, time remaining for next re-pricing is considered.
- For assets and liabilities which lack definitive re-pricing interval or for which there is no stated maturity, bank determines the core and volatile portion. For asset, volatile portion is bucketed till 3 months using historical repayment behavior and stable portion is bucketed in 6-12 months bucket. For liabilities, volatile portion is bucketed till 1 year using historical withdrawal behavior and stable portion is bucketed in over 1 year segment.

Also, following assumptions are met:

- The main assumption of gap analysis is that interest rate moves on parallel fashion. In reality however, interest rate does not move upward.
- Contractual repayment schedule are met.
- Re-pricing of assets and liabilities takes place in the mid point of time bucket.
- The expectation that loan payment will occur in schedule.
- Optionality embedded in different products is not considered.

**Quantitative Disclosure: Result of Gap analysis** as on 31 December 2012:

Particulars	1 month	3 Months
For 100 basis point increase in Interest rate, Impact on NII	-16.6 million	-61.1 million
For 100 basis point decrease in Interest rate, Impact on NII	16.6 million	61.1 million
For 200 basis point increase in Interest rate, Impact on NII	-33.2 million	-122.2 million
For 200 basis point decrease in Interest rate, Impact on NII	33.2 million	122.2 million

**Duration Analysis:** The focus of the Duration Analysis is to measure the level of a bank's exposure to interest rate risk in terms of sensitivity of Market Value of its Equity (MVE) to interest rate movements. Duration Gap can be used to evaluate the impact on the Market Value of Equity of the bank under different interest rate scenarios. ALCO monitors the Leveraged Liability Duration and duration gap of the total bank balance sheet on a quarterly basis to assess the impact of parallel shift of the assumed yield curve.

	31-12-2011	30-06-2012	31-12-2012
Duration of Asset	0.95	0.99	0.88
Duration of Liabilities	0.45	0.39	0.34
Leveraged Liability Duration	0.38	0.37	0.30
Duration Gap	0.57	0.62	0.58

## Market Risk

### Qualitative Disclosures:

**Market Risk:** Market Risk is defined as the possibility of loss due to changes in the market variables. It is the risk that the value of on/off-balance sheet positions will be adversely affected by movements in equity price, interest rate and currency exchange rates. The objective of our market risk policies and processes is to obtain the best balance of risk and return whilst meeting customers' requirements. The primary categories of market risk for the bank are:

**Interest rate risk:** arising from changes in yield curves, credit spreads and implied volatilities on interest rate options.

**Currency exchange rate risk:** arising from changes in exchange rates and implied volatilities on foreign exchange options.

**Equity price risk:** arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.

Bank has comprehensive Treasury Trading Policy, Asset-Liability Management Policy, Investment Policy approved by Board of Directors to assess, monitor and manage all the above market risks. Bank has defined various internal limits to monitor market risk and is computing the capital requirement as per standardized approach of Basel II.

**Methods used to measure Market Risk:** Bank applies maturity method in measuring interest rate risk in respect of securities in trading book. The capital charge for entire market risk exposure is computed under the standardized approach using the maturity method and in accordance with the guideline issued by Bangladesh Bank.

**Market Risk Management System:** To manage the interest rate risk, ALCO regularly monitors various ratios and parameters. Among the ratios, the key ratios that ALCO regularly monitors are Liquid asset to total assets, Volatile liability dependency ratio, medium term funding ratio, Snap liquidity ratio and Short term borrowing to Liquid assets ratio. ALCO also regularly monitors the interest rate sensitive gap and duration gap of total portfolio.

To manage foreign exchange risk of the bank, the Bank has adopted the limit by central bank to monitor foreign exchange open positions. Foreign exchange risk is computed on the sum of net short positions or net long positions, whichever is higher of the foreign currency positions held by the Bank.

Bank is using Value at Risk (VaR) analysis based on historical method to assess the minimum level of loss on foreign currency holding that is likely to be exceeded at certain level of probability (5% probability) in 1 day. Also, based on VaR, bank has set Management Trigger Point at BDT 10.00 million for aggregate currency exposure, based on 1 day VaR at 95% level of confidence.

Value-at-Risk estimates (Loss in domestic currency) presented below:

Confidence level	1 day	2 days	3 days	4 days	5 days
90%	2,553,898	3,410,281	3,439,771	3,681,333	4,038,072
95%	3,495,730	4,215,415	4,337,737	4,643,623	4,972,797
99%	7,432,070	7,432,070	7,368,219	7,368,219	7,346,942

The Bank has been active in secondary market during the year with 2.41% assets invested in equity securities as on the reporting date. To manage equity risk, the Investment Committee of the bank ensures taking prudent investment decisions complying sectoral preference as per investment policy of the bank and capital market exposure limit set by BB.

**Quantitative Disclosures:** Capital required for market risk as on the reporting date follows:

(Figures are in million BDT)

a	Interest rate risk	281.10
b	Equities	538.67
c	Foreign exchange risk	27.49
d	Commodity risk	-
	<b>Total</b>	<b>847.26</b>

## Operational Risk

### Qualitative Disclosures:

**Operational Risk:** Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of internal processes, people and systems, or from external events. We seek to minimize exposure to operational risk, subject to cost benefit trade-offs.

The bank captures some pre identified risk events associated with all functional departments of the bank through standard reporting format. Bank's Operational Risk Committee (BORC) sits every month with all these reports and decides action plans to resolve risk issues by specific individual and/or group within an agreed timeline. The committee also escalates 'high level risk' issues to MANCOM (Management Committee) and BRMC (Bank Risk Management Committee) based on importance and urgency of taking effective decisions. BORC is responsible for setting and maintaining standards for operational risk management and measurement, which is separate from the business functions.

**Performance gap of executives and staffs:** EBL is an equal opportunity employer. At EBL we recognize the importance of having the right people at right positions to achieve organizational goals. Our recruitment and selection is governed by the philosophies of fairness, transparency and diversity. Understanding what is working well and what requires further support is essential to our performance management system. The performance management process aims to clarify what is expected from employees as well as how it is to be achieved.

At the beginning of a year we adequately communicate to our direct reports about what are expected from him/her during ensuing period. A half yearly and yearly performance appraisal practices are in place to review achievements based on which rewards and recognition decisions are made. Internal control & compliance (ICC) is continuously monitoring to minimize any potential brand damaging performance gap by employees especially fraud-forgery, misuse of power of attorney, weak customer services, weak internal and regulatory compliance etc.

However, our learning and development strategy puts special focus on continuous professional development to strengthen individual's skill level by removing the weakness to perform the assigned job with perfection. We have a wide range of internal & external training programs to enhance capabilities to minimize performance gap and to contribute more to bottom line.

The reward and recognition policy of the bank is designed to motivate our people to perform better be it business or supporting business. Our strategy of reinforcing people's positive behaviors is based on following premises:

- Is rooted in an understanding of what really motivates our people.
- Encourage teamwork, by creating a culture where individual and team success is recognized.
- Regular benchmarking to compare our reward and recognition strategy with similar organizations.

**Potential external events:** We understand that business operates in an umbrella of inter connected socio-economic and political environment. Few externalities affect business performance directly such as macro economic conditions,

regulatory changes, change in demand, status of infrastructure whereas few factors affect operations of the business directly or indirectly such as force shut down due to political instability, threat of vandalism to the bank's sophisticated physical outlets including IT equipments etc.

**Policies and processes for mitigating operational risk:** As there is no upside of this risk, the objective of the management of operational risk is to minimize the risk in cost effective manner, if elimination is not possible.

Currently bank is not using any model or tool to capture operational loss data for historical analysis rather it is a self assessment process. Bank has a separate Operational Risk Management Unit responsible for risk identification, measurement, monitoring, control, and reporting of operational risk.

Operational risks are analyzed through review of Departmental Control Function Check List (DCFCL). This is a self assessment process for detecting HIGH risk areas and finding mitigation of those risks. These DCFCLs are then discussed in monthly meeting of Bank's Operational Risk Committee (BORC). The committee analyzes HIGH and MODERATE risk indicators and set responsibility for suitable personnel to resolve the issue. If anything remains unresolved or marked HIGH, it is referred to MANCOM.

**Approach for calculating capital charge for operational risk:** The bank applies 'Basic Indicator Approach' of Basel II as prescribed by BB in revised RBCA guidelines. Under this approach, banks have to calculate average annual gross income (GI) of last three years and multiply the result by 15% to determine required capital charge. Gross Income is the sum of 'Net Interest Income' and 'Net non-interest income' of a year or it is 'Total Operating Income' of the bank with some adjustments as noted below. GI shall:

- Be gross of any provision (e.g. for unpaid interest),
- Be gross of operating expenses, including fees paid to outsourcing service providers,
- Exclude realized profits/losses from sale of securities held to maturity in the banking book,
- Exclude extraordinary or irregular items,
- Exclude income derived from insurance and
- Include lost interest i.e. interest suspense on SMA and classified loans.

**Quantitative Disclosures:** The capital requirement for operational risk as on the reporting date is as follows:

*(Figures are in million BDT)*

Particulars	Consolidated	Solo (Bank)
Last three year's average Gross Income (adjusted)	8,551.56	8,435.50
Capital charge required (15% of GI)	1,282.73	1,265.33



# products & services

## CONSUMER BANKING

### Deposit products

#### Savings Account

Interest bearing taka account for the Bangladeshi citizens \*  
Interest Paid half yearly

#### High Performance Account (HPA)

Interest bearing taka account for the Bangladeshi citizens  
\* Interest calculation on daily minimum balance, accrual  
monthly and paid half yearly

#### EBL Interesting

Daily interest bearing & monthly payment savings account  
for Bangladeshi citizen \*Interest calculation on daily  
minimum balance, accrual and paid monthly

#### EBL Savings Plus Account

A unique Savings up to 9% Interest \* Free Debit Card \*  
50% fee waiver for Platinum Card \* 2 Free Pay - Orders (per  
month)

#### EBL Confidence

Monthly savings plan of any multiple of BDT 500/- \* Tenor:  
3, 5, 10 & 15 Years

#### Current Deposit

Easy access account

#### EBL Secure

Monthly recurring savings scheme with full maturity value  
insured.

#### EBL Repeat

Time deposit product and offers monthly return on  
depositors fixed deposit over a certain period.

#### EBL Just Double

Term deposit product shall double of the initial deposit  
amount with upto 85% credit facility.

#### Fixed Deposit

Fixed Deposits are of different Tenor for the convenience  
of the customers.

#### Extra Value Fixed Deposit

Up to 90% credit facility of FD Value \* Minimum Initial  
Deposit: BDT 10.00 Lac

#### EBL 50 Plus

Is a time deposit product and offers monthly return on  
depositors fixed deposit with a very attractive rate of  
interest \* Age 50 yrs and above.

#### Student Banking Products

EBL Junior

EBL Campus

EBL Child Future Plan

#### Payroll Products

EBL Executive Account

EBL Easy Account

EBL Visa Payroll Card

## Loan Products

**EBL Jibandhara:** Any purpose personal loan

**Fast Cash:** Secured OD facility

**Fast Loan:** Secured Term loan

**EBL Executive Loan:** Any purpose loan for executives

**EBL Auto Loan:** Term loan to purchase automobile

**EBL Travel Loan:** Unsecured term loan to facilitate Travel

**EBL Home Loan:** Term Loan to Purchase/Extend/Renovate  
Residence

#### EBL Education Finance pack

Comprises of Unsecured Term Loan, Secured Term Loan  
& Secured OD Facility to Finance Education in Home and  
Abroad

## Card Products

EBL Debit Card

EBL Credit Cards – Signature, Platinum, Gold, Silver

EBL Lifestyle prepaid cards

EBL Hajj prepaid Remittance card

EBL Travel prepaid card

EBL Smart Remit Card

EBL Payroll Card

## NRB Products

**Matribhumi** is a tailor made product & service propositions  
for the NRBs which includes:

### Deposit products

EBL Global

EBL NFCD

EBL Shonchoy

EBL Paribar

EBL RFCD

### Remittances

EBL Smart Remit – Mobile remittance

### Loan products

Personal Secured Loan (FAST Loan)

Personal Secured Credit (FAST Cash)

### Investment

Wage Earners Development Bond (WEDB)

US Dollar Investment Bond (USDIB)

US Dollar Premium Bond (USDPB)

### Swadesh Biniyog

A great way to invest in the capital market of Bangladesh.

## Services

### Priority Banking Service

Country's best priority banking services are offered by EBL  
with fully equipped 8 priority centers in Dhaka, Chittagong  
& Sylhet. There are lot of attractive propositions &  
personalized service for priority customers.

### Phone Banking Service

Banking is just a call away – 16230! There is 24 hours state-of-the-art Contact Center for phone banking service with fully equipped and most modern AVAYA technology and full set of IVR services.

### Internet Banking

24 hours banking service through EBL Internet Banking from your PC or mobile - including utility bill payments and instant mobile top-up services.

## SME BANKING

### Small Segment Loan Products

#### EBL Asha

It's an EMI based collateral free loan product for small segment clients with a repayment period of maximum 48 months. Loan amount ranges from BDT 200,000 to BDT 1500,000.

#### EBL Agrim

A seasonal/festival loan product for SME Entrepreneurs with single shot repayment facility. Loan amount ranges from BDT 200,000 to BDT 950,000.

#### EBL Mukti

This is a unique and collateral free loan product for the women entrepreneurs in the small segment with only 10% interest rate. Loan amount ranges up to BDT 2,500,000.

#### EBL Uddog

It's an EMI based partial by secured loan by EBL FDR for small and mid segment clients with a repayment period up to 60 months.

#### EBL Uddom

It's a bundle loan product partial by secured by EBL FDR, loan for small segment clients with a repayment period up to 60 months.

#### EBL Unnoti

It's a collateral based secured bundle loan for SME clients for purchasing of Fixed Assets as well as to meet up the working capital.

#### EBL Nobodoy

It's a loan product for the SME entrepreneurs for Agro based industries including renewable energy. Interest rate is 10%.

#### EBL Udoy

It's a special single digit interest loan product for the producer of leather goods. It is EMI based and collateral free.

### Agri Business Loan Product

#### EBL Krishi Rin

Short Term collateral free loan for providing financial support to direct farmer and share cropper for cultivation of crops and high value crops

### Medium Segment Loan Products

#### EBL Banijyo

This is a bundle product comprising LC, LTR, and OD. Maximum loan is BDT 20,000,000 against 30%-40% EBL FDR.

### EBL Invoice Factoring

EBL Invoice Factoring is a mode of extending finances to organizations/suppliers against the direct assignment of their receivables to the Factor (Financial Institutions).

### Other Conventional Mid Segment Loan Products

Cash Credit

Secured Overdraft

Overdraft

Demand Loan

Import Loan

Time Loan

Letter of Credit

Loan against Trust Receipt

Letter of Guarantee

Usance Letter of Credit

Acceptance

Local Bill Purchased Documentary

Foreign Bill Purchased Documentary etc.

### Deposit Products

#### EBL Subidha

It is a deposit product for SME clients with operational facilities of a Current Account but financial benefit of a Short Notice Deposit Account.

#### EBL Equity Builder

It is an equity multiplier deposit product for SME clients. An Entrepreneur of SME can build his equity by depositing on monthly basis in his/her enterprise's name.

#### SME Double Return

It is a term deposit product designed for SME entrepreneurs where the deposited amount of fixed deposit will be doubled after the maturity period.

## CORPORATE BANKING

### Loan Products

#### A. Funded Facilities

##### *Working Capital Products*

- Import Loan: Post import facility against L/C
- Demand Loan: To meet cash requirement time to time (local purchase/duty/tax etc).
- Manufacturers Demand Loan: Facilitating the manufacturers with low cost working capital Loan
- Overdraft: To meet day to day overhead expenses.
- Time Loan: To meet short term requirement/ post import against Machinery LC etc.
- Packing Credit: To meet fund requirement of the exporters to make export items.
- Local Documentary Bill Purchased (LDBP): To purchase/discount against Local L/C
- Foreign Documentary Bill Purchased (FDBP): To

purchase/discount/negotiate export documents against Sight/Usance Export L/C.

- EDF Loan: To finance LC under Export Development Fund.

*Long term Products:*

- Term Loan (Normal/ Amortized/ Capitalized): To finance capital Expenditure (Building/Machines etc).
- Term Loan (IPFF): World Bank (IDA) funded projects with specific criteria.
- Term Loan (Special Products against Government Fund/ Multilateral Fund)

## **B. Non Funded Facilities**

*Letter of Credit (Cash/Back to Back)*

- Sight LC: To import locally/from abroad on sight basis.
- Usance/ Deferred LC: To import locally/ from abroad on usance/deferred basis.
- Structured LC/OBU: Usance LC with sight payment arrangement to beneficiary after shipment by EBL Offshore Banking Unit or correspondent Bank.

*Guarantee (Open Ended/close Ended)*

- Performance Guarantee
- Bid Bond
- Advance payment Guarantee
- Retention Bond
- Security Bond

## **C. Bridge Financing**

To finance temporary funded requirement for onward conversion to other facilities.

## **D. Foreign Currency Financing from Off-shore Banking Unit:**

- Import Loan (Funded Short Term)
- Demand Loan (Funded Short Term)
- Bill Discounting/Financing (Funded Short Term)
- Term loan (Funded Long Term)
- Guarantee. (Non-Funded)

## **Deposit Products**

Some common deposit products like Current Deposit, SND, Fixed Deposit, HPA etc which are offered to consumers are offered to corporate customers too.

## **Services**

### **Nationwide Collection Services (NCS)**

Nationwide Collection Services (NCS) is formulated to facilitate collecting daily funds through EBL own branch network and corresponding bank network and credit the same to the single collection account maintained

with Eastern Bank Limited (EBL) which will facilitate large corporate by providing faster funds availability in a cost-effective manner.

## **Payment Transfer Services (PTS)**

Eastern Bank's Payment Transfer Service (PTS) is formulated to facilitate organizations to transfer funds to their respective Branch Offices through EBL own branches and also through Bangladesh Electronic Fund Transfer Network (BEFTN) across the country which facilitates the corporate clients by providing faster fund transfer solution in a cost-effective manner.

## **EBL Cheq Pro**

EBL Cheq Pro is very user-friendly software which facilitates the preparation, printing, recording and reconciliation of Eastern Bank Limited cheques and generates different kinds of MIS.

## **Cash Pick-up & Delivery Service**

Cash Pick-up & Delivery Service is designed for cash pick-up from the designated EBL branch and to be delivered in the office premises of the client and the service will be provided through enlisted security company of the Bank.

## **EBL Internet Banking**

This facility allows faster reconciliation of collection process by viewing transactions, download statements and take print out of the statements sitting in the office. The information reporting capability through EBL Internet Banking gives a whole new way to access banking information quickly and reliably. It provides access to balances, end-of-day and intra-day account statements, transaction details. This has add value in reconciliation in terms of automation.

# **TREASURY PRODUCTS**

## **Money Market**

Call money  
Term Money  
Currency SWAP  
Repo/Reverse Repo

## **Fixed Income and Investment**

Treasury Bill/Bonds to inter-bank  
Treasury Bill/Bonds to:  
NBFIs/Corporate/Insurance  
Companies/Pension Funds/Provident Funds

## **Foreign Exchange and Corporate Sales**

Spot/ Forward in USD/BDT  
Spot/Forward in major cross currencies  
Derivative products in major currencies  
Derivative products in Commodities  
Derivative products based on Interest Rate

## Statement on Integrity of Financial Statements by MD & CEO and Head of Finance

We hereby certify that the Financial Statements (FS) of Eastern Bank Limited (the Bank) as at and for the year ended 31 December 2012 have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs), the "First Schedule" (section 38) of the Bank Companies Act 1991, as amended by the BRPD Circular no. 14 dated 25 June 2003, other Bangladesh Bank Circulars, the Companies Act 1994, the Securities and Exchange Rules 1987, Dhaka and Chittagong Stock Exchange's listing regulations and other laws and rules applicable in Bangladesh. The Accounting Policies used in the preparation of the FS are appropriate and are consistently applied by the Bank. In case the requirement of provisions and circulars issued by Bangladesh Bank differ with those of other regulatory authorities and accounting standards, the provisions and circulars issued by Bangladesh Bank shall prevail with adequate disclosures of deviations made (please refer to note 2.1 of the FS). Comparative information has been reclassified wherever necessary to conform to the current year presentation.

The estimates and judgments relating to the FS were made on a prudent and reasonable basis; in order that the FS reflect in a true and fair manner, the form and substance of transactions and present the state of affairs reasonably. To ensure this, the Bank has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Internal Auditor has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

We certify to the Board that:

- i. We have reviewed Financial Statements of the Bank for the year 2012 and to the best of our knowledge and belief:
  - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards and applicable laws.
- ii. There are, to the best of knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violation of the Bank's code of conduct.

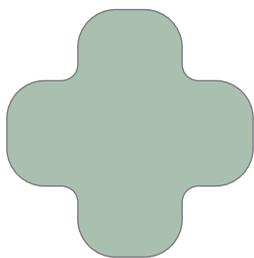


**Muhammad Maniruzzaman, FCMA**  
Head of Finance



**Ali Reza Iftekhar**  
Managing Director & CEO

Dhaka, 25 February 2013





# financial reports 2012

## Auditors' Report to the shareholders of Eastern Bank Limited

**Hoda Vasi  
Chowdhury & Co**  
Independent Correspondent Firm to  
Deloitte Touche Tohmatsu

We have audited the accompanying consolidated financial statements of Eastern Bank Limited and its controlled entities (together referred to as the "Group") as well as the financial statements of Eastern Bank Limited (the "Bank") which comprise the consolidated and separate balance sheets as at 31 December 2012, profit and loss accounts, statements of changes in equity, cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements of the Group and the separate financial statements of the Bank in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in note 2, the Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the consolidated financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in note 2, give a true and fair view of the financial position of the Group and the Bank as at 31 December 2012 and of the results of their financial performance and their cash flows for the year then ended and comply with the applicable sections of the Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

### We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches not visited by us;
- c) the Bank's balance sheet and profit and loss account together with the annexed notes 1 to 49 dealt with by the report are in agreement with the books of account and returns;
- d) the expenditure incurred was for the purpose of the Bank's business;

- e) the financial position of the Bank as at 31 December 2012 and the profit for the year then ended have been properly reflected in the financial statements, the financial statements have been prepared in accordance with the generally accepted accounting principles;
- f) the financial statements of the Bank have been drawn up in conformity with the Bank Companies Act 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank;
- g) adequate provisions have been made for advances and other assets, which are in our opinion, doubtful of recovery;
- h) the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- i) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- j) the information and explanations required by us have been received and found satisfactory;
- k) Capital adequacy ratio (CAR) as required by law has been maintained adequately during the period; and
- l) over 80% of the risk weighted assets have been reviewed by us spending around 3,370 person hours.

Dhaka, 26 February 2013



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Hoda Vasi Chowdhury & Co  
Chartered Accountants

## Eastern Bank Limited and its subsidiaries Consolidated Balance Sheet

as at 31 December 2012

**Hoda Vasi  
Chowdhury & Co**  
Independent Correspondent Firm to  
Deloitte Touche Tohmatsu

Property and Assets	Notes	2012	2011
		Taka	Taka
<b>Cash</b>	3		
Cash in hand (including foreign currencies)	3.1	1,097,923,927	1,095,803,828
Balances with Bangladesh Bank and its agent bank(s) (including foreign currencies)	3.2	9,699,237,183	4,926,961,943
		<b>10,797,161,110</b>	<b>6,022,765,771</b>
<b>Balances with other Banks and Financial Institutions</b>	4		
In Bangladesh	4.1	7,653,914,011	3,580,408,080
Outside Bangladesh	4.2	1,369,531,149	101,735,964
		<b>9,023,445,160</b>	<b>3,682,144,044</b>
<b>Money at call and short notice</b>	5	<b>100,000,000</b>	<b>2,650,000,000</b>
<b>Investments</b>	6		
Government	6.1	17,789,164,429	12,841,220,762
Others	6.2	3,865,532,147	4,069,307,226
		<b>21,654,696,576</b>	<b>16,910,527,988</b>
<b>Loans and advances</b>	7		
Loans, Cash Credits, Overdraft etc.	7.1	87,537,630,678	75,465,724,126
Bills discounted and purchased	7.2	9,356,540,473	6,302,265,095
		<b>96,894,171,151</b>	<b>81,767,989,221</b>
<b>Fixed assets including land, building, furniture and fixtures</b>	8	5,777,805,402	4,465,566,722
<b>Other assets</b>	9	2,579,426,148	1,837,906,506
<b>Non banking assets</b>	10	217,733,000	247,878,000
<b>TOTAL ASSETS</b>		<b>147,044,438,547</b>	<b>117,584,778,252</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
Borrowing from other banks, financial institutions and agents	11	31,158,073,038	21,652,484,276
<b>Deposits and other accounts</b>	12		
Current deposits & other accounts, etc.	12.1	9,806,371,635	7,265,434,010
Bills payable	12.2	866,317,963	834,628,249
Savings bank deposits	12.3	14,080,165,001	13,159,045,299
Fixed deposits	12.4	66,659,786,106	53,743,327,289
Bearer certificates of deposits	12.5	22,250,000	22,250,000
		<b>91,434,890,705</b>	<b>75,024,684,847</b>
Other liabilities	13	7,201,928,608	6,315,406,537
<b>TOTAL LIABILITIES</b>		<b>129,794,892,351</b>	<b>102,992,575,660</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital-Paid up capital	14	6,111,797,850	4,527,257,670
Statutory reserve	15	4,395,274,232	3,551,351,414
Dividend equalisation reserve	16	356,040,000	356,040,000
Reserve against pre takeover loss	17	1,554,759,750	1,554,759,750
Pre takeover loss	18	(952,794,812)	(787,204,238)
Asset revaluation reserve	19	3,689,495,550	2,651,941,750

# Eastern Bank Limited and its subsidiaries

## Consolidated Balance Sheet

as at 31 December 2012

	Notes	2012 Taka	2011 Taka
Reserve for amortization of treasury securities (HTM)	20	98,740	3,793
Reserve for revaluation of treasury securities (HFT)	21	13,754,631	409,033,635
General reserve	22	160,000,000	160,000,000
Reserve for non banking assets	23	204,427,796	233,527,796
Foreign currency translation gain	24	(5,418,843)	15,073,031
Profit & loss account -retained earnings	25	1,722,111,302	1,769,737,547
Attributable to equity holders		<b>17,249,546,196</b>	<b>14,441,522,148</b>
Non controlling interest	26	-	150,680,444
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>17,249,546,196</b>	<b>14,592,202,592</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>147,044,438,547</b>	<b>117,584,778,252</b>
<b>OFF BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>			
Acceptances and endorsements	27.1	26,450,629,146	23,317,821,842
Letters of guarantees	27.2	10,054,243,019	6,725,466,917
Irrevocable letters of credit	27.3	12,329,127,919	12,007,896,260
Bills for collection	27.4	4,199,088,283	3,814,511,421
Other liabilities (bad and loss)		-	-
		<b>53,033,088,367</b>	<b>45,865,696,440</b>
<b>Other contingent liabilities</b>			
Value of travelers' cheques on hand		-	-
Value of Bangladesh Sanchaya Patra on hand		661,328,100	812,479,100
		<b>661,328,100</b>	<b>812,479,100</b>
<b>Other commitments</b>			
Lease rental commitments		-	-
Documentary credits and short term trade -related transactions		-	-
Forward assets purchased and forward deposits placed		6,657,310,819	11,445,066,858
Undrawn note issuance and revolving facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Spot and forward foreign exchange rate contracts		-	-
Other capital commitments		-	-
Other exchange contracts		-	-
Claims against the Bank not acknowledged as debt		6,657,310,819	11,445,066,858
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		<b>60,351,727,286</b>	<b>58,123,242,398</b>

These financial statements should be read in conjunction with the annexed notes.



Chairman

Dhaka, 26 February 2013



Director



Director



Managing Director &amp; CEO

Signed as per our annexed report of same date



Auditors  
Hoda Vasi Chowdhury and Co.  
Chartered Accountants

# Eastern Bank Limited and its subsidiaries

## Consolidated Profit & Loss Account

For the year ended 31 December 2012

**Hoda Vasi Chowdhury & Co**  
Independent Correspondent Firm to  
Deloitte Touche Tohmatsu

Particulars	Notes	2012	2011
		Taka	Taka
Interest Income	28	13,744,606,348	9,745,615,263
Less: Interest paid on deposits and borrowings	29	8,859,087,401	6,374,755,156
<b>Net Interest Income</b>		<b>4,885,518,947</b>	<b>3,370,860,107</b>
Income from investments	30	1,454,538,594	1,942,643,240
Fees, commission and brokerage	31	2,359,416,890	2,175,616,494
Other operating income	32	237,029,510	416,835,568
<b>Total operating income</b>		<b>8,936,503,941</b>	<b>7,905,955,409</b>
Salary & allowances	33	1,771,184,174	1,489,916,674
Rent, taxes, insurance, utilities etc.	34	356,265,307	260,533,300
Legal & professional expenses	35	51,645,505	44,219,615
Postage, stamp, telecommunication etc.	36	97,761,769	79,034,106
Stationery, printing, advertisement, etc.	37	210,666,288	204,189,562
Managing Director's salary and allowances	38	14,782,397	13,956,361
Directors' fees & expenses	39	2,959,483	2,620,236
Audit fees	40	510,000	498,000
Charges on loan losses		-	-
Repairs, maintenance and depreciation	41	423,739,898	314,020,392
Other office operating expenses	42	379,153,826	319,002,473
<b>Total operating expenses</b>		<b>3,308,668,647</b>	<b>2,727,990,718</b>
Other non operating income	43	103,473,610	-
<b>Profit before provisions</b>		<b>5,731,308,904</b>	<b>5,177,964,691</b>
Provision for loans and advances	13.4.1		
Specific provision		845,884,252	320,968,073
General provision		23,892,959	403,465,121
		869,777,211	724,433,194
Other provisions	44	491,923,424	253,784,136
<b>Total provisions</b>		<b>1,361,700,635</b>	<b>978,217,330</b>
<b>Profit before tax for the year</b>		<b>4,369,608,269</b>	<b>4,199,747,361</b>
Provision for tax made for the year	13.3.1	(2,218,739,865)	(1,778,718,444)
Deferred tax (expenses)/income	45	241,861,619	131,399,784
<b>Profit after tax for the year</b>		<b>2,392,730,023</b>	<b>2,552,428,701</b>
<b>Appropriation</b>			
Statutory reserve	15	(843,922,818)	(825,829,472)
General reserve		-	-
		(843,922,818)	(825,829,472)
<b>Retained earnings carried forward</b>		<b>1,548,807,205</b>	<b>1,726,599,229</b>
<b>Attributable to Shareholders of EBL</b>		<b>2,392,730,023</b>	<b>2,532,718,515</b>
<b>Non controlling interest</b>		<b>-</b>	<b>19,710,186</b>
<b>Earnings per share (EPS)</b>	46	<b>3.91</b>	<b>4.14</b>

These financial statements should be read in conjunction with the annexed notes.



Chairman

Dhaka, 26 February 2013



Director



Director



Managing Director & CEO

Signed as per our annexed report of same date



Auditors  
Hoda Vasi Chowdhury and Co.  
Chartered Accountants

# Eastern Bank Limited and its subsidiaries

## Consolidated Cash Flow Statement

for the year ended 31 December 2012

	Notes	2012 Taka	2011 Taka
<b>A) Cash flows from operating activities</b>			
Interest received		13,475,672,069	9,540,118,848
Interest paid		(8,447,887,516)	(5,407,695,653)
Dividend received		51,838,834	75,392,860
Fees and commission received		2,359,416,890	2,177,622,805
Income from investment		1,402,699,759	1,867,250,380
Recovery of loans previously written off	32	117,394,950	301,979,925
Cash paid to employees (including directors)		(1,788,926,054)	(1,506,493,271)
Cash paid to suppliers		(716,338,869)	(587,976,583)
Income taxes paid	13.3	(2,139,757,091)	(1,389,822,525)
Received from other operating activities		119,634,560	114,855,643
Paid for other operating activities		(600,772,403)	(474,326,227)
<i>Operating cash flow before changes in operating assets and liabilities</i>		<b>3,832,975,130</b>	<b>4,710,906,202</b>
<i>Increase/(decrease) in Operating Assets &amp; Liabilities</i>			
Changes in trading securities		(6,015,412,660)	(6,966,055,461)
Loans and advances to customers (other than banks)		(14,857,247,650)	(22,372,478,650)
Non banking assets		1,045,000	-
Other assets	47	(741,519,642)	(611,208,190)
Deposits from other Banks	12.a.1	3,988,480	3,797,373
Deposits from customers (other than banks)		15,991,199,584	18,147,658,709
Recovery from/(payment against) BCCI assets/liabilities		(165,590,574)	201,934,000
Foreign currency translation gain/(loss)		(20,491,874)	14,610,041
Other liabilities (Provision & Tax)		(1,195,513,881)	(1,256,211,465)
Other liabilities	48	886,522,071	1,205,446,110
<i>Net Cash received from operating activities</i>		<b>(2,280,046,016)</b>	<b>(6,921,601,331)</b>
<b>B) Cash flows from investing activities</b>			
Changes in non-trading securities		877,455,417	(532,482,494)
Net proceeds /(payments) for sale/ purchase of securities		-	-
Purchase of property, plant and equipment		(482,631,007)	(1,003,765,113)
Sales proceeds of fixed assets (Annexure A1)		5,824,804	3,616,606
Acquisition of non controlling interest		(59,100,107)	-
<i>Net cash used in investing activities</i>		<b>341,549,109</b>	<b>(1,532,631,001)</b>
<b>C) Cash flows from financing activities</b>			
Borrowings from other banks, financial institutions and agents		9,505,588,762	12,395,079,918
Received from issue of loan capital and debt securities		-	-
<i>Net cash received from financing activities</i>		<b>9,505,588,762</b>	<b>12,395,079,918</b>
<b>D) Net (decrease) / increase in cash (A+B+C)</b>		<b>7,567,091,855</b>	<b>3,940,847,586</b>
<b>E) Opening cash and cash-equivalents</b>		<b>12,357,018,215</b>	<b>8,416,170,629</b>
<b>F) Closing cash and cash-equivalents (D+E)*</b>		<b>19,924,110,070</b>	<b>12,357,018,215</b>
<i>*Closing cash and cash-equivalents</i>			
Cash in hand (including foreign currencies)	3.1	1,097,923,927	1,095,803,828
Balances with Bangladesh Bank and its agent bank (s)	3.2	9,699,237,183	4,926,961,943
Balances with other Banks and Financial Institutions	4	9,023,445,160	3,682,144,044
Money at call and short notice	5	100,000,000	2,650,000,000
Prize bonds	6.1	3,503,800	2,108,400
		<b>19,924,110,070</b>	<b>12,357,018,215</b>

These financial statements should be read in conjunction with the annexed notes.



Chairman



Director



Director



Managing Director &amp; CEO

Dhaka, 26 February 2013

## Eastern Bank Limited and its subsidiaries Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

Figures in Taka

Particulars	Paid up capital	Statutory reserve	Dividend equalisation reserve	Reserve against pre take over loss	Pre take over loss	Asset revaluation reserve	Reserve for amortization of treasury securities (HTM)	Reserve for revaluation of treasury securities (HFT)	General reserve	Reserve for non banking assets	Foreign currency translation gain / (loss)	Retained earnings	Non controlling interest	Total
Balance as on 1 January 2012	4,527,257,670	3,551,351,414	356,040,000	1,554,759,750	(787,204,238)	2,651,941,750	3,793	409,033,635	160,000,000	233,527,796	15,073,031	1,769,737,547	150,680,444	14,592,202,592
Net profit for the year after tax	-	-	-	-	-	-	-	-	-	-	-	2,392,730,023	-	2,392,730,023
Transfer to statutory reserve	-	843,922,818	-	-	-	-	-	-	-	-	-	(843,922,818)	-	-
Bonus share issued	1,584,540,180	-	-	-	-	-	-	-	-	-	-	(1,584,540,180)	-	-
Adjustment of revaluation of treasury securities (HFT)	-	-	-	-	-	-	-	(395,279,004)	-	-	-	-	-	(395,279,004)
Reserve for amortization of HTM securities	-	-	-	-	-	-	94,947	-	-	-	-	-	-	94,947
Recovery of pre-takeover loss	-	-	-	-	(165,590,574)	-	-	-	-	-	-	-	-	(165,590,574)
Adjustment of reserve for non banking assets	-	-	-	-	-	-	-	-	(29,100,000)	-	-	-	-	(29,100,000)
Currency translation difference	-	-	-	-	-	-	-	-	-	(20,491,874)	-	-	-	(20,491,874)
Fixed asset revaluation (Land)	-	-	-	-	-	1,037,553,800	-	-	-	-	-	-	-	1,037,553,800
Adjustment of non controlling interest	-	-	-	-	-	-	-	-	-	-	-	(11,893,270)	(150,680,444)	(162,573,714)
<b>Balance as at 31 December 2012</b>	<b>6,111,797,850</b>	<b>4,395,274,232</b>	<b>356,040,000</b>	<b>1,554,759,750</b>	<b>(952,794,812)</b>	<b>3,689,495,550</b>	<b>98,740</b>	<b>13,754,631</b>	<b>160,000,000</b>	<b>204,427,796</b>	<b>(5,418,843)</b>	<b>1,722,111,302</b>	<b>(150,680,444)</b>	<b>17,249,546,196</b>

For the year ended 31 December 2011

Particulars	Paid up capital	Statutory reserve	Dividend equalisation reserve	Reserve against pre take over loss	Pre take over loss	Asset revaluation reserve	Reserve for amortization of treasury securities (HTM)	Reserve for revaluation of treasury securities (HFT)	General reserve	Reserve for non banking assets	Foreign currency translation gain / (loss)	Retained earnings	Non controlling interest	Total
Balance as on 1 January 2011	2,920,811,400	2,725,521,942	356,040,000	1,554,759,750	(989,138,238)	2,651,941,750	-	823,251,968	160,000,000	233,527,796	462,990	1,669,294,774	150,970,258	12,257,444,390
Net profit for the year after tax	-	-	-	-	-	-	-	-	-	-	-	2,532,718,515	-	2,532,718,515
Transfer to statutory reserve	-	825,829,472	-	-	-	-	-	-	-	-	-	(825,829,472)	-	-
Bonus share issued	1,606,446,270	-	-	-	-	-	-	-	-	-	-	(1,606,446,270)	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	(20,000,000)	(20,000,000)
Adjustment of revaluation of treasury securities (HFT)	-	-	-	-	-	-	-	(414,218,333)	-	-	-	-	-	(414,218,333)
Reserve for amortization of HTM securities	-	-	-	-	-	-	3,793	-	-	-	-	-	-	3,793
Recovery of pre-takeover loss	-	-	-	-	201,934,000	-	-	-	-	-	-	-	-	201,934,000
Currency translation difference	-	-	-	-	-	-	-	-	-	-	14,610,041	-	-	14,610,041
Non controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	19,710,186	19,710,186
<b>Balance as at 31 December 2011</b>	<b>4,527,257,670</b>	<b>3,551,351,414</b>	<b>356,040,000</b>	<b>1,554,759,750</b>	<b>(787,204,238)</b>	<b>2,651,941,750</b>	<b>3,793</b>	<b>409,033,635</b>	<b>160,000,000</b>	<b>233,527,796</b>	<b>15,073,031</b>	<b>1,769,737,547</b>	<b>150,680,444</b>	<b>14,592,202,592</b>

These financial statements should be read in conjunction with the annexed notes.



**Chairman**  
Dhaka, 26 February 2013



**Director**



**Director**



**Managing Director & CEO**

## Eastern Bank Limited and its subsidiaries

### Consolidated Liquidity Statement

(Asset and Liability Maturity Analysis)

As at 31 December 2012

Figures in Taka

Particulars	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	Above 5-years term	Total
<b>Assets</b>						
Cash in hand (including balance with Bangladesh Bank and its agent Bank)	10,797,161,110	-	-	-	-	10,797,161,110
Balances with other banks and financial institutions	4,316,449,416	2,236,995,743	2,470,000,000	-	-	9,023,445,160
Money at call and short notice	100,000,000	-	-	-	-	100,000,000
Investments	6,322,027,597	2,213,899,182	4,281,992,806	4,921,004,230	3,915,772,760	21,654,696,576
Loans and advances	17,100,840,844	19,970,594,626	34,068,107,114	22,081,173,980	3,673,454,586	96,894,171,151
Fixed assets including land, building, furniture and fixtures	12,021,421	24,156,475	108,192,769	605,110,521	5,028,324,215	5,777,805,402
Other assets	214,873,631	222,844,268	61,488,172	870,028,921	1,210,191,156	2,579,426,148
Non-banking assets	-	-	-	-	217,733,000	217,733,000
<b>Total Assets</b>	<b>38,863,374,019</b>	<b>24,668,490,294</b>	<b>40,989,780,861</b>	<b>28,477,317,652</b>	<b>14,045,475,717</b>	<b>147,044,438,547</b>
<b>Liabilities</b>						
Borrowing from other banks, financial institutions and agents	20,036,556,346	4,121,845,409	5,259,383,867	1,052,291,200	687,996,215	31,158,073,038
Deposits and other accounts	18,138,906,809	20,617,697,416	22,097,914,771	28,867,737,374	1,712,634,335	91,434,890,705
Provisions & other liabilities	438,018,503	1,035,877,236	1,118,783,452	3,046,602,279	1,562,647,138	7,201,928,608
<b>Total Liabilities</b>	<b>38,613,481,659</b>	<b>25,775,420,060</b>	<b>28,476,082,090</b>	<b>32,966,630,852</b>	<b>3,963,277,688</b>	<b>129,794,892,351</b>
<b>Net Liquidity Gap</b>	<b>249,892,360</b>	<b>(1,106,929,766)</b>	<b>12,513,698,771</b>	<b>(4,489,313,200)</b>	<b>10,082,198,029</b>	<b>17,249,546,196</b>
<b>Cumulative Net Liquidity Gap</b>	<b>249,892,360</b>	<b>(857,037,406)</b>	<b>11,656,661,365</b>	<b>7,167,348,164</b>	<b>17,249,546,196</b>	<b>-</b>

# Eastern Bank Limited

## Balance Sheet

as at 31 December 2012

**Hoda Vasi  
Chowdhury & Co**  
Independent Correspondent Firm to  
Deloitte Touche Tohmatsu

	Notes	2012	2011
		Taka	Taka
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	3		
Cash in hand (including foreign currencies)	3.1	1,097,919,688	1,095,795,193
Balances with Bangladesh Bank and its agent bank(s) (including foreign currencies)	3.2	9,699,237,183	4,926,961,943
		<b>10,797,156,871</b>	<b>6,022,757,136</b>
<b>Balances with other Banks and Financial Institutions</b>	4		
In Bangladesh	4.1	7,616,918,267	3,429,581,406
Outside Bangladesh	4.2	1,369,531,149	101,735,964
		<b>8,986,449,416</b>	<b>3,531,317,370</b>
<b>Money at call and short notice</b>	5	<b>100,000,000</b>	<b>2,650,000,000</b>
<b>Investments</b>	6		
Government	6.1	17,789,164,429	12,841,220,762
Others	6.2	3,865,510,224	4,068,970,503
		<b>21,654,674,653</b>	<b>16,910,191,265</b>
<b>Loans and advances</b>	7		
Loans, Cash Credits, Overdraft etc.	7.1	87,363,196,058	75,893,558,150
Bills discounted and purchased	7.2	9,356,540,473	5,880,352,028
		<b>96,719,736,531</b>	<b>81,773,910,178</b>
Fixed assets including land, building, furniture and fixtures	8	5,768,259,820	4,453,286,336
Other assets	9	2,904,324,025	2,011,836,717
Non banking assets	10	217,733,000	247,878,000
<b>TOTAL ASSETS</b>		<b>147,148,334,316</b>	<b>117,601,177,002</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
Borrowing from other banks, financial institutions and agents	11	31,158,073,038	21,652,484,276
<b>Deposits and other accounts</b>	12		
Current deposits & other accounts etc.	12.1	9,806,371,635	7,265,434,010
Bills payable	12.2	866,317,963	834,628,249
Savings bank deposits	12.3	14,080,165,001	13,159,045,299
Fixed deposits	12.4	67,005,863,858	54,075,610,120
Bearer certificates of deposits	12.5	22,250,000	22,250,000
		<b>91,780,968,457</b>	<b>75,356,967,678</b>
Other liabilities	13	7,099,953,349	6,184,673,581
<b>TOTAL LIABILITIES</b>		<b>130,038,994,844</b>	<b>103,194,125,534</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital-Paid up capital	14	6,111,797,850	4,527,257,670
Statutory reserve	15	4,395,274,232	3,551,351,414
Dividend equalisation reserve	16	356,040,000	356,040,000
Reserve against pre takeover loss	17	1,554,759,750	1,554,759,750
Pre takeover loss	18	(952,794,812)	(787,204,238)
Asset revaluation reserve	19	3,689,495,550	2,651,941,750
Reserve for amortization of treasury securities (HTM)	20	98,740	3,793
Reserve for revaluation of treasury securities (HFT)	21	13,754,631	409,033,635
General reserve	22	160,000,000	160,000,000
Reserve for non banking assets	23	204,427,796	233,527,796
Foreign currency translation gain	24	(5,418,843)	15,073,031
Profit & loss account -retained earnings	25	1,581,904,578	1,735,266,868
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>17,109,339,472</b>	<b>14,407,051,468</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>147,148,334,316</b>	<b>117,601,177,002</b>

# Eastern Bank Limited

## Balance Sheet

as at 31 December 2012

	<u>Notes</u>	<u>2012</u> <u>Taka</u>	<u>2011</u> <u>Taka</u>
<b>OFF BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>			
	27		
Acceptances and endorsements	27.1	26,450,629,146	23,317,821,842
Letters of guarantees	27.2	10,054,243,019	6,725,466,917
Irrevocable letters of credit	27.3	12,329,127,919	12,007,896,260
Bills for collection	27.4	4,199,088,283	3,814,511,421
Other liabilities (bad and loss)		-	-
		<b>53,033,088,367</b>	<b>45,865,696,440</b>
<b>Other contingent liabilities</b>			
Value of travelers' cheques on hand		-	-
Value of Bangladesh Sanchaya Patra on hand		661,328,100	812,479,100
		<b>661,328,100</b>	<b>812,479,100</b>
<b>Other commitments</b>			
Lease rental commitments		-	-
Documentary credits and short term trade -related transactions		-	-
Forward assets purchased and forward deposits placed		6,657,310,819	11,445,066,858
Undrawn note issuance and revolving facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Spot and forward foreign exchange rate contracts		-	-
Other capital commitments		-	-
Other exchange contracts		-	-
		<b>6,657,310,819</b>	<b>11,445,066,858</b>
Claims against the Bank not acknowledged as debt		-	-
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		<b>60,351,727,286</b>	<b>58,123,242,398</b>

*These financial statements should be read in conjunction with the annexed notes.*



Chairman

Dhaka, 26 February 2013



Director



Director



Managing Director &amp; CEO

Signed as per our annexed report of same date



Auditors  
Hoda Vasi Chowdhury and Co.  
Chartered Accountants

# Eastern Bank Limited

## Profit & Loss Account

For the year ended 31 December 2012

**Hoda Vasi Chowdhury & Co**  
Independent Correspondent Firm to  
**Deloitte Touche Tohmatsu**

Particulars	Notes	2012	2011
		Taka	Taka
Interest Income	28	13,698,222,818	9,713,139,461
Less: Interest paid on deposits and borrowings	29	8,884,100,640	6,398,718,277
<b>Net Interest Income</b>		<b>4,814,122,178</b>	<b>3,314,421,184</b>
Income from investments	30	1,494,601,857	1,970,089,489
Fees, commission and brokerage	31	2,299,911,740	2,091,582,870
Other operating income	32	235,751,865	414,504,968
<b>Total operating income</b>		<b>8,844,387,640</b>	<b>7,790,598,511</b>
Salary & allowances	33	1,750,682,613	1,471,530,156
Rent, taxes, insurance, utilities etc.	34	349,945,005	253,889,895
Legal & professional expenses	35	51,052,665	44,080,615
Postage, stamp, telecommunication etc.	36	96,448,339	78,559,281
Stationery, printing, advertisement, etc.	37	210,436,903	203,888,076
Managing Director's salary and allowances	38	14,782,397	13,956,361
Directors' Fees & Expenses	39	2,929,483	2,602,236
Audit fees	40	402,500	365,750
Charges on loan losses		-	-
Repairs, maintenance and depreciation	41	420,010,651	309,492,977
Other operating expenses	42	366,382,358	304,868,473
<b>Total operating expenses</b>		<b>3,263,072,914</b>	<b>2,683,233,820</b>
<b>Other non operating income</b>	43	-	-
<b>Profit before provisions</b>		<b>5,581,314,726</b>	<b>5,107,364,691</b>
<b>Provision for loans and advances</b>	13.4.1		
Specific provision		845,884,252	320,968,073
General provision		23,892,959	403,465,121
		869,777,211	724,433,194
Other provisions	44	491,923,424	253,784,136
<b>Total provisions</b>		<b>1,361,700,635</b>	<b>978,217,330</b>
<b>Profit before tax for the year</b>		<b>4,219,614,091</b>	<b>4,129,147,361</b>
Provision for tax made for the year	13.3.1	(2,186,375,000)	(1,739,842,732)
Deferred tax (expense)/income	45	241,861,619	131,399,784
<b>Profit after tax for the year</b>		<b>2,275,100,710</b>	<b>2,520,704,413</b>
<b>Appropriation</b>			
Statutory reserve	15	(843,922,818)	(825,829,472)
General reserve		-	-
		<b>(843,922,818)</b>	<b>(825,829,472)</b>
<b>Retained earnings carried forward</b>		<b>1,431,177,892</b>	<b>1,694,874,941</b>
<b>Earnings per share (EPS)</b>	46	<b>3.72</b>	<b>4.12</b>

These financial statements should be read in conjunction with the annexed notes.



Chairman

Dhaka, 26 February 2013



Director



Director



Managing Director & CEO

Signed as per our annexed report of same date



Auditors  
Hoda Vasi Chowdhury and Co.  
Chartered Accountants

# Eastern Bank Limited

## Cash Flow Statement

for the year ended 31 December 2012

	Notes	2012 Taka	2011 Taka
<b>A) Cash flows from operating activities</b>			
Interest received		13,429,288,539	9,507,643,046
Interest paid		(8,472,900,756)	(5,431,658,774)
Dividend received		91,838,834	75,392,860
Fees and commission received		2,299,911,740	2,093,589,181
Income from investment		1,402,763,022	1,894,696,629
Recovery of loans previously written off	32	117,394,950	301,979,925
Cash paid to employees (including directors)		(1,768,394,493)	(1,488,088,753)
Cash paid to suppliers		(707,882,912)	(580,417,867)
Income taxes paid	13.3	(2,120,987,614)	(1,356,007,428)
Received from other operating activities		118,356,915	112,525,043
Paid for other operating activities		(587,175,110)	(458,285,428)
<i>Operating cash flow before changes in operating assets and liabilities</i>		3,802,213,115	4,671,368,434
<i>Increase/(decrease) in Operating Assets &amp; Liabilities</i>			
Changes in trading securities		(6,015,727,460)	(6,965,718,738)
Loans and advances to customers (other than banks)		(14,676,892,074)	(22,961,328,071)
Non banking assets		1,045,000	-
Other assets	47	(341,087,308)	(489,801,682)
Deposits from other Banks	12.a.1	3,988,480	3,797,373
Deposits from customers (other than banks)		16,004,994,505	18,160,118,833
Recovery from/(payment against) BCCI assets/liabilities		(165,590,574)	201,934,000
Foreign currency translation gain/(loss)		(20,491,874)	14,610,041
Other liabilities (Provision & Tax)		(1,181,810,993)	(1,231,018,601)
Other liabilities	48	915,279,768	1,654,167,203
<i>Net Cash received from operating activities</i>		(1,674,079,414)	(6,941,871,208)
<b>B) Cash flows from investing activities</b>			
Changes in non-trading securities		877,455,417	(532,482,494)
Net proceeds/(payments) for sale/ purchase of securities		-	-
Purchase of property, plant and equipment		(482,462,388)	(1,000,586,359)
Sales proceeds of fixed assets(Annexure A1)		5,824,804	3,616,606
Investment in Subsidiary-EBL Securities Limited	9.1	(551,400,000)	-
<i>Net cash used in investing activities</i>		(150,582,168)	(1,529,452,247)
<b>C) Cash flows from financing activities</b>			
Borrowings from other banks, financial institutions and agents		9,505,588,762	12,395,079,918
<i>Received from issue of loan capital and debt securities</i>		-	-
<i>Net cash received from financing activities</i>		9,505,588,762	12,395,079,918
<b>D) Net (decrease) / increase in cash (A+B+C)</b>			
<b>E) Opening cash and cash-equivalents</b>			
<b>F) Closing cash and cash-equivalents (D+E)*</b>			
		<b>19,887,110,087</b>	<b>12,206,182,906</b>
<b>*Closing cash and cash-equivalents</b>			
Cash in hand (including foreign currencies)	3.1	1,097,919,688	1,095,795,193
Balances with Bangladesh Bank and its agent bank (s)	3.2	9,699,237,183	4,926,961,943
Balances with other Banks and Financial Institutions	4	8,986,449,416	3,531,317,370
Money at call and short notice	5	100,000,000	2,650,000,000
Prize bonds	6.1	3,503,800	2,108,400
		<b>19,887,110,087</b>	<b>12,206,182,906</b>

These financial statements should be read in conjunction with the annexed notes.



Chairman



Director



Director



Managing Director &amp; CEO

Dhaka, 26 February 2013

## Eastern Bank Limited Statement of Changes in Equity

For the year ended 31 December 2012

Figures in Taka

Particulars	Paid up capital	Statutory reserve	Dividend equalisation reserve	Reserve against pre take over loss	Pre take over loss	Asset revaluation reserve	Reserve for amortization of treasury securities (HTM)	Reserve for revaluation of treasury securities (HFT)	General reserve	Reserve for non banking assets	Foreign currency translation gain / (loss)	Retained earnings	Total
Balance as on 1 January 2012	4,527,257,670	3,551,351,414	356,040,000	1,554,759,750	(787,204,238)	2,651,941,750	3,793	409,033,635	160,000,000	233,527,796	15,073,031	1,735,266,868	14,407,051,469
Net profit for the year after tax	-	-	-	-	-	-	-	-	-	-	-	2,275,100,710	2,275,100,710
Transfer to statutory reserve	-	843,922,818	-	-	-	-	-	-	-	-	-	(843,922,818)	-
Bonus share issued	1,584,540,180	-	-	-	-	-	-	-	-	-	-	(1,584,540,180)	-
Adjustment of revaluation of treasury securities (HFT)	-	-	-	-	-	-	-	(395,279,004)	-	-	-	-	(395,279,004)
Reserve for amortization of HTM securities	-	-	-	-	-	-	94,947	-	-	-	-	-	94,947
Recovery of pre-takeover loss	-	-	-	-	(165,590,574)	-	-	-	-	-	-	-	(165,590,574)
Adjustment of reserve for non banking assets	-	-	-	-	-	-	-	-	-	(29,100,000)	-	-	(29,100,000)
Currency translation difference	-	-	-	-	-	-	-	-	-	-	(20,491,874)	-	(20,491,874)
Fixed assets revaluation (Land)	-	-	-	-	-	1,037,553,800	-	-	-	-	-	-	1,037,553,800
<b>Balance as at 31 December 2012</b>	<b>6,111,797,850</b>	<b>4,395,274,232</b>	<b>356,040,000</b>	<b>1,554,759,750</b>	<b>(952,794,812)</b>	<b>3,689,495,550</b>	<b>98,740</b>	<b>13,754,631</b>	<b>160,000,000</b>	<b>204,427,796</b>	<b>(5,418,843)</b>	<b>1,581,904,578</b>	<b>17,109,339,472</b>

For the year ended 31 December 2011

Particulars	Paid up capital	Statutory reserve	Dividend equalisation reserve	Reserve against pre take over loss	Pre take over loss	Asset revaluation reserve	Reserve for amortization of treasury securities (HTM)	Reserve for revaluation of treasury securities (HFT)	General reserve	Reserve for non banking assets	Foreign currency translation gain / (loss)	Retained earnings	Total
Balance as on 1 January 2011	2,920,811,400	2,725,521,942	356,040,000	1,554,759,750	(989,138,238)	2,651,941,750	-	82,325,196	160,000,000	233,527,796	462,990	1,646,838,196	12,084,017,554
Net profit for the year after tax	-	-	-	-	-	-	-	-	-	-	-	2,520,704,413	2,520,704,413
Transfer to statutory reserve	-	825,829,472	-	-	-	-	-	-	-	-	-	(825,829,472)	-
Bonus share issued	1,606,446,270	-	-	-	-	-	-	-	-	-	-	(1,606,446,270)	-
Adjustment of revaluation of treasury securities (HFT)	-	-	-	-	-	-	-	(414,218,333)	-	-	-	-	(414,218,333)
Reserve for amortization of HTM securities	-	-	-	-	-	-	3,793	-	-	-	-	-	3,793
Recovery of pre-takeover loss	-	-	-	-	201,934,000	-	-	-	-	-	-	-	201,934,000
Currency translation difference	-	-	-	-	-	-	-	-	-	-	14,610,041	-	14,610,041
<b>Balance as at 31 December 2011</b>	<b>4,527,257,670</b>	<b>3,551,351,414</b>	<b>356,040,000</b>	<b>1,554,759,750</b>	<b>(787,204,238)</b>	<b>2,651,941,750</b>	<b>3,793</b>	<b>409,033,635</b>	<b>160,000,000</b>	<b>233,527,796</b>	<b>15,073,031</b>	<b>1,735,266,868</b>	<b>14,407,051,468</b>

These financial statements should be read in conjunction with the annexed notes.

  
Chairman

Dhaka, 26 February 2013

  
Director

  
Director

  
Managing Director & CEO

# Eastern Bank Limited

## Liquidity Statement

(Asset and Liability Maturity Analysis)  
As at 31 December 2012

Figures in Taka

Particulars	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	Above 5-years term	Total
<b>Assets</b>						
Cash in hand (including balance with Bangladesh Bank and its agent Bank)	10,797,156,871	-	-	-	-	10,797,156,871
Balances with other banks and financial institutions	4,316,449,416	2,200,000,000	2,470,000,000	-	-	8,986,449,416
Money at call and short notice	100,000,000	-	-	-	-	100,000,000
Investments	6,322,005,674	2,213,899,182	4,281,992,806	4,921,004,230	3,915,772,760	21,654,674,653
Loans and advances	17,675,727,327	19,221,273,524	34,068,107,114	22,081,173,980	3,673,454,586	96,719,736,531
Fixed assets including land, building, furniture and fixtures	11,907,783	23,815,562	107,170,028	598,292,247	5,027,074,199	5,768,259,820
Other assets	514,602,072	449,519,704	61,488,172	870,028,921	1,008,685,156	2,904,324,025
Non-banking assets	-	-	-	-	217,733,000	217,733,000
<b>Total Assets</b>	<b>39,737,849,143</b>	<b>24,108,507,972</b>	<b>40,988,758,120</b>	<b>28,470,499,378</b>	<b>13,842,719,701</b>	<b>147,148,334,316</b>
<b>Liabilities</b>						
Borrowing from other banks, financial institutions and agents	20,036,556,346	4,121,845,409	5,259,383,867	1,052,291,200	687,996,215	31,158,073,038
Deposits and other accounts	18,180,906,757	20,641,753,409	22,166,139,675	29,079,534,281	1,712,634,335	91,780,968,457
Provisions & other liabilities	426,733,090	962,731,146	1,101,239,696	3,046,602,279	1,562,647,138	7,099,953,349
<b>Total Liabilities</b>	<b>38,644,196,194</b>	<b>25,726,329,963</b>	<b>28,526,763,239</b>	<b>33,178,427,759</b>	<b>3,963,277,688</b>	<b>130,038,994,845</b>
<b>Net Liquidity Gap</b>	<b>1,093,652,949</b>	<b>(1,617,821,991)</b>	<b>12,461,994,882</b>	<b>(4,707,928,381)</b>	<b>9,879,442,013</b>	<b>17,109,339,472</b>
<b>Cumulative Net Liquidity Gap</b>	<b>1,093,652,949</b>	<b>(524,169,042)</b>	<b>11,937,825,839</b>	<b>7,229,897,458</b>	<b>17,109,339,472</b>	<b>-</b>

# Eastern Bank Limited and its subsidiaries

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

### 1 The Bank and its activities

1.1 Incorporated in Bangladesh, Eastern Bank Limited (“the Bank”) was formed as a public limited company with primary objective to carry out all kind of banking businesses inside and outside Bangladesh. The Bank took over the businesses, assets, liabilities and losses of erstwhile Bank of Credit & Commerce International (Overseas) Limited (hereinafter called BCCI) as they stood after reduction or adjustments in accordance with the provisions of the Bank of Credit & Commerce International (Overseas) Limited (Reconstruction) Scheme, 1992, hereinafter called “the Scheme”. The Bank commenced operations from 16 August 1992 with 4 branches and at present it has 67 branches all over Bangladesh. Shares of the Bank is listed with both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. The registered office of the Bank is located at Jiban Bima Bhaban, 10 Dilkusha C/A, Dhaka-1000.

The principal activities of the Bank are to provide a comprehensive range of financial products (loans and deposits) and services, personal and commercial banking, trade services, cash management, treasury, securities and custodial services.

### 1.2 Offshore Banking Unit

Offshore Banking Unit (OBU) is a separate business unit of Eastern Bank Limited, governed under the Rules and Guidelines of Bangladesh Bank. The Bank obtained permission for OBU operations vide Bangladesh Bank’s letter no. BRPD(P)744/(89)/2004-303 dated 25 January 2004. It gives loans (on and off-balance sheet exposures) and takes deposits only in freely convertible foreign currencies to and from non-resident person/institutions, fully foreign owned EPZ companies etc. The unit commenced its operation from 19 May 2004 and its office is located at Jiban Bima Bhaban, 10 Dilkusha C/A (1st floor), Dhaka.

### 1.3 Subsidiaries of the Bank

#### EBL Securities Limited - fully owned

EBL completed acquisition of full ownership of EBL Securities Limited (EBLSL), a securities brokerage firm, after obtaining rest 40% share during 2012. Moreover, in 2012, EBL Securities Ltd. acquired Chittagong Stock Exchange Membership and the same will be operational soon after getting the Operational License from Bangladesh Securities and Exchange Commission (BSEC). It’s registered office is located at 59, Motijheel C/A (1st Floor), Dhaka.

#### EBL Investments Limited - fully owned

EBL Investments Limited (EBLIL), another fully owned subsidiary of EBL was incorporated on 30 December 2009 to do merchant banking business and obtained required license from BSEC in January 2013. Having registered office at 59, Motijheel C/A (1st Floor), Dhaka, EBLIL is well equipped with skilled human capital and business set up to start full fledged operations from early 2013.

#### EBL Finance (HK) Limited - fully owned

EBL Finance (HK) Limited, the fully owned first foreign subsidiary of EBL was incorporated on 28 November 2011 with Hongkong (HK) authority. As of the reporting date EBL obtained all the required licenses from Bangladesh and HK authority. It also has a set up to commence business early 2013 after completing subscriptions.

#### EBL Asset Management Limited - fully owned

EBL Asset Management Limited (EBLAM), another fully owned subsidiary of EBL was incorporated on 9 January 2011 to carry on the business on asset management, capital market operation, equity investment etc. The subsidiary has already obtained permission from Bangladesh Bank and is under process of applying for the license to BSEC.

### 2 Basis of preparation and significant accounting policies

#### Basis of preparation

#### 2.1 Statement of compliance

The consolidated financial statements of the Group (comprising the Bank and its subsidiaries) and the financial statements of the Bank as at and for the year ended 31 December 2012 have been prepared under the historical cost convention, except for Government securities which are stated at fair value and land which are measured at revalued amount, and in accordance with Bangladesh Financial Reporting Standards (BFRSs), the “First Schedule” (section 38) of the Bank Companies Act 1991, as amended by the BRPD Circular no. 14 dated 25 June 2003, other Bangladesh Bank Circulars, the Companies Act 1994, the Securities and Exchange Rules 1987, Dhaka and Chittagong Stock Exchange’s listing regulations and other laws and rules applicable in Bangladesh. In case the requirement of provisions and Circulars issued by Bangladesh Bank differ with those of other regulatory authorities and accounting standards, the provisions and Circulars issued by Bangladesh Bank shall prevail.

As such the Group and the Bank has departed from those contradictory requirements of BFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below:

**i) Investments in shares and securities**

**BFRSs:** As per requirements of BAS 39 investments in shares and securities generally fall either under “at fair value through Profit and Loss Account” or under “available for sale” where any change in the fair value at the year end is taken to Profit and Loss Account or Revaluation Reserve Account respectively.

**Bangladesh Bank:** As per BRPD Circular no. 14 dated 25 June 2003 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investments (portfolio basis); otherwise investments are recognised at costs.

**ii) Revaluation gain/loss on Government securities**

**BFRSs:** As per requirement of BAS 39, T-bills and T-bonds fall under the category of “held for trading (HFT)” and “held to maturity (HTM)” where any change in the fair value of held for trading is recognised in Profit and Loss Account, and amortised cost method is applicable for held to maturity using an effective interest rate.

**Bangladesh Bank:** According to DOS Circular no. 05 dated 26 May 2008 and subsequent clarification in DOS Circular no. 05 dated 28 January 2009, loss on revaluation of Government securities (T-bill / T-bond) which are categorised as held for trading should be charged through Profit and Loss Account, but any gain on such revaluation should be recorded under Revaluation Reserve Account. However, at the year end if there is any revaluation gain for any particular held for trading T-bills / T-bonds, such gain can be used to the extent of any revaluation loss for that particular held for trading T-bills / T-bonds.

T-bills designated as held to maturity are measured at amortised cost method but interest income/gain should be recognised through reserve.”

**iii) Provision on loans and advances**

**BFRSs:** As per BAS 39 an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets which are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

**Bangladesh Bank:** As per BRPD Circular no. 14 dated 23 September 2012 and BRPD Circular no. 19 dated 27 December 2012, a general provision at 0.25% to 5% under different categories of unclassified loans (standard/ SMA loans) should be maintained regardless of objective evidence of impairment. Specific provision for sub-standard loans, doubtful loans and bad losses should be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Also, a general provision at 1% should be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39.

**iv) Other comprehensive income**

**BFRSs:** As per BAS 1 Other Comprehensive Income is a component of financial statements or the elements of Other Comprehensive Income are to be included in a Single Comprehensive Income (OCI) Statement.

**Bangladesh Bank:** Bangladesh Bank has issued templates for financial statements which should be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed to be included in a Single Comprehensive Income (OCI) Statement. As such the company does not prepare the other comprehensive income statement. However elements of OCI, if any, are shown in the statements of changes in equity.

**v) Financial instruments - presentation and disclosure**

In several cases Bangladesh Bank guidelines categorise, recognise, measure and present financial instruments differently from those prescribed in BAS 39. As such some disclosure and presentation requirements of BFRS 7 and BAS 32 cannot be made in the accounts.

**vi) REPO transactions**

**BFRSs:** When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (REPO or stock lending), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the entity's financial statements. This transaction will be treated as loan and the difference between selling price and repurchase price will be treated as interest expense.

**Bangladesh Bank:** As per BB circulars/guidelines, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (REPO or stock lending), the arrangement is accounted for as a normal sales transactions and the financial assets should be derecognised in the seller's book and recognised in the buyer's book.

**vii) Financial guarantees**

**BFRSs:** As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are prescribed to be included within other liabilities.

**Bangladesh Bank:** As per BRPD circular no. 14, 2003, financial guarantees such as L/C, L/G should be treated as off balance sheet items. No liability is recognised for the guarantee except the cash margin.

**viii) Cash and cash equivalents**

**BFRSs:** Cash and cash equivalent items should be reported as cash item as per BAS 7.

**Bangladesh Bank:** Some highly liquid assets such as money at call and short notice, T-bills, prize bonds are not prescribed to be shown as cash and cash equivalents rather shown as face item in the Balance Sheet. However, in the Cash flow Statement, Money at call and short notice and Prize bonds are shown as cash and cash equivalents beside cash in hand, balance with BB and other banks.

**ix) Non banking assets**

**BFRSs:** No indication of non banking assets is found in any BFRSs.

**Bangladesh Bank:** As per BRPD circular no. 14 dated 25 June 2003, there should exist a face item named non banking assets.

**x) Cash flow statement**

**BFRSs:** Cash flow statement can be prepared either in direct method or in indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

**Bangladesh Bank:** As per BRPD circular no. 14 dated 25 June 2003, cash flow should be a mixture of direct and indirect method.

**xi) Balance with Bangladesh Bank: (CRR)**

**BFRSs:** Balance with Bangladesh Bank should be treated as other assets as it is not available for use in day to day operations as per BAS 7.

**Bangladesh Bank:** Balance with Bangladesh Bank should be treated as cash and cash equivalents.

**xii) Off balance sheet items**

**BFRSs:** No requirement of disclosure for off balance sheet items as there is no concept of off balance sheet items in any BFRS; hence there is no requirement of disclosure of off balance sheet items.

**Bangladesh Bank:** As per BRPD circular no. 14 dated 25 June 2003, off balance sheet items e. g. L/C, L/G, Acceptance should be disclosed separately on the face of balance sheet.

**xiii) Disclosure of appropriation of profit**

**BFRSs:** There is no requirement to show appropriation of profit in the face of statement of comprehensive income.

**Bangladesh Bank:** As per BRPD circular no. 14 dated 25 June 2003, an appropriation of profit should be disclosed on the face of Profit and Loss Account.

**xiv) Loans and advance net of provision**

**BFRSs:** Loans and advances should be presented net of provisions.

**Bangladesh Bank:** As per BRPD circular no. 14 dated 25 June 2003, provision on loans and advances should be presented separately as liability and cannot be netted off against loans and advances.

[Also refer to Note 2A (II) Compliance of Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs)]

**2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following material items:

- Government Treasury Bills and Bonds designated as 'Held for Trading (HFT)' at present value using marking to market concept with gain credited to revaluation reserve but loss charged to Profit and Loss Account.
- Government Treasury Bills and Bonds designated as 'Held to Maturity (HTM)' at present value using amortisation concept.
- Zero Coupon Bond at present value using amortisation concept.
- Land is recognised at cost at the time of acquisition and subsequently measured at fair value as per BAS-16 "Property Plant & Equipment.

- Acquired assets and liabilities of subsidiary (EBL Securities Ltd) at their acquisition date fair value as per BFRS 3.

### 2.3 Functional and presentation currency

The consolidated financial statements of the Group and the financial statements of the Bank are presented in Bangladesh Taka (BDT) which is the Group's and the Bank's functional currency except OBU where functional currency is US Dollar (USD). All financial information presented in Taka has been rounded off to the nearest integer, except when otherwise indicated.

### 2.4 Use of estimates and judgments

The preparation of the consolidated financial statements of the Group and the financial statements of the Bank in conformity with BFRSs require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

#### Key estimates include the following:

- Loan loss provision
- Revaluation of land
- Deferred tax assets/ liabilities
- Gratuity & Superannuation fund

#### Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by group entities except otherwise instructed by Bangladesh Bank as prime regulator.

Certain comparative amounts in the financial statements have been reclassified and rearranged to conform to the current year's presentation.

### 2.5 Basis of consolidation

- Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, so as to obtain economic benefits from its activities.
- The consolidated financial statements incorporate the financial statements of Eastern Bank Limited and the financial statements of subsidiary companies from the date that control commences until the date that control ceases. The financial statements of such subsidiary companies are incorporated on a line by line basis and the investments held by the bank is eliminated against the corresponding share capital of subsidiaries in the consolidated financial statements.
- Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there are no evidence of impairment.

### 2.6 Foreign currency

#### Foreign currency transactions

Transactions in foreign currencies are translated into respective functional currencies (Bangladeshi Taka in case of EBL Main Operations and US Dollar in case of OBU) at the standard mid rate of exchange ruling at the date of transactions as per BAS 21 "The Effects of Changes in Foreign Exchange Rates". Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currencies at the standard mid rate of exchange prevailing on that date. Foreign exchange differences (rates at which transactions were initially recorded and the rate prevailing on the reporting date/date of settlements) of the Bank's monetary items are recorded in the Profit and Loss Account.

### 2.7 Reporting period

These financial statements of the Bank and its subsidiaries cover one calendar year from 1 January 2012 to 31 December 2012.

### 2.8 Cash flow statement

Cash flow statement has been prepared in accordance with Bangladesh Accounting Standard (BAS) 7 "Statement of Cash Flows" and under the guideline of Bangladesh Bank BRPD Circular no.14 dated 25 June 2003. The Statement shows the structure of changes in cash and cash equivalents during the financial year.

### 2.9 Statement of changes in equity

The statement of changes in equity reflects information about the increase or decrease in net assets or wealth.

Statement of changes in equity has been prepared in accordance with Bangladesh Accounting Standard (BAS) 1 “Presentation of Financial Statements” and relevant guidelines of Bangladesh Bank.

## 2.10 Liquidity statement

The liquidity statement has been prepared in accordance with remaining maturity grouping of Assets and Liabilities as at the close of the year as per following bases.

- a) Balance with other banks and financial institutions, money at call and short notice etc. on the basis of their maturity term.
- b) Investments on the basis of their residual maturity term.
- c) Loans and advances on the basis of their repayment/maturity schedule and behavioral trend (non-maturity products).
- d) Fixed assets on the basis of their useful lives.
- e) Other assets on the basis of their adjustment.
- f) Borrowings from other banks and financial institutions, as per their maturity/repayment term.
- g) Deposits and other accounts on the basis of their maturity and behavioral trend (non-maturity products).
- h) Other long term liability on the basis of their maturity term.
- i) Provisions and other liabilities on the basis of their settlement.

## 2.11 Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand and at ATM, unrestricted balances held with Bangladesh Bank and its agent bank, balance with other banks and financial institutions, money at call and on short notice and prize bond.

## 2.12 Investments

All investments (other than government treasury securities) are initially recognised at cost, including acquisition charges associated with the investment. Premiums are amortised and discount accredited, using the effective or historical yield method. Accounting treatment of government treasury securities (categorized as HFT or/and HTM) is made following Bangladesh Bank BRPD Circular no. 05 dated 26 May 2008 and subsequent clarifications.

### Held to Maturity (HTM)

Investments which are intended to be held to maturity are classified as “Held to Maturity”. These are measured at amortised cost at each year end by taking into account any discount or premium on acquisition. Any increase or decrease in value of such investments is booked to equity.

### Held for Trading (HFT)

Investments primarily held for selling or trading are classified in this category. After initial recognition, investments are marked to market weekly and any decrease in the present value is recognised in the Profit and Loss Account and any increase is booked to Revaluation Reserve Account through Profit and Loss Account as per Bangladesh Bank DOS Circular no. 05 dated 28 January 2009 .

Investments are stated as per following bases:

Investment class	Initial recognition	Measurement after initial recognition	Recording of changes
Govt. T-bills/bonds (HFT)	Cost	Fair value	Loss to Profit and Loss Account, gain to Revaluation Reserve through Profit and Loss Account.
Govt. T-bills/bonds (HTM)	Cost	Amortised cost	Increase or decrease in value to equity.
Debenture/Bond	Face value	None	None
Shares *	Cost	Lower of cost or market value	Loss (net) to Profit and Loss Account but no unrealised gain booking.
Prize bond	Cost	None	None

\* Provision has been made on unrealized loss (gain net off) according to DOS Circular no. 4, dated 24 November 2011.

### REPO and Reverse REPO

Since 1 September 2010 transactions of REPO and Reverse REPO are recorded based on DOS Circular no. 06, dated 15 July 2010 of Bangladesh Bank. In case of REPO of both coupon and non-coupon bearing (Treasury bill) securities, the Bank adjusts the Revaluation Reserve Account for HFT securities and stops the weekly revaluation (if the revaluation date falls within the REPO period) of the same security. For interest bearing security, the Bank does not accrue interest during REPO period.

### 2.13 Loans, advances and provisions

Loans and advances are stated at gross amount. General provisions on unclassified loans and contingent assets, specific provisions for classified loans and interest suspense account thereon are shown under other liabilities. Provision against classified loans and advances is made on the basis of quarter end review by the management and instructions contained in BRPD Circular no. 14 dated 23 September 2012 and BRPD Circular no. 19 dated 27 December 2012.

Heads	Rates
<b>General provision on</b>	
Unclassified general loans and advances	1%
Unclassified small and medium enterprise	0.25%
Loans to BHs/MBs/SDs against Shares etc.	2%
Unclassified loans for housing finance and loans for professionals	2%
Unclassified consumer financing other than housing finance and loans for professionals	5%
Short term agri credit and micro credit	5%
Special mention account	5%
Off balance sheet exposures	1%
<b>Specific provision on</b>	
Substandard loans and advances other than short term agri credit and micro credit	20%
Doubtful loans and advances other than short term agri credit and micro credit	50%
Bad/loss loans and advances	100%
Substandard short term agri credit and micro credit	5%
Doubtful short term agri credit and micro credit	5%

### 2.14 Fixed assets and depreciation

- i. Fixed assets except land are stated at cost less accumulated depreciation as per BAS-16 "Property, Plant and Equipment". Acquisition cost of an asset comprises the purchase price and any directly attributable cost of bringing the asset to working condition for its intended use. Land is recognised at cost at the time of acquisition and subsequently measured at revalued amounts which is the fair value at the time of revaluation done by independent valuer and any surplus on revaluation is shown as equity component until the disposal of asset.
- ii. Depreciation is charged at the rates stated below on all fixed assets on the basis of estimated useful lives as determined by fixed asset policy of the Bank. In all cases depreciation is calculated on the straight line method. Depreciation of the assets is charged from the month of acquisition (for full month) and no depreciation is charged from the month when the assets are disposed.
- iii. Depreciation rates used for each type of fixed assets are as follows:

Particulars of fixed assets	Rate of depreciation/ amortisation p.a.	Estimated useful lives (Years)
Buildings	2.50%	40
Furniture and Fixtures	10.00%	10
Machineries and equipment	20.00%	5
Computers	33.33%	3
Stabilisers and UPS	33.33%	3
Vehicles	20.00%	5
Software	20.00%	5

- iv. Repairs and maintenance are charged to profit and loss account as expense when incurred.

### 2.15 Intangible assets

Intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the assets will flow to the entity and the cost of the asset can be measured reliably in accordance with BAS 38: "Intangible Assets".

Subsequent expenditure on intangible asset is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

The software used by EBL represents the value of computer application software licensed for the use of the bank. Software is carried at cost less accumulated amortisation and any impairment losses. Initial cost comprises license fees paid at the time of purchase and other directly attributable expenditure that are carried in customising the software for its intended use. Software is amortised using the straight line method over the estimated useful life of 5 (five) years commencing from the month at which the application software is made available for use.

#### **2.16 Impairment of Assets**

An asset is impaired when its carrying amount exceeds its recoverable amount as per BAS 36 "Impairment of Assets". The Bank assesses at the end of each reporting period whether there is any indication that an asset may be impaired and/or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recovered. If any such indication exists, the Bank makes an estimate of the recoverable amount of the assets. The carrying amount of the asset is reduced to its recoverable amount, if the recoverable amount is less than its carrying amount and impairment losses are recognized in the profit and loss account. However, impairment of financial assets are guided by the relevant BB circulars/instructions and BAS 39.

#### **2.17 Non banking assets**

Non-banking assets are acquired on account of the failure of a borrower to repay the loan in time after receiving the decree from the court regarding the right and title of the mortgaged property. The bank was awarded absolute ownership on few mortgaged properties (mostly land) through the verdict of honourable court under section 33(7) of the 'Artharin Adalat Act 2003'. The value of the properties has been recognised in the financial statements as non earning assets on the basis of third party valuation report. Value of the assets received in addition to the loan outstanding has been kept as reserve against non-banking assets. Party wise details (including possession date) of the properties are presented in Note 10.

#### **2.18 Borrowings from other banks, financial institutions and agents**

Borrowings from other banks, financial institutions and agents include interest-bearing borrowings.

#### **2.19 Deposits and other accounts**

Deposits and other accounts include non interest-bearing current deposits redeemable at call, interest bearing short-term deposits, savings deposits and fixed deposits.

#### **2.20 Other liabilities**

Other liabilities comprise items such as provision for loans and advances/investments, provision for taxes, interest payable on borrowing, interest suspense and accrued expenses.

#### **2.21 Asset revaluation reserve**

When an asset's carrying amount is increased as a result of revaluation, the increased amount is credited directly to equity under the heading of assets revaluation reserve as per BAS 16: "Property, Plant and Equipment".

#### **2.22 Dividend payments**

Interim dividend is recognised when they are paid to shareholders. Final dividend is recognised when it is approved by the shareholders in AGM. The proposed dividend for the year 2012, therefore, has not been recognised as a liability in the balance sheet in accordance with BAS 10: "Events after the Reporting Period". Dividend payable to the Bank's shareholders is recognised as a liability and deducted from the shareholders' equity in the period in which the shareholders' right to receive the payment is established.

#### **2.23 Non controlling interest**

Non controlling interest is that portion of the profit or loss and net assets of the subsidiaries (EBL Securities Limited & EBL Investments Limited) attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Parent (Eastern Bank Limited).

#### **2.24 Offsetting**

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Advance tax paid and provision for tax of the bank is presented on net basis as a liability item if the liability is higher than asset and as an asset item if the asset is higher than liability.

## 2.25 Revenue recognition

### 2.25.1 Interest income

Interest on unclassified loans and advances have been accounted for as income on effective interest basis, interest on classified loans and advances have been credited to interest suspense account with actual receipt of interest there from credited to income as and when received as per instruction contained in BRPD 14 dated 23 September 2012 & BRPD 19 dated 27 December 2012 of Bangladesh Bank.

### 2.25.2 Fees and commission income

Fees and commission income arises on services provided by the Bank and recognised as and when received basis. Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of effecting the transactions.

### 2.25.3 Dividend income

Dividend income from investments is recognised at the time when it is declared, ascertained and right to receive the payment is established.

### 2.25.4 Interest income from investments

Interest income on investments in Government and other securities, debentures and bonds is accounted on accrual basis.

## 2.26 Interest paid on borrowings and deposits

Interest paid on borrowings and deposits are calculated on 360 days (except for some treasury instruments which are calculated on 364 days basis) in a year and recognised on accrual basis.

## 2.27 Management and other expenses

Expenses incurred by the Bank are recognised on actual and accrual basis.

## 2.28 Taxes

The expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity.

### a. Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date and any adjustment to the payable in respect of previous years.

Provision for current income tax has been made on taxable income of the Bank @ 42.5% (0% on gain of govt. securities, 10% on capital gain of trading shares in Secondary Market and 20% on dividend income) as prescribed in the Income Tax Ordinance 1984.

### b. Deferred tax

Deferred tax is calculated on taxable/deductible temporary differences between tax base amount and carrying amount of assets and liabilities as required by Bangladesh Accounting Standard (BAS) 12 "Income Taxes" and BRPD Circular no. 11 dated 12 December 2011.

## 2.29 Retirement benefits

The retirement benefits accrued for the employees of the Bank during the reporting period have been accounted for in accordance with the provisions of BAS 19 "Employee Benefit". The retirement benefit schemes operated by the Bank are outlined below:

### a) Gratuity

- i) The Bank operates a funded gratuity scheme approved by the National Board of Revenue with effect from 1 January 1997. The Gratuity Fund is managed separately from those of EBL by "EBL Employees Gratuity Fund Trust" and any investment decision out of this fund is also made by this Trust. The benefit is paid to the eligible employees i.e. who have completed minimum 7 (seven) years of continuous service at the time of separation from the Bank. As per policy of the Bank, eligible employees are provided with the benefit equal to the latest monthly basic salary multiplied by varied rates as per service length.
- ii) Provision for gratuity is made monthly on the basis of actuarial valuation made once in three years, or immediately after any major change in the salary structure that could impact provisions. Last actuarial valuation was done based on information of September 2012. As per this valuation, from 1 October 2012 a contribution of 17.20% of basic payroll is contributed to the fund by the Bank each year until the next actuarial review is carried out.

### b) Provident fund

The Bank operates a contributory provident fund for its permanent employees funded by both the employees and the Bank equally; employees contribute 10% of basic salary and the Bank contributes an equal amount. This fund is managed by a separate

trustee board i.e. “EBL Employees Provident Fund Trust” and any investment decision out of this fund is made separately from that of the Bank’s funds. This fund has received approval from the National Board of Revenue on 31 July 1997.

### c) Superannuation fund

The Bank operates a superannuation fund approved by the National Board of Revenue with effect from 20 November 1999 and governed by the trust deed of “EBL Employees Superannuation Fund Trust”. As per the trust deed, benefit is payable to the employees of the Bank as per their ranks, grades and length of service with the Bank. The Bank conducted last actuarial valuation of the fund on September 2012. The actuary recommended a contribution of Tk. 73,450,000 to the fund to offset the past service liability. In addition, 1% of total admissible benefit is being contributed each year into the fund until the next actuarial valuation. Thus EBL is contributing 1.4% (0.4% for past service and 1.0% for future service) of total admissible benefits as recommended.

#### 2.30 Provision and accrued expenses

In compliance with BAS 37, provisions and accrued expenses are recognised in the financial statements when the Bank has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### 2.31 Provision for off-balance sheet exposures

In compliance with Bangladesh Bank guidelines, contingent liabilities have been disclosed under off-balance sheet items. As per BRPD Circular no.14, dated 23 September 2012 and its related earlier circulars, the bank has been maintaining provision @ 1% against certain off-balance sheet exposures.

#### 2.32 Provision for nostro accounts

The Bank maintains provision for nostro accounts in accordance with the guideline of Foreign Exchange Policy Department of Bangladesh Bank, FEPD Circular no. FEPD (FEMO) / 01/2005-677 dated 13 September 2005.

#### 2.33 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### 2.34 Reconciliation of books and account

Books of account in regard to inter-bank (in Bangladesh and outside Bangladesh) as well as inter-branches are reconciled at regular intervals to keep the unreconciled balances within non material level.

#### 2.35 Operating segments

The Bank has eight reportable segments, as described below, which are the Bank’s strategic business units. The strategic business units offer different products and services, and are managed separately based on the Bank’s management and internal reporting structure. For each of the strategic business units, the Bank Management Committee reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Bank’s reportable segments:

- |                           |   |
|---------------------------|---|
| - Investment Banking      | Includes the Bank’s trading, investment in equities and other capital market activities.  |
| - Corporate Banking       | Includes loans, deposits and other transactions and balances with corporate customers.  |
| - Consumer Banking        | Includes loans, deposits and other transactions and balances with retail customers.   |
| - Treasury                | Undertakes the Bank’s funding and maintenance of SLR, Asset-liability management through borrowings and placement, currency swap and investing in liquid assets such as short-term placements and corporate and government debt securities. |
| - SME Banking             | Includes loans, deposits and other transactions and balances with SME customers.  |
| - Offshore Banking        | Includes loans, deposits and other transactions and balances in freely convertible currencies with eligible Corporate customers.  |
| - EBL Securities Limited  | Includes to buy, sell and deal in shares, stocks, debentures and other securities on behalf of customers, doing margin lending etc.   |
| - EBL Investments Limited | Established to do all kinds of merchant banking activities including issue management, underwriting, portfolio management and other transactions.   |

Information regarding the results of each reportable segment is included in **Annexure - E**. Performance is measured based on segment profit before provision, as included in the internal management reports that are reviewed by the Bank’s Management

Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

### 2.36 Related party transactions

Related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged as per BAS 24. Details of the related party transactions have been disclosed in **Annexure - C & C1**.

### 2.37 Events after the reporting period

All the material events after the reporting period have been considered and appropriate adjustments / disclosures have been made in the financial statements. Board's recommendation for dividend distribution is a common item presented in the Note - 49

### 2.38 Approval of financial statements

The financial statements were approved by the board of directors on 26 February 2013.

## 2A I) Credit rating of the Bank

As per BRPD Circular no. 6 dated 5 July 2006, the Bank has done its credit rating by Credit Rating Information and Services Limited (CRISL) based on the financial statements as at and for the year ended 31 December 2011. The following ratings had been awarded:

	Periods	Date of Rating	Long term	Short term
Entity Rating	January to December 2011	19 June 2012	AA	ST-2
Entity Rating	January to December 2010	9 June 2011	AA	ST-2
Entity Rating	January to December 2009	1 June 2010	AA	ST-2
Entity Rating	January to December 2008	24 May 2009	AA-	ST-2
Entity Rating	January to December 2007	15 June 2008	A+	ST-3

## II) Compliance of Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs)

Name of BASs / BFRSs	BASs / BFRSs	No.	Status
Presentation of Financial Statements	BAS	1	* Applied
Inventories	BAS	2	N/A
Statement of Cash Flows	BAS	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	BAS	8	Applied
Events after the Reporting Period	BAS	10	Applied
Construction Contracts	BAS	11	N/A
Income Taxes	BAS	12	Applied
Property, Plant and Equipment	BAS	16	Applied
Leases	BAS	17	Applied
Revenue	BAS	18	Applied
Employee Benefits	BAS	19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	BAS	20	N/A
The Effects of Changes in Foreign Exchange Rates	BAS	21	Applied
Borrowing Costs	BAS	23	Applied
Related Party Disclosures	BAS	24	Applied
Accounting and Reporting by Retirement Benefit Plans	BAS	26	N/A
Consolidated and Separate Financial Statements	BAS	27	Applied
Investments in Associates	BAS	28	N/A
Interests in Joint Ventures	BAS	31	N/A
Financial Instruments: Presentation	BAS	32	* Applied
Earnings per share	BAS	33	Applied
Interim Financial Reporting	BAS	34	Applied

Name of BASs / BFRSs	BASs / BFRSs	No.	Status
Impairment of Assets	BAS	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	BAS	37	*Applied
Intangible Assets	BAS	38	Applied
Financial Instruments: Recognition and Measurement	BAS	39	* Applied
Investment Property	BAS	40	N/A
Agriculture	BAS	41	N/A
First-time Adoption of Bangladesh Financial Reporting Standards	BFRS	1	N/A
Share-based Payment	BFRS	2	N/A
Business Combinations	BFRS	3	Applied
Insurance Contracts	BFRS	4	N/A
Non-current Assets Held for Sale and Discontinued Operations	BFRS	5	N/A
Exploration for and Evaluation of Mineral Resources	BFRS	6	N/A
Financial Instruments: Disclosures	BFRS	7	* Applied
Operating Segments	BFRS	8	Applied

\* Subject to departure described in note 2.1

N/A = Not Applicable

There are no new standards, amendments to standards and interpretations that are effective for the first time for the financial year ended 31 December 2012 that have a significant impact on the Group and the Bank.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning from 1 January 2013 or later, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Bank. Although International Accounting Standards Board (IASB) has issued a new standard (IFRS 9) along with related amendments to existing standards (IAS/BAS 32, 39) but none of these have been adopted and/or endorsed locally as BAS/BFRS and as such any possible impact could not be determined.

### III) Risk Management

The Bank established and has been practising effective risk management policies, procedures and best practices and following risk management guidelines issued by Bangladesh Bank for steady and sustainable growth of the Bank. The Risk Management practices of the Bank covers following seven core risk areas of banking sector:

- i) Credit Risk
- ii) Foreign Exchange Risk
- iii) Assets-Liability Management Risk
- iv) Prevention of Money Laundering Risk
- v) Internal Control and Compliance Risk
- vi) Information and Communication Technology Risk
- vii) Consumer Finance Risk

The prime objective of the risk management is that the Bank takes credit and business risks into consideration while safeguarding the Bank's interest from the possibility of losses, financial or otherwise. The details of EBL's Risk Management practices have been stated in page number 137.

### IV) Audit Committee disclosures

Please refer to "Report of the Audit Committee" for details disclosures on Audit Committee presented in other information in the annual report.

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>3 Cash</b>					
Cash in hand (including foreign currencies)	3.1	1,097,923,927	1,095,803,828	1,097,919,688	1,095,795,193
Balance with Bangladesh Bank and its agent Bank(s) (including foreign currencies)	3.2	9,699,237,183	4,926,961,943	9,699,237,183	4,926,961,943
		<b>10,797,161,110</b>	<b>6,022,765,771</b>	<b>10,797,156,871</b>	<b>6,022,757,136</b>
<b>3.1 Cash in hand (including foreign currencies)</b>					
Local currency	3.1.1	1,049,473,290	1,050,771,715	1,049,469,051	1,050,763,080
Foreign currencies		48,450,637	45,032,113	48,450,637	45,032,113
		<b>1,097,923,927</b>	<b>1,095,803,828</b>	<b>1,097,919,688</b>	<b>1,095,795,193</b>
<b>3.1.1 Local currency</b>					
With Bank		1,049,469,051	1,050,763,080	1,049,469,051	1,050,763,080
With Subsidiaries		4,239	8,635	-	-
		<b>1,049,473,290</b>	<b>1,050,771,715</b>	<b>1,049,469,051</b>	<b>1,050,763,080</b>
<b>3.2 Balance with Bangladesh Bank and its agent Bank(s) (including foreign currencies)</b>					
<b>Bangladesh Bank</b>					
Local currency		5,277,706,872	4,941,407,669	5,277,706,872	4,941,407,669
Foreign currencies		4,159,306,977	(210,630,192)	4,159,306,977	(210,630,192)
		9,437,013,849	4,730,777,477	9,437,013,849	4,730,777,477
Sonali Bank (as an agent of Bangladesh Bank)-local currency		262,223,334	196,184,466	262,223,334	196,184,466
		<b>9,699,237,183</b>	<b>4,926,961,943</b>	<b>9,699,237,183</b>	<b>4,926,961,943</b>

**3.a Cash Reserve Ratio (CRR):**

As per MPD circular No- 04 dated 01 December 2010 of Bangladesh Bank (effective from 15 December 2010), all scheduled banks have to maintain a CRR of minimum 5.5% on daily basis and 6.0% on bi-weekly basis on weekly average demand and time liabilities of the base month which is two months back of reporting month (i.e. CRR of December 2012 was based on weekly average balance of October 2012). EBL has been maintaining it bi-weekly basis.

Average time and demand liabilities of  
October 2012 (excluding inter-bank deposit)

**88,267,859,750**    **74,902,881,020**

Required reserve (5.5% on daily basis and 6.0 % on bi weekly basis of average time and demand liabilities)

4,854,732,286    4,494,172,861

Actual reserve held with Bangladesh Bank including TT in transit (In local currency)\*

5,276,887,440    4,503,915,389

**Surplus / (shortage)**

**422,155,154**    **9,742,528**

\*As per Bangladesh Bank statement.

**3.b Statutory Liquidity Ratio (SLR):**

As per MPD circular No - 05 dated 01 December 2010 (effective from 15 December 2010) all scheduled banks have to maintain an SLR of minimum 19% based on weekly average demand and time liabilities of the base month which is two months back of the reporting month (i.e. SLR of December 2012 was based on weekly average balance of October 2012). EBL has been maintaining the minimum SLR 19% as per said circular.

	Note	Consolidated		Bank	
		2012	2011	2012	2011
Average time and demand liabilities of October 2012 (excluding inter-bank deposit)				88,267,859,750	74,902,881,020
Required reserve (19% of average time and demand liabilities)				16,770,893,352	14,231,547,394
Actual reserve held (Note 3.c)				20,240,800,132	18,707,007,416
<b>Surplus / (shortage)</b>				<b>3,469,906,780</b>	<b>4,475,460,022</b>
<b>3.c Actual reserve held</b>					
Cash held				1,124,404,688	1,095,795,193
Balance with Bangladesh Bank (local currency) *				5,276,887,440	4,503,915,389
Balance with Bangladesh Bank (foreign currency)*				-	-
Balance with Sonali Bank				262,223,334	196,184,466
TT in transit				75,500,000	18,000,000
Unencumbered approved securities (HFT)				6,774,028,860	10,065,258,400
Unencumbered approved securities (HTM)				6,690,755,810	2,773,853,968
Unencumbered approved securities (other eligible)				37,000,000	54,000,000
				<b>20,240,800,132</b>	<b>18,707,007,416</b>

\*As per Bangladesh Bank Statement.

#### 4 Balances with other banks and financial institutions

Balance in Bangladesh	4.1	7,653,914,011	3,580,408,080	7,616,918,267	3,429,581,406
Balance outside Bangladesh	4.2	1,369,531,149	101,735,964	1,369,531,149	101,735,964
		<b>9,023,445,160</b>	<b>3,682,144,044</b>	<b>8,986,449,416</b>	<b>3,531,317,370</b>

##### 4.1 Balance in Bangladesh

###### In Current Deposit Accounts with

AB Bank Limited	3,929,900	4,054,182	3,929,900	4,054,182
Agrani Bank Limited	30,948,306	50,539,580	30,948,306	50,539,580
Bangladesh Krishi Bank	5,588,629	5,594,629	5,588,629	5,594,629
Brac Bank Limited (ELDORADO operations account)	10,077,794	10,761,409	10,077,794	10,761,409
Dutch Bangla Bank Ltd.	2,136,141	9,622,293	2,136,141	9,622,293
Islami Bank Bangladesh Limited	68,874	70,644	68,874	70,644
Janata Bank Limited	1,642,732	1,638,061	1,642,732	1,638,061
National Bank Limited	521,096	522,016	521,096	522,016
NCC Bank Limited	172,998	175,380	172,998	175,380
Pubali Bank Limited	457,347	463,618	457,347	463,618
Rupali Bank Limited	14,789,049	36,642,519	14,789,049	36,642,519
Sonali Bank Limited	55,018,632	54,777,659	55,018,632	54,777,659
The Trust Bank Limited	8,676,590	9,549,537	8,676,590	9,549,537
The City Bank Limited	175,036	7,077,178	175,036	7,077,178
United Commercial Bank Limited	562,457	568,607	562,457	568,607
	<b>134,765,580</b>	<b>192,057,312</b>	<b>134,765,580</b>	<b>192,057,312</b>

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>In Special Notice Deposit Accounts with</b>					
Agrani Bank Limited		399,837	388,557	399,837	388,557
Bank Asia Limited		69,340	67,816	69,340	67,816
BASIC Bank Limited		52,038	48,441	52,038	48,441
Bangladesh Krishi Bank		1,122,153	1,103,677	1,122,153	1,103,677
EXIM Bank Limited		17,825	17,866	17,825	17,866
Dhaka Bank Limited		89,261	85,955	89,261	85,955
ICB Islamic Bank Ltd.		283,275	286,675	283,275	286,675
Janata Bank Limited		5,658	5,343	5,658	5,343
NCC Bank Limited		903,935	841,132	903,935	841,132
National Bank Limited		468,291	444,116	468,291	444,116
Prime Bank Limited		4,048	5,068	4,048	5,068
Sonali Bank Limited		125,538,899	139,367,883	125,538,899	139,367,883
Standard Chartered Bank		5,000,000	4,398,822	5,000,000	4,398,822
The City Bank Limited		449,630	462,743	449,630	462,743
		<b>134,404,187</b>	<b>147,524,094</b>	<b>134,404,187</b>	<b>147,524,094</b>
<b>In Fixed Deposit Accounts with banks and NBFIs</b>					
Agrani Bank Limited		300,000,000	-	300,000,000	-
Bangladesh Industrial Finance Company Limited		350,000,000	340,000,000	350,000,000	340,000,000
Basic Bank Limited		800,000,000	-	800,000,000	-
Far East Finance and Investment Limited		-	100,000,000	-	100,000,000
First Lease and Investment Limited		-	50,000,000	-	50,000,000
GSP Finance Limited		200,000,000	100,000,000	200,000,000	100,000,000
Industrial and Infrastructural Development Finance Company Limited		50,000,000	-	50,000,000	-
International Leasing and Financial Services Limited		450,000,000	100,000,000	450,000,000	100,000,000
IDLC Finance Limited		100,000,000	-	100,000,000	-
Investment Company Limited		-	600,000,000	-	600,000,000
Investment Corporation of Bangladesh		1,000,000,000	-	1,000,000,000	-
LankaBangla Finance Limited		-	350,000,000	-	350,000,000
MIDAS Financing Limited		100,000,000	-	100,000,000	-
National Bank of Pakistan		730,000,000	-	730,000,000	-
National Housing and Finance Limited		200,000,000	-	200,000,000	-
Peoples Leasing and Financial Services Limited		500,000,000	550,000,000	500,000,000	550,000,000
Prime Finance Limited		300,000,000	400,000,000	300,000,000	400,000,000
Reliance Finance Limited		200,000,000	100,000,000	200,000,000	100,000,000
Union Capital Limited		320,000,000	-	320,000,000	-
Uttara Finance Limited		400,000,000	400,000,000	400,000,000	400,000,000
United Leasing Company Limited		150,000,000	-	150,000,000	-
United Commercial Bank Limited - OBU		1,197,748,500	-	1,197,748,500	-
		<b>7,347,748,500</b>	<b>3,090,000,000</b>	<b>7,347,748,500</b>	<b>3,090,000,000</b>
		<b>7,616,918,267</b>	<b>3,429,581,406</b>	<b>7,616,918,267</b>	<b>3,429,581,406</b>
Bank balances of subsidiaries	4.1.1	36,995,744	150,826,674	-	-
		<b>7,653,914,011</b>	<b>3,580,408,080</b>	<b>7,616,918,267</b>	<b>3,429,581,406</b>

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>4.1.1 Bank balances of subsidiaries</b>					
Balance of subsidiaries with other banks					
EBL Securities Limited					
Al-Arafa Islami Bank Limited				114,804,486	150,826,674
Add: Outward cheque				2,191,258	-
Less: Inward cheque				(80,000,000)	-
				<b>36,995,744</b>	<b>150,826,674</b>
<b>4.1.1.a Balance of Subsidiaries with EBL (eliminated as intra group balance)</b>					
EBL Securities Limited				135,651	1,717,065
EBL Investments Limited				345,942,101	330,565,766
				<b>346,077,752</b>	<b>332,282,831</b>
<b>4.2 Balance outside Bangladesh</b>					
<b>In Deposit account (non-interest bearing) with</b>					
AB Bank Limited, Mumbai		30,879,671	12,316,132	30,879,671	12,316,132
Al-Rajhi Bank - KSA		425,854	435,652	425,854	435,652
Bank of Bhutan, Bhutan		1,476,829	659,527	1,476,829	659,527
Citibank N A, New york		408,527,305	-	408,527,305	-
Citibank NA, Mumbai		1,775,951	1,816,759	1,775,951	1,816,759
Commerz Bank AG, Frankfurt, Germany		98,022,963	6,405,547	98,022,963	6,405,547
Habib American Bank, New York		13,224,728	-	13,224,728	-
HSBC, New York		179,315,817	10,033,575	179,315,817	10,033,575
ICICI Bank Limited, Mumbai		22,677,273	13,925,118	22,677,273	13,925,118
JP Morgan Chase Bank NA, London		33,101,586	9,387,336	33,101,586	9,387,336
JP Morgan Chase Bank NA, Sydney		1,476,295	1,932,291	1,476,295	1,932,291
JP Morgan Chase Bank NA, New York		52,631,090	-	52,631,090	-
Mashreqbank, New York		42,453,033	11,193,909	42,453,033	11,193,909
National Commercial Bank, Jeddah, KSA		2,926,708	233,836	2,926,708	233,836
Nepal Bngladesh Bank Limited, Kathmandu		5,590,632	1,061,025	5,590,632	1,061,025
NIB Bank Limied-Karachi		1,012,460	5,599,336	1,012,460	5,599,336
Nordea Bank, Norway		919,113	-	919,113	-
Standard Chartered Bank , Colombo		528,562	1,975,325	528,562	1,975,325
Standard Chartered Bank, Frankfurt, Germany		4,511,346	1,537,065	4,511,346	1,537,065
Standard Chartered Bank, Kolkata		40,487,357	12,403,466	40,487,357	12,403,466
Standard Chartered Bank, New York		142,721,537	-	142,721,537	-
Standard Chartered Bank, Singapore		1,352,858	1,309,160	1,352,858	1,309,160
The Bank of Nova Scotia, Toronto		1,036,605	26,254	1,036,605	26,254
The Bank of Tokyo Mitshubishi, London		35,242,895	6,891,391	35,242,895	6,891,391
The Bank of Tokyo Mitshubishi, Kolkata		537,949	550,310	537,949	550,310
The Bank Tokyo Mitshubishi, Tokyo		5,087,978	1,361,273	5,087,978	1,361,273
Wells Fargo Bank, N.A. New York		129,344,388	-	129,344,388	-
Zuercher Kantonal Bank, Zurich, Switzerland		1,554,080	681,677	1,554,080	681,677
Standard Chartered Bank, New York - OBU		100,292,457	-	100,292,457	-
Commerz Bank AG, Frankfurt, Germany - OBU		10,395,830	-	10,395,830	-
		<b>1,369,531,149</b>	<b>101,735,964</b>	<b>1,369,531,149</b>	<b>101,735,964</b>

(For details of Foreign currency amounts and rates thereof please see "Annexure-B")

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>4.a Balance with other banks and financial institutions (according to remaining maturity grouping)</b>					
<b>Receivable</b>					
On demand		4,316,449,417	192,057,312	4,316,449,416	192,057,312
In not more than one month		2,236,995,743	1,251,803,797	2,200,000,000	1,099,260,058
In more than one month but not more than three months		2,470,000,000	850,000,000	2,470,000,000	850,000,000
In more than three months but not more than one year		-	1,388,282,935	-	1,390,000,000
In more than one year but not more than five years		-	-	-	-
In more than five years		-	-	-	-
		<b>9,023,445,160</b>	<b>3,682,144,044</b>	<b>8,986,449,416</b>	<b>3,531,317,370</b>
<b>5 Money at call and short notice</b>					
<b>With Bank Companies</b>					
Jamuna Bank Limited		-	1,500,000,000	-	1,500,000,000
Prime Bank Limited		-	400,000,000	-	400,000,000
		-	1,900,000,000	-	1,900,000,000
<b>With Non Bank Financial Institutions</b>					
Peoples Leasing and Financial Services Limited		-	700,000,000	-	700,000,000
Bangladesh Industrial Finance Co.Ltd.		100,000,000	-	100,000,000	-
Lanka Bangla Finance Limited		-	50,000,000	-	50,000,000
		100,000,000	750,000,000	100,000,000	750,000,000
		<b>100,000,000</b>	<b>2,650,000,000</b>	<b>100,000,000</b>	<b>2,650,000,000</b>
<b>6 Investments</b>					
Government	6.1	17,789,164,429	12,841,220,762	17,789,164,429	12,841,220,762
Others	6.2	3,865,532,147	4,069,307,226	3,865,510,224	4,068,970,503
		<b>21,654,696,576</b>	<b>16,910,527,988</b>	<b>21,654,674,653</b>	<b>16,910,191,265</b>
<b>6.1 Government (Investment in Govt. securities)</b>					
Treasury bills	6.1.1	8,661,553,310	-	8,661,553,310	-
Treasury Bonds	6.1.2	9,124,107,319	12,839,112,362	9,124,107,319	12,839,112,362
Prize Bonds		3,503,800	2,108,400	3,503,800	2,108,400
		<b>17,789,164,429</b>	<b>12,841,220,762</b>	<b>17,789,164,429</b>	<b>12,841,220,762</b>
<b>6.1.1 Treasury bills</b>					
<b>Unencumbered</b>					
91- days treasury bills		6,318,501,874	-	6,318,501,874	-
182- days treasury bills		265,026,337	-	265,026,337	-
364- days treasury bills		178,584,352	-	178,584,352	-
		6,762,112,563	-	6,762,112,563	-
<b>Encumbered</b>					
91- days treasury bills		1,794,875,395	-	1,794,875,395	-
182- days treasury bills		77,097,637	-	77,097,637	-
364- days treasury bills		27,467,715	-	27,467,715	-
		1,899,440,747	-	1,899,440,747	-
		8,661,553,310	-	8,661,553,310	-

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>6.1.2 Treasury Bonds</b>					
<b>Unencumbered</b>					
5- years Treasury bonds		2,066,206,534	3,674,851,673	2,066,206,534	3,674,851,673
10- years Treasury bonds		4,487,196,814	9,164,260,689	4,487,196,814	9,164,260,689
15- years Treasury bonds		72,789,538	-	72,789,538	-
20- years Treasury bonds		76,479,220	-	76,479,220	-
		<b>6,702,672,106</b>	<b>12,839,112,362</b>	<b>6,702,672,106</b>	<b>12,839,112,362</b>
<b>Encumbered</b>					
5- years Treasury bonds		2,157,495,498	-	2,157,495,498	-
10- years Treasury bonds		243,659,578	-	243,659,578	-
15- years Treasury bonds		20,280,137	-	20,280,137	-
		<b>2,421,435,212</b>	<b>-</b>	<b>2,421,435,212</b>	<b>-</b>
		<b>9,124,107,319</b>	<b>12,839,112,362</b>	<b>9,124,107,319</b>	<b>12,839,112,362</b>
<b>Disclosure on REPO and Reverse Repo transactions are in Annexure- D</b>					
<b>6.2 Others (Investment in other securities)</b>					
Debentures	6.2.1	37,000,000	54,000,000	37,000,000	54,000,000
Corporate bonds	6.2.2	280,000,000	340,000,000	280,000,000	340,000,000
Ordinary Shares (Quoted and Unquoted)	6.2.3	3,548,532,147	3,655,307,226	3,548,510,224	3,654,970,503
Preference Shares	6.2.4	-	20,000,000	-	20,000,000
		<b>3,865,532,147</b>	<b>4,069,307,226</b>	<b>3,865,510,224</b>	<b>4,068,970,503</b>
<b>6.2.1 Debentures</b>					
Investment Corporation of Bangladesh (ICB)		2,000,000	9,000,000	2,000,000	9,000,000
House Building Finance Corporation (HBFC)		35,000,000	45,000,000	35,000,000	45,000,000
		<b>37,000,000</b>	<b>54,000,000</b>	<b>37,000,000</b>	<b>54,000,000</b>
<b>6.2.2 Corporate bonds</b>					
Orascom Bond		180,000,000	240,000,000	180,000,000	240,000,000
Trust Bank Subordinated Bond		100,000,000	100,000,000	100,000,000	100,000,000
		<b>280,000,000</b>	<b>340,000,000</b>	<b>280,000,000</b>	<b>340,000,000</b>
<b>6.2.3 Ordinary Shares (Quoted and Unquoted)</b>					
<b>Quoted shares &amp; Mutual Funds (MF)</b>					
<b>Quoted shares (sector wise)</b>					
Banks		760,391,847	731,719,241	760,391,847	731,597,491
NBFIs		596,898,649	503,324,275	596,898,649	503,324,275
Insurances		38,753,046	20,650,804	38,753,046	20,650,804
Oil & Petroleum		24,095,955	22,397,909	24,080,968	22,331,952
Chemicals & Pharmaceuticals		16,843,638	53,031,102	16,843,638	53,031,102
Power sectors		246,089,182	433,366,454	246,089,182	433,224,374
Cement & Ceramics		119,510,993	95,398,305	119,504,057	95,391,369
Steels		143,445,929	143,445,929	143,445,929	143,445,929
Others		237,478,968	290,384,267	237,478,968	290,384,267
		<b>2,183,508,207</b>	<b>2,293,718,286</b>	<b>2,183,486,284</b>	<b>2,293,381,563</b>

	Consolidated		Bank	
	2012	2011	2012	2011
<b>Mutual Funds</b>				
AB Bank First Mutual Fund	50,000,000	-	50,000,000	-
EBL First Mutual Fund	103,185,000	200,000,000	103,185,000	200,000,000
EBL NRB Mutual Fund	250,973,470	250,973,470	250,973,470	250,973,470
First Bangladesh Fixed Income Fund	750,000,000	-	750,000,000	-
Green Delta Mutual Fund	10,000,000	10,000,000	10,000,000	10,000,000
LR Global BD First Mutual Fund	20,000,000	20,000,000	20,000,000	20,000,000
PHP First Mutual Fund	30,005,000	30,005,000	30,005,000	30,005,000
Popular Life First Mutual Fund	10,000,000	10,000,000	10,000,000	10,000,000
SEBL First Mutual Fund	10,000,000	10,000,000	10,000,000	10,000,000
	<b>1,234,163,470</b>	<b>530,978,470</b>	<b>1,234,163,470</b>	<b>530,978,470</b>
Total quoted shares & MFs	3,417,671,677	2,824,696,756	3,417,649,754	2,824,360,033
<b>Unquoted shares &amp; MFs</b>				
Shares	80,860,470	830,610,470	80,860,470	830,610,470
Mutual Fund	50,000,000	-	50,000,000	-
	<b>130,860,470</b>	<b>830,610,470</b>	<b>130,860,470</b>	<b>830,610,470</b>
<b>Total</b>	<b>3,548,532,147</b>	<b>3,655,307,226</b>	<b>3,548,510,224</b>	<b>3,654,970,503</b>

## 6.2.3.1 Market Value of Shares (as on 31 December)

<b>Quoted shares &amp; MFs</b>				
Banks	488,346,494	648,601,847	488,346,494	648,470,847
NBFIs	407,473,256	509,363,732	407,473,256	509,363,732
Insurances	27,173,052	13,273,244	27,173,052	13,273,244
Oil & Petroleum	21,940,170	16,415,211	21,912,132	16,339,651
Chemicals & Pharmaceuticals	16,860,000	42,230,341	16,860,000	42,230,341
Power sectors	203,776,913	372,114,140	203,776,913	371,978,940
Cement & Ceramics	87,213,813	66,015,020	87,207,739	66,009,384
Steels	71,295,000	124,635,000	71,295,000	124,635,000
Others	169,390,335	226,991,897	169,390,335	226,991,897
	<b>1,493,469,033</b>	<b>2,019,640,432</b>	<b>1,493,434,921</b>	<b>2,019,293,036</b>
Mutual Funds	1,199,868,600	531,742,900	1,199,868,600	531,742,900
<b>Total</b>	<b>2,693,337,633</b>	<b>2,551,383,332</b>	<b>2,693,303,521</b>	<b>2,551,035,936</b>

## \* Lock in stauts of Mutual Funds

	Trading started	Lock in period	Lock in expiry	Lock in position
First Bangladesh Fixed Income Fund (FBFIF)	19 /3/2012	1 Year	18 /3/2013	90%

10% of EBL First Mutual Fund, EBL NRB Mutual Fund & First Bangladesh Fixed Income Fund shall be locked in for 10 years.

## 6.2.4 Preference Shares

STS Holdings Limited	-	20,000,000	-	20,000,000
	<b>-</b>	<b>20,000,000</b>	<b>-</b>	<b>20,000,000</b>

## 6.a Remaining maturity grouping of investments

On demand	2,006,406,298	2,108,400	2,006,406,298	2,108,400
In not more than one month	4,315,621,299	-	4,315,599,376	-

	Note	Consolidated		Bank	
		2012	2011	2012	2011
In more than one month but not more than three months		2,213,899,182	48,000,000	2,213,899,182	48,000,000
In more than three months but not more than one year		4,281,992,806	4,500,074,460	4,281,992,806	4,499,737,737
In more than one year but not more than five years		4,921,004,230	3,196,084,439	4,921,004,230	3,196,084,439
In more than five years		3,915,772,760	9,164,260,689	3,915,772,760	9,164,260,689
		<b>21,654,696,575</b>	<b>16,910,527,988</b>	<b>21,654,674,652</b>	<b>16,910,191,265</b>
<b>7 Loans and advances</b>					
Loans, cash credits, overdrafts, etc.	7.1	87,537,630,678	75,465,724,126	87,363,196,058	75,893,558,150
Bills purchased and discounted	7.2	9,356,540,473	6,302,265,095	9,356,540,473	5,880,352,028
		<b>96,894,171,151</b>	<b>81,767,989,221</b>	<b>96,719,736,531</b>	<b>81,773,910,178</b>
<b>7.1 Loans, cash credits, overdrafts etc.</b>					
<b>Inside Bangladesh</b>					
Loans - general		71,890,919,875	62,347,740,624	71,890,919,875	62,769,653,691
Cash credit		274,168,567	315,366,933	274,168,567	315,366,933
Overdraft		15,372,542,236	12,802,616,569	15,198,107,617	12,808,537,526
		<b>87,537,630,678</b>	<b>75,465,724,126</b>	<b>87,363,196,058</b>	<b>75,893,558,150</b>
<b>7.2 Bills purchased and discounted</b>					
<b>Inside Bangladesh</b>					
Local bills /documents		9,264,184,670	6,229,986,429	9,264,184,670	5,808,073,362
Foreign bills /documents		92,355,802	72,278,666	92,355,802	72,278,666
		<b>9,356,540,473</b>	<b>6,302,265,095</b>	<b>9,356,540,473</b>	<b>5,880,352,028</b>
<b>7.2.1 Bills purchased and discounted</b>					
<b>(on the basis of the residual maturity grouping)</b>					
<b>Receivable</b>					
Within one month		3,385,111,874	1,028,520,969	3,385,111,874	606,607,902
In more than one month but less than three months		3,981,954,022	442,429,800	3,981,954,022	442,429,800
In more than three months but less than six months		1,394,414,357	580,200,555	1,394,414,357	580,200,555
Above six months		595,060,220	4,251,113,771	595,060,220	4,251,113,771
		<b>9,356,540,473</b>	<b>6,302,265,095</b>	<b>9,356,540,473</b>	<b>5,880,352,028</b>
<b>7.a Residual maturity grouping of loans and advances including bills purchased &amp; discounted</b>					
<b>Receivable</b>					
On demand		318,212,750	237,886,792	318,212,750	237,886,792
In not more than one month		16,782,628,094	27,737,818,693	17,357,514,577	28,453,806,109
In more than one month but not more than three months		19,970,594,626	15,513,960,759	19,221,273,524	14,803,894,300
In more than three months but not more than one year		34,068,107,114	15,574,907,405	34,068,107,114	15,574,907,405
In more than one year but not more than five years		22,081,173,980	18,672,758,348	22,081,173,980	18,672,758,348
In more than five years		3,673,454,587	4,030,657,225	3,673,454,586	4,030,657,224
		<b>96,894,171,151</b>	<b>81,767,989,221</b>	<b>96,719,736,531</b>	<b>81,773,910,178</b>

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>7.b Loans and advances on the basis of significant concentration</b>					
<b>7.b.1 Loans and advances to Directors, executives and others</b>					
Advance to Directors and their allied concerns (including Ex-Directors)		-	-	-	-
Advances to CEO & Managing Director		19,318,492	9,760,622	19,318,492	9,760,622
Advances to Other executives and staffs		1,009,941,141	793,050,002	1,009,941,141	793,050,002
Advances to Customers (Group wise)		79,612,245,063	67,165,456,138	79,612,245,063	67,165,456,138
Industrial Advances		16,252,666,455	13,799,722,460	16,078,231,836	13,805,643,416
		<b>96,894,171,151</b>	<b>81,767,989,221</b>	<b>96,719,736,531</b>	<b>81,773,910,178</b>
<b>7.b.2 Large Loan details (Loans and Advances allowed to each customer exceeding 10% of Bank's total capital)</b>					
* Total Loans and Advances (figures in crore)				3,742	3,353
Number of Customers				32	29
Classified amount thereon				Nil	Nil
*This amount represents total loans and advances (comprising funded and 50% of non funded facilities) to each customer exceeding Tk 156.46 crore which is computed as 10% of total capital of the bank (i.e. Tk 1,564.61 crore) as at 31 December 2012.					
<b>7.b.3 Industry-wise concentration of loans and advances including bills purchased and discounted</b>					
Commercial and Trading		14,007,927,380	8,915,126,283	14,007,927,380	8,915,126,283
Importer of Commodity		2,745,007,116	2,414,884,279	2,745,007,116	2,414,884,279
Construction		1,141,397,918	599,138,975	1,141,397,918	599,138,975
Sugar & Edible Oil Refinery		4,497,185,248	4,093,069,570	4,497,185,248	4,093,069,570
Crops, fisheries & live stocks		2,062,272,225	2,314,842,850	2,062,272,225	2,314,842,850
Electronics Goods		3,590,709,326	3,510,647,316	3,590,709,326	3,510,647,316
Individuals		11,634,705,039	11,862,057,126	11,634,705,039	11,862,057,126
Pharmaceuticals Industry		3,102,199,054	3,176,305,318	3,102,199,054	3,176,305,318
Readymade Garments Industry		11,055,375,475	9,922,301,510	11,055,375,475	9,922,301,510
Ship Breaking Industry		5,508,784,927	5,111,628,699	5,508,784,927	5,111,628,699
Metal & Steel Products		7,116,319,396	4,485,467,345	7,116,319,396	4,485,467,345
Transport & Ecommunication		7,089,519,142	6,451,365,050	7,089,519,142	6,451,365,050
Textile Mills		8,361,720,082	7,024,142,464	8,361,720,082	7,024,142,464
Power Sector		2,747,142,736	2,914,519,534	2,747,142,735	2,914,519,534
Others		12,233,906,089	8,972,492,903	12,059,471,470	8,978,413,860
		<b>96,894,171,151</b>	<b>81,767,989,221</b>	<b>96,719,736,531</b>	<b>81,773,910,178</b>
<b>7.b.4 Sector - wise concentration of loans and advances including bills purchased and discounted</b>					
Government sector		-	-	-	-
Public sector		449,533,856	1,285,659,398	449,533,856	1,285,659,398
Private sector		96,444,637,295	80,482,329,823	96,270,202,675	80,488,250,780
		<b>96,894,171,151</b>	<b>81,767,989,221</b>	<b>96,719,736,531</b>	<b>81,773,910,178</b>

Note	Consolidated		Bank	
	2012	2011	2012	2011
<b>7.b.5 Geographical location-wise concentration of loans and advances including bills purchased and discounted</b>				
Inside Bangladesh				
Dhaka Division	67,680,272,961	55,771,944,857	67,505,838,341	55,777,865,814
Chittagong Division	26,576,116,429	24,099,918,662	26,576,116,429	24,099,918,662
Sylhet Division	465,585,365	429,210,581	465,585,365	429,210,581
Rajshahi Division	1,083,246,896	838,883,146	1,083,246,896	838,883,146
Khulna Division	1,035,520,062	628,031,975	1,035,520,062	628,031,975
Rangpur Division	53,429,439	-	53,429,439	-
	<b>96,894,171,151</b>	<b>81,767,989,221</b>	<b>96,719,736,531</b>	<b>81,773,910,178</b>
Outside Bangladesh	-	-	-	-
	<b>96,894,171,151</b>	<b>81,767,989,221</b>	<b>96,719,736,531</b>	<b>81,773,910,178</b>

**7.b.6 Geographical location and business segment-wise concentration of loans and advances** (including bills purchased and discounted)

	Corporate	SME	Consumer	Total
Division				
Dhaka Division	50,981,023,204	8,129,761,259	8,395,053,878	67,505,838,341
Chittagong Division	20,365,880,446	3,638,312,022	2,571,923,961	26,576,116,429
Sylhet Division	-	293,828,100	171,757,265	465,585,365
Rajshahi Division	332,085,282	537,866,907	213,294,707	1,083,246,896
Khulna Division	-	811,176,277	224,343,785	1,035,520,062
Rangpur Division	-	37,371,200	16,058,238	53,429,438
	<b>71,678,988,932</b>	<b>13,448,315,765</b>	<b>11,592,431,834</b>	<b>96,719,736,531</b>

**7.b.7 Business segment - wise concentration of loans and advances** (including bills purchased and discounted)

Corporate	62,655,667,196	54,746,835,009	62,481,232,576	54,752,755,966
Offshore Banking Unit	9,197,756,355	6,341,059,545	9,197,756,355	6,341,059,545
SME	13,448,315,765	10,577,638,128	13,448,315,765	10,577,638,128
Consumer	10,563,172,202	9,299,645,916	10,563,172,202	9,299,645,916
Executives & Staffs	1,029,259,633	802,810,624	1,029,259,633	802,810,624
	<b>96,894,171,151</b>	<b>81,767,989,221</b>	<b>96,719,736,531</b>	<b>81,773,910,178</b>

**7.b.8 Loans & advances**

Inside Bangladesh				
Continuous loan				
Consumer Finance	5,213,258,727	3,940,901,995	5,213,258,727	3,940,901,995
Small & Medium Enterprise	3,567,658,301	2,852,953,862	3,567,658,301	2,852,953,862
Loans to BHs/MBs/SDs against Shares	678,811,287	672,618,502	678,811,287	672,618,502
Other Corporate Loans	6,186,992,000	5,652,238,678	6,012,557,380	5,658,159,635
	<b>15,646,720,315</b>	<b>13,118,713,037</b>	<b>15,472,285,695</b>	<b>13,124,633,994</b>
Demand loan				
Small & Medium Enterprise	3,397,557,769	2,222,973,888	3,397,557,769	2,222,973,888
Corporate Loans	48,292,133,645	40,179,187,235	48,292,133,645	40,179,187,235
	<b>51,689,691,414</b>	<b>42,402,161,123</b>	<b>51,689,691,414</b>	<b>42,402,161,123</b>

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>Short term loan</b>					
Short term agri credit		11,284,258	7,018,680	11,284,258	7,018,680
		11,284,258	7,018,680	11,284,258	7,018,680
<b>Term loan</b>					
Consumer Finance (including staff, other than HF)		5,594,807,127	5,214,015,302	5,594,807,127	5,214,015,302
Housing Finance (HF)		785,502,674	947,539,017	785,502,674	947,539,017
Small & Medium Enterprise		6,470,678,745	5,494,693,698	6,470,678,745	5,494,693,698
Corporate Loans		16,695,486,619	14,583,848,364	16,695,486,619	14,583,848,364
		29,546,475,164	26,240,096,381	29,546,475,164	26,240,096,381
<b>Outside Bangladesh</b>					
Loans, cash credits, overdrafts etc.		-	-	-	-
		<b>96,894,171,151</b>	<b>81,767,989,221</b>	<b>96,719,736,531</b>	<b>81,773,910,178</b>
<b>7.b.9 Security/ Collateral - wise concentration of loans and advances</b> (including bills purchased and discounted)					
Collateral of movable/immovable assets		33,961,978,194	24,754,616,650	33,961,978,194	24,754,616,650
Local banks and financial institutions guarantee		1,732,868,205	1,135,046,524	1,732,868,205	1,135,046,524
Government guarantee		449,533,857	1,285,659,398	449,533,857	1,285,659,398
Foreign bank guarantee		-	-	-	-
Export documents		311,317,280	339,080,412	311,317,280	339,080,412
Fixed deposit receipts		6,707,768,257	9,069,336,438	6,707,768,257	9,069,336,438
FDR of other banks		586,730,452	1,857,588	586,730,452	1,857,588
Government bonds		-	-	-	-
Personal guarantee		6,762,252,511	4,286,636,445	6,762,252,511	4,286,636,445
Other securities		46,381,722,395	40,895,755,766	46,207,287,775	40,901,676,724
		<b>96,894,171,151</b>	<b>81,767,989,221</b>	<b>96,719,736,531</b>	<b>81,773,910,178</b>
<b>7.b.10 Classified, unclassified, doubtful and bad loans &amp; advances</b>					
<b>Unclassified</b>					
Standard (including staff loan)		93,180,467,881	79,359,621,007	93,006,033,261	79,365,541,964
Special mention accounts (SMA)		642,928,794	847,776,094	642,928,794	847,776,094
		93,823,396,675	80,207,397,101	93,648,962,055	80,213,318,058
<b>Classified</b>					
Sub-standard		263,721,106	418,551,016	263,721,106	418,551,016
Doubtful		593,082,223	172,180,972	593,082,223	172,180,972
Bad/Loss		2,213,971,147	969,860,132	2,213,971,147	969,860,132
	7.b.11	3,070,774,476	1,560,592,120	3,070,774,476	1,560,592,120
		<b>96,894,171,151</b>	<b>81,767,989,221</b>	<b>96,719,736,531</b>	<b>81,773,910,178</b>
<b>7.b.11 Movements of classified loans and advances</b>					
Opening balance		1,560,592,120	1,168,740,687	1,560,592,120	1,168,740,687
Additions during the year		2,255,633,277	745,093,371	2,255,633,277	745,093,371
Reductions during the year		(745,450,922)	(353,241,937)	(745,450,922)	(353,241,937)
Closing balance		<b>3,070,774,476</b>	<b>1,560,592,120</b>	<b>3,070,774,476</b>	<b>1,560,592,120</b>

Note	Consolidated		Bank	
	2012	2011	2012	2011

**Measures taken for recovery of classified loans:**

Bank as a whole takes following steps to recover its classified Loans and Advances

- i) Sending letters and reminders to customers
- ii) Special assets management department is responsible for holding discussion with the clients to recover the loans
- iii) disposal of security through auction
- iv) Legal proceedings and settlement
- v) Negotiation and approval from Head office/Board

**7.b.12 Particulars of loans and advances**

i) Debts considered good in respect of which the bank is fully secured	90,103,715,293	76,156,095,696	89,929,280,673	76,162,016,653
ii) Debts considered good for which the bank holds no other security than the debtor's personal security	3,785,336,281	2,425,076,285	3,785,336,281	2,425,076,285
iii) Debts considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors.	3,005,119,577	3,186,817,240	3,005,119,577	3,186,817,240
iv) Debts adversely classified; for which no provision is created.				-
	96,894,171,151	81,767,989,221	96,719,736,531	81,773,910,178
v) Debts due by directors or officers of the bank or any of them either jointly or severally with any other persons.	1,044,830,401	818,107,310	1,044,830,401	818,107,310
vi) Debts due by companies and firms in which the directors of the bank have interests as directors, partners or managing agent or in case of private companies as members.	-	-	-	-
vii) Maximum total amount of advances, including temporary advances made at any time during the period to directors or managers or officers of the bank or any of them either severally or jointly with any other persons.	1,044,830,401	818,107,310	1,044,830,401	818,107,310
viii) Maximum total amount of advances, including temporary advances, granted during the period to the companies or firms in which the directors of the bank have interests as directors, partners or managing agents or, in case of private companies as members.	-	-	-	-
ix) Due from other banking companies	-	-	-	-
x) Information in respect of classified loans and advances				
a) Classified loans for which interest/profit not credited to income	3,070,774,476	1,560,592,120	3,070,774,476	1,560,592,120
(i) (Decrease)/Increase of provision (specific)	-	-	-	-
(ii) Amount of written off debt against fully provided debts	385,918,914	79,565,429	385,918,914	79,565,429
(iii) Amount of debt recovered against the debt which was previously written off.	81,252,722	301,979,925	81,252,722	301,979,925
b) Amount of provision kept against loans classified as bad/loss as at the Balance Sheet date.	1,129,420,887	736,689,231	1,129,420,887	736,689,231
c) Amount of interest creditable to the interest suspense account	665,254,434	352,951,006	665,254,434	352,951,006
xi) Cumulative amount of written off loans				
Opening Balance	1,500,834,470	1,421,269,041	1,500,834,470	1,421,269,041
Amount written off during the year	385,918,914	79,565,429	385,918,914	79,565,429
Balance of written off loans and advances yet to be recovered	<b>1,886,753,384</b>	<b>1,500,834,470</b>	<b>1,886,753,384</b>	<b>1,500,834,470</b>

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>7.b.13 Cumulative amount of written off loans for which law suits have been filed (note 7.b.14)</b>					
		<b>2,961,210,884</b>	<b>1,787,312,499</b>	<b>2,961,210,884</b>	<b>2,406,135,690</b>
<b>7.b.14 Details of cumulative amount of written off loans</b>					
Opening balance		2,406,135,690	2,281,527,823	2,406,135,690	2,281,527,823
During the year		555,075,194	124,607,867	555,075,194	124,607,867
Closing balance		<b>2,961,210,884</b>	<b>2,406,135,690</b>	<b>2,961,210,884</b>	<b>2,406,135,690</b>

## 8 Fixed assets including land, building, furniture and fixtures

### Cost

Freehold Land and Land Development	4,636,946,781	3,594,373,470	4,636,946,781	3,594,373,470
Buildings on Freehold land	462,801,908	307,099,220	462,801,908	307,099,220
Machinery and Equipment	484,137,953	386,801,750	479,640,206	382,304,003
Computer and Network Equipments	327,100,189	293,222,115	323,986,704	290,120,630
Furniture and Fixtures	309,541,096	270,666,951	303,253,667	264,379,523
Vehicles	106,586,251	96,986,201	105,243,946	95,643,896
Leased Assets (finance lease)	90,084,859	90,084,859	90,084,859	90,084,859
Software	200,453,714	92,527,305	198,441,734	90,515,325
<b>Total Cost</b>	<b>6,617,652,752</b>	<b>5,131,761,872</b>	<b>6,600,399,806</b>	<b>5,114,520,926</b>
Accumulated depreciation	(839,847,350)	(666,195,150)	(832,139,986)	(661,234,590)
<b>Written Down Value at 31 December</b>	<b>5,777,805,402</b>	<b>4,465,566,722</b>	<b>5,768,259,820</b>	<b>4,453,286,336</b>

Details of these are in Annexure-A & A1.

## 9 Other assets

### Income generating

Investment in subsidiary-EBL Securities Limited	9.1	-	-	767,400,000	216,000,000
Investment in subsidiary-EBL Investments Limited	9.2	-	-	299,999,900	299,999,900
DSE Membership fees	9.3	553,800,000	349,000,000	-	-
CSE Membership fees	9.4	201,500,000	-	-	-

### Non- Income generating

Receivable from subsidiary	9.5	-	-	47,097,400	37,996,186
Other assets of subsidiaries	9.6	34,299,423	31,065,875	-	-
Stock of stationeries		16,148,228	16,212,646	16,148,228	16,212,646
Stamps on hand		1,734,226	1,593,297	1,734,226	1,593,297
Advance to staff for expenses	9.7	489,000	311,549	489,000	311,549
Suspense account	9.8	5,120,648	7,719,869	5,120,648	7,719,869
Building under construction (for corporate office)		201,326,929	31,298,489	201,326,929	31,298,489
Security deposits-Govt. agencies		2,257,801	1,921,825	2,257,801	1,921,825
Interest and other dividend receivables		473,930,637	365,562,525	473,930,637	365,562,525
Prepayments for new subsidiary-EBL Finance (HK) Ltd.		7,240,655	-	7,240,655	-
Sundry receivables	9.9	108,604,461	239,510,816	108,604,461	239,510,816
Advance rent		300,001,498	252,920,861	300,001,498	252,920,861
Prepayments and advance to vendors		262,706,223	394,130,404	262,706,223	394,130,404

	Note	Consolidated		Bank	
		2012	2011	2012	2011
Deferred tax assets	9.10	376,486,990	134,625,371	376,486,990	134,625,371
Bangladesh Bank clearing account		22,788,981	1,822,390	22,788,981	1,822,390
Prepaid expenses- Offshore Banking Unit		10,990,449	10,210,588	10,990,449	10,210,588
		<b>2,579,426,148</b>	<b>1,837,906,506</b>	<b>2,904,324,025</b>	<b>2,011,836,717</b>

#### 9.1 Investment in subsidiary-EBL Securities Limited

EBL acquired 60% shares of LRK Securities Limited (renamed afterwards as 'EBL securities limited') with effect from 1 March 2010 and subsequently bought rest 40% shares during the year 2012 to make it a fully owned subsidiary eventually. This amount represents BDT 479.90 million as cost of acquisition and the rest i.e. BDT 287.50 million was fresh injection for raising capital during 2012.

#### 9.2 Investment in subsidiary-EBL Investments Limited

EBL Investments Limited a fully owned subsidiary of EBL was incorporated on 30 December 2009 with an initial paid up capital of BDT 300 million. This subsidiary was awarded merchant banking license from BSEC in January 2013 to launch full fledged merchant banking operations.

9.3 While acquiring rest 40% shares of EBL Securities Ltd during 2012 based on a valuation done by ACNABIN, Chartered Accountant, the Bank considered only 40% of fair value/market value of DSE membership fees i.e. BDT 344.40 million (Full value was BDT 861 million as of 30 June 2011) at reasonable fair value after considering market volatility and thereby has not booked any revaluation gain of 60% shares acquired earlier. Management of the Group are satisfied that no impairment exist as on the reporting date.

9.4 EBL Securities Limited acquired CSE Membership fees at a cost of BDT 201.50 million during the year to extend its operation at chittagong which is yet to start.

#### 9.5 Receivable from Subsidiary

Rent receivable from EBLSL			4,488,400	5,664,400
Share trading account with EBLSL			2,609,000	2,331,786
Interim dividend receivable from EBLSL			40,000,000	30,000,000
			<b>47,097,400</b>	<b>37,996,186</b>

#### 9.6 Other assets of subsidiaries

Accounts receivable	29,807,571	24,095,377
Advances and prepayments	4,092,418	6,414,444
Deferred revenue expenses	399,434	556,054
	<b>34,299,423</b>	<b>31,065,875</b>

#### 9.7 Advance to staff for expenses

Due for				
Less than three months	489,000	311,549	489,000	311,549
More than three months but less than six months	-	-	-	-
More than six months but less than nine months	-	-	-	-
More than nine months but less than twelve months	-	-	-	-
More than twelve months	-	-	-	-
	<b>489,000</b>	<b>311,549</b>	<b>489,000</b>	<b>311,549</b>

#### 9.8 Suspense account

This includes the system related automatic suspenses and temporary parking accounts shown as net of debit and credit balances. Net credit balance is shown under other liabilities whereas net debit balance is shown under other assets. These balances are in the process of regular monitoring so that it remains within a non material level.

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>9.9 Sundry receivables</b>					
Receivable from BB for Sanchaypatra and WEDB		42,116,403	26,319,965	42,116,403	26,319,965
Audit fees receivable from BB		-	781,000	-	781,000
Excise duty receivable from customers		48,057,237	21,726,194	48,057,237	21,726,194
Counter party receivable for REPO		-	155,126,010	-	155,126,010
NRB Remittance		5,381,232	22,734,803	5,381,232	22,734,803
Share trading account with ILFSL		132	5,606,588	132	5,606,588
Recoverable expenses		9,596,604	-	9,596,604	-
Other receivables		3,452,853	7,216,255	3,452,853	7,216,255
		<b>108,604,461</b>	<b>239,510,816</b>	<b>108,604,461</b>	<b>239,510,816</b>

**9.10 Net Deferred tax assets**

Deferred tax assets/(liabilities) have been recognised and measured as per BAS-12: Income Taxes and BRPD circular # 11 dated 12 December 2011.

Deferred tax assets	9.10.a	390,778,700	136,411,431	390,778,700	136,411,431
Deferred tax liabilities	9.10.b	(14,291,710)	(1,786,060)	(14,291,710)	(1,786,060)
		<b>376,486,990</b>	<b>134,625,371</b>	<b>376,486,990</b>	<b>134,625,371</b>

**9.10.a Deferred tax assets**

Opening provision made against BL (for 2011)		320,968,073	320,968,073	320,968,073	320,968,073
Provision made against BL (for 2012)		707,731,913	-	707,731,913	-
Written off against provision made (for 2011)		(109,220,692)	-	(109,220,692)	-
Tax allowed on provision		-	-	-	-
Deductible temporary difference		919,479,294	320,968,073	919,479,294	320,968,073
Tax rate		42.50%	42.50%	42.50%	42.50%
Deferred tax assets/(liabilities)		390,778,700	136,411,431	390,778,700	136,411,431
Opening Deferred tax assets/(liabilities)		136,411,431	-	136,411,431	-
Deferred tax (expense)/income		254,367,269	136,411,431	254,367,269	136,411,431

**9.10.b Deferred tax liabilities**

Carrying amount of fixed assets for DT		1,116,831,818	846,226,433	1,116,831,818	846,226,433
Tax base		1,083,204,266	842,023,939	1,083,204,266	842,023,939
Taxable temporary differences		(33,627,552)	(4,202,494)	(33,627,552)	(4,202,494)
Tax rate		42.50%	42.50%	42.50%	42.50%
Deferred tax assets/(liabilities)		(14,291,710)	(1,786,060)	(14,291,710)	(1,786,060)
Opening deferred tax asset/(liabilities)		(1,786,060)	3,225,587	(1,786,060)	3,225,587
Deferred tax (expense)/income		(12,505,650)	(5,011,647)	(12,505,650)	(5,011,647)

**10 Non-banking assets**

The Bank was awarded absolute ownership on few mortgaged properties through the verdict of honorable court under section 33(7) of the Artharin Adalat Act 2003. These were recorded as non banking assets (Carrying value of which was BDT 217,733,000 as on reporting date) as per valuation report submitted by professional valuation firm and recording of transactions were certified by the then external auditors KPMG Rahman Rahman Huq. Value of the assets received in addition to the loan outstanding/written off loans was kept as reserve against non banking assets. Following are the details:

**Non earning assets**

Name of Parties	Type of assets and description	Possession Date	2012	2011	2012	2011
Safa Garments*	18 Decimal of Land, Tejgaon, Dhaka	18.01.2005	8,727,000	8,727,000	8,727,000	8,727,000
Arshim & co	12 Katha of Land, Tejgaon, Dhaka	27.03.2007	4,200,000	4,200,000	4,200,000	4,200,000
M/s Innovative Computer Ltd.	11.25 Decimal of Land, Dhaka	07.06.2007	262,000	262,000	262,000	262,000
North American Computer Dynamics and ors.	6.5 Decimal of Land, Tejgaon, Dhaka	16.07.2007	31,600,000	31,600,000	31,600,000	31,600,000
M/S Bangla Union Steel Ind. Ltd.	192.96 Decimal of Land, Chittagong	30.07.2007	57,300,000	57,300,000	57,300,000	57,300,000
M/s Computer Bazar Network	0.14 acres of Land, Sabujbagh, Dhaka	21.06.2009	1,696,000	1,696,000	1,696,000	1,696,000
Maico Sweater Ltd.	60 Decimal of Land, Narayangong	21.06.2009	-	29,100,000	-	29,100,000
Stec Fashions Ltd.	28.03 Deimal of land, Mirpur, Dhaka	26.01.2009	2,321,000	2,321,000	2,321,000	2,321,000
Royals Paper Store	106.50 Decimal of Land, Dhaka	21.05.2009	7,727,000	7,727,000	7,727,000	7,727,000
Dhaka Electronics*	3 Katha of Land , Ramna, Dhaka	12.03.2005	26,000,000	26,000,000	26,000,000	26,000,000
Sabbir Ahmed	6 Decimal of Land, Mirpur, Dhaka	10.05.2007	600,000	600,000	600,000	600,000
M/s. Tri Angle Trading Associates	0.33 Acres of Land, Savar, Dhaka	26.04.2007	6,600,000	6,600,000	6,600,000	6,600,000
M/S Unicorn Bangladesh Ltd.	16.5 Decimal of Land, Dhaka	22.11.2007	15,000,000	15,000,000	15,000,000	15,000,000
HM Yunus	1.84 Acres of Land, Gazipur	06.02.2008	55,700,000	55,700,000	55,700,000	55,700,000
M/s Khan Enterprise	11.50 Decimal of Land, Tutpara, Khulna	04.03.2008	-	1,045,000	-	1,045,000
			<b>217,733,000</b>	<b>247,878,000</b>	<b>217,733,000</b>	<b>247,878,000</b>

\* EBL has taken permission from Bangladesh Bank for the assets to hold up additional two years which expired 7 years time from the date of possession.

Note	Consolidated		Bank	
	2012	2011	2012	2011

**11 Borrowings from other banks, financial institutions and agents**

Borrowing inside Bangladesh	11.1	26,919,994,509	18,560,446,703	26,919,994,509	18,560,446,703
Borrowing outside Bangladesh	11.2	4,238,078,529	3,092,037,573	4,238,078,529	3,092,037,573
		<b>31,158,073,038</b>	<b>21,652,484,276</b>	<b>31,158,073,038</b>	<b>21,652,484,276</b>

**11.1 Borrowing inside Bangladesh**

Demand Borrowings					
AB Bank Limited		500,000,000	-	500,000,000	-
Bangladesh Commerce Bank Limited		200,000,000	-	200,000,000	-
Citibank NA		260,000,000	-	260,000,000	-
Dhaka Bank Limited		200,000,000	-	200,000,000	-
GSP Finance Limited		-	30,000,000	-	30,000,000

	Note	Consolidated		Bank	
		2012	2011	2012	2011
Habib Bank Limited		-	120,000,000	-	120,000,000
IFIC Bank Limited		200,000,000	-	200,000,000	-
IPDC BD Limited		-	70,000,000	-	70,000,000
Janata Bank Limited		1,300,000,000	1,800,000,000	1,300,000,000	1,800,000,000
National Bank Limited		-	120,000,000	-	120,000,000
One Bank Limited		-	50,000,000	-	50,000,000
Premier Bank Limited		400,000,000	-	400,000,000	-
Pubali Bank Limited		250,000,000	100,000,000	250,000,000	100,000,000
Sonali Bank Limited		2,600,000,000	450,000,000	2,600,000,000	450,000,000
State Bank of India		240,000,000	100,000,000	240,000,000	100,000,000
The City Bank Limited		760,000,000	-	760,000,000	-
The Trust Bank Limited		1,500,000,000	-	1,500,000,000	-
United Commercial Bank Limited		900,000,000	-	900,000,000	-
		<b>9,310,000,000</b>	<b>2,840,000,000</b>	<b>9,310,000,000</b>	<b>2,840,000,000</b>
<b>Term Borrowings</b>					
Bangladesh Krishi Bank Ltd.		3,500,000,000	-	3,500,000,000	-
Bangladesh Commerce Bank Limited		-	1,000,000,000	-	1,000,000,000
Citi Bank NA		-	1,100,000,000	-	1,100,000,000
Dhaka Bank Limited		600,000,000	-	600,000,000	-
Jamuna Bank Limited		-	3,560,000,000	-	3,560,000,000
Peoples Leasing and Financial Services Ltd		-	500,000,000	-	500,000,000
Sonali Bank Limited		-	150,000,000	-	150,000,000
Trust Bank Limited		-	500,000,000	-	500,000,000
Uttara Bank Limited		-	2,240,000,000	-	2,240,000,000
United Commercial Bank Limited		1,676,847,900	400,000,000	1,676,847,900	400,000,000
<b>Other term borrowing by OBU</b>					
Basic Bank Limited		42,964,963	83,004,852	42,964,963	83,004,852
Commercial Bank of Cylon		239,549,700	-	239,549,700	-
South East Bank Limited		-	408,423,500	-	408,423,500
Domestic Bank Unit		-	(2,487,490)	-	(2,487,490)
		<b>6,059,362,563</b>	<b>9,938,940,862</b>	<b>6,059,362,563</b>	<b>9,938,940,862</b>
<b>Other borrowings</b>					
From Bangladesh Bank under					
Investment Promotion & Financing Facility (IPFF)		581,734,215	629,110,160	581,734,215	629,110,160
Export Development Fund - EDF		3,559,380,799	2,647,269,301	3,559,380,799	2,647,269,301
Refinancing for Agrobased Industries		1,294,454,000	1,294,454,000	1,294,454,000	1,294,454,000
Refinancing Agribusiness - Revolving		2,042,625,932	1,210,672,380	2,042,625,932	1,210,672,380
Second Crop Diversification Project		106,262,000	-	106,262,000	-
SME Foundation		10,000,000	-	10,000,000	-
Repo with BBK against ALS (Assured Liquidity Support)		3,956,175,000	-	3,956,175,000	-
		<b>11,550,631,946</b>	<b>5,781,505,841</b>	<b>11,550,631,946</b>	<b>5,781,505,841</b>
		<b>26,919,994,509</b>	<b>18,560,446,703</b>	<b>26,919,994,509</b>	<b>18,560,446,703</b>

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>11.2 Borrowing from outside Bangladesh</b>					
<b>In non-interest bearing with</b>					
Standard Chartered Bank, New York		-	165,967,949	-	165,967,949
Citibank N A, New York		-	36,311,577	-	36,311,577
JP Morgan Chase Bank, New York		-	17,470,797	-	17,470,797
JP Morgan Chase Bank FR, Germany		6,033,829	8,377,435	6,033,829	8,377,435
Wells Fargo Bank, N.A. New York		-	165,098	-	165,098
Habib American Bank, New York		-	2,875,504	-	2,875,504
Standard Chartered Bank, New York - OBU		-	1,904,713	-	1,904,713
		<b>6,033,829</b>	<b>233,073,073</b>	<b>6,033,829</b>	<b>233,073,073</b>
<b>Other borrowing by OBU</b>					
<b>In interest bearing with</b>					
Banca Ubae Spa, Spain		-	408,423,500	-	408,423,500
Deutsche Investitions-und Entwicklungsgesellschaft MBH (DEG)		1,596,998,000	-	1,596,998,000	-
International Finance Corporation (IFC)		2,395,497,000	2,450,541,000	2,395,497,000	2,450,541,000
United Bank Limited, Dubai		239,549,700	-	239,549,700	-
		<b>4,232,044,700</b>	<b>2,858,964,500</b>	<b>4,232,044,700</b>	<b>2,858,964,500</b>
		<b>4,238,078,529</b>	<b>3,092,037,573</b>	<b>4,238,078,529</b>	<b>3,092,037,573</b>
<b>11.a Remaining maturity grouping of Borrowings - (including OBU)</b>					
<b>Payable</b>					
On demand		13,266,175,000	2,840,000,000	13,266,175,000	2,840,000,000
In not more than one month		6,770,381,346	11,394,642,557	6,770,381,346	11,394,642,557
In more than one month but not more than three months		4,121,845,409	3,773,379,713	4,121,845,409	3,773,379,713
In more than three months but not more than one year		5,259,383,867	1,652,827,845	5,259,383,867	1,652,827,846
In more than one year but not more than five years		1,052,291,200	1,219,282,198	1,052,291,200	1,219,282,198
In more than five years		687,996,215	772,351,962	687,996,215	772,351,962
		<b>31,158,073,038</b>	<b>21,652,484,276</b>	<b>31,158,073,038</b>	<b>21,652,484,276</b>
<b>12 Deposits and other accounts</b>					
Current deposits and other accounts, etc.	12.1	9,806,371,635	7,265,434,010	9,806,371,635	7,265,434,010
Bills payable	12.2	866,317,963	834,628,249	866,317,963	834,628,249
Savings bank deposits	12.3	14,080,165,001	13,159,045,299	14,080,165,001	13,159,045,299
Fixed deposits	12.4	66,659,786,106	53,743,327,289	67,005,863,858	54,075,610,120
Bearer certificates of deposits	12.5	22,250,000	22,250,000	22,250,000	22,250,000
		<b>91,434,890,705</b>	<b>75,024,684,847</b>	<b>91,780,968,457</b>	<b>75,356,967,678</b>
<b>12.1 Current deposits and other accounts</b>					
Current deposits	12.1.1	3,534,079,850	2,623,124,529	3,534,079,850	2,623,124,529
Deposit margin on facilities (LC, LG, Acceptance etc.)		4,231,818,746	2,916,491,616	4,231,818,746	2,916,491,616
Matured Deposits		200,000	4,012,802	200,000	4,012,802
Sundry Deposits (Matured BCD, TD Redemption)		10,779,828	10,295,108	10,779,828	10,295,108
Interest Accrued on Deposits		2,028,604,027	1,709,025,398	2,028,604,027	1,709,025,398
Current deposit-offshore banking unit		889,185	2,484,557	889,185	2,484,557
		<b>9,806,371,635</b>	<b>7,265,434,010</b>	<b>9,806,371,635</b>	<b>7,265,434,010</b>

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>12.1.1 Current deposits</b>					
Local Currency		3,149,489,495	2,355,988,616	3,149,489,495	2,355,988,616
Foreign Currency		384,590,355	267,135,913	384,590,355	267,135,913
		<b>3,534,079,850</b>	<b>2,623,124,529</b>	<b>3,534,079,850</b>	<b>2,623,124,529</b>
<b>12.2 Bills payable</b>					
Local currency		862,948,656	831,091,298	862,948,656	831,091,298
Foreign currency		3,369,307	3,536,951	3,369,307	3,536,951
		<b>866,317,963</b>	<b>834,628,249</b>	<b>866,317,963</b>	<b>834,628,249</b>
<b>12.3 Savings bank deposits</b>					
EBL saving deposits account		3,849,789,558	3,961,111,213	3,849,789,558	3,961,111,213
High performance deposit account - retail		4,909,407,572	5,258,287,928	4,909,407,572	5,258,287,928
EBL campus account		20,627,486	5,896,122	20,627,486	5,896,122
EBL interesting account		1,759,725,127	1,880,686,825	1,759,725,127	1,880,686,825
EBL confidence account		1,806,429,971	1,338,036,367	1,806,429,971	1,338,036,367
Salary account deposits		195,054,081	170,871,215	195,054,081	170,871,215
Monthly deposit plan (MDP) account		179,408	118,667,424	179,408	118,667,424
EBL Sonchoy account		49,950,803	51,883,717	49,950,803	51,883,717
EBL Paribar account		359,939,598	11,695,685	359,939,598	11,695,685
EBL Secure account		282,413,676	212,095,606	282,413,676	212,095,606
EBL Global account		110,096,487	74,026,486	110,096,487	74,026,486
EBL Global GBP account		56,795,333	6,816,619	56,795,333	6,816,619
EBL RFCD account		57,615,929	34,577,939	57,615,929	34,577,939
EBL Junior account		154,540,152	21,385,067	154,540,152	21,385,067
EBL Easy account		576,487	-	576,487	-
EBL Child Future Plan account		20,148,150	-	20,148,150	-
EBL Savings Plus account		395,286,832	-	395,286,832	-
SME Equity Builder account		49,726,765	11,145,500	49,726,765	11,145,500
Unclaimed savings deposit		1,861,586	1,861,586	1,861,586	1,861,586
		<b>14,080,165,001</b>	<b>13,159,045,299</b>	<b>14,080,165,001</b>	<b>13,159,045,299</b>
<b>12.4 Fixed deposits</b>					
Special notice deposits (SND) account		16,031,808,188	9,555,432,226	16,377,885,940	9,887,715,057
Term deposits account		50,273,847,889	43,081,515,088	50,273,847,889	43,081,515,088
RFCD account		1,128,474	623,764	1,128,474	623,764
NFCD account		353,001,555	43,855,112	353,001,555	43,855,112
Term deposit - Offshore banking unit		-	1,061,901,100	-	1,061,901,100
		<b>66,659,786,106</b>	<b>53,743,327,289</b>	<b>67,005,863,858</b>	<b>54,075,610,120</b>
<b>12.5 Issuance of Bearer Certificate of Deposits has been stopped as per BRPD circular No. 09 dated 20 October 2002.</b>					
12.a Deposits from banks-inside Bangladesh	12.a.1	3,988,480	3,797,373	3,988,480	3,797,373
Other than banks		91,430,902,225	75,020,887,474	91,776,979,977	75,353,170,305
		<b>91,434,890,705</b>	<b>75,024,684,847</b>	<b>91,780,968,457</b>	<b>75,356,967,678</b>

Note	Consolidated		Bank	
	2012	2011	2012	2011
<b>12.a.1 Deposits from banks</b>				
In special notice deposit accounts with				
Janata Bank Limited	42,176	41,206	42,176	41,206
National Bank Limited	144,101	138,061	144,101	138,061
Dhaka Bank Limited	91,580	90,201	91,580	90,201
One Bank Limited	3,652,497	3,469,072	3,652,497	3,469,072
Southeast Bank Limited	29,639	29,320	29,639	29,320
Mercantile Bank Limited	21,596	21,694	21,596	21,694
Standard Bank Limited	6,891	7,819	6,891	7,819
	<b>3,988,480</b>	<b>3,797,373</b>	<b>3,988,480</b>	<b>3,797,373</b>
<b>12.b Deposits on the basis of significant concentration</b>				
<b>12.b.1 Sector - wise concentration of Deposits and other accounts</b>				
Government sector	1,247,801,452	864,397,000	1,247,801,452	864,397,000
Other public sector	8,644,134,884	5,791,308,000	8,644,134,884	5,791,308,000
Private sector	81,542,954,369	68,368,979,847	81,889,032,121	68,701,262,678
	<b>91,434,890,705</b>	<b>75,024,684,847</b>	<b>91,780,968,457</b>	<b>75,356,967,678</b>
<b>12.b.2 Business segment - wise concentration of Deposits and other accounts</b>				
Corporate	33,099,345,181	24,094,151,638	33,445,422,934	24,426,434,469
Offshore Banking Unit	889,185	964,406,183	889,185	964,406,184
SME	5,339,748,691	4,002,934,022	5,339,748,691	4,002,934,022
Consumer	52,994,907,648	45,963,193,003	52,994,907,647	45,963,193,003
	<b>91,434,890,705</b>	<b>75,024,684,847</b>	<b>91,780,968,457</b>	<b>75,356,967,678</b>
<b>12.c Residual maturity grouping of Deposits</b>				
<b>From banks</b>				
<b>Payable:</b>				
On demand	-	-	-	-
Within one month	3,988,480	3,797,373	3,988,480	3,797,373
In more than one month but less than six months	-	-	-	-
In more than six months but less than one year	-	-	-	-
In more than one year but within five years	-	-	-	-
In more than five years but within ten years	-	-	-	-
	<b>3,988,480</b>	<b>3,797,373</b>	<b>3,988,480</b>	<b>3,797,373</b>
<b>From other than banks</b>				
<b>Payable:</b>				
On demand	655,660,176	2,623,124,529	655,660,176	2,623,124,529
Within one month	17,479,258,152	12,450,109,439	17,521,258,100	12,450,109,439
In more than one month but less than six months	20,617,697,416	39,261,602,156	20,641,753,409	39,593,884,987
In more than six months but less than one year	22,097,914,771	14,280,371,317	22,166,139,675	14,280,371,317
In more than one year but within five years	28,867,737,374	3,427,870,377	29,079,534,281	3,427,870,377
In more than five years but within ten years	1,712,634,336	2,977,809,655	1,712,634,335	2,977,809,655
	<b>91,430,902,225</b>	<b>75,020,887,474</b>	<b>91,776,979,976</b>	<b>75,353,170,305</b>
	<b>91,434,890,705</b>	<b>75,024,684,847</b>	<b>91,780,968,457</b>	<b>75,356,967,678</b>
Unclaimed deposit aging 10 years or more	5,538,548	2,329,574	5,538,548	2,329,574

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>13 Other liabilities</b>					
Privileged creditors	13.1	313,858,624	202,929,150	313,858,624	202,862,900
Acquirer liabilities	13.2	110,425,213	230,261,579	110,425,213	230,261,579
Sundry creditors		158,912,998	127,523,117	158,912,998	127,523,117
Security deposit		18,256,912	18,669,666	18,256,912	18,669,666
Current tax liability/(assets)	13.3	1,367,000,453	1,305,487,103	1,349,456,697	1,284,069,311
Provision for loans and advances- other than OBU	13.4	2,857,162,570	2,343,573,973	2,857,162,570	2,343,573,973
Provision for loans and advances - OBU		92,805,394	63,817,276	92,805,394	63,817,276
Interest suspense account	13.5	665,254,434	352,951,006	665,254,434	352,951,006
Provision for other assets	13.6	21,463,790	8,313,675	21,463,790	8,313,675
Provision for loss on revaluation of shares (net)	13.7	724,346,229	273,322,488	724,346,229	273,322,488
Advance interest/commission received		30,902,907	28,119,144	30,902,907	28,119,144
Expenses payable		223,545,831	222,978,067	223,545,831	222,978,067
Interest payable on borrowing including OBU		131,683,819	199,236,547	131,683,819	199,236,547
Inter branch and inter system accounts		266,802	488,604	266,802	488,604
Advance export proceeds		235,510,785	540,406,862	235,510,785	540,406,862
Miscellaneous payable	13.8	166,002,875	206,123,307	166,002,875	206,123,307
Conversion balance	13.9	-	148,614	-	148,614
Other liabilities-offshore banking unit	13.10	97,469	81,807,446	97,469	81,807,446
Other liabilities of subsidiaries	13.11	84,431,504	109,248,914	-	-
		<b>7,201,928,608</b>	<b>6,315,406,537</b>	<b>7,099,953,349</b>	<b>6,184,673,581</b>

**13.1 Privileged creditors**

Three major categories of government dues are reported. Tax deducted at source, VAT and Excise duty payable to govt. exchequer.

Tax deducted at source (TDS)	164,210,462	102,349,990	164,210,462	102,283,740
VAT deducted at source (VDS)	35,573,822	23,356,876	35,573,822	23,356,876
Excise duty deducted from customer accounts	114,074,340	77,222,284	114,074,340	77,222,284
	<b>313,858,624</b>	<b>202,929,150</b>	<b>313,858,624</b>	<b>202,862,900</b>

**13.2 Acquirer liabilities**

These liabilities are of temporary nature arisen from debit and credit card transactions. Transactions are settled next day with relevant parties and reconciled monthly. Major balance include 'Acquirer Cash' which is a liability to relevant parties arisen due to withdrawal of cash by EBL cardholders from Q-Cash ATMs (Not owned by EBL):

Prepaid card liability	49,746,214	21,015,532	49,746,214	68,980,585
Travel card liability	16,635,128	10,255,410	16,635,128	10,255,410
Credit card liability	12,381,203	173,312,756	12,381,203	144,581,622
Acquirer cash and other liabilities	31,662,668	25,677,881	31,662,668	6,443,962
	<b>110,425,213</b>	<b>230,261,579</b>	<b>110,425,213</b>	<b>230,261,579</b>

**13.3 Current tax liability/(assets)**

Provision for tax				
Opening balance		2,283,165,841	1,849,575,736	2,227,932,951
Settlement/adjustments for previous years		(1,912,390,084)	(1,345,128,339)	(1,857,354,128)
Provision for tax made during the year	13.3.1	2,218,739,865	1,778,718,444	2,186,375,000
		<b>2,589,515,621</b>	<b>2,283,165,841</b>	<b>2,556,953,823</b>
				<b>2,227,932,951</b>

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>Balance of income tax paid</b>					
Opening balance		977,678,738	924,218,469	943,863,641	922,291,388
Settlement/adjustments for previous years		(1,894,920,660)	(1,336,362,256)	(1,857,354,128)	(1,334,435,175)
Paid during the year	13.3.2	2,139,757,091	1,389,822,525	2,120,987,614	1,356,007,428
		<b>1,222,515,168</b>	<b>977,678,738</b>	<b>1,207,497,126</b>	<b>943,863,641</b>
		<b>1,367,000,453</b>	<b>1,305,487,103</b>	<b>1,349,456,697</b>	<b>1,284,069,311</b>
13.3.1 Provision for tax made during the year	13.3.1.a	2,218,739,865	1,778,718,444	2,186,375,000	1,739,842,732
<b>13.3.1.a Income tax expenses/Provision for tax</b>					
<b>Current tax expenses</b>					
Current year		2,218,820,213	1,898,937,048	2,186,375,000	1,861,021,444
Adjustment for prior year		(80,348)	(120,218,604)	-	(121,178,712)
Total income tax expenses		<b>2,218,739,865</b>	<b>1,778,718,444</b>	<b>2,186,375,000</b>	<b>1,739,842,732</b>
<b>13.3.2 Income tax paid during the year</b>					
Withholding tax deducted at source		104,328,880	100,781,618	92,631,583	98,384,306
Advance tax paid in cash		2,035,428,211	1,289,040,907	2,028,356,031	1,257,623,122
Advance income tax paid		<b>2,139,757,091</b>	<b>1,389,822,525</b>	<b>2,120,987,614</b>	<b>1,356,007,428</b>

### 13.3.3 Reconciliation of effective tax

	2012		2011	
	%	Taka	%	Taka
Profit before income tax as per profit and loss account		4,219,614,091		4,129,147,361
Income Tax using the domestic corporation tax rate (@ 42.5%)	42.5%	1,793,335,989	42.5%	1,754,887,628
Factors affecting the tax charge for current year	-	-	-	-
Non deductible expenses	12.90%	544,394,351	12.21%	506,674,223
Tax exempt income	-2.31%	(97,456,921)	-4.33%	(179,852,271)
Tax savings from reduced tax rates from dividend	-0.49%	(20,663,738)	-0.57%	(23,713,394)
Tax savings from reduced tax rates from capital gain	-0.87%	(36,524,278)	-4.75%	(196,974,744)
Tax incentives	-	-	-	-
Recognition of previously unrecognized tax losses	-	-	-	-
Under provided in prior years	0.08%	3,289,598	-2.92%	(121,178,712)
Total income tax expenses	<b>51.81%</b>	<b>2,186,375,000</b>	<b>42.14%</b>	<b>1,739,842,732</b>

### 13.4 Provision for loans and advances - other than OBU

<b>A) Specific provision against loans and advances</b>				
Opening balance	866,437,600	610,681,300	866,437,600	610,681,300
Fully provided debt written off during the year	(325,001,027)	(65,211,773)	(325,001,027)	(65,211,773)
Recovery of amounts previously written off	-	-	-	-
Specific provision for the year	845,884,252	320,968,073	845,884,252	320,968,073
Provision released or no longer required	-	-	-	-
Provision held at the end of the year	<b>1,387,320,825</b>	<b>866,437,600</b>	<b>1,387,320,825</b>	<b>866,437,600</b>
Required provision as per relevant BRPD circular of BB	1,379,320,825	856,437,600	1,379,320,825	856,437,600
Surplus/ (Shortage)	<b>8,000,000</b>	<b>10,000,000</b>	<b>8,000,000</b>	<b>10,000,000</b>

Note	Consolidated		Bank	
	2012	2011	2012	2011
B) General provision against unclassified loans and advances				
Opening balance	1,086,208,985	807,928,663	1,086,208,985	807,928,663
Provision made during the year for loans and advances	(103,879,409)	278,280,322	(103,879,409)	278,280,322
Provision held at the end of the year	<b>982,329,576</b>	<b>1,086,208,985</b>	<b>982,329,576</b>	<b>1,086,208,985</b>
Required provision as per relevant BRPD circular of BB	982,329,576	1,086,208,985	982,329,576	1,086,208,985
Surplus/ (Shortage)	-	-	-	-
C) General provision against contingent assets (1%)				
Opening balance	390,927,388	271,096,399	390,927,388	271,096,399
Provision during the year for contingent assets	96,584,780	119,830,989	96,584,780	119,830,989
Provision held at the end of the year	<b>487,512,168</b>	<b>390,927,388</b>	<b>487,512,168</b>	<b>390,927,388</b>
Required provision as per relevant BRPD circular of BB	487,512,168	390,927,388	487,512,168	390,927,388
Surplus/ (Shortage)	-	-	-	-
<b>Total (A+B+C)</b>	<b>2,857,162,570</b>	<b>2,343,573,973</b>	<b>2,857,162,570</b>	<b>2,343,573,973</b>

## 13.4.1 Provision for loans and advances charged during the year

	Main Operation	OBU	Total
General Provision for UC loans & advances	(103,879,409)	30,766,438	(73,112,971)
General Provision for Contingent liabilities	96,584,780	421,150	97,005,930
General Provision charged during the year	(7,294,629)	31,187,588	23,892,959
Specific Provision	845,884,252	-	845,884,252
<b>Total Provision for loans and advances charged during the year</b>	<b>838,589,623</b>	<b>31,187,588</b>	<b>869,777,211</b>

## 13.4.2 Calculation of provision for loans and advances as per CL

Nature	Outstanding	Interest suspense	Eligible securities	Base for provision	Required Provision	Actual provision	Surplus / (shortage)
	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Standard	91,976,773,628	173,320,377	-	91,976,773,628	1,042,160,699	1,042,160,699	-
SMA	642,928,794	4,746,409	-	642,928,794	32,146,440	32,146,440	-
SS	263,721,106	21,682,593	3,350,000	238,738,222	47,747,645	47,747,645	-
DF	593,082,222	64,534,607	109,100,000	420,304,590	210,152,294	210,152,294	-
BL	2,213,971,147	400,970,448	747,704,713	1,121,420,886	1,121,420,887	1,129,420,887	8,000,000
Staff loan	1,029,259,633	-	-	-	-	-	-
<b>Total Loans</b>	<b>96,719,736,531</b>	<b>665,254,434</b>	<b>860,154,713</b>	<b>94,400,166,120</b>	<b>2,453,627,965</b>	<b>2,461,627,965</b>	<b>8,000,000</b>
Contingent liabilities	48,833,999,826	-	-	48,833,999,826	488,339,998	488,339,998	-
<b>Total</b>	<b>145,553,736,357</b>	<b>665,254,434</b>	<b>860,154,713</b>	<b>143,234,165,947</b>	<b>2,941,967,963</b>	<b>2,949,967,963</b>	<b>8,000,000</b>
Provision for unclassified loans and advances - OBU					(92,805,394)	(92,805,394)	-
<b>Provision for loans and advances (excluding OBU)</b>					<b>2,849,162,570</b>	<b>2,857,162,570</b>	<b>8,000,000</b>

## 13.5 Interest suspense account

Opening balance	352,951,006	273,601,197	352,951,006	273,601,197
Amount transferred during the year	1,116,758,008	594,364,262	1,116,758,008	594,364,262
Amount recovered during the year	(743,161,059)	(501,552,977)	(743,161,059)	(501,552,978)
Amount written off during the year	(61,293,521)	(13,461,476)	(61,293,521)	(13,461,476)
Balance at the end of the year	<b>665,254,434</b>	<b>352,951,006</b>	<b>665,254,434</b>	<b>352,951,006</b>

Note	Consolidated		Bank	
	2012	2011	2012	2011
<b>13.6 Provision for other assets</b>				
Opening balance	8,313,675	2,768,103	8,313,675	2,768,103
Provision made during the year	13,150,115	5,805,283	13,150,115	5,805,283
Adjustment made during the year	-	(259,711)	-	(259,711)
	<b>21,463,790</b>	<b>8,313,675</b>	<b>21,463,790</b>	<b>8,313,675</b>
<b>13.7 Provision for revaluation of shares</b>				
Opening balance	273,322,488	27,024,575	273,322,488	27,024,575
Provision made during the year	478,773,309	247,978,853	478,773,309	247,978,853
Adjustment made during the year	(27,749,567)	(1,680,940)	(27,749,567)	(1,680,940)
	<b>724,346,229</b>	<b>273,322,488</b>	<b>724,346,229</b>	<b>273,322,488</b>
<i>Provision has been made on unrealized loss (gain net off) according to DOS Circular No. 4 dated 24 November 2011.</i>				
<b>13.8 Miscellaneous payable</b>				
Sale of savings certificate and WEDB	15,174,914	1,024,914	15,174,914	10,181,914
Unclaimed instruments	2,329,574	2,329,574	2,329,574	2,329,574
Others	148,498,387	202,768,819	148,498,387	193,611,819
	<b>166,002,875</b>	<b>206,123,307</b>	<b>166,002,875</b>	<b>206,123,307</b>
<b>13.9 Conversion balance</b>				
This corresponding balance of Tk. 148,614 evolved at the time of system migration from Flexcube to UBS (Universal Business Solution-an upgraded version of former flexcube). The balance was created while uploading contracts (both loan and deposit) and GL balances in UBS. This balance has been adjusted in 2012 after pointing out the differences through reconciliation.				
<b>13.10 Other liabilities-Offshore banking unit</b>				
Conversion GL-liability	-	81,684,700	-	81,684,700
Sundry creditors	97,469	122,746	97,469	122,746
	<b>97,469</b>	<b>81,807,446</b>	<b>97,469</b>	<b>81,807,446</b>
<b>13.11 Other liabilities of subsidiaries</b>				
Accounts payable	76,864,037	82,928,605		
Liabilities for expenses	7,927,608	8,652,095		
Others liabilities	44,546,000	55,664,400		
Bank overdraft	654,886,483	715,987,416		
	<b>784,224,128</b>	<b>863,232,516</b>		
Less: Elimination of Intra-group transactions				
Rent receivable	(4,488,400)	(5,664,400)		
Payables-Share trading account	(417,741)	(2,331,786)		
Interim dividend receivable	(40,000,000)	(30,000,000)		
Bank overdraft	(654,886,483)	(715,987,416)		
	<b>(699,792,624)</b>	<b>(753,983,602)</b>		
Net other liabilities	<b>84,431,504</b>	<b>109,248,914</b>		

Note	Consolidated		Bank	
	2012	2011	2012	2011
<b>13.a Nostro Reconciliation</b>				
	<b>As per our book (GL)</b>		<b>As per their book (statement)</b>	
	<b>Debit (USD)</b>	<b>Credit (USD)</b>	<b>Debit (USD)</b>	<b>Credit (USD)</b>
Up to three months	1,656,867	4,554,969	1,020,954	3,750,747
More than three months but less than six months	-	-	-	-
More than six months but less than nine months	-	-	-	-
More than nine months but less than twelve months	-	-	-	-
More than twelve months	-	-	-	-
<b>Total</b>	<b>1,656,867</b>	<b>4,554,969</b>	<b>1,020,954</b>	<b>3,750,747</b>

\* The Bank is not required to make provision regarding the unreconciled debit balance as at balance sheet date since there was no debit entry aging more than three months.

## 14 Share Capital

### A) Authorized capital

1,200,000,000 ordinary shares of Tk 10 each

	<b>12,000,000,000</b>	<b>12,000,000,000</b>	<b>12,000,000,000</b>	<b>12,000,000,000</b>
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### B) Issued, subscribed and fully paid up capital

	<b>2012 (Nos)</b>	<b>2011 (Nos)</b>				
Issued against cash	129,345,000	129,345,000	1,293,450,000	1,293,450,000	1,293,450,000	1,293,450,000
Issued as bonus share*	481,834,785	323,380,767	4,818,347,850	3,233,807,670	4,818,347,850	3,233,807,670
<b>Total</b>	<b>611,179,785</b>	<b>452,725,767</b>	<b>6,111,797,850</b>	<b>4,527,257,670</b>	<b>6,111,797,850</b>	<b>4,527,257,670</b>

\*During 2012 total 158,454,018 number of shares have been issued as stock dividend (i.e. 35% on outstanding of 2011).

### 14.1 Slab wise list as on 31 December 2012

In terms of the clause (cha) of the Memorandum of Association and Article # 4 of the Articles of Association of the Bank and clause 4 of the Scheme of Reconstruction, the Authorised Capital of the Bank was Tk 12,000,000,000 divided into 1,200,000,000 ordinary shares of Tk 10 each. The issued, subscribed and fully paid up capital of the bank is Tk 6,111,797,850 divided into 611,179,785 ordinary shares of Tk 10 each. Subject to above conditions the break up of issued, subscribed and paid up capital of Tk 6,111,797,850 as on 31 December 2012 is as follows:

#### Percentage of group wise shareholdings:

Shareholders' group	2012			2011		
	No. of shares	(%) of shareholding	Taka	No. of Shares	(%) of shareholding	Taka
Directors	192,923,886	31.57%	1,929,238,860	30,480,330	6.73%	304,803,300
General Public	342,083,464	55.97%	3,420,834,640	377,809,189	83.45%	3,778,091,890
Financial Institutions	76,172,435	12.46%	761,724,350	44,436,248	9.82%	444,362,480
<b>Total</b>	<b>611,179,785</b>	<b>100.00%</b>	<b>6,111,797,850</b>	<b>452,725,767</b>	<b>100.00%</b>	<b>4,527,257,670</b>

Status of shareholding (shares of EBL) as on 31 December 2012 by CEO, CFO, Head of Internal Control and Compliance, Company Secretary and top five salaried executives is shown in the following table:

#### CEO, CS, CFO & HoICC and their spouses & minor children.

Name	Designation	Shareholding position (Nos) as on 31-12-2012
Ali Reza Iftekhar (with his spouse & minor children)	Managing Director & CEO	146,893
Safiar Rahman (with his spouse & minor children)	SEVP & Company Secretary	-
Akhtar Kamal Talukder (with his spouse & minor children)	SEVP & Head of Internal Control and Compliance	16,006
Muhammad Maniruzzaman (with his spouse & minor children)	VP & Head of Finance	-

**Executives (Top five salaried employees other than CEO, CS, CFO & HoICC)**

Muklesur Rahman	DMD-Consumer Banking	-
Md. Fakhru Alam	DMD-Corporate Banking and Treasury	293
Sami Karim	SEVP & Head of Special Assets Management	-
Syed Rafiqul Haq	SEVP & Area Head of Corporate Banking, Dhaka	373
S M Akhtaruzzaman Chowdhury	SEVP & Head of Operations	-

Shares held by any shareholder to the extent of 10% or more. **Nil**

A range wise distribution schedule of the above shares is given below as required by the regulation 37 of the Listing Regulations of Dhaka Stock Exchange Limited:

Range	No. of shareholders	No. of shares	(%) of share holding
001-500	9,249	1,763,784	0.29%
501-5,000	6,713	10,851,164	1.78%
5,001-10,000	663	4,696,815	0.77%
10,001-20,000	356	4,873,130	0.80%
20,001-30,000	135	3,350,234	0.55%
30,001-40,000	56	1,912,021	0.31%
40,001-50,000	52	2,346,474	0.38%
50,001-100,000	122	8,698,452	1.42%
100,001-1,000,000	205	64,274,698	10.52%
1,000,001 and above	67	508,413,013	83.19%
<b>Total</b>	<b>17,618</b>	<b>611,179,785</b>	<b>100.00%</b>

Note	Consolidated		Bank	
	2012	2011	2012	2011

**14.2 Capital adequacy ratio (BASEL II)**
**Tier – I (Core capital)**

Paid up capital	6,111,797,850	4,527,257,670	6,111,797,850	4,527,257,670
Statutory reserve	4,395,274,232	3,551,351,414	4,395,274,232	3,551,351,414
General reserve	160,000,000	160,000,000	160,000,000	160,000,000
Dividend equalization reserve	356,040,000	356,040,000	356,040,000	356,040,000
Retained earnings	1,348,849,899	1,638,337,763	1,208,643,175	1,603,867,084
Non controlling interest in subsidiaries	-	11,082,736	-	-
	<b>12,371,961,981</b>	<b>10,244,069,583</b>	<b>12,231,755,257</b>	<b>10,198,516,168</b>

**Tier –II (Supplementary capital)**

General provision against UC loans and contingent assets	1,562,647,138	1,540,953,649	1,562,647,138	1,540,953,649
Revaluation Reserve for Securities up to 50%	6,926,686	204,518,714	6,926,686	204,518,714

Note	Consolidated		Bank	
	2012	2011	2012	2011
Assets Revaluation Reserves up to 50%	1,844,747,775	1,325,970,875	1,844,747,775	1,325,970,875
	3,414,321,599	3,071,443,238	3,414,321,599	3,071,443,238
Tier –III (Additional Supplementary capital)	-	-	-	-
<b>A. Total capital</b>	<b>15,786,283,580</b>	<b>13,315,512,821</b>	<b>15,646,076,856</b>	<b>13,269,959,406</b>
B. Total risk weighted assets	129,635,173,574	130,089,044,267	129,812,217,605	130,351,137,719
C. Required capital based on risk weighted assets (10% on B)	12,963,517,357	13,008,904,427	12,981,221,760	13,035,113,772
<b>D. Surplus/(deficiency) [A - C]</b>	<b>2,822,766,223</b>	<b>306,608,394</b>	<b>2,664,855,096</b>	<b>234,845,634</b>

#### 14.2 Capital adequacy ratio (BASEL II)

	Minimum requirement		Consolidated		Bank (Solo)	
	2012	2011	2012	2011	2012	2011
On core capital	5%	5%	9.54%	7.87%	9.42%	7.82%
On supplementary capital	Not specified	Not specified	2.64%	2.36%	2.63%	2.36%
On additional supplementary capital	Not specified	Not specified	-	-	-	-
On total capital	<b>10%</b>	<b>10%</b>	<b>12.18%</b>	<b>10.24%</b>	<b>12.05%</b>	<b>10.18%</b>

#### 15 Statutory Reserve

Opening balance	3,551,351,414	2,725,521,942	3,551,351,414	2,725,521,942
Transferred from profit during the year	843,922,818	825,829,472	843,922,818	825,829,472
Closing balance	<b>4,395,274,232</b>	<b>3,551,351,414</b>	<b>4,395,274,232</b>	<b>3,551,351,414</b>

#### 16 Dividend equalization reserve

Opening balance	356,040,000	356,040,000	356,040,000	356,040,000
Transferred from profit during the year	-	-	-	-
Closing balance	<b>356,040,000</b>	<b>356,040,000</b>	<b>356,040,000</b>	<b>356,040,000</b>

"According to BRPD Circular No. 18 dated 20 October 2002, in case of declaring dividend in cash at higher rate i.e., beyond 20% , a sum equal to the amount of dividend in excess of 20% shall have to be transferred to the Dividend Equalization Account which shall be treated as 'Core Capital' of the bank."

#### 17 Reserve against Pre-takeover loss

Opening balance	1,554,759,750	1,554,759,750	1,554,759,750	1,554,759,750
Adjustment during the year	-	-	-	-
Closing balance	<b>1,554,759,750</b>	<b>1,554,759,750</b>	<b>1,554,759,750</b>	<b>1,554,759,750</b>

This represents the amount deducted from depositors and other accounts of customers of erstwhile BCCI branches in Bangladesh under clause 11(3) of the Scheme. In accordance with clause 14 of the Scheme, a review was carried out of the recovery made against the BCCI assets in 1997 and it was concluded that no repayment of the deductions need to be made to the depositors of BCCI as per the Scheme. As this provision is no longer required, it therefore, has been shown as reserve against pretake over loss (Note-18).

#### 18 Pre-take over loss

Assets and liabilities of erstwhile BCCI which were not previously considered while calculating 'Pre-take over loss' and were reported with similar class of assets and liabilities of EBL, have been bundled with 'Pre-take over loss' during 2008 with retrospective effect in 2007.

	Note	Consolidated		Bank	
		2012	2011	2012	2011
Opening balance		(787,204,238)	(989,138,238)	(787,204,238)	(989,138,238)
Recoveries/adjustment during the year		(165,590,574)	201,934,000	(165,590,574)	201,934,000
Closing balance		<b>(952,794,812)</b>	<b>(787,204,238)</b>	<b>(952,794,812)</b>	<b>(787,204,238)</b>

#### 19 Assets revaluation reserve (land)

Opening balance		2,651,941,750	2,651,941,750	2,651,941,750	2,651,941,750
Addition during the year	19.1	1,037,553,800	-	1,037,553,800	-
Closing balance		<b>3,689,495,550</b>	<b>2,651,941,750</b>	<b>3,689,495,550</b>	<b>2,651,941,750</b>

#### 19.1

Location	Area of Land	Acquisition Date	Carrying value as at 01-01-2012	Revalued amount as at 31-12-2012	Revaluation Surplus booked earlier	Revaluation Surplus booked this year
1. Plot 364/A, Block: E, Bashundhara R/A, Dhaka	132 decimal	27/07/2008	560,000,000	640,000,000	253,400,000	80,000,000
2. Plot 19, Block: A, Bashundhara R/A, Dhaka	8.25 decimal	04/11/2009	62,500,000	87,500,000	10,081,837	25,000,000
3. Purbachol, Kaliganj, Gazipur.	140.5 decimal	11/09/2007	76,636,362	106,439,393	41,969,712	29,803,031
4. Plot 05, Block: CES (A), New 100 Gulshan Avenue, Dhaka	43.312 decimal	20/11/2002	1,837,478,788	2,624,969,697	1,741,853,838	787,490,909
5. 33, Agrabad, Chittagong	22.17 decimal	17/02/1983	604,636,363	671,818,181	604,636,363	67,181,818
6. Polash Bari, Ashulia, Savar, Dhaka	626.50 decimal	20/11/2011	453,121,957	501,200,000	-	48,078,043
			<b>3,594,373,470</b>	<b>4,631,927,270</b>	<b>2,651,941,750</b>	<b>1,037,553,800</b>

#### 20 Reserve for amortization of treasury securities (HTM)

Opening balance	3,793	-	3,793	-
Addition during the year	94,947	3,793	94,947	3,793
Adjustment made during the year	-	-	-	-
Closing balance	<b>98,740</b>	<b>3,793</b>	<b>98,740</b>	<b>3,793</b>

As per instruction/circular of Bangladesh Bank (DOS circular Letter No 05 dated 26 May 2008).

#### 21 Reserve for revaluation of treasury securities (HFT)

Opening balance	409,033,635	823,251,968	409,033,635	823,251,968
Addition during the year	47,110,062	203,328,674	47,110,062	203,328,674
Adjustment made during the year	(442,389,066)	(617,547,007)	(442,389,066)	(617,547,007)
Closing balance	<b>13,754,631</b>	<b>409,033,635</b>	<b>13,754,631</b>	<b>409,033,635</b>

#### 22 General reserve

Opening balance	160,000,000	160,000,000	160,000,000	160,000,000
Amount transferred from building fund	-	-	-	-
Adjustment made during the year	-	-	-	-
Closing balance	<b>160,000,000</b>	<b>160,000,000</b>	<b>160,000,000</b>	<b>160,000,000</b>

#### 23 Reserve against Non-banking assets

Opening balance	233,527,796	233,527,796	233,527,796	233,527,796
Amount transferred during the year	-	-	-	-
Adjustment made during the year	(29,100,000)	-	(29,100,000)	-
Closing balance	<b>204,427,796</b>	<b>233,527,796</b>	<b>204,427,796</b>	<b>233,527,796</b>

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>24 Foreign currency translation difference</b>					
Assets and liabilities of OBU have been presented into Taka (which is functional currency of Bank) using year end standard mid rate of exchange of the Bank @ USD 1 = BDT 79.8499 (2011: BDT 81.6847). Yearly incomes and expenses are translated using monthly average rate of standard mid rate of exchange (USD 1= BDT 81.8605). The net cumulative amount of the exchange differences has been presented separately as a component of equity as per BAS 21 (39).					
<b>25 Retained earnings</b>					
Opening balance		1,769,737,547	1,669,294,774	1,735,266,868	1,646,838,196
Profit for the year		2,392,730,023	2,532,718,515	2,235,100,710	2,490,704,414
Transfer to statutory reserve		(843,922,818)	(825,829,472)	(843,922,818)	(825,829,472)
Bonus share issued		(1,584,540,180)	(1,606,446,270)	(1,584,540,180)	(1,606,446,270)
Dividend received from subsidiary		-	-	40,000,000	30,000,000
Adjustment of non controlling interest	25.1	(11,893,270)	-	-	-
Closing balance		<b>1,722,111,302</b>	<b>1,769,737,547</b>	<b>1,581,904,578</b>	<b>1,735,266,868</b>
<b>25.1</b>	This amount represents retained earnings (RE) of EBLSL (40%) during the 2nd half of 2011 which was considered as non controlling interest (NCI) as of 31 December 2011. Since acquisition was done on the basis of 30 June 2011 and bargain purchase gain was considered thereon, this RE of NCI has been adjusted with current year's RE balance.				
<b>26 Non controlling interest</b>					
A) Non controlling Interest-EBL Securities Limited	26.1	-	150,680,336		
B) Non controlling Interest-EBL Investments Limited	26.2	-	108		
		-	<b>150,680,444</b>		
<b>26.1 Non controlling Interest-EBL Securities Limited</b>					
Book value of closing total assets		-	935,321,036		
Book value of closing external liabilities		-	(907,614,196)		
Book value of closing net assets		-	27,706,840		
Fair value adjustment	26.1.a	-	348,994,000		
Fair value of closing net assets		-	<b>376,700,840</b>		
Non controlling interest @ 40%		-	150,680,336		
<b>26.1.a Fair value adjustment</b>					
Fair value of DSE membership	9.3	-	349,000,000		
Book value of DSE membership		-	6,000		
Fair value adjustment		-	<b>348,994,000</b>		
<b>26.2 B) Non controlling Interest-EBL Investments Limited</b>					
Book value of closing total assets		-	335,373,497		
Book value of closing external liabilities		-	(10,923,314)		
<b>Book value of closing net assets</b>		-	<b>324,450,183</b>		
Non controlling interest @ 0.00003333%		-	108		
<b>27 Contingent liabilities</b>					
Acceptance and endorsements	27.1	26,450,629,146	23,317,821,842	26,450,629,146	23,317,821,842
Letters of guarantee	27.2	10,054,243,019	6,725,466,917	10,054,243,019	6,725,466,917
Irrevocable letters of credit	27.3	12,329,127,919	12,007,896,260	12,329,127,919	12,007,896,260
Bills for collection	27.4	4,199,088,283	3,814,511,421	4,199,088,283	3,814,511,421
		<b>53,033,088,367</b>	<b>45,865,696,440</b>	<b>53,033,088,367</b>	<b>45,865,696,440</b>

Note	Consolidated		Bank	
	2012	2011	2012	2011
<b>27.1 Acceptance and endorsements</b>				
Acceptances	7,135,006,250	6,922,822,801	7,135,006,250	6,922,822,801
Acceptances-(ULC-Cash)	19,294,568,246	16,394,794,076	19,294,568,246	16,394,794,076
	<b>26,429,574,496</b>	<b>23,317,616,877</b>	<b>26,429,574,496</b>	<b>23,317,616,877</b>
Acceptances-Offshore Banking Unit	21,054,649	204,965	21,054,649	204,965
	<b>26,450,629,146</b>	<b>23,317,821,842</b>	<b>26,450,629,146</b>	<b>23,317,821,842</b>
<b>27.2 Letters of guarantees</b>				
Directors	980,260	1,094,180	980,260	1,094,180
Government	484,095,727	4,996,327	484,095,727	4,996,327
Banks and other financial institutions	4,167,611,023	1,869,355,412	4,167,611,023	1,869,355,412
Others (Customers etc.)	5,401,556,009	4,839,169,594	5,401,556,009	4,839,169,594
	<b>10,054,243,019</b>	<b>6,714,615,513</b>	<b>10,054,243,019</b>	<b>6,714,615,513</b>
Letter of guarantee-Offshore Banking Unit	-	10,851,404	-	10,851,404
	<b>10,054,243,019</b>	<b>6,725,466,917</b>	<b>10,054,243,019</b>	<b>6,725,466,917</b>
<b>27.2.1</b>	A case was filed by Eastern Bank Limited, successor of BCCI Overseas Limited against National Bank Ltd (NBL) for issuing guarantee at Artha Rin Adalat - 3, Dhaka, which has been decreed against NBL on 04 January 2004 for Tk 27,366,450 plus interest @ 18% p.a. amounting to Tk 45,565,139 from 01 October 1994 to 31 December 2003 making an aggregate amount of Tk 72,931,589. Against the decreed amount, NBL has made an appeal against the order which is still pending with the Honorable High Court, Dhaka. Before filing the appeal NBL has paid Tk 13,683,225 to the court being 50% of the principal decreed amount.			
<b>27.3 Irrevocable letters of credit</b>				
Letters of credit (LC)- Cash sight	3,079,465,675	5,642,276,503	3,079,465,675	5,642,276,503
Letters of credit (LC)- Cash Usance	4,551,213,399	2,845,760,706	4,551,213,399	2,845,760,706
Letters of credit (LC)- Back to Back	4,636,720,477	3,489,067,619	4,636,720,477	3,489,067,619
	12,267,399,551	11,977,104,828	12,267,399,551	11,977,104,828
Letter of credit-Offshore Banking Unit	61,728,368	30,791,432	61,728,368	30,791,432
	<b>12,329,127,919</b>	<b>12,007,896,260</b>	<b>12,329,127,919</b>	<b>12,007,896,260</b>
<b>27.4 Bills for collection</b>				
Local Documentary Bills Collection (LDBC)	2,502,886,996	1,412,756,055	2,502,886,996	1,412,756,055
Foreign Documentary Bills Collection (FDBC)	1,263,839,382	2,095,290,300	1,263,839,382	2,095,290,300
Bills for collection (Margin)	432,361,905	288,072,756	432,361,905	288,072,756
	4,199,088,283	3,796,119,111	4,199,088,283	3,796,119,111
Bills for collection- Offshore Banking Unit	-	18,392,310	-	18,392,310
	<b>4,199,088,283</b>	<b>3,814,511,421</b>	<b>4,199,088,283</b>	<b>3,814,511,421</b>
<b>27.5 Workers' profit participation fund (WPPF)</b>				

As per Bangladesh Labour Act 2006 and SRO no. 336/Law/2010, all companies falling within the scope of WPPF are required to provide 5% of its profit before charging such expense to their eligible employees within the stipulated time. Bank obtained opinion from its legal advisor regarding this issue which stated that the Bank was not required to make provision for WPPF as Bank was not within the scope of WPPF. As such the Bank did not make any provision during the year for WPPF.

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>28 Interest income</b>					
Interest on advances		11,972,463,051	8,579,605,149	11,926,079,521	8,547,129,347
Interest on money at call and short notice		393,421,697	104,468,786	393,421,697	104,468,786
Interest on placement with other banks and financial institutions		906,954,962	753,823,244	906,954,962	753,823,244
Interest on foreign currency balances		6,957,817	10,805,571	6,957,817	10,805,571
Interest income-offshore banking unit		464,808,821	296,912,513	464,808,821	296,912,513
		<b>13,744,606,348</b>	<b>9,745,615,263</b>	<b>13,698,222,818</b>	<b>9,713,139,461</b>
<b>29 Interest paid on deposits and borrowings</b>					
Interest on deposits	29.01	7,593,997,222	5,543,330,191	7,619,010,461	5,567,293,312
Interest on borrowings from Banks & FIs	29.02	671,321,413	483,460,769	671,321,413	483,460,769
Interest on borrowings from BB	29.03	445,134,602	229,006,269	445,134,602	229,006,269
Interest on Margin		3,452,437	4,892,673	3,452,437	4,892,673
Interest paid on deposits and borrowings-offshore banking unit		145,181,727	114,065,254	145,181,727	114,065,254
		<b>8,859,087,401</b>	<b>6,374,755,156</b>	<b>8,884,100,640</b>	<b>6,398,718,277</b>
<b>29.01 Interest on deposits</b>					
Interest on saving deposits		687,782,816	622,738,194	687,782,816	622,738,194
Interest on short notice deposits		1,493,161,024	944,852,942	1,518,174,263	968,816,063
Interest on term deposits		5,413,053,382	3,975,739,055	5,413,053,382	3,975,739,055
		<b>7,593,997,222</b>	<b>5,543,330,191</b>	<b>7,619,010,461</b>	<b>5,567,293,312</b>
<b>29.02 Interest on borrowings from Banks &amp; FIs</b>					
Interest on demand borrowing		487,994,822	277,244,608	487,994,822	277,244,608
Interest on term borrowing		183,326,591	206,216,161	183,326,591	206,216,161
		<b>671,321,413</b>	<b>483,460,769</b>	<b>671,321,413</b>	<b>483,460,769</b>
<b>29.03 Interest on borrowings from Bangladesh Bank (BB)</b>					
Interest on Repo with Bangladesh Bank		71,563,392	82,248,682	71,563,392	82,248,682
Interest on Repo with BB against ALS		127,438,931	-	127,438,931	-
Interest on borrowings under IPFF		63,877,734	26,076,506	63,877,734	26,076,506
Interest on borrowings under EDF		42,188,219	15,499,148	42,188,219	15,499,148
Interest on Refinancing for Agrobased Industries		46,060,988	42,320,433	46,060,988	42,320,433
Interest on Refinancing Agribusiness - Revolving		91,431,379	62,861,500	91,431,379	62,861,500
Interest on Second Crop Diversification Project		2,169,516	-	2,169,516	-
Interest on SME Foundation		404,443	-	404,443	-
		<b>445,134,602</b>	<b>229,006,269</b>	<b>445,134,602</b>	<b>229,006,269</b>

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>30 Income from Investments</b>					
Dividend on shares					
Ordinary shares		49,863,071	71,060,860	49,926,334	70,930,360
Preference shares		1,912,500	4,462,500	1,912,500	4,462,500
		51,775,571	75,523,360	51,838,834	75,392,860
Interim dividend from EBL Securities Limited	30.1	-	-	40,000,000	30,000,000
Interest on Reverse REPO		256,559,103	175,878,341	256,559,103	175,878,341
Interest on debentures		2,443,288	3,788,877	2,443,288	3,788,877
Interest on bonds-Treasury		839,921,569	751,371,328	839,921,569	751,371,328
Interest on bills-Treasury		174,208,628	-	174,208,628	-
Interest on bonds- Corporate		42,171,111	43,922,222	42,171,111	43,922,222
Gain from trading in Govt. securities		120,574,616	423,181,814	120,574,616	423,181,814
Gain/ (loss) on reclassification/revaluation of treasury securities (HFT)*		(145,423,775)	(139,522,087)	(145,423,775)	(139,522,087)
Gain/ (loss) on shares traded in secondary market		112,308,484	608,499,385	112,308,484	606,076,134
		<b>1,454,538,594</b>	<b>1,942,643,240</b>	<b>1,494,601,857</b>	<b>1,970,089,489</b>

\*As per instruction/circular of Bangladesh Bank (DOS circular Letter No 05 dated 26 May 2008).

- 30.1 The Board of Directors of EBL Securities Limited decided to declare in its 67th board meeting an interim cash dividend of Tk. 40,000,000 (approx 13.33%) for the year 2012 .

### 31 Commission, exchange and brokerage

Fees and commission	1,513,106,953	1,359,005,931	1,508,001,320	1,343,214,131
Exchange gain net off exchange losses	756,843,202	749,559,543	756,843,202	749,559,543
Brokerage	54,399,517	68,241,824	-	-
Commission, exchange and brokerage-offshore banking unit	35,067,218	(1,190,804)	35,067,218	(1,190,804)
	<b>2,359,416,890</b>	<b>2,175,616,494</b>	<b>2,299,911,740</b>	<b>2,091,582,870</b>

### 32 Other operating income

Rebate earnings	42,135,373	41,589,558	42,135,373	41,589,558
Postage charges recovered	10,850,518	10,424,548	10,850,518	10,424,548
Service charges related to trade operations	7,868,208	8,319,123	7,868,208	8,319,123
Swift & Telex charges	33,547,991	28,293,923	33,547,991	28,293,923
Recovery from written off loans	117,394,950	301,979,925	117,394,950	301,979,925
Locker rent	10,005,850	7,607,255	10,005,850	7,607,255
Gain on sale of fixed assets	4,710,392	2,233,809	4,710,392	2,233,809
Miscellaneous service income	9,528,207	15,823,987	8,250,562	13,493,387
Other operating income-offshore banking unit	988,022	563,442	988,022	563,442
	<b>237,029,510</b>	<b>416,835,568</b>	<b>235,751,865</b>	<b>414,504,968</b>

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>33 Salary and allowances</b>					
Basic salary		544,278,198	474,828,631	535,576,900	459,635,551
Allowances		869,418,385	693,863,868	860,717,087	693,863,868
Festival bonus		92,293,557	80,078,547	89,194,592	76,885,109
Performance bonus		119,000,000	119,000,000	119,000,000	119,000,000
Bank's contribution to provident fund		50,422,143	42,168,997	50,422,143	42,168,997
Contribution to gratuity fund	33.1	87,283,352	73,153,515	87,283,352	73,153,515
Contribution to superannuation fund	33.2	8,488,539	6,823,117	8,488,539	6,823,117
		<b>1,771,184,174</b>	<b>1,489,916,674</b>	<b>1,750,682,613</b>	<b>1,471,530,156</b>

### 33.1 Contribution to gratuity fund

Provision to gratuity fund was made as recommended by actuary in actuarial valuation report of the fund as on 30 September 2012. Valuation was carried out on "Projected unit credit method" as recommended in Bangladesh Accounting Standard (BAS) 19 "Employee Benefits". Under this method the valuation was done considering both "future service cost" which an employee shall obtain in normal course of service and "past service cost" which is the difference between assets built up from past contributions and accrued liabilities (i.e. benefits earned by members as a result of service as of valuation date).

#### Results of the valuation

a) The continuing fund

#### Past service position

Value of liabilities in respect of members in service	559,009,000
Value of fund	262,969,641
<b>Deficit</b>	<b>296,039,359</b>

#### Required contribution rates

Past service	3.20%
Future service	14.00%
<b>Of the total basic payroll</b>	<b>17.20%</b>

The above percentages apply to the basic payroll of all employees who are entitled to benefits under the employee gratuity fund.

b) The closed fund

If the fund is discontinued as at the date of valuation and benefits are paid as and when they fall due the financial position would be as follows:

Value of liabilities	175,163,000
Value of fund	262,969,641
<b>Deficit/(Surplus)</b>	<b>(87,806,641)</b>

Finally, actuary recommended that with effect from 1 October 2012 a contribution of at least 17.20% of basic payroll is contributed into the fund each year until the next actuarial review is done. The Bank is maintaining recommended provision from above mentioned date.

### 33.1.a Contribution to Gratuity fund during the year

Basic payroll upto September 2012 (9 months)	404,104,142
Basic payroll for Oct to Dec 2012 (3 months)	139,117,120
<b>Basic payroll January-December 2012</b>	<b>543,221,261</b>
Required contribution for 9 months (15.68% on basic payroll)	63,363,529
Required contribution for 3 months (17.20% on basic payroll)	23,919,823
<b>Required contribution during the year</b>	<b>87,283,352</b>
Maintained during the year	87,283,352
<b>Deficit/(Surplus)</b>	<b>-</b>

### 33.2 Contribution to superannuation fund

Provision to superannuation fund was made as recommended by actuary in actuarial valuation report of the fund as on 30 September 2012. Valuation was carried out on "Projected unit credit method" methodology as recommended in Bangladesh Accounting Standard (BAS) 19 "Employee Benefits". Under this method the valuation was done considering both "future service cost" which an employee shall obtain in normal course of service and "past service cost" which is the difference between assets built up from past contributions and accrued liabilities (i.e. benefits earned by members as a result of service as of valuation date).

#### Results of the valuation

#### a) The continuing fund

##### Past service position

Value of liabilities in respect of members in service	148,324,000
Value of fund	74,874,149
<b>Deficit/(Surplus)</b>	<b>73,449,851</b>

##### Required contribution rates

Past service	0.40%
Future service	1.00%
<b>Of the total admissible benefit</b>	<b>1.40%</b>

#### b) The closed fund

If the fund winds up at the date of valuation and benefits are paid as and when they fall due in accordance with the rules the financial position of the fund would be as follows.

Value of liabilities	52,339,000
Value of fund	74,874,149
<b>Deficit/(Surplus)</b>	<b>(22,535,149)</b>

The actuary recommended a contribution of at least 1.40% of total admissible benefits is paid in the fund until the next actuarial investigation is carried out.

### 33.2.a Contribution to Superannuation fund during the year

Admissible benefits as per previous valuation	588,200,000
Admissible benefits as per latest valuation	963,200,000
<b>Required contribution for 9 months (1.16% on admissible benefits)</b>	<b>5,117,340</b>
<b>Required contribution for 3 months (1.40% on admissible benefits)</b>	<b>3,371,200</b>
<b>Required contribution during the year</b>	<b>8,488,539</b>
Maintained during the year	8,488,539
<b>Deficit/(Surplus)</b>	<b>-</b>

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>34 Rent, taxes, insurance, utilities etc.</b>					
Rents, rates and taxes - Premises		230,720,564	178,789,654	225,419,673	172,998,935
Insurance premium		64,522,315	47,279,329	64,507,947	47,264,960
Utilities (except telecommunication)		61,022,428	34,464,317	60,017,385	33,626,000
		<b>356,265,307</b>	<b>260,533,300</b>	<b>349,945,005</b>	<b>253,889,895</b>
<b>35 Legal &amp; professional expenses</b>					
Legal & professional expenses		34,542,437	22,556,234	33,949,597	22,522,234
Other professional expenses		17,103,068	21,663,382	17,103,068	21,558,382
		<b>51,645,505</b>	<b>44,219,615</b>	<b>51,052,665</b>	<b>44,080,615</b>
<b>36 Postage, stamp, telecommunication etc.</b>					
Telephone -office		17,228,032	16,567,448	17,228,032	16,567,448
Lan, Wan, Swift and Telex		57,061,811	39,308,918	55,752,011	39,308,918
Postage & courier		23,161,341	22,473,857	23,161,341	22,473,857
Stamp & court fees		310,585	683,883	306,955	209,058
		<b>97,761,769</b>	<b>79,034,106</b>	<b>96,448,339</b>	<b>78,559,281</b>
<b>37 Stationery, printing, advertisement etc.</b>					
Printing and stationery		62,306,932	66,548,285	62,093,454	66,261,219
Publicity and advertisement		148,359,356	137,641,277	148,343,449	137,626,857
		<b>210,666,288</b>	<b>204,189,562</b>	<b>210,436,903</b>	<b>203,888,076</b>
<b>38 Managing Director's salary and allowances</b>					
Basic salary		7,644,361	6,949,419	7,644,361	6,949,419
Allowances		4,080,000	4,080,000	4,080,000	4,080,000
Bonus		2,293,600	2,232,000	2,293,600	2,232,000
Bank's contribution to provident fund		764,436	694,942	764,436	694,942
		<b>14,782,397</b>	<b>13,956,361</b>	<b>14,782,397</b>	<b>13,956,361</b>
<b>39 Directors' fees &amp; expenses</b>					
Meeting attendance fees		1,135,000	1,078,000	1,105,000	1,060,000
Other expenses		1,824,483	1,542,236	1,824,483	1,542,236
		<b>2,959,483</b>	<b>2,620,236</b>	<b>2,929,483</b>	<b>2,602,236</b>
Each director is paid for Tk. 5,000/- per Board meeting and per committee meeting.					
<b>40 Audit Fees</b>					
Statutory audit fees for the year		443,478	476,555	350,000	350,000
VAT on audit fees (15% and 4.5% in 2012 and 2011 respectively)		66,522	21,445	52,500	15,750
		<b>510,000</b>	<b>498,000</b>	<b>402,500</b>	<b>365,750</b>

Note	Consolidated		Bank	
	2012	2011	2012	2011
<b>41 Repairs, maintenance and depreciation</b>				
<b>Depreciation: ( Annexure 'A' &amp; 'A1')</b>				
Buildings	9,948,156	2,929,033	9,948,156	2,929,033
Machinery and equipment	95,956,939	58,457,201	95,276,690	57,794,051
Computer and network equipment	43,350,906	48,358,032	42,730,609	47,898,356
Vehicles	14,564,565	9,729,454	14,363,219	9,528,108
Furniture and fixtures & leased assets	28,702,401	24,311,852	27,759,287	23,398,947
Software	9,441,734	16,785,757	9,139,938	16,533,835
	<b>201,964,701</b>	<b>160,571,329</b>	<b>199,217,899</b>	<b>158,082,330</b>
<b>Repairs and maintenance</b>				
Machinery & equipments	45,038,756	36,891,529	44,347,372	36,891,529
Vehicles	7,121,961	3,506,621	7,121,961	3,506,621
Furniture and fixtures	11,839,213	12,087,544	11,839,213	12,087,544
Rented premises- general	69,103,461	49,701,354	69,077,060	48,310,329
Rented premises-electricity & lighting	31,117,733	23,436,453	31,117,733	22,958,245
Software maintenance	57,554,074	27,825,562	57,289,414	27,656,379
	<b>221,775,197</b>	<b>153,449,063</b>	<b>220,792,752</b>	<b>151,410,647</b>
<b>Total</b>	<b>423,739,898</b>	<b>314,020,392</b>	<b>420,010,651</b>	<b>309,492,977</b>
<b>42 Other expenses</b>				
Card expenses	86,549,512	48,350,543	86,549,512	48,350,543
Business travelling & conveyance	54,707,768	37,984,409	53,390,034	37,595,861
Bank charges	11,687,260	17,686,082	11,652,397	17,686,082
Donation	5,172,410	6,395,014	5,172,410	6,395,014
Fees and subscriptions	3,390,385	5,656,925	3,372,067	5,560,276
Books, periodicals and publications	520,338	1,823,288	448,468	1,823,288
Cartage/freight	1,563,379	1,340,107	1,563,379	1,340,107
Recruitment and training expenses	18,284,693	17,787,257	18,264,218	17,773,757
Entertainment & recreation	47,764,533	41,780,744	47,188,898	41,153,308
Uniform and liveries	2,854,587	4,188,516	2,854,587	4,188,516
Branch operating expenses	242,547	91,124	242,547	91,124
Office securities	79,655,507	58,823,135	79,357,938	58,823,135
Direct sales team (DST) expenses	25,268,029	29,114,145	25,268,029	28,991,880
Share transfer expenses (for stock dividend)	4,210,000	8,797,213	4,210,000	8,797,213
AGM expenses	4,709,519	4,118,379	4,709,519	4,118,379
Miscellaneous write off expenses	5,860	456,136	5,860	456,136
Share trading expenses	445,504	1,421,449	445,504	1,421,449
Loss on sale of fixed assets	166,934	-	166,934	-
Other operating expenses-OBU	21,520,057	20,302,406	21,520,057	20,302,406
Other expenses of subsidiaries	42.1 10,435,004	12,885,602	-	-
	<b>379,153,826</b>	<b>319,002,473</b>	<b>366,382,358</b>	<b>304,868,473</b>

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>42.1 Other expenses of subsidiaries</b>					
Petty expenses		451,716	513,357		
CDBL Charges		2,937,903	4,611,967		
Registration & renewal		384,853	31,295		
Guarantee premium		1,725,000	2,300,000		
Laga & Howla Charge		4,299,576	5,082,865		
Deferred revenue expenses (written off)		156,620	131,618		
Agency commission		479,336	214,500		
		<b>10,435,004</b>	<b>12,885,602</b>		
<b>43 Other non operating income</b>					
Gain from bargain purchase	43.1	103,473,610	-		
		<b>103,473,610</b>	-		
<b>43.1 Gain from bargain purchase</b>					
Net assets of the subsidiary at acquisition		33,351,862			
Fair value adjustment		553,794,000			
A. Fair value of net assets		587,145,862			
B. Purchase consideration for the subsidiary		479,900,000			
Bargain Purchase gain (A-B) *		107,245,862			
C. Purchase gain recognised at the time of 60% acquisition *		3,772,252			
Net purchase gain for remaining 40% acquisition *		<b>103,473,610</b>			
<i>*Bargain purchase gain was derived and treated following guidelines provided in paragraph 32, 33 and 34 of BFRS 3.</i>					
<b>44 Other provision</b>					
Provision against other assets	13.6	13,150,115	5,805,283	13,150,115	5,805,283
Loss on revaluation of shares	13.7	478,773,309	247,978,853	478,773,309	247,978,853
		<b>491,923,424</b>	<b>253,784,136</b>	<b>491,923,424</b>	<b>253,784,136</b>
<b>45 Deferred tax income (net)</b>					
Deferred tax income	9.10.a	254,367,269	136,411,431	254,367,269	136,411,431
Deferred tax expense	9.10.b	(12,505,650)	(5,011,647)	(12,505,650)	(5,011,647)
		<b>241,861,619</b>	<b>131,399,784</b>	<b>241,861,619</b>	<b>131,399,784</b>
<b>46 Earnings per share</b>					

Earnings per share (EPS) has been computed by dividing the profit after tax (PAT) by the weighted average number of ordinary shares outstanding as on 31 December 2012 as per BAS- 33 "Earnings Per Share". Bonus share issued during 2012 has been treated as if they had been in issue from the beginning of 2011 as per BAS-33. Diluted earning per share was not required to calculate as there were no dilution possibilities during the year.

	Note	Consolidated		Bank	
		2012	2011	2012	2011
<b>A Weighted average number of shares :</b>					
Number of shares in 2011 before bonus share issued		-	292,081,140	-	292,081,140
Bonus share issued in 2011		-	160,644,627	-	160,644,627
Number of shares in 2012 before bonus share issued		452,725,767	-	452,725,767	-
Bonus share issued in 2012		158,454,018	158,454,018	158,454,018	158,454,018
Weighted average number of shares		<b>611,179,785</b>	<b>611,179,785</b>	<b>611,179,785</b>	<b>611,179,785</b>
<b>B Earnings Per Share (EPS) :</b>					
Profit attributable to the shareholders of EBL for the year		2,392,730,023	2,532,718,515	2,275,100,710	2,520,704,413
Weighted average number of shares		611,179,785	611,179,785	611,179,785	611,179,785
<b>Earnings per share (EPS)</b>		<b>3.91</b>	<b>4.14</b>	<b>3.72</b>	<b>4.12</b>

#### 47 Changes in other assets

##### Opening balances:

Receivable from Subsidiary		-	314,049	37,996,186	158,625,766
DSE Membership fees		349,000,000	349,000,000	-	-
Other assets of subsidiary		31,065,875	29,974,899	-	-
Stock of stationeries		16,212,646	16,130,872	16,212,646	16,130,872
Stamps on hand		1,593,297	826,616	1,593,297	826,616
Advance to staff for expenses		311,549	1,368,329	311,549	1,368,329
Suspense account		7,719,869	5,277,572	7,719,869	5,277,572
Building under construction (for corporate office)		31,298,489	30,798,489	31,298,489	30,798,489
Security deposits-Govt. agencies		1,921,825	1,921,825	1,921,825	1,921,825
Interest and other dividend receivables		365,562,525	284,532,428	365,562,525	284,532,428
Sundry receivables		239,510,816	211,595,021	239,510,816	211,595,021
Advance rent		252,920,861	210,855,382	252,920,861	210,855,382
Prepayments and advance to vendors		394,130,405	79,561,054	394,130,404	79,561,054
Deferred tax asset/(liability)	9.10	134,625,371	3,225,587	134,625,371	3,225,587
Bangladesh Bank clearing account		1,822,390	1,316,193	1,822,390	1,316,193
Prepaid expenses- Offshore Banking Unit		10,210,587	-	10,210,588	-
		<b>1,837,906,506</b>	<b>1,226,698,317</b>	<b>1,495,836,817</b>	<b>1,006,035,135</b>

##### Closing balances:

Receivable from Subsidiary		-	-	47,097,400	37,996,186
DSE Membership fees		553,800,000	349,000,000	-	-
CSE Membership fees		201,500,000	-	-	-
Other assets of subsidiary		34,299,423	31,065,875	-	-
Stock of stationeries		16,148,228	16,212,646	16,148,228	16,212,646
Stamps on hand		1,734,226	1,593,297	1,734,226	1,593,297
Advance to staff for expenses		489,000	311,549	489,000	311,549
Suspense account		5,120,648	7,719,869	5,120,648	7,719,869
Building under construction (for corporate office)		201,326,929	31,298,489	201,326,929	31,298,489
Security deposits-Govt. agencies		2,257,801	1,921,825	2,257,801	1,921,825
Interest and other dividend receivables		473,930,637	365,562,525	473,930,637	365,562,525
Prepayments for new subsidiary - EBL Finance (HK) Ltd.		7,240,655	-	7,240,655	-
Sundry receivables		108,604,461	239,510,816	108,604,461	239,510,816
Advance rent		300,001,498	252,920,861	300,001,498	252,920,861

	Note	Consolidated		Bank	
		2012	2011	2012	2011
Prepayments and advance to vendors		262,706,223	394,130,405	262,706,223	394,130,404
Deferred tax asset/(liability)	9.10	376,486,990	134,625,371	376,486,990	134,625,371
Bangladesh Bank clearing account		22,788,981	1,822,390	22,788,981	1,822,390
Prepaid expenses- Offshore Banking Unit		10,990,449	10,210,587	10,990,449	10,210,588
		<b>2,579,426,148</b>	<b>1,837,906,506</b>	<b>1,836,924,125</b>	<b>1,495,836,817</b>
<b>Net changes in othe assets</b>		<b>(741,519,642)</b>	<b>(611,208,190)</b>	<b>(341,087,308)</b>	<b>(489,801,682)</b>

#### 48 Changes in other liabilities

##### Opening balances

Privileged creditors	202,929,150	194,535,568	202,862,900	194,535,568
Acquirer liabilities	230,261,579	9,664,199	230,261,579	9,664,199
Sundry creditors	127,523,117	138,046,350	127,523,117	137,988,850
Security deposit	18,669,666	18,608,733	18,669,666	18,608,733
Current tax liability/(assets)	1,305,487,103	925,357,267	1,284,069,311	900,234,007
Provision for loans and advances- other than OBU	2,343,573,973	1,689,706,362	2,343,573,973	1,689,706,362
Provision for loans and advances - OBU	63,817,276	49,727,612	63,817,276	49,727,612
Interest suspense account	352,951,006	273,601,197	352,951,006	273,601,197
Provision for other assets	8,313,675	2,768,103	8,313,675	2,768,103
Provision for revaluation of shares	273,322,488	27,024,575	273,322,488	27,024,575
Advance interest/commission received	28,119,144	22,429,762	28,119,144	22,429,762
Expenses payable	222,978,067	201,134,808	222,978,067	201,134,808
Interest payable on borrowing including OBU	199,236,547	149,508,933	199,236,547	149,508,933
Inter branch and inter system accounts	488,604	790,255	488,604	790,255
Advance export proceeds	540,406,862	258,942,629	540,406,862	258,942,629
Miscellaneous payable	206,123,307	543,751,607	206,123,307	543,751,607
Conversion balance	148,614	361,564	148,614	361,564
Other liabilities-offshore banking unit	81,807,446	49,727,612	81,807,446	49,727,612
Other liabilities of subsidiaries	109,248,914	554,273,290	-	-
	<b>6,315,406,537</b>	<b>5,109,960,427</b>	<b>6,184,673,581</b>	<b>4,530,506,378</b>

##### Closing balances

Privileged creditors	313,858,624	202,929,150	313,858,624	202,862,900
Acquirer liabilities	110,425,213	230,261,579	110,425,213	230,261,579
Sundry creditors	158,912,998	127,523,117	158,912,998	127,523,117
Security deposit	18,256,912	18,669,666	18,256,912	18,669,666
Current tax liability/(assets)	1,367,000,453	1,305,487,103	1,349,456,697	1,284,069,311
Provision for loans and advances- other than OBU	2,857,162,569	2,343,573,973	2,857,162,570	2,343,573,973
Provision for loans and advances - OBU	92,805,394	63,817,276	92,805,394	63,817,276
Interest suspense account	665,254,434	352,951,006	665,254,434	352,951,006
Provision for other assets	21,463,790	8,313,675	21,463,790	8,313,675
Provision for revaluation of shares	724,346,229	273,322,488	724,346,229	273,322,488
Advance interest/commission received	30,902,907	28,119,144	30,902,907	28,119,144
Expenses payable	223,545,831	222,978,067	223,545,831	222,978,067
Interest payable on borrowing including OBU	131,683,819	199,236,547	131,683,819	199,236,547
Inter branch and inter system accounts	266,802	488,604	266,802	488,604
Advance export proceeds	235,510,785	540,406,862	235,510,785	540,406,862
Miscellaneous payable	166,002,875	206,123,307	166,002,875	206,123,307

	Consolidated		Bank	
	2012	2011	2012	2011
Conversion balance	-	148,614	-	148,614
Other liabilities-offshore banking unit	97,469	81,807,446	97,469	81,807,446
Other liabilities of subsidiaries	84,431,504	109,248,914	-	-
	<b>7,201,928,608</b>	<b>6,315,406,537</b>	<b>7,099,953,349</b>	<b>6,184,673,581</b>
<b>Net changes in other liability</b>	<b>886,522,071</b>	<b>1,205,446,110</b>	<b>915,279,768</b>	<b>1,654,167,203</b>

#### 49 Events after the reporting period

The Board of Directors of Eastern Bank Limited in its Emergency Board Meeting held on 26 February 2013 recommended Cash Dividend @ 20% on the holding of shares i.e. (Tk. 2 against each share of Tk. 10) on the record date (10 March 2013) for the year 2012. The amount of recommended Cash Dividend is Tk. 1,222,359,570.

## Eastern Bank Limited and its subsidiaries

### Consolidated schedule of Fixed Assets

"Annexure-A"

as at 31 December 2012

Figures in Taka

Particulars	Cost				Accumulated Depreciation/Amortisation				Net book value at 31 December 2012
	Balance on 01 January 2012	Revaluation Reserve	Additions during the year	Disposals during the year	Balance at 31 December 2012	Balance on 1 January 2012	Charge for the year	On disposals during the year	
<b>Tangible assets:</b>									
Land	3,594,373,470	1,037,553,800	5,019,511	-	4,636,946,781	-	-	-	4,636,946,781
Building	307,099,220	-	155,702,688	-	462,801,908	6,993,846	9,948,156	-	445,859,906
Machinery and equipment	386,801,750	-	115,181,893	(17,845,691)	484,137,953	218,315,868	95,956,939	(17,725,711)	187,590,857
Computer and network equipment	293,222,115	-	33,878,074	-	327,100,189	172,404,329	43,350,906	-	111,344,954
Vehicles	96,986,201	-	16,896,300	(7,296,250)	106,586,251	52,651,496	14,564,565	(7,296,247)	46,666,437
Furniture and fixtures & leased assets under finance lease	360,751,811	-	42,956,122	(4,081,980)	399,625,955	191,919,707	28,702,401	(3,290,544)	182,294,392
<b>Intangible assets:</b>									
Software	92,527,305	-	107,926,409	-	200,453,714	23,909,905	9,441,734	-	167,102,075
<b>At 31 December 2012</b>	<b>5,131,761,872</b>	<b>1,037,553,800</b>	<b>477,560,997</b>	<b>(29,223,921)</b>	<b>6,617,652,752</b>	<b>666,195,150</b>	<b>201,964,701</b>	<b>(28,312,502)</b>	<b>839,847,350</b>

as at 31 December 2011

Figures in Taka

Particulars	Cost				Accumulated Depreciation/Amortisation				Net book value at 31 December 2011
	Balance on 01 January 2011	Revaluation Reserve	Additions during the year	Disposals during the year	Balance at 31 December 2011	Balance on 1 January 2011	Charge for the year	On disposals during the year	
<b>Tangible assets:</b>									
Land	3,141,251,513	-	453,121,957	-	3,594,373,470	-	-	-	3,594,373,470
Building	22,192,280	-	284,906,940	-	307,099,220	4,064,813	2,929,033	-	300,105,374
Machinery and equipment	296,097,971	-	90,703,779	-	386,801,750	159,858,667	58,457,201	-	168,487,682
Computer and network equipment	212,700,830	-	80,583,275	(61,990)	293,222,115	124,101,647	48,358,032	(55,351)	120,817,786
Vehicles	68,058,641	-	33,127,560	(4,200,000)	96,986,201	47,122,041	9,729,454	(4,199,999)	44,334,705
Furniture and fixtures & leased assets under finance lease	320,963,675	-	42,265,161	(2,477,025)	360,751,811	168,709,346	24,311,852	(1,101,491)	168,832,179
<b>Intangible assets:</b>									
Software	75,836,916	-	16,690,388	-	92,527,305	7,124,148	16,785,757	-	68,617,400
<b>At 31 December 2011</b>	<b>4,137,101,825</b>	<b>-</b>	<b>1,001,399,060</b>	<b>(6,739,015)</b>	<b>5,131,761,872</b>	<b>510,980,662</b>	<b>160,571,329</b>	<b>(5,356,841)</b>	<b>666,195,150</b>

## Eastern Bank Limited Schedule of Fixed Assets

"Annexure-A1"

as at 31 December 2012

Figures in Taka

Particulars	Cost				Accumulated Depreciation/Amortisation				Net book value at 31 December 2012	
	Balance on 01 January 2012	Revaluation Reserve	Additions during the year	Disposals during the year	Balance at 31 December 2012	Balance on 1 January 2012	Charge for the year	On disposals during the year		Balance at 31 December 2012
<b>Tangible assets:</b>										
Land	3,594,373,470	1,037,553,800	5,019,511	-	4,636,946,781	-	-	-	4,636,946,781	
Building	307,099,220	-	155,702,688	-	462,801,908	6,993,846	9,948,156	-	445,859,906	
Machinery and equipment	382,304,003	-	115,181,893	(17,845,691)	479,640,206	216,442,129	95,276,690	(17,725,711)	185,647,098	
Computer and network equipment	290,120,630	-	33,866,074	-	323,986,704	171,944,653	42,730,609	-	109,311,442	
Vehicles	95,643,896	-	16,896,300	(7,296,250)	105,243,946	52,111,883	14,363,219	(7,296,247)	46,065,091	
Furniture and fixtures & leased assets under finance lease	354,464,383	-	42,956,122	(4,081,980)	393,338,526	190,084,095	27,759,287	(3,290,544)	178,785,688	
<b>Intangible assets:</b>										
Software	90,515,325	-	107,926,409	-	198,441,734	23,657,983	9,139,938	-	165,643,814	
<b>At 31 December 2012</b>	<b>5,114,520,926</b>	<b>1,037,553,800</b>	<b>477,548,997</b>	<b>(29,223,921)</b>	<b>6,600,399,806</b>	<b>661,234,590</b>	<b>199,217,899</b>	<b>(28,312,502)</b>	<b>832,139,986</b>	<b>5,768,259,820</b>

as at 31 December 2011

Figures in Taka

Particulars	Cost				Accumulated Depreciation/Amortisation				Net book value at 31 December 2011	
	Balance on 01 January 2011	Revaluation Reserve	Additions during the year	Disposals during the year	Balance at 31 December 2011	Balance on 1 January 2011	Charge for the year	On disposals during the year		Balance at 31 December 2011
<b>Tangible assets:</b>										
Land	3,141,251,513	-	453,121,957	-	3,594,373,470	-	-	-	3,594,373,470	
Building	22,192,280	-	284,906,940	-	307,099,220	4,064,813	2,929,033	-	300,105,374	
Machinery and equipment	292,289,124	-	90,014,879	-	382,304,003	158,648,078	57,794,051	-	165,863,674	
Computer and network equipment	210,866,765	-	79,315,855	(61,990)	290,120,630	124,101,648	47,898,356	(55,351)	118,175,977	
Vehicles	66,716,336	-	33,127,560	(4,200,000)	95,643,896	46,783,774	9,528,108	(4,199,999)	43,532,013	
Furniture and fixtures & leased assets under finance lease	315,267,063	-	41,674,345	(2,477,025)	354,464,383	167,788,515	23,398,947	(1,101,491)	164,378,487	
<b>Intangible assets:</b>										
Software	74,324,936	-	16,190,389	-	90,515,325	7,124,148	16,533,835	-	23,657,983	66,857,342
<b>At 31 December 2011</b>	<b>4,122,908,016</b>	<b>-</b>	<b>998,351,925</b>	<b>(6,739,015)</b>	<b>5,114,520,926</b>	<b>508,509,101</b>	<b>158,082,330</b>	<b>(5,356,841)</b>	<b>661,234,590</b>	<b>4,453,286,336</b>

## Eastern Bank Limited

### Schedule of Fixed Assets Disposals

"Annexure-A2"

as at 31 December 2012

Figures in Taka

Date	Particulars	Cost	Accumulated Depreciation	Net book value	Sales Value	Tax & VAT	Gain/(Loss)	Mode of Disposal	Buyer/ Highest bidder
26/06/12	Furniture & Equipments	784,929	730,073	54,856	165,786	13,263	97,667	Open Tender	M/S Farid Enterprise
26/12/12	Furniture & Equipments	3,182,856	2,491,307	691,549	576,500	51,885	(166,934)	Open Tender	M/S Farid Enterprise
11/01/12	Furniture & Equipments	1,519,453	1,458,609	60,843	763,000	61,040	641,117	Open Tender	M/S Ashik Enterprise
27/03/12	Furniture & Equipments	16,310,432	16,310,265	167	271,739	23,917	247,655	Open Tender	M/S Nadeem Enterprise
22/08/12	Machinery & Equipments	130,000	26,000	104,000	-	-	-	Donation	Race Management PCL*
13/02/12	Vehicle (Volvo Sedan Car Model: 2003 DM GA-15-8143)	3,534,250	3,534,249	1	1,600,000	128,000	1,471,999	Open Tender	Mr. Md. Mushfiqur Rahman
14/03/12	Vehicle (Honda Civic Car Model: 2006 DM GA-19-0424)	2,487,000	2,486,999	1	1,600,000	128,000	1,471,999	Open Tender	Mr. M Hossain
29/10/12	Vehicle (Nissan Sunny Car Model: 2005 DM KHA-12-1281)	1,275,000	1,274,999	1	847,779	67,822	779,955	Open Tender	Mr. Zeeshan Khan
<b>Grand Total: Gain/(Loss)</b>		<b>29,223,921</b>	<b>28,312,502</b>	<b>911,418</b>	<b>5,824,804</b>	<b>473,927</b>	<b>4,543,458</b>		

\* Provided gift to Race Management PCL, one of our top largest depositor.

## Eastern Bank Limited

### Balance with other Banks and Financial Institutions

"Annexure-B"

as at 31 December 2012

Outside Bangladesh - (note-4.2)

Name of Banks and Fls	Currency Name	2012			2011		
		Amount in Foreign Currency	Conversion rate per unit F.C.	Amount in BDT.	Amount in Foreign Currency	Conversion rate per unit F.C.	Amount in BDT.
<b>In demand deposit account (non interest bearing) with :</b>							
The Bank Tokyo Mitshubishi, Tokyo	JPY	5,382,964	0.9452	5,087,978	1,298,429	1.0484	1,361,273
The Bank of Tokyo Mitshubishi, Kolkata	USD	6,737	79.8499	537,949	6,737	81.6847	550,310
The Bank of Tokyo Mitshubishi, London	GBP	272,936	129.1253	35,242,895	54,595	126.2274	6,891,391
Standard Chartered Bank, Kolkata	USD	507,043	79.8499	40,487,357	151,846	81.6847	12,403,466
Standard Chartered Bank, Colombo	USD	6,619	79.8499	528,562	24,182	81.6847	1,975,325
Standard Chartered Bank, Frankfurt	EURO	42,730	105.5775	4,511,346	14,542	105.70	1,537,065
Standard Chartered Bank, Singapore	SGD	20,729	65.2635	1,352,858	20,801	62.9361	1,309,160
Standard Chartered Bank, New York	USD	1,787,373	79.8499	142,721,537	-	-	-
Citibank N. A., New York	USD	5,116,191	79.8499	408,527,305	-	-	-
Citibank N. A., Mumbai	USD	22,241	79.8499	1,775,951	22,241	81.6847	1,816,759
Nepal Bangladesh Bank Ltd., Kathmandu	USD	70,014	79.8499	5,590,632	12,989	81.6847	1,061,025
NIB Bank Limited, Karachi	USD	12,680	79.8499	1,012,460	-	-	-
Nordea Bank, Norway	NOK	64,325	14.2885	919,113	-	-	-

Name of Banks and FIs	Currency Name	2012			2011		
		Amount in Foreign Currency	Conversion rate per unit F.C.	Amount in BDT.	Amount in Foreign Currency	Conversion rate per unit F.C.	Amount in BDT.
AB Bank Limited, Mumbai	USD	386,721	79.8499	30,879,671	150,776	81.6847	12,316,132
Bank of Bhutan, Bhutan	USD	18,495	79.8499	1,476,829	8,074	81.6847	659,527
Mashreqbank, New York	USD	531,660	79.8499	42,453,033	137,038	81.6847	11,193,909
JP Morgan Chase Bank N.A., NY	USD	659,125	79.8499	52,631,090	-	-	-
The Bank of Nova Scotia, Toronto	CAD	12,935	80.1384	1,036,605	329	79.7624	26,254
JP Morgan Chase Bank NA, Sydney	AUD	17,829	82.8043	1,476,295	23,438	82.4444	1,932,291
Habib American Bank, New York	USD	165,620	79.8499	13,224,728	-	-	-
JP Morgan Chase Bank N.A., London	GBP	256,352	129.1253	33,101,586	74,368	126.23	9,387,336
Zurcher Kantonal Bank, Zurich, Switzerland	CHF	17,767	87.4684	1,554,080	7,866	86.66	681,677
National Commercial Bank, KSA	SAR	137,451	21.2927	2,926,708	10,735	21.78	233,836
Wells Fargo Bank, N.A. New York	USD	1,619,844	79.8499	129,344,388	-	-	-
ICICI Bank, Mumbai	USD	283,999	79.8499	22,677,273	170,474	81.6847	13,925,118
NDLC-IFIC Bank (NIB), Pakistan	USD	-	-	-	68,548	81.6847	5,599,337
HSBC - New York, USA	USD	2,245,661	79.8499	179,315,817	122,833	81.6847	10,033,575
Commerz Bank AG, Frankfurt, Germany	EURO	928,446	105.5775	98,022,963	60,601	105.70	6,405,547
Al-Rajhi Bank, KSA	SAR	20,000	21.2927	425,854	20,000	21.78	435,652
Standard Chartered Bank, New York - OBU	USD	1,256,012	79.8499	100,292,457	-	-	-
Commerz Bank AG, Frankfurt, Germany - OBU	EURO	98,466	105.5775	10,395,830	-	-	-
<b>Total</b>				<b>1,369,531,149</b>			<b>101,735,964</b>

## Eastern Bank Limited

### Borrowing from Banks and Financial Institutions

"Annexure-B1"

as at 31 December 2012

Outside Bangladesh - (note-11.2)

Name of Banks and FIs	Currency Name	2012			2011		
		Amount in Foreign Currency	Conversion rate per unit F.C.	Amount in BDT.	Amount in Foreign Currency	Conversion rate per unit F.C.	Amount in BDT.
Standard Chartered Bank, New York	USD	-		-	1,984,433	83.6350	165,967,949
Citibank N. A. New York	USD	-		-	444,533	81.6847	36,311,577
JP Morgan Chase Bank NA, NY	USD	-		-	213,881	81.6847	17,470,797
Habib American Bank, NY	USD	-		-	35,202	81.6847	2,875,503
JP Morgan Chase Bank FR, Germany	EURO	57,151	105.5775	6,033,829	79,257	105.70	8,377,435
Wells Fargo Bank, N.A. New York	USD	-		-	2,021	81.6847	165,098
Standard Chartered Bank, New York	USD	-		-	23,318	81.6847	1,904,713
Banca Ubae Spa, Spain	USD	-		-	5,000,000	81.6847	408,423,500
Deutsche Investitions-und Entwicklungsgesellschaft MBH (DEG)	USD	20,000,000	79.8499	1,596,998,000	-	-	-
International Finance Corporation (IFC)	USD	30,000,000	79.8499	2,395,497,000	30,000,000	81.6847	2,450,541,000
United Bank Limited, Dubai	USD	3,000,000	79.8499	239,549,700	-	-	-
<b>Total</b>				<b>4,238,078,529</b>			<b>3,092,037,573</b>

## Eastern Bank Limited

### Related party disclosures

"Annexure-C"

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Related party informations are given below.

#### I) Directors' interest in different entities

Name of Directors	Status with the Bank	Name of the firms/companies in which interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Status	Percentage of holding/ interest in the concern
M. Ghaziul Haque	Chairman	Andes Limited	Chairman	14.03%
		MGH Logistics Pvt. Ltd	Chairman	5.00%
		MGH Holdings Ltd.	Chairman	20.00%
		Bangladesh Port Management Services Ltd.	Chairman	1.02%
		Peninsular Shipping Services Ltd.	Chairman	20.00%
		MGH Restaurants Pvt. Ltd.	Chairman	5.00%
		Aquamarine Distributions Ltd.	Chairman	1.00%
		Galileo Bangladesh Ltd.	Chairman	20.00%
		Renaissance Aviation Services Ltd.	Chairman	25.00%
		One World Aviation Services Ltd.	Chairman	20.00%
		RAS Holdings Ltd.	Chairman	5.00%
		ITSA- Total Logistics Ltd.	Chairman	3.33%
		Transmarine Logistics Ltd.	Chairman	25.00%
		Total Transportation Ltd.	Chairman	0.01%
		Tricom Global Logistics Ltd.	Chairman	10.00%
		Global Freight Ltd.	Chairman	0.20%
		International Brands Ltd.	Chairman	0.01%
		Integrated Transportation Services Ltd.	Chairman	0.50%
		Emirates Shipping Lines Bangladesh Ltd.	Chairman	51.22%
		Radio Foorti Ltd.	Chairman	5.00%
Portlink Logistics Centre Ltd.	Chairman	0.02%		
Mir Nasir Hossain (Representing Mir Holdings Ltd.)	Director	Mir Akther Hossain Ltd.	MD	40.00%
		Mir Ceramic Ltd.	MD	99.79%
		Mir Telecom Ltd.	MD	20.00%
		Mir Holdings Ltd.	MD	50.00%
		Mir Pharmaceuticals Ltd.	MD	50.00%
		MIR LPG Ltd.	MD	40.00%
		Mir Technologies Ltd	Chairman	20.00%
		Mir Communications Ltd.	Chairman	40.00%
		Mir Energy Ltd.	Chairman	40.00%
		Global Fair Communications Ltd.	Chairman	40.00%
		Agrani Insurance Co. Ltd.	Shareholder	3.72%
		Fair Trading	Proprietorship	100.00%
		Bangla Telecom Ltd.	MD	40.00%
Coloasia Ltd.	MD	40.00%		
A. M. Shaukat Ali	Director	Engineering Consultants & Associates Ltd.	Chairman	20.00%
		Samorita Hospital Ltd.	Director	3.10%
Md. Showkat Ali Chowdhury (Representing Namreen Enterprise Ltd)	Director	The Need Apparels (Pvt.) Ltd.	Chairman	35.00%
		Need Tex Ctg. Ltd.	Chairman	17.50%
		Need Fashion Wear & Textile Ltd.	Chairman	35.00%
		Need Dresses (Pvt.) Ltd.	Chairman	17.50%
		Chittagong Oxygen (Pvt.) Ltd.	Chairman	20.00%
		Finlay (International) Ltd.	Chairman	81.00%

Name of Directors	Status with the Bank	Name of the firms/companies in which interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Status	Percentage of holding/ interest in the concern
		KAPS Bangladesh Ltd.	Chairman	12.50%
		J F (Bangladesh) Ltd.	Chairman	81.00%
		Port Link Housing Ltd.	Chairman	50.00%
		Finlay Properties Ltd.	Chairman	55.00%
		Electro Power Synergy Ltd.	Chairman	33.33%
		Z.N. Enterprise Ltd.	MD	50.00%
		Namreen Enterprise Ltd.	MD	50.00%
		ABC Steel Enterprise Ltd.	MD	80.00%
		M.M. Khan & Co. Ltd.	MD	52.00%
		Port Link Logistics Centre Ltd.	MD	25.00%
		SL Steels Ltd.	MD	50.00%
		South Asia Securities Ltd.	Director	7.10%
		Peninsula Housing & Development Ltd.	Director	36.00%
		Legend Properties Development Ltd.	Director	50.00%
		Consolidated Tea & Plantation Ltd.	Director	5.00%
		Consolidated Tea & Lands Co. (BD) Ltd.	Director	5.00%
		Baraooora (Sylhet) Tea Co.(BD) Ltd.	Director	5.00%
		Unique Share Management Ltd.	Director	40.00%
		Eastern Industries Ltd.	Director	25.00%
		M/S Chittagong Properties	Managing Partner	50.00%
A.Q.I. Chowdhury, OBE (Representing Namreen Enterprise Ltd)	Director	Royal Capital Ltd.	Chairman	50.00%
		JF (Bangladesh) Ltd.	MD	10.00%
		The Consolidated Tea & Lands Co. (BD) Ltd.	MD	5.00%
		Baraooora Sylhet Tea Co. Ltd.	MD	5.00%
		Consolidated Tea & Plantation Ltd.	MD	5.00%
		Finlay (International) Ltd.	MD	10.00%
		Finlay Properties Ltd.	Director	30.00%
		Artisan Ceramic Ltd.	MD	5.00%
		International Leasing & Financial Services Ltd. (ILFSL)	Director	Representing: Z.N. Enterprise Ltd.
Salina Ali (Representing Borak Real Estate (Pvt.) Ltd.)	Director	Unique Group of Companies Ltd.	Chairperson	10.00%
		Unique Hotel and Resorts Ltd.	Chairperson	5.45%
		Borak Real Estate (Pvt.) Ltd	Chairperson	12.00%
		Unique Ceramic Industries (Pvt.) Ltd	Chairperson	7.50%
		Borak Travels Ltd.	Chairperson	50.00%
		Unique Eastern (Pvt.) Ltd.	Chairperson	10.42%
		Unique Property Development Ltd.	MD	12.00%
		Unique Share Management Ltd.	MD	20.00%
		Unique Shakti Ltd.	MD	20.00%
		Unique Vocational Training Center Ltd.	Chairperson	12.00%
		Borak Shipping Ltd.	Chairperson	7.50%
Meah Mohammed Abdur Rahim (Independent Director & Director from the Depositors)	Director	Ancient Steamship Company Ltd.	MD	78.00%
		Hudig and Meah (BD) Ltd.	MD	51.00%
Asif Mahmood (Representing Aquamarine Distributions Ltd.)	Director	Advance Technology Computers Ltd	Chairman	33.33%
		ADN Telecom Limited (Former Advanced Data Networks System Ltd)	Chairman & MD	35.71%

Name of Directors	Status with the Bank	Name of the firms/companies in which interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Status	Percentage of holding/ interest in the concern
		ADN Technologies Ltd.	Chairman	51.00%
		Tech Valley Computers Ltd	Director	33.33%
		Tech Valley Networks Ltd.	Chairman	46.00%
		Valley Power Solutions Ltd.	Director	33.33%
		Bangladesh News 24 Hours Ltd.	Chairman	90.00%
		InGen Motors Ltd.	Vice Chairman	Representing InGen Ind. Ltd.
		InGen Technology Ltd.	Chairman & MD	52.00%
		InGen Industries Ltd.	Chairman	55.00%
		BASE Limited	Chairman	Representing InGen Ind. Ltd.
Ormaan Rafay Nizam (Independent Director & Director from the Depositors)	Director	National Brokers Limited	Director	6.50%
Gazi Md. Shakhawat Hossain (Representing Purnima Construction (Pvt.) Ltd.)	Director	Purnima Construction (Pvt) Ltd	MD	0.099%
		Unique Hotel and Resorts Ltd	Representative Director	7.46%
		Bay Hill Hotel & Resorts Ltd.	Representative Chairman	40.00%
Ali Reza Iftekhar	MD & CEO	International Leasing and Financial Services Ltd. (ILFSL)	Director	Representing EBL
		EBL Investments Ltd.	Director	0.000333%
		EBL Securities Ltd.	Director	0.000333%
		EBL Finance (HK) Ltd.	Director	Representing EBL
		EBL Asset Management Ltd.	Director	0.0002%
		The Bangladesh Rating Agency Ltd.	Director	Representing EBL

- ii) **Significant contracts where Bank is a party & wherein Directors have interest:** Nil
- iii) **Shares issued to Directors and Executives without consideration or exercisable at discount :** Nil
- iv) **Related Party Transactions :** Please see **Annexure -C1**
- v) **Lending Policies to Related Parties :**  
Related parties are allowed Loans and Advances as per General Loan Policy of the Bank.
- vi) **Business other than Banking business with any related concern of the Directors as per Section-18(2) of the Bank Companies Act 1991:** Nil
- vii) **Investments in the Securities of Directors and their related concern :** Nil

## Related party Transactions

'Annexure-C1'

Related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged as per BAS 24. The Bank in normal course of business had transactions with other entities that fall within the definition of 'Related Party' as contained in Bangladesh Accounting Standards (BAS)-24 (Related party disclosures) and as defined in the BRPD circular #14, issued by Bangladesh Bank on 25 June 2003.

### 1 The significant Related party transactions during the year were as follows:

#### 1.a Advance facilities:

Figures in Taka

Name of the organization	Representing Directors	Nature of Interest of the Directors with the borrowing firm / individual	Nature of Facilities	Sanctioned Amount	Outstanding as at 01/01/2012	Transactions		Outstanding as at 31/12/2012	Amount Overdue
						Debit	Credit		
Z.N. Shipping Lines ID-100398	Md. Showkat Ali Chowdhury Represented Director Eastern Bank Ltd.		LG	113,920	113,920	-	113,920	-	-
Z. N. Enterprise Ltd. ID-100397	-Do-	MD	LG	193,100	192,900	-	-	192,900	-
Unique Enterprise ID- 100711	Mohd. Noor Ali Ex-Chairman Eastern Bank Ltd.		LG	787,360	787,360	-	-	787,360	-

#### 1.b Credit card facilities:

Figures in Taka

Representing Directors	Nature of interest with EBL	Approved limit	Interest rate in ordinary course of business	Approved interest rate	Outstanding as at 01/01/2012	Outstanding as at 31/12/2012
Md. Showkat Ali Chowdhury	Director	250,000	24%	24%	-	-
A.M. Shaukat Ali	Director	500,000	24%	24%	-	-
Mir Nasir Hossain	Director	500,000	24%	24%	-	-
Mohd. Noor Ali	Ex Chairman	500,000	24%	24%	44,668	288,011
Aneela Haque	Ex Director	500,000	24%	24%	-	-

### 2) Transactions relating to procurement / rent:

Figures in Taka

Name of the Company/ Person	Representing Directors	Nature of transactions	Amount of transaction made during 2012	Outstanding as at 31/12/2012
Tech Valley Solutions Ltd	Asif Mahmood	Purchase of computer and network equipments	1,425,850	-
Tech Valley Networks Ltd	Asif Mahmood	Purchase of computer, network equipments and oracle licensing	77,214,479	-
ADN Telecom Limited (Former Advanced Data Networks System Ltd)	Asif Mahmood	Purchase of computer and network equipments	541,193	-
ADN Technologies Ltd.	Asif Mahmood	Purchase of Software for CMS Project & Contact Center	46,734,011	-
Unique Hotel Limited	Salina Ali	Security Deposit	-	438,900
Unique Hotel Limited	Salina Ali	Lease rent agreement for ATM booth at Westin, Gulshan, Dhaka	543,900	-

Name of the Company/ Person	Representing Directors	Nature of transactions	Amount of transaction made during 2012	Outstanding as at 31/12/2012
Md. Showkat Ali Chowdhury	Owner	Advance rent for EBL DST Sales office at Dhanmondi-6, Dhaka	-	3,060,000
Md. Showkat Ali Chowdhury	Owner	Rental payment for EBL DST Sales office at Dhanmondi-6, Dhaka	1,800,000	-

### 3 Transaction with subsidiaries:

#### 3.a Bank balance of subsidiaries with Eastern Bank Limited:

*Figures in Taka*

Name of Subsidiaries	Nature of Account	Balance as at 31/12/2012
EBL Securities Limited	Special Notice Deposit (SND)	135,651
EBL Investments Limited	Special Notice Deposit (SND)	345,942,101

#### 3.b Others with subsidiaries :

*Figures in Taka*

Name of Subsidiaries	Nature of Account	Balance as at 31/12/2012
EBL Securities Limited	Advance rent receivable	4,488,400
	Receivables in share trading account	2,609,000

### 4 Compensation of key management personnel:

Refer to note : 38

## Eastern Bank Limited

'Annexure-D'

### a Disclosure regarding outstanding REPO as on 31 December 2012

SI	Counterparty name	Agreement date	Reversal Date	Amount (Cash Con 1st Leg cash consideration)
1	Standard Chartered Bank	30/12/2012	1/1/2013	887,990,571

Disclosure regarding outstanding Reverse REPO as on 31 December 2012

SI	Counterparty name	Agreement date	Reversal Date	Amount (Cash Con 1st Leg cash consideration)
	Nil	Nil	Nil	Nil

### b. Disclosure regarding overall transaction of REPO and reverse REPO.

*Figures in Taka*

	Min Outstanding during the year	Max Outstanding during the year	Daily average outstanding during the year
REPO			
With Bangladesh Bank	-	9,730,302,147	4,817,151,973
With other Banks & Financial Institutions	-	1,282,892,000	769,911,916
Reverse REPO			
With Bangladesh Bank	-	-	-
With other Banks & Financial Institutions	-	4,834,932,761	1,359,427,088

## Eastern Bank Limited and its subsidiaries

### Business segmental profit and loss account

for the period ended 31 December 2012

Figures are million in Taka

Particulars	Eastern Bank Limited						Subsidiaries		Consolidated
	Corporate	Consumer	SME	Treasury	OBU	Solo	EBLSL	EBLIL	
Interest income	8,252	1,727	1,947	1,390	382	13,698	46	-	13,745
Interest expense	2,925	4,530	413	799	145	8,813	-	(25)	8,788
<b>NII before FTP</b>	<b>5,326</b>	<b>(2,803)</b>	<b>1,534</b>	<b>591</b>	<b>237</b>	<b>4,886</b>	<b>46</b>	<b>25</b>	<b>4,957</b>
FTP on deposits, liability & equity	3,965	5,674	951	(10,590)	-	-	-	-	-
FTP on loans	(6,567)	(1,172)	(1,337)	9,077	-	-	-	-	-
<b>Net FTP</b>	<b>(2,602)</b>	<b>4,501</b>	<b>(386)</b>	<b>(1,513)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NII After FTP</b>	<b>2,725</b>	<b>1,698</b>	<b>1,148</b>	<b>(922)</b>	<b>237</b>	<b>4,886</b>	<b>46</b>	<b>25</b>	<b>4,957</b>
Investment income before FTP	246	-	-	1,177	-	1,423	(40)	-	1,383
FTP on investments	(767)	-	-	767	-	-	-	-	-
<b>Investment income after FTP</b>	<b>(521)</b>	<b>-</b>	<b>-</b>	<b>1,944</b>	<b>-</b>	<b>1,423</b>	<b>(40)</b>	<b>-</b>	<b>1,383</b>
Fees, commission and brokerage	880	649	74	-	37	1,640	60	-	1,699
FX Income	355	10	19	373	(2)	755	-	-	755
Other operating income	94	30	17	-	1	141	1	-	143
<b>Total operating income</b>	<b>3,532</b>	<b>2,387</b>	<b>1,257</b>	<b>1,395</b>	<b>273</b>	<b>8,844</b>	<b>67</b>	<b>25</b>	<b>8,937</b>
Direct Operating Expenses	244	1,702	190	17	22	2,174	46	0.07	2,220
Allocated Expenses	346	508	204	31	-	1,089	-	-	1,089
<b>Profit before provisions</b>	<b>2,942</b>	<b>177</b>	<b>863</b>	<b>1,347</b>	<b>252</b>	<b>5,581</b>	<b>22</b>	<b>25</b>	<b>5,628</b>

#### Fund transfer pricing (FTP):

FTP on loans, deposits, liabilities & equities has been calculated on average balances as per FTP policy which was formally established on 2010 for the purpose of segment reporting.

#### Segment assets and liabilities

The necessary information regarding assets and liabilities of operating segments (excluding subsidiaries) are not separable and individually identifiable for segment. And so the assets and liabilities of the respective segments have not been presented here.

## Eastern Bank Limited

### Highlights on the overall activities

"Annexure-F"

Sl No	Particulars		2012	2011
1	Paid up capital	Taka	6,111,797,850	4,527,257,670
2	Total capital (Tier-I & II)	Taka	15,646,076,856	13,269,959,406
3	Surplus/(shortage) capital	Taka	2,664,855,096	234,845,634
4	Total assets	Taka	147,148,334,316	117,601,177,003
5	Total deposits	Taka	91,780,968,457	75,356,967,678
6	Total loans and advances	Taka	96,719,736,531	81,773,910,177
7	Total contingent liabilities	Taka	60,351,727,286	58,123,242,398
8	Loans to deposits ratio (total loans/total deposits)	%	105.38	108.52
9	% of classified loans against total loans and advances	%	3.17	1.91
10	Profit after tax and provisions	Taka	2,275,100,710	2,520,704,413
11	Loans classified during the year (Gross)	Taka	2,255,633,277	745,093,371
12	Provision held against classified loans	Taka	1,387,320,825	866,437,600
13	Surplus of provision	Taka	8,000,000	10,000,000
14	Cost of fund (interest expense/average borrowing and deposits)	%	9.26	8.64
15	Interest bearing assets	Taka	119,333,775,371	104,571,625,537
16	Non-interest bearing assets	Taka	27,814,558,945	13,029,551,466
17	Return on assets (PAT/average assets)	%	1.72	2.52
18	Income from investments	Taka	1,494,601,857	1,970,089,489
19	Return on investment or ROI (PAT/average equity, long term borrowings and deposits)	%	4.02	7.05
20	Earnings per share (PAT/weighted average number of shares)	Taka	3.72	4.12
21	Operating profit per share(Net Operating profit/ weighted average number of shares)	Taka	9.13	8.36
22	Price earning ratio (restated)	Times	8.52	15.97

## Auditors' Report to the shareholders of Eastern Bank Limited - Offshore Banking Unit, Bangladesh

**Hoda Vasi  
Chowdhury & Co**  
Independent Correspondent Firm to  
Deloitte Touche Tohmatsu

We have audited the accompanying financial statements of the Offshore Banking Unit ("the Unit"), Bangladesh of Eastern Bank Limited ("the Bank") which comprise the balance sheet as at 31 December 2012, profit and loss account and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Unit in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in Note 2, the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) as explained in note 2, give a true and fair view of the financial position of the Offshore Banking Unit as at 31 December 2012 and the results of their financial performance and their cash flows for the year ended 31 December 2012 and comply with the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

### We also report that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- ii) in our opinion, proper books of account as required by law have been kept by the Unit so far as it appeared from our examination of those books;
- iii) the Unit's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns;
- iv) the expenditure incurred was for the purposes of the Unit's business;
- v) the financial statements of the Unit have been drawn up in conformity with the Bank Companies Act 1991 and in accordance with the accounting rules and regulations issued by Bangladesh Bank;
- vi) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- vii) the financial statements of the Unit conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- viii) the information and explanations required by us have been received and found to be satisfactory; and
- ix) we have reviewed over 80% of the risk weighted assets of the Unit.

*Hoda Vasi Chowdhury & Co*

Hoda Vasi Chowdhury & Co  
Chartered Accountants



# EASTERN BANK LIMITED

## Offshore Banking Unit, Bangladesh

### Balance Sheet

as at 31 December 2012

	Note	2012		2011	
		USD	BDT	USD	BDT
<b>CAPITAL/SHAREHOLDERS' EQUITY</b>					
Share capital- Paid up capital		-	-	-	-
Foreign currency translation difference	9	-	(5,418,843)	-	15,073,031
Profit and loss account- retained earnings	15	2,695,138	220,625,305	2,101,210	156,563,681
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>131,711,919</b>	<b>10,517,183,591</b>	<b>77,753,486</b>	<b>6,351,270,133</b>
<b>OFF BALANCE SHEET ITEMS:</b>					
Contingent liabilities:					
Acceptance and endorsements		263,678	21,054,649	2,509	204,965
Letter of guarantee - Banks		-	-	-	-
Letter of guarantee - Others		-	-	132,845	10,851,404
Bills for collection		-	-	225,162	18,392,310
Irrevocable letters of credit		773,055	61,728,368	376,955	30,791,432
Other Commitments		-	-	-	-
		<b>1,036,733</b>	<b>82,783,018</b>	<b>737,471</b>	<b>60,240,111</b>

The annexed notes 1 to 20 form an integral part of these financial statements.



Chairman

Dhaka, 26 February 2013



Director



Director



Managing Director &amp; CEO

Signed as per our annexed report of same date



Auditors  
Hoda Vasi Chowdhury and Co.  
Chartered Accountants

**EASTERN BANK LIMITED**  
**Offshore Banking Unit, Bangladesh**  
**Profit and Loss Account**  
for the year ended 31 December 2012

**Hoda Vasi Chowdhury & Co**  
Independent Correspondent Firm to  
Deloitte Touche Tohmatsu

	Note	2012		2011	
		USD	BDT	USD	BDT
Interest income	10	5,678,060	464,808,821	3,984,804	296,912,513
Interest paid on deposits and borrowings	11	2,779,498	227,531,112	1,530,847	114,065,254
<b>Net interest income</b>		<b>2,898,562</b>	<b>237,277,708</b>	<b>2,453,957</b>	<b>182,847,259</b>
Commission, exchange and brokerage	12	428,378	35,067,218	(15,981)	(1,190,804)
Other operating Income	13	12,070	988,022	7,561	563,442
<b>Total operating income</b>		<b>3,339,009</b>	<b>273,332,949</b>	<b>2,445,537</b>	<b>182,219,897</b>
Operating expenses	14	262,887	21,520,057	272,475	20,302,405
<b>Profit before provision</b>		<b>3,076,122</b>	<b>251,812,892</b>	<b>2,173,062</b>	<b>161,917,492</b>
Less :Provision for unclassified loans and advances (Including provision for off balance sheet items)	15	380,985	31,187,587	71,852	5,353,810
<b>Profit before income tax</b>		<b>2,695,138</b>	<b>220,625,304</b>	<b>2,101,210</b>	<b>156,563,682</b>
Less. Provision for income tax		-	-	-	-
<b>Net Profit/(loss) after tax</b>		<b>2,695,138</b>	<b>220,625,304</b>	<b>2,101,210</b>	<b>156,563,682</b>
Balance of profit brought forward from previous year		-	-	-	-
<b>Retained Earnings carried forward</b>	16	<b>2,695,138</b>	<b>220,625,304</b>	<b>2,101,210</b>	<b>156,563,682</b>

The annexed notes 1 to 20 form an integral part of these financial statements.



Chairman

Dhaka, 26 February 2013



Director



Director

Signed as per our annexed report of same date



Managing Director & CEO



Auditors  
Hoda Vasi Chowdhury and Co.  
Chartered Accountants

# EASTERN BANK LIMITED

## Offshore Banking Unit, Bangladesh

### Cash Flow Statement

For the year ended 31 December 2012

	Note	2012		2011	
		USD	BDT	USD	BDT
<b>A) Cash flow from operating activities</b>					
Interest received		4,950,693	406,728,623	3,984,804	296,912,513
Interest paid		(3,549,557)	(289,020,195)	(1,530,847)	(114,065,254)
Commission, exchange and brokerage	17	428,378	35,067,218	10,945	815,507
Received from other operating activities	18	12,070	988,022	7,561	563,442
Paid for operating expenses	19	(262,887)	(21,520,057)	(299,401)	(22,308,716)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>1,578,697</b>	<b>132,243,611</b>	<b>2,173,062</b>	<b>161,917,492</b>
<b>(Increase)/decrease in operating assets:</b>					
Loan and advances to customers		(36,832,223)	(2,798,616,611)	(7,645,782)	(1,389,804,261)
Other Assets		(12,639)	(779,861)	(125,000)	(10,210,588)
<b>Increase/(decrease) in operating liabilities:</b>					
Foreign currency translation difference		-	(20,491,874)	-	14,610,041
Deposits from Banks		-	-	-	-
Customers' deposits and other accounts		(12,249,222)	(1,002,007,390)	(25,458,891)	(1,645,337,211)
Other liabilities		(1,770,340)	(147,644,266)	1,001,502	90,543,299
		(50,864,424)	(3,969,540,003)	(32,228,171)	(2,940,198,720)
<b>Net cash flow from operating activities</b>		<b>(49,285,728)</b>	<b>(3,837,296,393)</b>	<b>(30,055,109)</b>	<b>(2,778,281,228)</b>
<b>B) Cash flow from investing activities</b>		-	-	-	-
<b>C) Cash flow from financing activities</b>					
Borrowing from other banks, financial institutions and agents		67,773,143	5,302,296,860	21,224,238	2,153,499,861
Net profit transferred to main operations	16	(2,101,210)	(156,563,681)	(1,361,340)	(96,314,401)
<b>Net cash from financing activities</b>		<b>65,671,933</b>	<b>5,145,733,180</b>	<b>19,862,898</b>	<b>2,057,185,460</b>
<b>D) Net increase/(decrease) in cash and cash equivalent (A+B+C)</b>		<b>16,386,204</b>	<b>1,308,436,787</b>	<b>(10,192,211)</b>	<b>(721,095,769)</b>
<b>E) Opening cash and cash equivalent</b>		-	-	<b>10,192,211</b>	<b>721,095,769</b>
<b>F) Closing cash and cash equivalent (D+E)</b>		<b>16,386,204</b>	<b>1,308,436,787</b>	-	-
<b>G) Closing cash and cash equivalents</b>	20				
Cash in hand (including foreign currencies)		-	-	-	-
Balances with Bangladesh Bank and its agent bank (s)		-	-	-	-
Balances with other Banks and Financial Institutions (Annexure A)		16,386,204	1,308,436,787	-	-
Money at call and short notice		-	-	-	-
Prize bonds		-	-	-	-
		<b>16,386,204</b>	<b>1,308,436,787</b>	-	-

The annexed notes 1 to 20 form an integral part of these financial statements.



Chairman



Director



Director



Managing Director &amp; CEO

Dhaka, 26 February 2013

## EASTERN BANK LIMITED

### Offshore Banking Unit, Bangladesh

#### Statement of Liquidity in USD & BDT (Maturity analysis of assets and liabilities)

For the year ended 31 December 2012

Particulars	Maturity within 1 month		Maturity within 1 to 3 months		Maturity within 3 to 12 months		Maturity within 1 to 5 years		Maturity over 5 years		Total Amount	
	USD	BDT	USD	BDT	USD	BDT	USD	BDT	USD	BDT	USD	BDT
<b>Assets</b>												
Cash in hand	-	-	-	-	-	-	-	-	-	-	-	-
Balance with other banks and financial institutions	16,386,204	1,308,436,787	-	-	-	-	-	-	-	-	16,386,204	1,308,436,787
Money at call and short notice	-	-	-	-	-	-	-	-	-	-	-	-
Investment	-	-	-	-	-	-	-	-	-	-	-	-
Loans & advances to customers	31,988,363	2,554,267,597	50,814,640	4,057,543,896	24,428,789	1,950,636,329	7,956,285	635,308,533	-	-	115,188,076	9,197,756,355
Fixed assets	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	137,639	10,990,449	-	-	-	-	-	-	137,639	10,990,449
Non-banking assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>48,374,568</b>	<b>3,862,704,384</b>	<b>50,952,279</b>	<b>4,068,534,345</b>	<b>24,428,789</b>	<b>1,950,636,329</b>	<b>7,956,285</b>	<b>635,308,533</b>	<b>-</b>	<b>-</b>	<b>131,711,919</b>	<b>10,517,183,591</b>
<b>Liabilities</b>												
Borrowings from other banks & financial institutions	24,593,130	1,963,759,002	79,595,137	6,355,663,746	23,200,000	1,852,517,680	-	-	-	-	127,388,268	10,171,940,428
Deposits & other accounts	890	71,093	224	17,868	2,056	164,184	7,965	636,039	-	-	11,136	889,185
Other liabilities	455,130	36,342,123	-	-	-	-	-	-	1,162,248	92,805,394	1,617,379	129,147,517
<b>Total Liabilities</b>	<b>25,049,151</b>	<b>2,000,172,219</b>	<b>79,595,361</b>	<b>6,355,681,614</b>	<b>23,202,056</b>	<b>1,852,681,864</b>	<b>7,965</b>	<b>636,039</b>	<b>1,162,248</b>	<b>92,805,394</b>	<b>129,016,782</b>	<b>10,301,977,130</b>
<b>Net liquidity gap</b>	<b>23,325,416</b>	<b>1,862,532,165</b>	<b>(28,643,082)</b>	<b>(2,287,147,269)</b>	<b>1,226,732</b>	<b>97,954,465</b>	<b>7,948,319</b>	<b>634,672,494</b>	<b>(1,162,248)</b>	<b>(92,805,394)</b>	<b>2,695,138</b>	<b>215,206,461</b>
<b>Cumulative liquidity gap</b>	<b>23,325,416</b>	<b>1,862,532,165</b>	<b>(5,317,666)</b>	<b>(424,615,104)</b>	<b>(4,090,934)</b>	<b>(326,660,640)</b>	<b>3,857,386</b>	<b>308,011,854</b>	<b>2,695,138</b>	<b>215,206,461</b>	<b>-</b>	<b>-</b>

# EASTERN BANK LIMITED

## Offshore Banking Unit

### Notes to the Financial Statements

as at and for the year ended 31 December 2012

#### 1 Nature of business

Offshore banking Unit ("the Unit") is a separate business unit of Eastern Bank Limited ("the Bank"), governed under the Rules and Guidelines of Bangladesh Bank. The Bank obtained the Offshore Banking Unit permission vide letter no. BRPD(p)744/(89)/2004-303 dated 25 January 2004. The Bank commenced the operation of its Offshore Banking Unit from 19 May 2004 and its office is located at 10, Dilkusha C/A (2nd floor) Dhaka.

#### 2 Significant accounting policies and basis of preparations

##### Basis of preparation

##### 2.1 Statement of compliance

The financial statements of the Unit as at and for the year ended 31 December 2012 have been prepared under the historical cost convention and in accordance with Bangladesh Financial Reporting Standards (BFRSs), the "First Schedule" (section 38) of the Bank Companies Act 1991, as amended by the BRPD Circular no. 14 dated 25 June 2003, other Bangladesh Bank Circulars, the Companies Act 1994, the Securities and Exchange Rules 1987 and other laws and rules applicable in Bangladesh. In case the requirement of provisions and Circulars issued by Bangladesh Bank differ with those of other regulatory authorities and accounting standards, the provisions and Circulars issued by Bangladesh Bank shall prevail.

As such the Unit has departed from those contradictory requirements of BFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below:

##### i) Provision on loans and advances

BFRSs: As per BAS 39, an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

Bangladesh Bank: As per BRPD Circular no. 14 dated 23 September 2012 and BRPD Circular no. 19 dated 27 December 2012, a general provision at 0.25% to 5% under different categories of unclassified loans (standard/ SMA loans) should be maintained regardless of objective evidence of impairment. Specific provision for sub-standard loans, doubtful loans and bad losses should be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Also, a general provision at 1% should be provided for certain off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39.

##### ii) Other comprehensive income

BFRSs: As per BAS 1 Other Comprehensive Income is a component of financial statements or the elements of Other Comprehensive Income are to be included in a Single Comprehensive Income (OCI) Statement.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which should be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed to include in a Single Comprehensive Income (OCI) Statement. As such the company does not prepare the other comprehensive income statement. However elements of OCI, if any, are shown in the statements of changes in equity.

##### iii) Financial instruments - presentation and disclosure

In several cases Bangladesh Bank guidelines categorise, recognise, measure and present financial instruments differently from those prescribed in BAS 39. As such some disclosure and presentation requirements of BFRS 7 and BAS 32 cannot be made in the accounts.

**iv) Financial guarantees**

BFRSs: As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

Bangladesh Bank: As per BRPD Circular no. 14, financial guarantees such as L/C, L/G should be treated as off balance sheet items. No liability is recognised for the guarantee except the cash margin.

**v) Cash and cash equivalents**

BFRSs: Cash and cash equivalents items should be reported as cash item as per BAS 7.

Bangladesh Bank: Some cash and cash equivalents items such as money at call and short notice, T-bills, prize bonds should not be shown as cash and cash equivalents. Money at call and short notice should be shown as face item in balance sheet, and T-bills, Prize bonds should be shown in investments.

**vi) Cash flow statement**

BFRSs: Cash flow statement can be prepared either in direct method or in indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank: As per BRPD Circular no. 14 dated 25 June 2003, cash flow should be a mixture of direct and indirect method.

**vii) Off balance sheet items**

BFRSs: No requirement of disclosure for off balance sheet items as there is no concept of off balance sheet items in any BFRS; hence there is no requirement of disclosure of off balance sheet items.

Bangladesh Bank: As per BRPD Circular no. 14 dated 25 June 2003, off balance sheet items e. g. L/C, L/G should be disclosed separately in the face of balance sheet.

**viii) Disclosure of appropriation of profit**

BFRSs: There is no requirement to show appropriation of profit in the face of statement of comprehensive income.

Bangladesh Bank: As per BRPD Circular no. 14 dated 25 June 2003, an appropriation of profit should be disclosed in the face of Profit and Loss Account.

**ix) Loans and advance net of provision**

BFRSs: Loans and advances should be presented net of provisions.

Bangladesh Bank: As per BRPD Circular no. 14 dated 25 June 2003, provision on loans and advances should be presented separately as liability and cannot be netted off against loans and advances.

**2.2 Foreign currency**

Items included in the financial statements of the Unit are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Unit are presented in US Dollar (USD) and Bangladeshi Taka (BDT) where USD is the functional currency and BDT is the Unit's presentation currency.

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the presentation currency at the rate of exchange ruling at the balance sheet date.

**2.3 Loans and advances**

a) These are stated gross, with accumulated specific and general provisions for bad and doubtful debts being shown under other liabilities.

b) Provision for Loans and Advances is made on the basis of period end review by the management and of instructions contained in BRPD circular no. 14 dated 23 September 2012 and BRPD circular no. 19 dated 27 December 2012.

**2.4 Revenue recognition**

**2.4.1 Interest income:**

Interest on unclassified (excluding SMA) loans and advances have been accounted for as income on accrual basis.

#### 2.4.2 Fees and commission income:

Fees and commission income arises on services provided by the unit and recognised as and when received basis.

#### 2.4.3 Interest paid on borrowings and deposits:

Interest paid on borrowings and deposits are calculated on 360 days in a year and accounted for on accrual basis.

#### 2.4.4 Operating Expenses:

Expenses incurred by the unit except mentioned in 2.4.5 are recognised on actual and accrual basis.

#### 2.4.5 Allocation of common expenses

Establishment expenses in the nature of rent, rates and taxes, salaries, management expenses, printing and stationery, electricity, postages, stamps, telecommunication and audit fees have not been separately accounted for OBU in the Financial Statements.

### 2.6 General

2.6.1 Fixed assets of this unit are appearing in the books of the main operation of the bank and depreciation is also charged to Profit and Loss Account of the main operation of the Bank.

2.6.2 Assets and liabilities have been translated into Taka currency @ USD 1 = BDT 79.8499 (2011: BDT 81.6847) which represents the year-end standard mid rate of exchange (i.e. closing rate). Incomes and expenses are translated at an average rate over the year of the transactions i.e. (USD 1= BDT 81.8605). The cumulative amount of the exchange differences has been presented separately in equity until the disposal of foreign operations.

2.6.3 Certain corresponding figures in the financial statements have been reclassified and rearranged to conform to the current year's presentation.

2.6.4 These financial statements of the unit cover one calendar year from 1 January 2012 to 31 December 2012.

	Note	2012		2011		
		USD	BDT	USD	BDT	
<b>3</b>	<b>Balance with other Banks and Financial Institutions</b>					
	Inside Bangladesh					
	In interest bearing account					
	Term Placement					
	United Commercial Bank Limited	15,000,000	1,197,748,500	-	-	
		15,000,000	1,197,748,500	-	-	
	Outside Bangladesh					
	In-non interest bearing account					
	Standard Chartered Bank, Newyork (Annexure-A)	1,256,012	100,292,457	-	-	
	Commerz Bank AG, Frankfurt, Germany (Annexure-A)	130,192	10,395,830	-	-	
		1,386,204	110,688,287	-	-	
		<b>16,386,204</b>	<b>1,308,436,787</b>	-	-	
<b>3.1</b>	<b>Balance with other banks and financial institutions (according to remaining maturity grouping)</b>					
	Receivable					
	On demand	16,386,204	1,308,436,787	-	-	
	In not more than one month	-	-	-	-	
	In more than one month but not more than three months	-	-	-	-	
	In more than three months but not more than one year	-	-	-	-	
	In more than one year but not more than five years	-	-	-	-	
	In more than five years	-	-	-	-	
		<b>16,386,204</b>	<b>1,308,436,787</b>	-	-	
<b>4</b>	<b>Loans and advances</b>					
	i) Loans, cash credits, overdrafts, etc.	4.1	20,869,655	1,666,439,889	20,420,382	1,668,032,707
	ii) Bills discounted and purchased	4.2	94,318,421	7,531,316,466	57,208,104	4,673,026,838
			<b>115,188,076</b>	<b>9,197,756,355</b>	<b>77,628,486</b>	<b>6,341,059,545</b>
<b>4.1</b>	<b>Loans, Cash Credit, Overdraft etc.</b>					
	Inside Bangladesh :					
	Loans	20,759,068	1,657,609,490	20,047,436	1,637,568,732	
	Cash Credit	-	-	-	-	
	Overdraft	110,587	8,830,399	372,946	30,463,975	
		20,869,655	1,666,439,889	20,420,382	1,668,032,707	
	Outside Bangladesh :					
	Loans	-	-	-	-	
	Cash Credit	-	-	-	-	
	Overdraft	-	-	-	-	
		-	-	-	-	
		<b>20,869,655</b>	<b>1,666,439,889</b>	<b>20,420,382</b>	<b>1,668,032,707</b>	
<b>4.2</b>	<b>Bills Discounted and Purchased</b>					
	Inside Bangladesh :					

	Note	2012		2011	
		USD	BDT	USD	BDT
Bills Discounted /Financed		94,318,421	7,531,316,466	57,208,104	4,673,026,838
LDBP/FDBP		-	-	-	-
		94,318,421	7,531,316,466	57,208,104	4,673,026,838
Outside Bangladesh :					
Bills Discounted /Financed		-	-	-	-
LDBP/FDBP		-	-	-	-
		-	-	-	-
		<b>94,318,421</b>	<b>7,531,316,466</b>	<b>57,208,104</b>	<b>4,673,026,838</b>
<b>4.a Maturity grouping of loans and advances including bills discounted and purchased</b>					
Payable on demand		31,988,363	2,554,267,597	37,522,560	3,065,019,048
Less than three months		50,814,640	4,057,543,896	29,496,670	2,409,426,624
More than three months but less than one year		24,428,789	1,950,636,329	5,509,817	450,067,725
More than one year but less than five years		7,956,285	635,308,533	5,099,439	416,546,148
More than five years		-	-	-	-
		<b>115,188,076</b>	<b>9,197,756,355</b>	<b>77,628,486</b>	<b>6,341,059,545</b>
<b>4.b Maturity analysis of bills purchased and discounted</b>					
Payable on demand					
Less than three months					
More than three months but less than one year		94,318,421	7,531,316,466	57,208,104	4,673,026,838
More than one year but less than five years				-	-
		94,318,421	7,531,316,466	57,208,104	4,673,026,838
<b>4.a.1 Loans and Advances to Directors, Executive and Others</b>					
Advance to Directors and their allied concerns (including Ex-Directors)		-	-	-	-
Advances to CEO & Managing Director		-	-	-	-
Advances to Other executives and staffs		-	-	-	-
Advances to Customers (Group wise)		-	-	-	-
Industrial Advances		115,188,076	9,197,756,355	77,628,486	6,341,059,545
		<b>115,188,076</b>	<b>9,197,756,355</b>	<b>77,628,486</b>	<b>6,341,059,545</b>
<b>4.a.2 Industry-wise Concentration of loans and advances</b>					
Crops, fisheries and live stocks		1,558,145	124,417,741	-	-
Edible oil refinery		16,812,042	1,342,439,911	10,540,962	861,035,300
Electronics goods		5,033,402	401,916,639	6,232,107	509,067,814
Power, Gas & Oil		1,690,825	135,012,240	4,161,903	339,963,787
Transport (Shipping, Airlines, Bus, Truck, Carrier)		15,635,139	1,248,464,302	13,401,818	1,094,723,510
Readymade garments		7,080,959	565,413,907	4,970,927	406,048,660
Commerce and Trading		7,319,207	584,437,912	-	-
Sugar Industry		-	-	15,025,069	1,227,318,278
Cement Industry		2,910,580	232,409,560	5,743,079	469,121,695
Foods & Beverage		5,211,783	416,160,331	-	-
Polymer		4,425,707	353,392,283	3,433,563	280,469,532

	Note	2012		2011	
		USD	BDT	USD	BDT
Textile mills		2,734,539	218,352,698	15,237	1,244,594
Ship Breaking Industry		14,888,579	1,188,851,507	2,841,929	232,142,153
Industries for Steel products		26,701,187	2,132,087,072	8,521,613	696,085,383
Others		3,185,981	254,400,252	2,740,279	223,838,839
		<b>115,188,076</b>	<b>9,197,756,355</b>	<b>77,628,486</b>	<b>6,341,059,545</b>
<b>4.a.3 Geographical location-wise concentration of Loans and advances</b>					
Inside Bangladesh:					
Dhaka Division		88,410,939	7,059,604,667	61,093,618	4,990,413,862
Chittagong Division		26,777,137	2,138,151,688	16,534,868	1,350,645,683
Khulna Division		-	-	-	-
Rajshahi Division		-	-	-	-
Barishal Division		-	-	-	-
Sylhet Division		-	-	-	-
Rangpur Division		-	-	-	-
Outside Bangladesh:		-	-	-	-
		<b>115,188,076</b>	<b>9,197,756,355</b>	<b>77,628,486</b>	<b>6,341,059,545</b>
<b>4.c Classified, unclassified, doubtful and bad loans and advances</b>					
Unclassified:					
Standard		115,188,076	9,197,756,355	77,628,486	6,341,059,545
Special mention account		-	-	-	-
Classified					
Sub-standard		-	-	-	-
Doubtful		-	-	-	-
Bad/loss		-	-	-	-
		<b>115,188,076</b>	<b>9,197,756,355</b>	<b>77,628,486</b>	<b>6,341,059,545</b>
<b>4.d</b>					
i) Debt considered good in respect of which the bank is fully secured		115,188,076	9,409,103,437	77,628,486	6,341,059,545
ii) Debt considered good for which the bank holds no other security than the debtor's personal security		-	-	-	-
iii) Debts considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors		-	-	-	-
iv) Debts considered doubtful or bad, not provided for		-	-	-	-
		<b>115,188,076</b>	<b>9,409,103,437</b>	<b>77,628,486</b>	<b>6,341,059,545</b>
v) Debts taken by directors or executives or any of them taken jointly or separately with other persons		-	-	-	-

	Note	2012		2011	
		USD	BDT	USD	BDT
vi) Debts due by directors or officers of the bank or any of them either severally or jointly with any other person and debts due by companies or firms in which the directors, partners or managing agent or in the case of private companies as members		-	-	-	-
vii) Maximum total amount of advances, including temporary advances made at any time during the period to directors or managers or officers of the bank or any of them either severally or jointly with any other persons		-	-	-	-
viii) Maximum total amount of advances, including temporary advance granted during the period to the companies or firms in which the directors of the bank are interested as directors, partners or managing agents or, in case of private companies as members		-	-	-	-
ix) Due from other banking companies		-	-	-	-
x) Classified loans and advances on which no interest is credited to income		-	-	-	-
<b>5 Other Assets</b>					
Prepayments		137,639	10,990,449	125,000	10,210,588
		<b>137,639</b>	<b>10,990,449</b>	<b>125,000</b>	<b>10,210,588</b>
<b>6 Borrowings from other banks, financial institutions and agents</b>					
Demand Borrowings	6.1	70,850,196	5,657,381,066	18,598,963	1,519,250,716
Term Borrowings	6.2	56,538,072	4,514,559,363	41,016,162	3,350,392,852
		<b>127,388,268</b>	<b>10,171,940,428</b>	<b>59,615,125</b>	<b>4,869,643,568</b>
<b>6.1 Demand Borrowings</b>					
In non interest bearing account with Standard Chartered Bank, Newyork (Annexure-A2)		-	-	23,318	1,904,713
In interest bearing account with Domestic Bank Unit- DBU		70,850,196	5,657,381,066	18,575,645	1,517,346,003
		<b>70,850,196</b>	<b>5,657,381,066</b>	<b>18,598,963</b>	<b>1,519,250,716</b>
<b>6.2 Term Borrowings</b>					
<b>Borrowing inside Bangladesh</b>					
Basic Bank Limited		538,072	42,964,963	1,016,162	83,004,852
Commercial Bank of Cylon		3,000,000	239,549,700	-	-
South East Bank Limited		-	-	5,000,000	408,423,500
		<b>3,538,072</b>	<b>282,514,663</b>	<b>6,016,162</b>	<b>491,428,352</b>
<b>Borrowing outside Bangladesh</b>					
Banca Ubae Spa		-	-	5,000,000	408,423,500
Deutsche Investitions-Und Entwicklungsgesellschaft Mbh		20,000,000	1,596,998,000	-	-
International Finance Corporation		30,000,000	2,395,497,000	30,000,000	2,450,541,000
United Bank Limited, Dubai		3,000,000	239,549,700	-	-
		<b>53,000,000</b>	<b>4,232,044,700</b>	<b>35,000,000</b>	<b>2,858,964,500</b>
		<b>56,538,072</b>	<b>4,514,559,363</b>	<b>41,016,162</b>	<b>3,350,392,852</b>

	Note	2012		2011	
		USD	BDT	USD	BDT
<b>6.1.a Classification based on type of security</b>					
Secured		-	-	-	-
Unsecured		127,388,268	10,171,940,428	59,615,125	4,217,752,209
		<b>127,388,268</b>	<b>10,171,940,428</b>	<b>59,615,125</b>	<b>4,217,752,209</b>
<b>6.a Maturity grouping of borrowings from other banks, financial institutions and agents</b>					
Payable within one month		24,593,130	1,963,759,002	29,615,125	2,419,102,568
More than one month but less than three months		79,595,137	6,355,663,746	-	-
More than three months but less than one year		23,200,000	1,852,517,680	30,000,000	2,450,541,000
More than one year but less than five years		-	-	-	-
		<b>127,388,268</b>	<b>10,171,940,428</b>	<b>59,615,125</b>	<b>4,869,643,568</b>
<b>7 Deposits and other accounts</b>					
Current deposits and other accounts	7.1	11,136	889,185	30,416	2,484,557
Term deposits	7.2	-	-	13,000,000	1,061,901,100
		<b>11,136</b>	<b>889,185</b>	<b>13,030,416</b>	<b>1,064,385,657</b>
<b>7.1 Current deposits and other accounts:</b>					
Current account		6,086	485,943	15,974	1,304,830
Other Accounts	7.1.a	5,050	403,242	14,442	1,179,727
		<b>11,136</b>	<b>889,185</b>	<b>30,416</b>	<b>2,484,557</b>
<b>7.1.a Other Accounts:</b>					
Interest Payable on Deposit		-	-	-	-
Margin on Facility		5,050	403,242	14,442	1,179,727
		<b>5,050</b>	<b>403,242</b>	<b>14,442</b>	<b>1,179,727</b>
<b>7.a Maturity grouping of deposits and other accounts</b>					
Payable on demand		890	71,093	15,974	1,304,830
Payable within one month		224	17,868	14,442	1,179,727
More than one month but less than three months		2,056	164,184	-	-
More than three months but less than one year		7,965	636,039	-	-
More than one year but less than five years		-	-	-	-
		<b>11,136</b>	<b>889,185</b>	<b>30,416</b>	<b>2,484,557</b>
<b>8 Other liabilities</b>					
Provision for taxation	8.1	-	-	-	-
Provision for unclassified loans and advances (Including provision for off balance sheet items)		1,162,248	92,805,394	781,263	63,817,276
Interest payable on borrowing		453,910	36,244,655	1,223,968	99,979,474
Conversion GL-liability	8.2	-	-	1,000,000	81,684,700
Sundry creditors		1,221	97,469	1,503	122,746
		<b>1,617,379</b>	<b>129,147,517</b>	<b>3,006,734</b>	<b>245,604,196</b>

Note	2012		2011	
	USD	BDT	USD	BDT
8.1	Provision for tax of the unit is accounted for in the books of Eastern Bank Limited.			
8.2	This balance of USD 1,000,000 evolved at the time of system migration to UBS (Universal Banking System- an upgraded version of former flexcube). The balance was created while uploading contracts (both loan and deposit) and GL balance in UBS. This balance has been adjusted during 2012 after proper reconciliation.			
<b>8.a</b>	<b>Maturity grouping of other liabilities</b>			
	455,130	36,342,123	-	-
Payable on demand	-	-	-	-
Payable within one month	-	-	-	-
More than one month but less than three months	-	-	-	-
More than three months but less than one year	-	-	-	-
More than one year but less than five years	-	-	-	-
More than five years	1,162,248	92,805,394	-	-
	<b>1,617,379</b>	<b>129,147,517</b>	-	-
<b>9</b>	<b>Foreign currency translation difference</b>			
	The foreign currency translation difference is a net result of exchange difference of year end standard mid rate and monthly average of standard mid rate arising from translation of functional currency to presentation currency. Assets and liabilities of OBU have been presented into Taka (which is functional currency of the Bank) using year end standard mid rate of exchange of the Bank i.e. USD 1 = BDT 79.8499 (2011: BDT 81.6847) and incomes and expenses are translated using monthly average of standard mid rate of exchange (USD 1= BDT 81.8605).			
<b>10</b>	<b>Interest income</b>			
	5,672,199	464,329,028	3,984,804	296,912,513
Interest on Advances	-	-	-	-
Interest on Money at Call and Short Notice	5,861	479,793	-	-
Interest on Placement with other Banks	-	-	-	-
Interest on Foreign Currency Balances	<b>5,678,060</b>	<b>464,808,821</b>	<b>3,984,804</b>	<b>296,912,513</b>
<b>11</b>	<b>Interest paid on deposits and borrowings</b>			
	-	-	355,577	26,494,459
Interest on Deposits	2,779,498	227,531,112	1,175,270	87,570,795
Interest on Borrowings	-	-	-	-
Interest on Margin	<b>2,779,498</b>	<b>227,531,112</b>	<b>1,530,847</b>	<b>114,065,254</b>
<b>12</b>	<b>Commission, exchange and brokerage</b>			
	456,132	37,339,153	10,945	815,507
Fees & Commission	(27,754)	(2,271,934)	(26,926)	(2,006,311)
Exchange gain/(loss) net off exchange gains*	-	-	-	-
Brokerage	<b>428,378</b>	<b>35,067,218</b>	<b>(15,981)</b>	<b>(1,190,804)</b>

\*The net result of exchange differences arising from day to day transactions & revaluation of monetary items and as per BAS 21 (The Effect of changes in Foreign Exchange Rates) impact of revaluation of foreign currency balances recognized in profit and loss account during the FY.

	Note	2012		2011	
		USD	BDT	USD	BDT
<b>13 Other Operating Income</b>					
Service charges, SWIFT charges etc.		12,070	988,022	7,561	563,442
		<b>12,070</b>	<b>988,022</b>	<b>7,561</b>	<b>563,442</b>
<b>14 Operating Expenses</b>					
Account Maintenance & Processing fees		257,412	21,071,837	186,656	13,907,940
Other charges		5,475	448,220	85,819	6,394,465
		<b>262,887</b>	<b>21,520,057</b>	<b>272,475</b>	<b>20,302,405</b>
<b>15 Provision for Loans and Advances</b>					
General Provision		380,985	31,187,587	71,852	5,353,810
Specific Provision		-	-	-	-
		<b>380,985</b>	<b>31,187,587</b>	<b>71,852</b>	<b>5,353,810</b>
<b>16 Profit and loss account - retained earnings</b>					
Opening balance		2,101,210	156,563,681	1,361,340	96,314,401
Add: Profit during the year		2,695,138	220,625,304	2,101,210	156,563,681
		4,796,348	377,188,985	3,462,550	252,878,082
Less: Transferred to Main ops during the year		(2,101,210)	(156,563,681)	(1,361,340)	(96,314,401)
<b>Closing balance</b>		<b>2,695,138</b>	<b>220,625,305</b>	<b>2,101,210</b>	<b>156,563,681</b>
<b>17 Cash received from commission, exchange and brokerage</b>					
Commission, exchange and brokerage		428,378	35,067,218	10,945	815,507
		<b>428,378</b>	<b>35,067,218</b>	<b>10,945</b>	<b>815,507</b>
<b>18 Cash received from other operating activities</b>					
Service charges, SWIFT charges etc.		12,070	988,022	7,561	563,442
		<b>12,070</b>	<b>988,022</b>	<b>7,561</b>	<b>563,442</b>
<b>19 Paid for operating expenses</b>					
Operating expenses		(262,887)	(21,520,057)	(299,401)	(22,308,716)
		<b>(262,887)</b>	<b>(21,520,057)</b>	<b>(299,401)</b>	<b>(22,308,716)</b>
<b>20 Cash and cash equivalent</b>					
Balance with other banks & FIs		16,386,204	1,308,436,787	-	-
Money at call and short notice		-	-	-	-
		<b>16,386,204</b>	<b>1,308,436,787</b>	<b>-</b>	<b>-</b>

**EASTERN BANK LIMITED**  
**Offshore Banking Unit, Bangladesh**  
**Balance with Other Banks and Financial Institutions**

as at 31 December 2012

"Annexure - A"

Name of the Bank	Currency Name	2012					2011				
		Foreign / Local Currency	Functional Currency (USD)	Exch Rate	Presentation Currency (BDT)	Foreign / Local Currency	Functional Currency (USD)	Exch Rate	Presentation Currency (BDT)		
Inside Bangladesh											
United Commercial Bank Limited	USD	15,000,000	15,000,000	79.8499	1,197,748,500	-	-	-	-	-	-
Outside Bangladesh											
Standard Chartered Bank, Newyork	USD	1,256,012	1,256,012	79.8499	100,292,457	-	-	-	-	-	-
Commerz Bank AG, Frankfurt, Germany	EUR	98,466	130,192	79.8499	10,395,830	-	-	-	-	-	-
<b>Total</b>		<b>16,354,479</b>	<b>16,386,204</b>		<b>1,308,436,787</b>						

**Overdraft with Other Banks and Financial Institutions - Outside Bangladesh**

as at 31 December 2012

"Annexure - A2"

Name of the Bank	Currency Name	2012					2011				
		Foreign / Local Currency	Functional Currency (USD)	Rate	Presentation Currency (BDT)	Foreign / Local Currency	Functional Currency (USD)	Rate	Presentation Currency (BDT)		
Standard Chartered Bank, Newyork	USD	-	-	-	-	-	23,318.00	81.68	1,904,713		
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,318.00</b>	<b>-</b>	<b>1,904,713</b>		



audited financial  
statements of the  
subsidiaries

## EBL Securities Limited

### Auditors' Report To The Shareholders

We have audited the accompanying financial statements of **EBL SECURITIES LIMITED**, which comprises the statement of financial position as at 31 December 2012 and the related statement of comprehensive income, statement of cash flows and Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards (BAS) & Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994 and other applicable laws and regulations. This responsibility includes: designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion:

In our opinion, the Financial Statements prepared in accordance with Bangladesh Accounting Standards (BAS) & Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the company's affairs as at 31 December, 2012 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

#### Further to our opinion in the above paragraph, we state that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by **EBL SECURITIES LIMITED**, so far as it appeared from our examination of those books;
- c) the company's Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flow and Statement of Changes in Equity dealt with by the report are in agreement with the books of account and returns.
- d) the expenditure incurred was for the purpose of the company's business.

Dhaka, 17 January 2013



**Ahmed Khan & Co.**  
Chartered Accountants

# EBL Securities Limited

## Statement of financial position

As At 31 December 2012

	Notes	2012 Taka	2011 Taka
<b>I. ASSETS</b>			
<b>A. Non-Current Assets:</b>			
Fixed Assets less Accumulated Depreciation	04.00	8,087,321	10,520,327
Intangible Assets less Amortization	05.00	1,458,262	1,760,058
Deferred Revenue Expenses less Written off	06.00	399,434	556,054
Membership of DSE & CSE at Cost	07.00	201,506,000	6,000
		<b>211,451,017</b>	<b>12,842,439</b>
<b>B. Current Assets:</b>			
Advances, Deposits & Prepayments	08.00	4,092,418	6,414,444
Advance Income Tax	09.00	9,381,768	29,007,366
Accounts Receivable	10.00	779,128,673	734,167,690
Investment in Securities	11.00	21,923	336,723
Cash & Cash Equivalent	12.00	114,944,377	152,552,374
		<b>907,569,159</b>	<b>922,478,597</b>
<b>Total Assets (A+B)</b>		<b>1,119,020,175</b>	<b>935,321,036</b>
<b>II. EQUITY &amp; LIABILITIES</b>			
<b>C. Share Holders Equity:</b>			
Share Capital	13.00	300,000,000	12,500,000
Retained Earnings	14.00	11,646,071	15,206,840
		<b>311,646,071</b>	<b>27,706,840</b>
<b>D. Non-Current Liabilities</b>			
		-	-
<b>E. Current Liabilities:</b>			
Accounts Payable	15.00	76,864,037	82,882,208
Bank Overdraft	16.00	654,886,483	715,987,416
Liabilities for Expenses	17.00	7,927,608	8,718,345
Other Liabilities	18.00	44,488,400	55,664,400
Provision for Tax	19.00	23,207,577	44,361,826
		<b>807,374,104</b>	<b>907,614,196</b>
<b>Total Liabilities (C+D+E)</b>		<b>1,119,020,175</b>	<b>935,321,036</b>

The attached notes form an integral part of the financial statements.

  
Chief Executive Officer

  
Director

  
Chairman

Signed in terms of our annexed report of even date.

  
Auditors  
Ahmed Khan & Co.  
Chartered Accountants

Dhaka, 17 January 2013

# EBL Securities Limited

## Statement of Comprehensive Income

For The Year Ended 31 December 2012

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		<u>Taka</u>	<u>Taka</u>
<b>A. Revenue:</b>			
Commission Earning	20.00	59,505,150	84,033,624
Income from Investment	21.00	(63,263)	2,553,751
Other Operating Income	22.00	131,957,892	111,860,799
		<b>191,399,779</b>	<b>198,448,174</b>
<b>B. Expenses:</b>			
Direct Expenses	23.00	7,237,479	9,694,832
Office & Administrative Expenses	24.00	38,265,891	34,226,248
Financial Expenses	25.00	84,320,430	77,246,991
		<b>129,823,801</b>	<b>121,168,071</b>
<b>C. Operating Profit Before Tax</b>		<b>61,575,978</b>	<b>77,280,103</b>
Provision for Tax	26.00	25,136,747	28,004,648
<b>Net Profit After Tax</b>		<b>36,439,231</b>	<b>49,275,455</b>
<b>Earnings Per Share (EPS)</b>	27.00	<b>121</b>	<b>164</b>

The attached notes form an integral part of the financial statements.



Chief Executive Officer



Director



Chairman

Signed in terms of our annexed report of even date.



Auditors  
Ahmed Khan & Co.  
Chartered Accountants

Dhaka, 17 January 2013

## EBL Securities Limited

### Statement of Cash Flows

For The Year Ended 31 December 2012

	2012 Taka	2011 Taka
<b>Cash Flows from Operating Activities:</b>		
Net Profit/(Loss) after Provision for Tax	36,439,231	49,275,455
Add: Depreciation	2,445,006	2,237,076
Add: Amortization	301,796	(248,078)
Add: Written off- Deferred Revenue Expenses	156,620	(124,582)
<b>Net Profit/(Loss) after Depreciation</b>	<b>39,342,654</b>	<b>51,139,871</b>
<b>Changes in Working Capital:</b>	<b>(162,938,651)</b>	<b>(32,274,673)</b>
(Increase)/Decrease in Advances, Deposits & Pre-payments	2,322,026	9,430,385
(Increase)/Decrease in Advance Income Tax	19,625,598	(15,308,767)
(Increase)/Decrease in Receivable	(44,960,983)	(151,239,226)
(Increase)/Decrease in Investment & Securities	314,800	(336,723)
Increase/(Decrease) in Payable	(6,018,172)	(217,204,683)
Increase/(Decrease) in Bank Overdraft	(61,100,933)	380,858,307
Increase/(Decrease) in Liabilities for Expenses	(790,738)	(2,832,015)
Increase/(Decrease) in Other Liabilities	(11,176,000)	(13,646,600)
Increase/(Decrease) Interim Dividend Payable	(40,000,000)	(50,000,000)
Increase/(Decrease) in Provision for Tax	(21,154,250)	28,004,649
<b>A. Net Cash provided from/ (used in) Operating Activities:</b>	<b>(123,595,998)</b>	<b>18,865,198</b>
<b>Cash Flows from Investing Activities:</b>		
(Increase)/Decrease in Membership fees of DSE & CSE	(201,500,000)	-
Fixed Assets Purchased	(12,000)	(2,547,136)
<b>B. Net Cash provided from/ (used in) Investing Activities</b>	<b>(201,512,000)</b>	<b>(2,547,136)</b>
<b>Cash Flows from Financing Activities:</b>		
Increase/(Decrease) in Paid-up Capital	287,500,000	-
<b>C. Net Cash provided from/ (used in) Financing Activities</b>	<b>287,500,000</b>	<b>-</b>
<b>Net increase / (decrease) in Cash during the Year (A+B+C)</b>	<b>(37,607,998)</b>	<b>16,318,062</b>
Add: Opening Cash & Cash Equivalent	152,552,374	136,234,312
<b>Closing Cash &amp; Cash Equivalent*</b>	<b>114,944,376</b>	<b>152,552,374</b>
Closing Cash & Cash Equivalent*		
Cash in Hand	4,239	8,635
Cash with other Banks	114,940,137	152,543,739
	<b>114,944,376</b>	<b>152,552,374</b>

The attached notes form an integral part of the financial statements.

  
Chief Executive Officer

  
Director

  
Chairman

Signed in terms of our annexed report of even date.

  
Auditors  
Ahmed Khan & Co.  
Chartered Accountants

Dhaka, 17 January 2013

## EBL Securities Limited

### Changes in Shareholders Equity

For The Year Ended 31 December 2012

Figures in Taka

Particulars	Paid up Capital	Retain Earnings	Total
Balance as on 01 January 2012	12,500,000	15,206,840	27,706,840
Add: Net Surplus/ (Deficit) for the year	287,500,000	36,439,231	323,939,231
Interim Dividend	-	(40,000,000)	(40,000,000)
Balance as on 31 December 2012	<b>300,000,000</b>	<b>11,646,071</b>	<b>311,646,071</b>

For The Year Ended 31 December 2011

Particulars	Paid up Capital	Retain Earnings	Total
Balance as on 01 January 2011	12,500,000	15,931,385	28,431,385
Add: Net Surplus/ (Deficit) for the year	-	49,275,455	49,275,455
Interim Dividend	-	(50,000,000)	(50,000,000)
Balance as on 31 December 2011	<b>12,500,000</b>	<b>15,206,840</b>	<b>27,706,840</b>



Chief Executive Officer



Director



Chairman

Signed in terms of our annexed report of even date.


Auditors  
Ahmed Khan & Co.  
Chartered Accountants

Dhaka, 17 January 2013

# EBL Securities Limited

## Notes To The Financial Statements

As at and For The Year Ended 31 December 2012

### 1.00 REPORTING ENTITY:

#### 1.01 Domicile and legal status of the company:

EBL Securities Ltd. is one of the leading brokerage houses domiciled in Bangladesh which has been constituted by changing the name of LRK Securities Limited, limited by shares incorporated under the Companies Act 1994 vide incorporation no. C-32161 (1282)/97.

The company purchased a Chittagong Stock Exchange (CSE) membership license bearing distinctive no. 021 from Agrani Securities Limited, the transfer of which has been approved by CSE in its 175th meeting held on October 07, 2012.

#### 1.02 Nature of business activities:

The principal activities of the company during the year were to buy, sell and deal in shares, stocks, debentures and other securities, to become member of stock exchange in Bangladesh and/ or elsewhere and undertake all the functions of a Stock Exchange Member.

### 2.00 BASIS OF PREPARATION:

#### 2.01 Statement of compliance:

The financial statements are prepared on the historical cost basis and therefore, did not take into consideration the effect of inflation. The financial statements have been prepared and the disclosures of information have been made in accordance with the Companies Act, 1994, the Securities and Exchange Rules, 1987, the listing Rules of Dhaka Stock Exchange, Guidelines from Bangladesh Bank, Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) and other applicable laws and regulations.

#### 2.02 Other regulatory compliances:

The company is also required to comply with the following major laws and regulations in addition to the Companies Act, 1994 where applicable:

The Income Tax Ordinance 1984

The Income Tax Rules 1984

The Value Added Tax Act 1991

The Value Added Tax Rules 1991

EBL Securities Ltd. also registered with the Bangladesh Securities and Exchange Commission (BSEC) to act as Stock Dealer for carrying its own investment in the capital market. It also extends margin loan to its clients against their margin for investment in the listed securities. The required margin level is monitored daily and pursuant to established guidelines, customers are required to deposit additional margin to reduce the position, where necessary.

EBL Securities Ltd. encompasses a wide range of services having registered with the Securities and Exchange Commission to act as "custody participant" of Central Depository of Bangladesh Limited (CDBL).

#### 2.03 Basis of accounting:

The financial statements except for cash flow information have been prepared on accrual basis of accounting.

#### 2.04 Use of estimates and assumptions:

Preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, income and expenses. These financial statements contained information about the assumptions it made about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets, liabilities, income and expenses within the next financial year.

In accordance with the guidelines as prescribed by BAS 37: Provisions, Contingent Liabilities and Contingent Assets. Provisions are recognized in the following situation:

- When the company has an obligation as a result of past events,

- When it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- Reliable estimates can be made of the amount of the obligation.

### 2.05 Consistency:

In accordance with the BFRS framework for the presentation of financial statements together with BAS 1 and BAS 8, EBL Securities applies the accounting disclosure principles consistently from one period to the next. Where selecting and applying new accounting policies, changes in accounting policies applied, corrections of errors, the amounts involved are accounted for and retrospectively accordance with the requirement of BAS 8. We however have applied the same accounting principles in 2012 as in financial statements for 2011.

### 3.00 SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

#### 3.01 Fixed assets and depreciation:

These are measured at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the property, plant and equipment. Full month's depreciation has been charged on additions irrespective of date when the related assets are put into use and no depreciation is charged for the month of disposal. Depreciation is provided at the following rates on straight-line basis in accordance with BAS 16 over the periods appropriate to the estimated useful lives of the different types of assets:

Furniture & Fixture	15.00%
Television & Multimedia	20.00%
Computer & Accessories	20.00%
Generator	15.00%
Office Equipment	15.00%
Office Decoration	15.00%
Car Vehicles	15.00%

#### 3.02 Intangible assets and amortization:

Intangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the company and the cost of the asset can be measured reliably in accordance with BAS 38: Intangible Assets. Accordingly, these assets are stated in the Statement of Financial Position at cost less accumulated amortization.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is recognized as incurred.

#### 3.03 Impairment:

##### Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more have occurred indicating a negative effect on the estimated future cash flows from the asset. However no such condition that might be suggestive of a heightened risk of impairments of assets existed at the reporting date.

##### Non financial assets:

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognized in Statement of Comprehensive Income if the carrying amount of an asset exceeds its estimated recoverable amount. However, no such condition that might be suggestive of a heightened risk of impairment of assets existed at the reporting date.

#### 3.04 Cash and cash equivalents:

Considering the provisions of BAS-1 and BAS-7, cash on hand and bank deposits, which were held and available for use of the company without any restriction have been stated as cash and cash equivalent.

The net cash flow from operating activities is determined by adjusting profit for the year under indirect method as per BAS-7 "Cash Flow Statement".

#### 3.05 Accounts receivable:

Trade receivables are stated at nominal values as reduced by the appropriate allowances for estimated doubtful amounts. No such receivables are accounted for if the loans are classified as bad and loss. Receivables include the margin loan provided to the clients in which interest is charged. Such interest is not recognized as income until it is realized from the respective client account.

### **3.06 Margin loan:**

EBL Securities extends margin loan to the portfolio investors at an agreed ratio (between investors deposit and loan amount) of purchased securities against the respective investor account. The investors are to maintain the margin as per set rules and regulations. The margin is monitored on daily basis as it changes due to change in market price of shares. If the margin falls below the minimum requirement, the investors are required to deposit additional fund to maintain margin as per rules otherwise the securities are sold to bring the margin to the required level.

### **3.07 Investment in securities:**

Investments in listed securities are recognized at cost. Quarterly impairment test is carried out by comparing cost with market price. In case of diminution of market value compared to cost, provision is made on portfolio basis but no unrealized gain is booked when market value exceeds cost.

### **3.08 Payables:**

Trade and other payables are stated at their nominal values.

### **3.09 Due from/to related party:**

Due from/to related party is stated at their nominal values.

### **3.10 Accrued expenses and other liabilities:**

Liabilities are recognized for the goods and services received, whether paid or not for those goods and services. Payables are not interest bearing and are stated at their nominal values.

### **3.11 Bank overdraft:**

Eastern Bank Limited has sanctioned EBL Securities Ltd. credit facilities of BDT 1,100.00 million out of which BDT 850.00 million and 250.00 million is against overdraft and letter of guarantee respectively vide letter reference no # TR/4243/2011 dated July 19, 2011. EBL Securities Ltd. facilitates the fund to its clients as margin loan. Interest costs are recognized in the Statement of Comprehensive Income in the period in which they are incurred.

### **3.12 Provisions:**

Provision is recognized in the Statement of Financial Position when the company has a legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate thereof can be made.

### **3.13 Revenue recognition:**

Revenue, which comprises of brokerage commission, service charges and capital gain, is recognized in accordance with Bangladesh Accounting Standard (BAS) 18: Revenue Recognition.

### **3.14 Income from margin loan:**

Income from margin loan is recognized on accrual basis. Such income is calculated considering daily margin loan balance of the respective customers. Income is recognized on quarterly rest.

### **3.15 Dividend income:**

Dividend income from ordinary shares is recognized when the shareholders' legal rights to receive payments have been established i.e. during the period in which dividend is declared in the Annual General Meeting. Dividend declared but not received is recognized as deemed dividend.

### **3.16 Gain on sale of securities:**

Capital gain on disposal of securities listed in the stock exchange is recorded on realized basis i.e. only when securities are sold in the market.

### **3.17 Income tax expenses:**

Income tax expenses comprise current and deferred tax. Income tax expense is recognized in the Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

### **3.18 Earnings per share:**

Earnings per share has been computed by dividing the profit after tax (PAT) by the weighted average number of ordinary shares outstanding as on December 31, 2012 as per BAS 33 "Earnings Per Share" diluted earning per share was not required to be calculated as there were no dilution possibilities during the year.

### 3.19 Particulars of employees:

The number of employees engaged by the company during the year and part thereof was 44 (44 in 2011) and all the staffs of the company are drawing salary and allowances above Tk 60,000 per annum.

### 3.20 Events after the Reporting Period:

There are no such events after the reporting period existed at the end of the reporting period.

### 3.21 Currency:

The amounts in the Financial Statements have been rounded off to the nearest integer in Bangladeshi Taka.

### 3.22 General:

Previous year's figures have been re-arranged/re-classified, where consider necessary, to conform to current year's presentation.

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		<u>Taka</u>	<u>Taka</u>
<b>4.00 Fixed Assets (Annexure - A):</b>			
At Cost		15,240,966	15,228,965
Less: Accumulated Depreciation		7,153,645	4,708,638
		<b>8,087,321</b>	<b>10,520,327</b>
<b>5.00 Intangible Assets:</b>			
Blue-chip Software		1,950,000	1,950,000
Software (LAN)		61,980	61,980
		<b>2,011,980</b>	<b>2,011,980</b>
Less: Amortization (15%)		553,718	251,922
		<b>1,458,262</b>	<b>1,760,058</b>
<b>6.00 Deferred Revenue Expenses:</b>			
DPDC Connection Fees		99,960	149,940
Share Bidding Registration Fee		15,000	20,000
Account Opening Form		109,474	161,114
Office Set -Up (RACE)		175,000	225,000
		<b>399,434</b>	<b>556,054</b>
<b>7.00 Membership of DSE &amp; CSE at Cost:</b>			
DSE		6,000	6,000
CSE		201,500,000	-
		<b>201,506,000</b>	<b>6,000</b>
<b>8.00 Advances, Deposits &amp; Prepayments :</b>			
Advance Salary		-	2,500
Advance Against Office Rent		3,799,050	6,148,510
Advance Against Security Deposit		234,000	239,600
Advance Against Expenses		26,465	9,465
Pre- paid Insurance Premium Against Motor Vehicle		19,903	14,369
Pre-paid Expenses		13,000	-
		<b>4,092,418</b>	<b>6,414,444</b>

This includes the cost of Chittagong Stock Exchange membership purchased from Agrani Securities Limited for the expansion of the business through agreement between the parties dated 12 July 2012.

	<u>Notes</u>	<u>2012</u> <u>Taka</u>	<u>2011</u> <u>Taka</u>
<b>9.00 Advance Income Tax:</b>			
Opening Balance		29,007,366	13,698,599
Add: During the year	9.01	9,195,973	29,007,366
		38,203,339	42,705,965
Less: Adjustment During the year	9.02	28,821,571	13,698,599
		<b>9,381,768</b>	<b>29,007,366</b>
<b>9.01 Advance Income Tax During the year:</b>			
Under Section 53BBB		8,930,742	28,391,119
AIT on Bank Interest & Others		265,231	616,247
		<b>9,195,973</b>	<b>29,007,366</b>
<b>9.02 Adjustment during the year</b>			
Under Section 53BBB		28,391,118	13,690,995
AIT on Bank Interest & Others		430,453	7,604
		<b>28,821,571</b>	<b>13,698,599</b>
<b>10.00 Accounts Receivable:</b>			
Receivable from DSE		29,805,221	24,051,877
Receivable from Clients	10.01	749,323,452	710,072,312
Dividend Receivable		-	43,500
		<b>779,128,673</b>	<b>734,167,690</b>
<b>10.01 Receivable from Clients:</b>			
Eastern Bank Ltd.		2,350	5,853
Receivable from Other Clients		749,321,102	710,066,459
		<b>749,323,452</b>	<b>710,072,312</b>
<b>11.00 Investment in Securities:</b>			
<b>Name of Securities</b>	<b>No. of Shares</b>	<b>Cost Price</b>	<b>Cost Price</b>
MI Cement Ltd.	51 nos.	6,936	6,936
MJL Bd. Ltd.	04 nos.	425	425
Meghna Petroleum Ltd.	120 nos.	14,562	65,532
Social Islami Bank Ltd.		-	121,750
TITAS Gas Distribution Ltd.		-	142,080
		<b>21,923</b>	<b>336,723</b>
<b>11.01 Market Value of Securities</b>	<b>No. of Shares</b>	<b>Market Value</b>	<b>Market Value</b>
MI Cement Ltd.	51 nos.	6,074	5,636
MJL Bd. Ltd.	04 nos.	318	400
Meghna Petroleum Ltd.	120 nos.	27,720	75,160
Social Islami Bank Ltd.		-	131,000
TITAS Gas Distribution Ltd.		-	135,200
		<b>34,112</b>	<b>347,396</b>
<b>12.00 Cash &amp; Cash Equivalents:</b>			
Cash in Hand		4,239	8,635
Cash at Bank	12.01	114,940,137	152,543,739
		<b>114,944,377</b>	<b>152,552,374</b>

	Notes	2012	2011
		Taka	Taka
<b>12.01 Cash at Bank:</b>			
Al-Arafa Islami Bank Ltd (A/C No. 0003053)		114,137,013	148,668,880
Al-Arafa Islami Bank Ltd. (A/C No. 23058)		667,473	2,157,794
Eastern Bank Ltd. (A/C No. 125506)		133,498	1,717,065
Eastern Bank Ltd. (A/C No. 973)		2,153	-
		<b>114,940,137</b>	<b>152,543,739</b>

<b>13.00 Share Capital:</b>			
<b>Authorized Capital</b>			
Opening (30,000 Ordinary Shares of Tk. 1,000.00 each)		30,000,000	30,000,000
Add: During the Year (470,000 Ordinary Shares of Tk. 1,000.00 each)		470,000,000	-
		<b>500,000,000</b>	<b>30,000,000</b>

Pursuant to an Extra- Ordinary General Meeting (EGM) of the company held on 25th January 2012, the Authorized Share Capital of the company has been increased from BDT 3.00 Crore to BDT 50.00 Crore by the creation of an additional 470,000 ordinary shares of BDT 1,000 each.

#### Issued, Subscribed & Paid-up Capital

300,000 ordinary shares of Tk. 1,000.00 each			
Eastern Bank Limited (299,999 ordinary shares of Tk. 1,000.00 each)		299,999,000	7,500,000
Kaiser Islam		-	3,250,000
NIR Securities Ltd.		-	1,750,000
Ali Reza Md. Iftekhar (1 ordinary shares of Tk. 1,000.00 each)		1,000	-
		<b>300,000,000</b>	<b>12,500,000</b>

The Issued & Paid-up Share Capital of the company has been increased from BDT 1.25 Crore to BDT 30.00 Crore by the issue of an additional 287,500 ordinary shares of BDT 1,000 each on dated 27th September, 2012 and the return submitted to the Registrar of Joint Stock Companies on 2nd December, 2012 at par, in EBL Securities Limited, which has become a wholly-owned subsidiary on Eastern Bank Ltd.

<b>14.00 Retained Earnings:</b>			
Opening Balance		15,206,840	15,931,385
Add: During the Period		36,439,231	49,275,455
		<b>51,646,071</b>	<b>65,206,840</b>
Less: Interim Dividend Declared		40,000,000	50,000,000
		<b>11,646,071</b>	<b>15,206,840</b>

The company's Board of Directors decided to declare BDT 4.00 Crore @ 13.33% (approx) cash dividend as interim dividend for the year 2012 in its 67th Board meeting which was held on 25 December 2012.

<b>15.00 Accounts Payable:</b>			
Payable to DSE		737,959	401,461
Payable to Clients	15.01	76,126,078	82,480,747
		<b>76,864,037</b>	<b>82,882,208</b>

	<u>Notes</u>	<b>2012</b>	<b>2011</b>
		<b>Taka</b>	<b>Taka</b>
<b>15.01 Payable to Clients:</b>			
Eastern Bank Ltd.		417,741	2,337,639
Payable to Other Clients		75,708,337	80,143,108
		<b>76,126,078</b>	<b>82,480,747</b>
<b>16.00 Bank Overdraft:</b>			
Bank Overdraft (Eastern Bank Ltd. - A/C No. 134711)		654,886,483	715,987,416
		<b>654,886,483</b>	<b>715,987,416</b>
<b>17.00 Liabilities for expenses:</b>			
Audit Fees		80,000	110,000
CDBL Charges		4,179,241	3,979,851
Outstanding Liabilities		2,482,105	3,205,892
Sundry Creditors		1,070,628	1,356,352
Privileged Creditors		115,634	66,250
		<b>7,927,608</b>	<b>8,718,345</b>
<b>18.00 Other Liabilities:</b>			
Payable to EBL	18.01	4,488,400	5,664,400
Interim Dividend Payable	18.02	40,000,000	50,000,000
		<b>44,488,400</b>	<b>55,664,400</b>
<b>18.01 Payable to EBL:</b>			
Opening Balance		5,664,400	6,811,000
Less: Paid During the Year		1,176,000	1,146,600
Closing Balance		<b>4,488,400</b>	<b>5,664,400</b>
<b>18.02 Interim Dividend Payable:</b>			
Eastern Bank Ltd.		39,999,867	30,000,000
Kaiser Islam		-	13,000,000
NIR Securities Ltd.		-	7,000,000
Ali Reza Md. Iftekhar		133	-
		<b>40,000,000</b>	<b>50,000,000</b>
<b>19.00 Provision for Tax:</b>			
Opening Balance		44,361,826	16,357,178
Add: Provision made during the year	19.01	23,090,992	28,004,648
		<b>67,452,818</b>	<b>44,361,826</b>
Less: Adjustment/settlement during the year	19.02	44,245,241	-
		<b>23,207,577</b>	<b>44,361,826</b>
<b>19.01 Provision made during the year:</b>			
Under Section 53BBB		8,930,616	14,692,522
Provision for Tax on Other Operating Income		14,160,376	13,312,126
		<b>23,090,992</b>	<b>28,004,648</b>

	<u>Notes</u>	<b>2012</b>	<b>2011</b>
		<b>Taka</b>	<b>Taka</b>
<b>19.02 Adjustment/Settlement during the year:</b>			
Under Section 53BBB		28,391,119	-
AIT on Bank Interest & Others		430,453	-
Other Operating Income		15,423,670	-
		<b>44,245,242</b>	<b>-</b>
<b>20.00 Commission Earning:</b>			
Brokerage Commission (Broker)		54,399,517	68,148,119
Brokerage Commission (Dealer)		-	93,705
Settlement Commission		5,105,633	15,791,800
		<b>59,505,150</b>	<b>84,033,624</b>
<b>21.00 Income from Investment:</b>			
Dividend Income from Investment		137	130,500
Capital Gain / Loss on Investment		(63,400)	2,423,251
		<b>(63,263)</b>	<b>2,553,751</b>
<b>22.00 Other Operating Income:</b>			
BO Opening Fees		229,300	166,100
BO Annual Fees		953,545	2,164,500
Bank Interest		2,930,194	5,908,465
Interest on Margin Loan		127,750,053	103,621,734
Income from Other Source		94,800	-
		<b>131,957,892</b>	<b>111,860,799</b>
<b>23.00 Direct Expenses:</b>			
Howla Charge		727,260	787,982
Howla Charge (Dealer)		50	-
Laga Charge		3,572,246	4,294,883
Laga Charge (Dealer)		20	-
CDBL Charges		2,937,903	4,611,967
		<b>7,237,479</b>	<b>9,694,832</b>
<b>24.00 Office &amp; Administrative Expenses:</b>			
Salary & Allowance		17,402,596	15,193,080
Bonus		3,098,965	3,193,438
Office Rent		5,300,891	5,790,719
Connectivity Rent		1,309,800	1,380,700
Utility Bill		1,005,043	838,317
DSE Training Fees		20,475	13,500
DSE & SEC Subscription & Others		18,318	96,649
Repair & Maintenance		691,384	478,208
Registration & Renewal		384,853	31,295
Software Maintenance & Development Fee		264,660	169,184
Office Maintenance		26,401	10,325

	<b>2012</b>	<b>2011</b>
<b>Notes</b>	<b>Taka</b>	<b>Taka</b>
Guarantee Premium	1,725,000	2,300,000
Insurance Premium	14,368	14,369
Audit Fees	350,000	80,000
Printing & Stationery	213,478	283,566
Postage & Courier	3,630	-
Entertainment	575,635	-
Newspapers & Magazine	71,870	3,500
Legal & Professional Expenses	292,840	34,000
Petty Expenses	451,716	440,793w
Board Meeting Expenses	30,000	18,000
Advertisement	15,907	14,420
Travelling & Conveyance	1,317,734	884,804
Security Charge	297,569	122,265
Agency Commission	479,336	214,500
Amortization	301,796	251,922
Deferred Revenue Expenses (Written off)	156,620	131,618
Depreciation (Annexure - A)	2,445,006	2,237,076
	<b>38,265,891</b>	<b>34,226,248</b>
<b>25.00 Financial Expenses:</b>		
Bank Charge	23,713	192,594
Interest Expenses	84,396,717	77,054,397
	<b>84,320,430</b>	<b>77,246,991</b>
<b>26.00 Tax Expenses / Provision for Tax:</b>		
Current year	23,090,992	28,004,648
Prior year adjustment	2,045,755	-
	<b>25,136,747</b>	<b>28,004,648</b>
<b>27.00 Earnings Per Share (EPS):</b>	<b>121</b>	<b>164</b>

Earnings per share (EPS) has been computed by dividing the profit after tax (PAT) by the weighted average number of ordinary shares outstanding as on 31 December 2012 as per BAS-33 "Earnings Per Share". New share issued during 2012 has been treated as if they had been in issue from the beginning of 2011 as per BAS-33. Diluted earnings per share was not required to calculate as there were no dilution possibilities during the year.

# EBL Securities Limited

## Schedule of Fixed Assets

Annexure - A

As on 31 December 2012

Figures in Taka

Particular	Cost			Depreciation			Net book value as on 31.12.2012		
	Balance as on 01.01.2011	Addition during the year	Disposal during the year	Total as on 31.12.2012	Balance as on 01.01.2011	Charged during the year		Disposal during the year	Total as on 31.12.2012
Furniture & Fixture	2,145,233	-	-	2,145,233	1,070,669	321,785	-	1,392,454	752,779
Television & Multimedia	262,700	-	-	262,700	55,535	52,540	-	108,075	154,625
Office Equipment	3,507,547	-	-	3,507,547	1,351,594	518,584	-	1,870,178	1,637,369
Generator	727,500	-	-	727,500	201,716	109,125	-	310,842	416,658
Computer & Accessories	3,101,485	12,000	-	3,113,485	726,370	620,297	-	1,346,667	1,766,818
Office Decoration	4,142,196	-	-	4,142,196	763,142	621,329	-	1,384,471	2,757,725
Car	1,342,305	-	-	1,342,305	539,612	201,346	-	740,958	601,347
<b>As at December 2012</b>	<b>15,228,966</b>	<b>12,000</b>	<b>-</b>	<b>15,240,966</b>	<b>4,708,638</b>	<b>2,445,006</b>	<b>-</b>	<b>7,153,645</b>	<b>8,087,321</b>
<b>As at December 2011</b>	<b>12,681,829</b>	<b>2,547,136</b>	<b>-</b>	<b>15,228,965</b>	<b>2,471,562</b>	<b>2,237,076</b>	<b>-</b>	<b>4,708,638</b>	<b>10,520,327</b>

## EBL Investments Limited Auditors' Report To The Shareholders

**Hoda Vasi  
Chowdhury & Co**  
Independent Correspondent Firm to  
Deloitte Touche Tohmatsu

We have audited the accompanying financial statements of EBL Investments Limited ("the Company") which comprise the balance sheet as at 31 December 2012, the related profit and loss account, statement of changes in equity, cash flow statement, a summary of significant accounting policies and relevant explanatory notes for the year ended 31 December 2012.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994 and other applicable laws and regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994 and other applicable laws and regulations.

### We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- c) the Company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account.

Dhaka, 10 February 2013



Hoda Vasi Chowdhury & Co  
Chartered Accountants

# EBL Investments Limited

## Balance Sheet

as at 31 December 2012

**Hoda Vasi  
Chowdhury & Co**  
Independent Correspondent Firm to  
Deloitte Touche Tohmatsu

	<u>Notes</u>	<u>2012</u> Taka	<u>2011</u> Taka
<b>PROPERTY AND ASSETS</b>			
<b>Balances with other banks and financial institutions:</b>			
Inside Bangladesh	3	345,942,101	330,565,766
Outside Bangladesh		-	-
Advance tax	4	5,636,274	4,807,731
<b>TOTAL ASSETS</b>		<b>351,578,375</b>	<b>335,373,497</b>
<b>CAPITAL AND LIABILITIES</b>			
<b>Shareholders' Equity</b>			
Paid up capital	5	300,000,000	300,000,000
Retained earnings	6	42,166,654	24,450,183
<b>Total Shareholders' Equity</b>		<b>342,166,654</b>	<b>324,450,183</b>
<b>Liabilities</b>			
Provision for tax	7	9,354,221	10,871,064
Other liabilities	8	57,500	52,250
<b>Total liabilities</b>		<b>9,411,721</b>	<b>10,923,314</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>		<b>351,578,375</b>	<b>335,373,497</b>

The annexed notes 1 to 15 form an integral part of these financial statements.



Chairman

Dhaka, 10 February 2013



Director



Managing Director

Signed as per our annexed report of same date



Auditors  
Hoda Vasi Chowdhury and Co.  
Chartered Accountants

# EBL Investments Limited

## Profit & Loss Account

for the period ended 31 December 2012

**Hoda Vasi  
Chowdhury & Co**  
Independent Correspondent Firm to  
Deloitte Touche Tohmatsu

	<u>2012</u>	<u>2011</u>
<u>Notes</u>	<u>Taka</u>	<u>Taka</u>
<b>Operating Revenue</b>		
Fees, commission & charges	-	-
Interest income	25,013,239	23,963,121
<b>Total operating income</b>	<b>25,013,239</b>	<b>23,963,121</b>
<b>Operating Expense</b>		
Audit fees	57,500	52,250
Other operating expense	11,150	590,975
Total operating expense	68,650	643,225
<b>Profit before tax</b>	<b>24,944,589</b>	<b>23,319,896</b>
Provision for income tax	7,228,118	10,871,064
<b>Net profit after tax</b>	<b>17,716,471</b>	<b>12,448,832</b>
<b>Earnings per share</b>	<b>5.91</b>	<b>4.15</b>

*The annexed notes 1 to 15 form an integral part of these financial statements.*



**Chairman**

Dhaka, 10 February 2013



**Director**



**Managing Director**

Signed as per our annexed report of same date



Auditors  
Hoda Vasi Chowdhury and Co.  
Chartered Accountants

# EBL Investments Limited

## Cash Flow Statement

for the year ended 31 December 2012

	<b>2012</b>	<b>2011</b>
	<b>Taka</b>	<b>Taka</b>
<b>A. Cash flows from operating activities</b>		
Interest income	25,013,239	23,963,121
Paid for operating expenses	(11,150)	(590,975)
Income tax paid	(9,573,504)	(10,081,461)
Audit fees paid	(52,250)	(57,500)
<b>Net cash flow from operating activities</b>	<b>15,376,335</b>	<b>13,233,185</b>
<b>B. Cash flows from investing activities</b>		
Net cash flow from investing activities	-	-
<b>C. Cash flows from financing activities</b>		
Net financing received from parent	-	-
<b>Net cash flow from financing activities</b>	<b>-</b>	<b>-</b>
<b>D. Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>15,376,335</b>	<b>13,233,185</b>
<b>E. Opening cash and cash equivalents</b>	<b>330,565,766</b>	<b>317,332,581</b>
<b>F. Closing cash and cash equivalents</b>	<b>345,942,101</b>	<b>330,565,766</b>
<b>Closing cash and cash equivalents represents</b>		
Cash in hand	-	-
Balances with other banks and financial institutions	345,942,101	330,565,766
	<b>345,942,101</b>	<b>330,565,766</b>

The annexed notes 1 to 15 form an integral part of these financial statements.



Chairman

Dhaka, 10 February 2013



Director



Managing Director

## EBL Investments Limited Statement of Changes in Equity

for the year ended 31 December 2012

Figures in Taka

	Share capital	Retained earnings	Total
Balance as at 1 January 2012	300,000,000	24,450,183	324,450,183
Net profit during the year	-	17,716,471	17,716,471
<b>Balance as at 31 December 2012</b>	<b>300,000,000</b>	<b>42,166,654</b>	<b>342,166,654</b>
<b>Balance as at 31 December 2011</b>	<b>300,000,000</b>	<b>24,450,183</b>	<b>324,450,183</b>

The annexed notes 1 to 15 form an integral part of these financial statements.



Chairman

Dhaka, 10 February 2013



Director



Managing Director

## EBL Investments Limited (Maturity analysis of assets and liabilities)

As at 31 December 2012

Figures in Taka

Particulars	Maturity within 1 month	Maturity within 1 to 3 months	Maturity within 3 to 12 months	Maturity within 1 to 5 years	Maturity above 5 years	Total Amount
Assets						
Cash in hand	-	-	-	-	-	-
Balance with other banks and financial institutions	345,942,101	-	-	-	-	345,942,101
Other assets (withholding tax)	-	-	5,636,274	-	-	5,636,274
<b>Total assets</b>	<b>345,942,101</b>	<b>-</b>	<b>5,636,274</b>	<b>-</b>	<b>-</b>	<b>351,578,375</b>
Other liabilities	-	57,500	9,354,221	-	-	9,411,721
<b>Total liabilities</b>	<b>-</b>	<b>57,500</b>	<b>9,354,221</b>	<b>-</b>	<b>-</b>	<b>9,411,721</b>
Net liquidity gap	345,942,101	(57,500)	(3,717,947)	-	-	342,166,654
<b>Cumulative liquidity gap</b>	<b>345,942,101</b>	<b>345,884,601</b>	<b>342,166,654</b>	<b>342,166,654</b>	<b>342,166,654</b>	<b>-</b>

# EBL Investments Limited

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

### 1. Legal status and nature of the Company

EBL Investments Limited (here-in-after referred to as “EBL Investments Limited” or “the Company”) was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSCF) on 30 December 2009 as a Private Company Limited by shares under the Companies Act, 1994. The registered address of the Company’s was Jiban Bima Bhaban, 10 Dilkusha C/A (2nd floor), Dhaka-1000, Bangladesh up to 15 January 2013 and was shifted to a new location i.e. 59, Motijheel C/A (1st Floor), Dhaka-1000, Bangladesh from 16 January 2013. This Company is a fully owned subsidiary of Eastern Bank Limited.

The company was formed to do merchant banking operations and to provide services like underwriting of securities, issue management, portfolio management, corporate financial services etc. However, the company obtained required merchant banking license to do merchant banking business from BSEC in January 2013 and equipped to start full fledged operation from early 2013.

### 2. Significant accounting policies and basis of preparations:

#### 2.1 Statement of compliance

The financial statements of the Company as at and for the year ended 31 December 2012 have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), Companies Act 1994 and other laws and rules applicable in Bangladesh.

#### 2.2 Basis of measurement

The financial statements are prepared on historical cost convention.

#### 2.3 Basis of accounting

The financial statements except for cash flow information have been prepared on accrual basis of accounting.

#### 2.4 Use of estimates and judgments

The preparation of the financial statements requires management to use judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. However, no such revisions to accounting estimates took place during the reporting period.

#### 2.5 Reporting period

The financial period of the Company covers one year from 1 January to 31 December and is followed consistently.

#### 2.6 Functional and presentation currency and level of precision

The financial statements are presented in Bangladesh Taka currency, which is the Company’s functional currency. All financial information has been rounded off to the nearest Taka.

#### 2.7 Property, plant and equipment

##### *Recognition and measurement*

Assets are recognised initially at cost and subsequently at cost less accumulated depreciation in compliance with BAS 16, “Property Plant and Equipment”. The cost of acquisition of an asset comprises its purchase price and any direct cost for bringing the assets to its working condition for its intended use. Expenditure incurred after the assets have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. Software and all up gradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property plant and equipment.

##### *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day to day servicing of property, plant and equipment are recognised in the profit and loss account as incurred.

##### *Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each components of an item of property, plant and equipment. Depreciation is charged at the following rates starting from the month of acquisition of assets:

Category of assets	Rate of depreciation
Building	2.50%
Furniture and fixtures	10%
Machineries and equipments	20%
Vehicle	20%

No depreciation is charged in the month of disposal.

#### ***Disposal of fixed assets***

Gains and losses on disposal of an item of property plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property plant and equipment disposed off and is recognised net with "other income" in profit and loss account.

### **2.8 Intangible assets**

Intangible assets are initially recognised at cost including any directly attributable cost. Intangible assets that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets include software, integrated systems along with related hardware.

### **2.9 Books of accounts**

Though the Company maintains manual books of account, different establishment expenses in the nature of rent, maintenance, employee benefits, management expenses, printing and stationery, electricity, postages, stamps, telecommunication have been accounted for in the books of parent i.e. Eastern Bank Limited.

### **2.10 Cash and cash equivalent and cash flow statement**

Considering the provisions of BAS-1 and BAS-7, cash on hand and bank deposits, which were held and available for use of the Company without any restriction have been stated as cash and cash equivalent.

The net cash flow from operating activities is determined for the period under direct method as per BAS-7 "Cash Flow Statement".

### **2.11 Risk and uncertainty for use of estimates (provisions)**

The preparation of financial statements in conformity with Bangladesh Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses, assets and liabilities and disclosure requirements for contingent assets and liabilities during and at the date of the financial statements. Due to inherent uncertainty involved in making estimates, actual result reported could differ from those estimates.

In accordance with the guidelines as prescribed by BAS 37, Provisions, Contingent Liabilities and Contingent Assets, provisions are recognised in the following situations:

- When the company has an obligation as a result of past events;
- When it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- Reliable estimate can be made of the amount of the operation.

A provision is recognised if, as a result of past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

### **2.12 Revenue Recognition**

As per BAS-18, "Revenue" is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be measured reliably.

2.12.1 Fees and comission income arises on services rendered by the company and recognised on and accrual basis.

2.12.2 Interest income is accounted on accrual basis.

### **2.13 Income and expenditures**

Income and expenditures are recognised on accrual basis. Income is only recognised if its realisation is reasonably certain.

### **2.14 General:**

Certain previous year's figures have been rearranged / reclassified to conform to the current year's presentation adopted in these financial statements.

	Notes	2012 Taka	2011 Taka
<b>3. Balances with other banks and financial institutions</b>			
Inside Bangladesh	3.1	345,942,101	330,565,766
Outside Bangladesh		-	-
		<b>345,942,101</b>	<b>330,565,766</b>
<b>3.1 Inside Bangladesh</b>			
with Eastern Bank Limited			
Special Notice Deposit (SND)- Corporate, Principal Branch		345,942,101	330,565,766
		345,942,101	330,565,766
<b>4 Advance tax</b>			
Opening balance		4,807,731	1,927,081
Add: Paid during the year			
Advance income tax (u/s 64)		7,072,180	7,684,149
Withholding tax (u/s 53F)		2,501,324	2,397,312
		9,573,504	10,081,461
		14,381,235	12,008,542
Less: Adjustment during the year		(8,744,961)	(7,200,811)
Closing balance		<b>5,636,274</b>	<b>4,807,731</b>
<b>5 Share capital</b>			
<b>A) Authorized capital</b>			
10,000,000 ordinary shares of Tk 100 each		<b>1,000,000,000</b>	<b>1,000,000,000</b>
<b>B) Issued, subscribed and fully paid up capital</b>			
Issued against cash		300,000,000	300,000,000
Issued in others		-	-
		<b>300,000,000</b>	<b>300,000,000</b>
<b>6 Retained earnings</b>			
Opening balance		24,450,183	12,001,351
Add: Net profit after tax during the year		17,716,471	12,448,832
Less: Transfer/distribution during the year		-	-
Closing balance		<b>42,166,654</b>	<b>24,450,183</b>
<b>7 Provision for tax</b>			
Opening balance		10,871,064	7,200,811
Add: Provision for the year	12	9,354,221	9,910,956
Prior years' adjustment		(2,126,103)	960,108
		7,228,118	10,871,064
		<b>18,099,182</b>	<b>18,071,875</b>
Less: Adjustment / settlement for previous year		(8,744,961)	(7,200,811)
Closing balance		<b>9,354,221</b>	<b>10,871,064</b>

Provision for current tax is made @ 37.5% on PBT considering the admissible and inadmissible expenses. Prior years' excess provision has been adjusted with current tax due to reduction in tax rate (from 42.5% to 37.5%).

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		<u>Taka</u>	<u>Taka</u>
<b>8 Other liabilities</b>			
Audit fees		57,500	52,250
		<b>57,500</b>	<b>52,250</b>
<b>9 Interest income</b>			
Interest income from deposit with bank		25,013,239	23,963,121
		<b>25,013,239</b>	<b>23,963,121</b>
<b>10 Audit fees</b>			
Audit fee during the year		50,000	50,000
Vat on audit fee (15% & 4.5% in 2012 and 2011 respectively)		7,500	2,250
		<b>57,500</b>	<b>52,250</b>
<b>11 Other operating expenses</b>			
Preincorporation expenses	11.1	-	579,825
Account Maintenance Fees		1,150	1,150
Excise duty on bank account		10,000	10,000
		<b>11,150</b>	<b>590,975</b>
<b>11.1 Preincorporation expenses</b>			
Consultancy fees		-	105,000
Govt Stamps & Court fees		-	474,825
		<b>-</b>	<b>579,825</b>
<b>12 Income tax expenses/ Provision for tax</b>			
Current year		9,354,221	9,910,956
Prior years' adjustment		(2,126,103)	960,108
		<b>7,228,118</b>	<b>10,871,064</b>
<b>13 Earnings per share</b>			
Earnings per share (EPS) has been computed by dividing the profit after tax (PAT) by the weighted average number of ordinary shares outstanding as on 31 December 2012 as per BAS-33 "Earnings Per Share".			
(a) Net profit attributable to the shareholders		17,716,471	12,448,832
(b) Weighted average number of shares		3,000,000	3,000,000
<b>Earnings per share (a/b)</b>		<b>5.91</b>	<b>4.15</b>

**14 Contingencies and commitments**

There are no contingent assets or liabilities and unrecognized contractual commitments at the balance sheet date.

**15 Events after the balance sheet date**

There is no significant event subsequent to the balance sheet date to report which had an influence on the balance sheet or the income statement as at and for the year ended 31 December 2012.

# branch network

## Dhaka

### Principal Branch/Student Center

Jiban Bima Bhaban, 10 Dilkusha C/A,  
Dhaka 1000  
Tel: 02 9558392, 9565696, 9571262  
Fax: 02 7160747. Email: principal@ebl-bd.com

### Motijheel Branch/SME Center

88 Motijheel C/A, Dhaka  
Tel: 02 9559655, 9565073-4. Fax: 02 9565074  
Email: motijheel@ebl-bd.com

### Gulshan Branch

Concord Richmond, 68 Gulshan Avenue,  
Plot 8A Block  
CES (F) Gulshan 1, Dhaka  
Tel: 02 9897703, 9897594, 8827254,  
8827101-2  
Fax: 02 9897703. Email: gulshan@ebl-bd.com

### Bashundhara Branch

Plot-15, Block-A, Bashundhara R/A,  
Badda, Dhaka-1219  
Tel: 8845391, 8845392, Fax: 8845390  
Email: bashundhara@ebl-bd.com

### Banani Branch/Student Center

House 78, Road 11, Block D, Banani, Dhaka  
Tel: 02 9862669, 9862572, 9860476  
Email: banani@ebl-bd.com

### Uttara Branch/SME Center

Plot 1A, Road 4, Sector 4, Uttara Model  
Town, Dhaka  
Tel: 02 8915136, 8919051, 8950470,  
7911128  
Fax: 02 8918859 Email: uttara@ebl-bd.com

### Mirpur Branch/SME Center

House # 17, Main Road # 3, Block-A,  
Section-11,  
Mirpur, Dhaka-1216  
Tel: 02 -9008115, 9010478  
Email: mirpur@ebl-bd.com

### Shyamoli Branch/SME Center

Plot 16-A/5, Ring Road, Block F,  
Mohammadpur Housing Estate, Dhaka  
1207  
Tel: 02 8116015, 9132497, 9133165  
Email: shamoly@ebl-bd.com

### Dhanmondi Branch/Student Center

House 21, Road 8, Dhanmondi R/A,  
Dhaka-1205  
Tel: 02 9126141, 9114145, 9146235  
Email: dhanmondi@ebl-bd.com

### Sonargaon Road Branch/SME Center

'A.H.N. Tower' (1st Floor),  
13 & 15, Sonargaon Road, Ramna,  
Dhaka  
Tel: 02 8613225, 8619866  
Email: sonargaonroad@ebl-bd.com

### Shantinagar Branch/SME Center

"Shan Tower" (1st Floor) 24/1,  
Chamelibagh  
Shantinagar, Dhaka  
Tel: 02-8317533, 02-9344110 Fax: 02-  
9346406  
Email: shantinagar@ebl-bd.com

### Moghbar Branch/SME Center

Shafi Complex, 1/A West Moghbar, New  
Circular Road,  
Ramna, Dhaka. Tel: 02 9361756, 9360115  
Fax: 02 9348570 Email: moghbar@  
ebl-bd.com

### English Road Branch/SME Center

68, Shahid Sayed Nazrul Islam Sarani  
(1st & 2nd floor), North South Road,  
Dhaka-1100  
Tel: 02 7125269, 7116019  
Email: englishroad@ebl-bd.com

### Chawk Mughultuly Branch/SME Center

150 Chawk Mughultuly (1st Floor), Dhaka  
Tel: 02 7314364, 7314369  
Email: chawkmughultuly@ebl-bd.com

### Narayangonj Branch

64 BB Road (Islam Plaza), Narayangonj  
Tel: 02 7648557-58  
Email: narayangonj@ebl-bd.com

### Keraniganj Branch

Jahanara Plaza, Bondh Dakpara, Zinzira,  
Keraniganj, Dhaka  
Tel: 02 7762236-7  
Email: keraniganj@ebl-bd.com

### Board Bazar Branch/SME Center

Omar Ali Plaza, House 1, Block C, Board  
Bazar, Gazipur  
Tel: 02 9293895-6  
Email: boardbazar@ebl-bd.com

### Savar Branch

E/3, Tala Bagh, Thana Road, Savar, Dhaka  
Tel: 02 7744757-8 Fax: 02 7744759

### Satmosjid Road Branch

48, Satmosjid Road (Ground floor of  
OLYMPIA Chinese  
Restaurant) Dhanmondi,  
Tel: 02 9144603 Fax: 02 9144604

### Banasree Branch

Plot No-10 (1st Floor & ATM at GF),  
Block-C, Eastern Housing Banasree  
Project,  
Banasree Rampura, Dhaka.  
Tel: 02 7287991, 7286266

### Uttara Garib-E-Newaz Branch

Plot No-15 (1st floor), Garib-E-Newaz  
Avenue, Sector-11,  
Uttara, Dhaka-1230  
Tel: 02 8915457, 8915447  
Email: garibenewaz@ebl-bd.com

### Nawabgonj Branch

Hossain Plaza, Kolakopa Union Parishad,  
Nawabgonj, Dhaka-1320  
Tel: 0622556264, 0622556266,  
0622556265  
Email: nawabgonj@ebl-bd.com

### Keraniganj SME/Agri Branch

'Green Tower', Aganagar Union Parishad,  
South Keraniganj, Dhaka  
Tel: 02 7763725, 7763726, 7763727  
Email: keranigonjsme@ebl-bd.com

### Mirpur Dar-us-salam Road Branch

Chand plaza, 10 Dar-U- Salam Road,  
Mirpur-01,  
Dhaka-1216  
Tel: 9003465, Fax: 9003449  
Email: darussalam@ebl-bd.com

### Narayanganj SME/Agri Branch

34, ASP Bhaban, Mahim Ganguly Road,  
Tanbazar, Narayanganj.  
Tel: 02 7644480, 7644048, Fax: 02 7644077  
Email: narayanganjsme@ebl-bd.com

### Tangail Branch

"Rahman Center" (1st floor),  
55 Victoria Road, Tangail  
Tel: 092162437, 092162438, 092162439  
Email: tangail@ebl-bd.com

### Mymensingh SME/Agri Branch

"Hamida Market", 45 Choto bazaar,  
Kotwaly, Mymensingh  
Tel: 09163831, 09163861, 09163841  
Email: Mymensinghsme@ebl-bd.com

### Bhairab SME/Agri Branch

House-0161, Kalibari Road, Bhairab Bazar,  
Kishorgonj, Bhairab  
Tel: 09424 72307, 09424 72308, Fax: 09424  
72309  
Email: bhairabsme@ebl-bd.com

### Dohar Branch

Ashraf Ali Chowdhury Plaza,  
83, College Road, Joypara,  
Dohar, Dhaka  
Tel: 06223-56211, 06223-56209, 06223-  
56208  
Email: dohar@ebl-bd.com

### Faridpur Branch

Golpukur Dream Shopping Complex  
7/216, Mujib Road, Faridpur  
Tel: 0631-67218, 0631-67219, 0631-67220  
Email: faridpur@ebl-bd.com

### Progoti Sarani Branch

Azahar Comfort Complex, 130/A, Progoti  
Sarani,  
Middle Badda, Gulshan, Dhaka  
Tel: 8826796, 8825357, 8824963  
Email: progotisarani@ebl-bd.com

### Azimpur Branch

Tulip Feroza Dream, 104, Azimpur Road,

**Hazaribagh, Dhaka**

Tel: 9660483, 9612004, 9612005

Email: azimpur@ebl-bd.com

**Madhabdi SME/Agri Branch**

242/1, Algi Road, Madhabdi Bazar,  
Parkashipur, Madhabdi, Narshingdi

Tel: 9446995, 9446978, 9446993

Email: narshindi@ebl-bd.com

**DEPZ Branch**

Mazid Tower, Baipail, Dhamshona, Ashulia,  
Dhaka

Tel: 02 7790926, Fax: 02 7790927

Email: depz@ebl-bd.com

**Dakshinkhan Branch**

Golam Sharif Market, 250/A, Ashkona,  
Dakshinkhan,

Uttara, Dhaka

Tel: 01714075356, 01819132494,

01775828814

Email: dakshinkhan@ebl-bd.com

**Wari Branch**

40/1, Rankin Street, Wari,

Dhaka

Tel: 7110137, 7110947, 7112175

Email: wari@ebl-bd.com

**Chittagong**

**Agrabad Branch/SME Center**

33 Agrabad C/A, Chittagong

Tel: 031-720755-9 Fax: 031 710262

Email: agrabad@ebl-bd.com

**Station Road Branch**

Asian S. R. Hotel, (GF)

291, Station Road, Chittagong

Tel: 031-621898, 636986, 620519 Fax: 031

620519

Email: stationroad@ebl-bd.com

**Khatunganj Branch**

173 Khatunganj Badsha Market,

Chittagong

Tel: 031 621316, 630229, 635153 Fax: 031

638743

Email: khatunganj@ebl-bd.com

**O. R. Nizam Road Branch**

Avenue Centre, 787 CDA Avenue, Chittagong

Tel: 031-617082, 617083, 2853251, 2857073-5

Fax: 031 617083 Email: ornizamroad@ebl-bd.

com

**Jubilee Road Branch/SME Center**

Mannan Bhaban, 156 Nur Ahmed Sarak,

Jubilee Road, Chittagong

Tel: 031 614442, 031 621480, 2858471

Fax: 031 615594. Email: jubileeroad@ebl-bd.

com

**Chandgaon Branch**

House-16, Road-01, Block-A, Chandgaon R/A

Chittagong-4212

Tel: 031 2571204, 2571205, 2572704

Email: chandgaon@ebl-bd.com

**Panchlaish Branch**

Al-Hakim Plaza

14, Panchlaish R/A, Chittagong-4203

Tel: 031 2552691, 031-2553556 Fax: 031

2552692

Email: panchlaish@ebl-bd.com

**Raozan Branch**

Bharetoshowri Market, Kaptai Road

Noapara, Raozan, Chittagong-4346

Tel: 031 2571207

Email: raozan@ebl-bd.com

**Choumuhani Branch**

"Kiron Imperial" (GF, 1st and 2nd Floor), 1460

Karimpur Road,

Choumuhoni, Begumgonj, Noakhali

Phone: 0321 56497, 0321 56495, 0321 56496

**Cox's Bazar Branch/SME Center**

10 Hotel Motel Zone, Kolatali Road, Cox's

Bazar

Tel: 0341-51295-7 Email: coxsbazar@ebl-bd.

com

**Feni SME/Agri Branch**

"Kazi Alamgir Center", 26 S.S.K Road, Feni

Tel: 0331 73562, 0331 73563, 0331 73564

Email: feni@ebl-bd.com

**Halishahar Branch**

House-1, Road-1, Block-L, Halishahar Housing

Estate

Halishahar, Chittagong.

Tel: 031 2513895, 031 2513896-7

Email: halishahar@ebl-bd.com

**Sirajuddowla Road Branch**

94, Siraj-Ud-Doula Road (opposite to Didar

Market),

Dewan Bazaar, Chandanpura, Chittagong

Tel: 031 2865261-4

**CEPZ Chittagong Branch**

1279/A Saleh Complex, CEPZ Gate, Bandar,

Chittagong

Tel: 031 742195, 031 742196, 031 742197

Email: cepz@ebl-bd.com

**Lohagara Chittagong Branch**

M. K. Shopping Complex (1st Floor),

Bottoli, Main Road, Lohagara, Chittagong

Tel: 0303 456681, 0303 456682 Fax: 0303

456682

Email: lohagara@ebl-bd.com

**Hathazari Chittagong Branch**

Haji Sultan Market, Hathazari Bus Stand,

Hathazari, Chittagong

Tel: 031-2601956, 031-2601957, Fax: 031-

2601958

Email: hathazari@ebl-bd.com

**Comilla SME/Agri Branch**

Chowdhury Plaza, 195, Jail Road,

Jhawtala, Comilla

Tel: 08172778, 08172779, 08172479,

08172679, 08172478

Email: comilla@ebl-bd.com

**Nazirhat Branch**

Zaria Community Centre, (Adjacent to Dorbar

Gate)

Nazirhat, Fatickchari, Chittagong

Tel: 044 3800 0504-5 Ext: 101, 017 1310 7217

Email: nazirhat@ebl-bd.com

**Mehdibagh Branch**

Emdad Heights, 38 Chatteshwari Circle,

Mehdibagh,

Chittagong

Tel: 044 3800 0504-5 Ext: 101, 017 1310 7217

Email: nazirhat@ebl-bd.com

**Maijdee Branch**

Alif Plaza, Main road, Maijdee, Noakhali

Tel: 0321-71115, 0321-71116, 0321-71137

Email: maijdee@ebl-bd.com

**Bhatiary Branch**

Dhaka Trunk Road, Bhatiary Station, Bhatiary,

Chittagong

Tel:

Email: bhatiary@ebl-bd.com

**Sylhet**

**Upasahar Branch**

504, Gas Bhaban (GF)

Mehdi Bagh, Sylhet

Tel: 0821 719573, 719584 Fax: 0821 719584

Email: upashahar@ebl-bd.com

**Chouhatta Branch/SME Center**

Firoz Centre,

891/KA, Chouhatta, Sylhet

Tel: 0821-717545, 723242, 721386 Fax: 0821

717545

Email: chouhatta@ebl-bd.com

**Bishwanath Branch**

Khurshid Ali Shopping Complex

Notun Bazar, Bishwanath, Sylhet-3100

Tel: 08224 56005

Email: bishwanath@ebl-bd.com

**Moulvi Bazar Branch/SME Center**

26, Sylhet Trunk Road (1st Floor),

Moulvi Bazar-3200

Tel: 0861 52034, 0861 52226

Email: moulvibazar@ebl-bd.com

**Brahmanbaria Branch**

Abil Mia Plaza, 106, T.A. Road, Brahmanbaria

Tel: 01194493940, 01715073206,

01743438386

Email: brahmanbaria@ebl-bd.com

**Khulna**

**Khulna Branch/SME Center**

Tayamun Centre & Properties

181, Khan A. Sabur Road, Khulna

Tel: 041 723506, 721069, 720041-2, 723418

Fax: 041 721740

Email: khulna@ebl-bd.com

**Jessore Branch/SME Center**

25/A R.N. Road (1st Floor)

Jessore

Tel: 0421-68842-3, 0421-64533

Email: jessore@ebl-bd.com

**Rajshahi**

**Rajshahi Branch/SME Center**

Doinik Barta Complex (Ground Floor)

Alupotti, Natore Road, Rajshahi-6000

Tel: 0721 772372, 772356 Fax 9721 772356

Email: rajshahi@ebl-bd.com

**Bogra Branch/SME Center**

1020/1092, Satani Mega Centre, Sherpur Road

Bogra 5800

Tel: 051 78373, 78887, 69932

Email: bogra@ebl-bd.com

**Rangpur**

**Rangpur Branch**

House-11, Road-1, Dhap Jail Road, Rangpur

Tel: 052155289, 052155290, 052155291

Email: rangpur@ebl-bd.com

# correspondent bank network

## **ALGERIA ALGIERS**

Citibank NA Algeria

## **ARGENTINA BUENOS AIRES**

Bank of America NA Argentina  
Bank Boston NA Argentina

## **AUSTRALIA MELBOURNE**

Australian & New Zealand  
Banking Group  
Bank of Cyprus, Australia  
Citibank NA

## **SYDNEY**

Australian & New Zealand  
Banking Group  
JP Morgan Chase Bank N.A.  
Citibank NA  
HSBC Bank Australia  
Mizuho Corporate Bank Ltd.,  
ABN AMRO Bank NV, Australia  
Bank of America NA, Sydney  
The Bank of Tokyo Mitsubishi  
UFJ Ltd  
BNP Paribas Sydney  
Westpac Banking Corporation

## **AUSTRIA VIENNA**

Raiffeisen Zentralbank  
Oesterreich  
ABN Amro Bank N.V.  
Raiffeisenlandesbank (Rabo  
Bank)  
The Bank of Tokyo Mitsubishi  
UFJ Ltd.  
Citibank International PLC  
Deutsche Bank  
Aktiengesellschaft  
UniCredit Bank Austria AG  
Bank Gutmann  
Burgenlaendische  
Raiffeisenbank In Eisenstadt  
Raiffeisenbank Alberschwende

## **BAHRAIN MANAMA**

ALUBAF Arab International Bank  
B.S.C. (C), Manama, Bahrain  
Citibank NA Bahrain  
Standard Chartered Bank  
Arab Investment Company  
The Bank of Tokyo Mitsubishi  
UFJ Ltd

## **BELGIUM BRUSSELS**

ABN AMRO Bank NV  
Citibank International PLC  
The Bank of Tokyo Mitsubishi  
UFJ Ltd  
ING Bank Belgium  
Commerzbank AG, Belgium  
Dexia Bank SA  
BNP Paribas S.A. Belgium  
Deutsche Bank AG  
ICICI Bank UK PLC  
KBC Bank NV  
LLOYDS TSB Bank PLC

## **BHUTAN PHUNTSOLING**

Bank of Bhutan  
**THIMPU**  
Bhutan National Bank Ltd.

## **BRAZIL SAO PAULO**

Banco de Tokyo-Mitsubishi UFJ  
Brasil SA  
Banco Citibank SA  
Deutsche Bank SA  
Banco Do Estado Do Rio Grande  
Do Sul S/A

## **CANADA TORONTO**

Bank of Nova Scotia  
Toronto Dominion Bank, Canada  
Citibank NA  
HSBC Bank Canada  
ICICI Bank Canada  
Bank of Montreal NA  
State Bank of India  
BNP Paribas S.A

## **CHINA BEIJING**

Bank of China  
Bank of Tokyo Mitsubishi Ltd.  
JPMorgan Chase Bank NA  
Woori Bank  
**GUANGZHOU**  
Bank of China  
JP Morgan Chase Bank (China)  
**SHANGHAI**  
Mizuho Corporate Bank (China),  
Ltd.  
China Trust Commercial Bank  
Bank of Tokyo Mitsubishi UFJ  
Ltd.  
Deutsche Bank (China) Co. Ltd.  
Shanghai, China  
Hong Kong and Shanghai  
Banking Corp Ltd.  
JPMorgan Chase Bank N.A.  
Standard Chartered Bank  
Sumitomo Mitsui Banking  
Corporation  
Bank of Chongqing, China  
Jiangsu Jiangyin Rural  
Commercial Bank  
Wells Fargo Bank NA  
Bank of Ruifeng

## **CYPRUS STROVOLOS**

Bank of Cyprus Limited

## **CZECH REPUBLIC PRAGUE**

Ceskoslovenska Obchodni  
Banka AS  
Citibank AS  
Commerzbank AG  
Unicredit Bank

## **DENMARK COPENHAGEN**

Citibank International PLC  
Danske Bank AS  
Sydbank A/S  
Nordea Bank

## **EGYPT CAIRO**

Citibank Cairo  
Mashreq Bank Cairo  
Housing and Development Bank  
BNP Paribas

## **FINLAND HELSINKI**

Citibank International PLC  
Nordea Bank PLC  
Svenska Handelsbanken  
Pohjola Bank PLC  
Aktia Bank

## **FRANCE PARIS**

Deutsche Bank AG  
Union De Banques Arabes Et  
Francaises (UBAF)  
BNP-Paribas SA  
Citibank International PLC  
The Bank of Tokyo Mitsubishi  
UFJ Ltd  
Commerzbank AG  
HSBC Bank PLC  
ING Bank (France) S.A.  
Credit Mutuel - CIC banques  
(BFCM)

Attijariwafa Bank Europe

## **LILLE**

Banque Scalbert Dupont S.A.

## **GERMANY FRANKFURT AM MAIN**

Bank of Tokyo Mitsubishi Ltd.  
Citibank AG  
Commerzbank AG  
Deutsche Bank AG  
BHF Bank Aktiengesellschaft  
JP Morgan AG  
SEB AG  
Standard Chartered Bank  
Deutsche Zentral-  
Genossenschaftsbank AG  
WESTLB AG

## **MUENCHEN**

Bayerische Hypo Und  
Vereinsbank AG

## **BERLIN**

Berliner Volksbank EG

## **GREECE ATHENS**

Bank of Cyprus Public Company  
Limited  
Citibank International PLC

## **HONG KONG**

ABN Amro Bank NV  
Banca Intesa S.P.A.  
Bank of Nova Scotia  
Bank of Tokyo Mitsubishi Ltd  
Citibank NA Hong Kong  
Fleet National Bank  
HBZ Finance Limited  
Hong Kong and Shanghai  
Banking Corp Ltd.  
ICICI Bank Limited  
JP Morgan Chase Bank  
Mashreqbank PSC., Hong Kong  
Branch  
BNP Paribas Hong Kong  
Standard Chartered Bank  
Sumitomo Mitsui Banking  
Corporation.  
UBAF (Hong Kong) Limited  
Wells Fargo Bank N.A.  
Bank of America  
Bank of Newyork

## **HUNGARY BUDAPEST**

CIB Bank Ltd  
Citibank Europe PLC  
Deutsche Bank AG

## **INDIA**

**MUMBAI**  
Arab Bangladesh Bank Limited  
Bank of America  
Bank of Nova Scotia  
Bank of Tokyo Mitsubishi Ltd.  
Canara Bank  
Citibank NA  
Deutsche Bank AG  
Federal Bank Limited  
Hong Kong and Shanghai  
Banking Corp. Ltd.  
Punjab National Bank  
Standard Chartered Bank  
Union Bank of India  
Tamiland Mercantile Bank.  
Mumbai  
AXIS Bank  
HDFC Bank  
Bank of Ceylon  
Indusind Bank Ltd  
Syndicate Bank  
Yes Bank Ltd  
IDBI Bank Ltd  
UTI Bank

## **INDONESIA JAKARTA**

ABN Amro Bank  
ANZ Bank  
Bank Mandiri (Persero), PT.  
Bank Negara Indonesia-  
PT(Persero) Jakarta, Indonesia  
Bank of America NA  
Bank of Tokyo Mitsubishi Ltd  
Citibank NA  
Hong Kong and Shanghai  
Banking Corporation Ltd  
JPMorgan Chase Bank N.A.  
Jakarta, Indonesia  
Standard Chartered Bank  
Woori Bank  
Deutsche Bank AG  
Lippo Bank

## **IRELAND DUBLIN**

Citibank International PLC  
Wells Fargo Bank NA  
Bank of America, N.A

## **ITALY MILAN**

Banca Antonveneta SPA  
Credito Emiliano SPA  
Intesa Sanpaolo SPA  
Unione di Banche Italiane SPA  
Citibank International PLC  
The Bank of Tokyo Mitsubishi  
UFJ Ltd.  
Banca Popolare di Marostica  
Unicredit Banca SPA  
Tercas - Cassa Di Risparmio Della  
Provincia Di Teramo SPA  
ING Bank NV  
Banca Popolare Di Milano

## **ROME**

Banca Nazionale del Lavoro SPA  
Banca UBAE SPA  
Cassa Di Risparmio Di Ravenna  
S.P.A  
Unione di Banche Italian

## **VERONA**

Unicredit Banca SPA  
Banco Popolare Di Verona E  
Novara

## **JAPAN TOKYO**

Bank of Tokyo Mitsubishi Ltd.  
Bayerische Hypo-UND  
Vereinsbank AG  
Citibank NA  
Commerzbank AG  
Hong Kong and Shanghai  
Banking Corp. Ltd.  
ING Bank N.V.  
Mizuho Corporate Bank Ltd.  
Standard Chartered Bank  
Sumitomo Mitsui Banking  
Corp.  
UBAF-Union De Banques Arabes  
ET Francaises  
Wells Fargo Bank NA  
Chiba Kogyo Bank, Ltd

## **KENYA NAIROBI**

Citibank NA,  
Standard Chartered Bank Kenya  
Limited

## **KOREA SEOUL**

The Bank of Tokyo-Mitsubishi  
UFJ, Ltd  
JP Morgan Chase Bank N.A.  
Citi Bank NA Seoul, Korea  
Kookmin Bank  
HSBC Ltd Seoul Korea  
Woori Bank, Seoul  
Industrial Bank Of Korea

The Bank Of New York Mellon,  
Seoul Branch  
Korea Exchange Bank  
Wells Fargo Bank NA  
Busan Bank  
Standard Chartered Bank Korea  
Shinhan Bank  
UBAF

#### **KSA**

##### **JEDDAH**

Saudi Hollandi Bank  
Bank Muscat SAOG  
Deutsche Bank AG  
National Commercial Bank, SA  
Al-Rajhi Bank  
Samba Financial Group

#### **KUWAIT**

##### **KUWAIT CITY**

Citibank NA Kuwait  
National Bank of Kuwait  
Commercial bank of Kuwait  
Oman exchange co.

#### **LEBANON**

##### **BEIRUT**

Citibank NA Beirut  
Standard Chartered Bank Beirut

#### **MACAO**

##### **MACAO**

Hong Kong and Shanghai Banking Corp

#### **MALAYSIA**

##### **KUALA LAMPUR**

J.P. Morgan Chase Bank Berhad  
CIMB Bank Berhad  
Citi Bank NA Kuala Lumpur, Malaysia  
Deutsche Bank (Malaysia) Berhad  
HSBC, Kuala Lumpur  
MAY Bank  
RHB Bank Berhad  
Standard Chartered Bank

#### **MAURITIUS**

##### **PORT LOUIS**

Standard Chartered Bank

#### **NEPAL**

##### **KATHMANDU**

Nepal Bangladesh Bank  
Standard Chartered Bank

#### **NETHERLANDS**

##### **AMSTERDAM**

ING Bank NV  
ABN Amro Bank NV  
Deutsche Bank  
Commerz Bank AG  
Citibank International PLC  
The Bank of Tokyo Mitsubishi UFJ Ltd  
HSBC Bank PLC  
BREDA  
ING Bank NV  
ROTTERDAM  
ING Bank NV  
ABN Amro Bank NV  
UTRECHT  
RABO Bank

#### **NEW ZEALAND**

##### **AUCKLAND**

Citibank NA  
HSBC Bank  
WELLINGTON  
Australian & New Zealand Banking Group

#### **NORWAY**

##### **OSLO**

SWED Bank, Norway  
Nordea Bank Norge ASA  
Skandinaviska Enskilda Banken  
Handelsbanken  
DNB Nor Bank ASA  
Citibank International PLC

#### **OMAN**

##### **MUSCAT**

HSBC Bank Middle East Ltd  
Bank Muscat

#### **PAKISTAN**

##### **KARACHI**

Arif Habib Bank Ltd  
Citibank NA  
Habib Metropolitan Bank Limited  
Mashreqbank  
NDLC IFIC Bank Ltd (NIB Bank)  
Standard Chartered Bank  
Metropolitan Bank Limited  
United Bank Ltd  
Bank Al-Falah Limited

#### **PHILIPPINES**

##### **MANILA**

Asian Development Bank  
Citibank NA  
Standard Chartered Bank

#### **QATAR**

##### **DOHA**

Mashreq Bank  
HSBC Bank Middle East Limited

#### **ROMANIA**

##### **BUCHAREST**

CITIBANK EUROPE PLC

#### **SENEGAL**

##### **DAKAR**

Citibank NA

#### **SINGAPORE**

##### **SINGAPORE CITY**

UBAF-Union De Banques Arabes ET Francaises  
Bayerische Hypo-und Vereinsbank AG (BHV)  
Citibank NA  
Commerzbank AG  
Deutsche Bank AG  
Hong Kong and Shanghai Banking Corp. Ltd.  
ICICI Bank Limited  
ING Bank N.V.  
JPMorgan Chase Bank N.A.  
Malayan Banking Berhad  
Nordea Bank Finland PLC  
RABO Bank Singapore  
Royal Bank of Scotland Plc  
Skandinaviska Enskilda Banken AB  
Standard Chartered Bank  
Sumitomo Mitsui Banking Corpn  
Svenska Handelsbanken  
Woori Bank  
Habib Bank Limited  
State Bank of India  
The Bank of Nova Scotia  
ABN Amro Bank  
BNP Paribas SA  
United Overseas Bank Ltd

#### **SOUTH AFRICA**

##### **JOHANNESBURG**

Citibank NA  
Commerz Bank AG

#### **SPAIN**

##### **MADRID**

Commerz Bank AG  
BNP Paribas SA  
The Bank of Tokyo Mitsubishi UFJ Ltd  
HSBC Bank PLC  
Banco de Sabadell SA Spain  
Caixa Destalvis I Pensions  
Caja Laboral Popular, Coop. de Credito  
Citibank Espana SA  
Lloyds TSB Bank PLC  
Unicaja (Montes De Piedad Y Caja De Ahorros De Ronda  
Fortis Bank SA - Sucursal En Espana

#### **SRILANKA**

##### **COLOMBO**

Bank of Ceylon  
Citibank NA  
ICICI Bank Limited  
Mashreq Bank

Seylan Bank Limited  
Standard Chartered Bank

#### **SWEDEN**

##### **STOCKHOLM**

Skandinaviska Enskilda Banken AB  
Citibank International PLC  
DNB Nor Bank ASA  
HSBC Bank PLC, Stockholm, Sweden  
Nordea Bank AB (PUBL)  
Nordea Bank Sweden AB / PUBL  
SWED Bank, Sweden

#### **SWITZERLAND**

##### **GENEVA**

ABN Amro Bank  
BNP Paribas (Suisse) SA.  
Credit Agricole (Suisse) SA  
ING Bank (Switzerland) Ltd.  
ZURICH  
Zuercher Kantonalkbank  
Citibank NA (SCHWEIZ)  
Commerzbank (SCHWEIZ) AG  
Credit Suisse  
Habib Bank AG Zurich  
Nordea Bank S.A.  
UBS AG  
United Bank A.G

#### **TAIWAN**

##### **TAIPEI**

ABN Amro Bank NV.  
Bank of New York  
Bank of Nova Scotia  
Taiwan Far Eastern International Bank  
Hong Kong and Shanghai Banking Corp. Ltd.,  
JP Morgan Chase Bank N.A.  
Mizuho Corporate Bank Ltd.  
Standard Chartered Bank  
Sumitomo Mitsui Banking Corpn.  
Wells Fargo Bank N.A.,  
Australia & Newzealand Banking Group Ltd.  
Bank of America N.A.  
Bank of Tokyo Mitsubishi Ltd.  
Taichung Commercial Bank

#### **THAILAND**

##### **BANGKOK**

Bangkok Bank Public Company Ltd.  
Bank of America N.A.  
Bank of Tokyo Mitsubishi Ltd.  
Citibank NA  
Export Import Bank of Thailand  
Hong Kong and Shanghai Banking Corp Ltd.  
JPMorgan Chase Bank NA Bangkok  
Mizuho Corporate Bank Ltd.  
Standard Chartered Bank  
Sumitomo Mitsui Banking Corpn.  
Bank of Ayudhya Public

#### **TUNISIA**

##### **TUNIS**

Citibank NA

#### **TURKEY**

##### **ISTANBUL**

Deniz Bank AS, Turkey  
Aktif Yatirim Bankasi A.S. Turkey  
ING Bank A.S. Istanbul, Turkey  
AL-Baraka Turk Participation Bank  
Citibank NA Turkiye Merkez Subesi  
HSBC Bank A.S.  
Oyak Bank A.S.  
Turk Ekonomi Bankasi A.S  
Westilb AG  
Turkiye Granti Bankasi AS  
Turkiye Ekonomi Bankasi AS  
Sekerbank T.A.S

#### **UAE**

##### **DUBAI**

ABN Amro Bank  
Citibank NA  
Habib Bank AG Zurich  
HSBC Bank Middle East  
Mashreqbank PSC  
Standard Chartered Bank  
Emirates Bank International Psc  
National Bank of Fujairah  
United Bank Ltd

#### **UKRAINE**

##### **KIEV**

Credit Dnepr Bank, Dnipropetrovsk,  
Ukraine  
Deutsche Bank AG  
Citibank NA

#### **UK**

##### **LONDON**

JP Morgan Chase Bank N.A.  
LLOYDS TSB Bank PLC  
Mashreq BANK PSC  
Mizuho Corporate Bank Ltd.  
National Westminster Bank PLC  
Nordea Bank Finland PLC London Branch  
Royal Bank of Scotland PLC  
HSBC Bank PLC  
Habib Allied International Bank, PLC  
Standard Chartered Bank  
Sumitomo Mitsui Banking Corporation Europe Ltd  
Wells Fargo Bank N.A.  
Unicredit Bank AG  
(Hypoundvereinsbank) London branch  
ABN Amro Bank NV  
Sonal Bank UK Ltd  
Bank Mandiri (Europe) Ltd  
Bank of Tokyo Mitsubishi Ltd.  
Citibank NA  
Commerzbank AG  
Deutsche Bank AG  
Habib Bank AG Zurich  
ICICI Bank UK Limited  
ING Bank N.V.

#### **URUGUAY**

##### **MONTEVIDEO**

Credit Dnepr Bank, Dnipropetrovsk,  
Ukraine  
Citibank NA

#### **USA**

##### **NEW YORK, NY**

International Finance Corporation (IFC)  
ABN Amro Bank NV  
Bank of America N.A.  
Bank of New York  
Bank of Tokyo Mitsubishi Ltd.,  
Citibank NA  
Commerz Bank AG  
Deutsche Bank AG  
DNB Nor Bank ASA  
Habib American Bank  
HSBC Bank USA  
JP Morgan Chase Bank  
Mashreqbank PSC., New York Branch  
Mizuho Corporate Bank Ltd.  
Nordea Bank Finland PLC  
Royal Bank of Scotland PLC  
Standard Chartered Bank  
Sumitomo Mitsui Banking Corporation  
Wells Fargo Bank N.A.

#### **LOS ANGELES, CA**

Silicon Valley Bank, California, USA  
Bank of the West  
Bank of Tokyo Mitsubishi Ltd.  
Mizuho Corporate Bank Ltd.  
Standard Chartered Bank Los Angeles  
Wells Fargo Bank N.A.  
Woori Bank

#### **VIETNAM**

##### **HANOI**

Australian & New Zealand Banking Group

# abbreviations

ABB	Association of Bankers Bangladesh Limited	IAS	International Accounting Standard
AC	Audit Committee	IPO	Initial Public Offering
ADC	Alternative Distribution Channel	IVR	Interactive Voice Response
ALCO	Asset Liability Committee	LAPS	Loan Application Processing System
ALS	Assured Liquidity Support	LC	Letter of Credit
ATM	Automated Teller Machine	LG	Letter of Guarantee
BACH	Bangladesh Automated Clearing House	MANCOM	Management Committee
BAS	Bangladesh Accounting Standard	MCR	Minimum Capital Requirement
BB	Bangladesh Bank (Central Bank of Bangladesh)	MD&A	Management Discussion & Analysis
BFRS	Bangladesh Financial Reporting Standard	MICR	Magnetic Ink Character Recognition
BORC	Bank Operational Risk Committee	MOR	Monthly Operation Report
BRMC	Bank Risk Management Committee	NBFI	Non-bank Financial Institution
BRPD	Banking Regulation and Policy Department (Of Bangladesh Bank)	NII	Net Interest Income
CAR	Capital Adequacy Ratio	NPL	Non Performing Loan (Classified Loan)
CMU	Cash Management Unit	NCBs	Nationalized Commercial Banks
CSU	Customer Support Unit	NRB	Non Resident Business
CRR	Cash Reserve Ratio	OBU	Offshore Banking Unit
CRGM	Credit Risk Grading Matrix	OCI	Other Comprehensive Income
CSR	Corporate Social Responsibility	PCBs	Private Commercial Banks
CDBL	Central Depository Bangladesh Limited	PC	Purchase Committee
CDCS	Certified Documentary Credit Specialist	PD	Probability of Default
CRISL	Credit Rating Information and Services Ltd.	PFU	Project Finance Unit
DCFCL	Departmental Control Function Check List	POS	Point of Sale
DEPZ	Dhaka Export Processing Zone	PPG	Product Program Guidelines
DR	Disaster Recovery	PRI	Prime Risk Indicator
EBL	Eastern Bank Limited	QMS	Quality Management System
EBLAML	EBL Asset Management Limited	RBCA	Risk Based Capital Adequacy
EBLIL	EBL Investments Limited	RBIA	Risk Based Internal Audit
EBLSL	EBL Securities Limited	RFCDD	Resident Foreign Currency Deposit
EC	Executive Committee	RWA	Risk Weighted Assets
ECAI	External Credit Assessment Institution	RMG	Readymade Garments
EFT	Electronic Fund Transfer	ROA	Return on Assets (excluding contingent items)
EMI	Equal Monthly Installment	ROE	Return on Equity
EPZ	Export Processing Zone	SAMD	Special Asset Management Division
ETP	Effluent Treatment Plant	SFU	Structured Finance Unit
FD	Fixed Deposit	SAFA	South Asian Federation of Accountants
FS	Financial Statements	SME	Small and Medium Enterprise
FTP	Fund Transfer Pricing	SLR	Statutory Liquidity Ratio
FY	Fiscal Year (July to June)	STP	Straight Through Processing
GDP	Gross Domestic Product	SRP	Supervisory Review Process (Pillar II of Basel II)
GOB	Government of Bangladesh	TFP	Trade Finance Program
GTFP	Global Trade Finance Program	TSD	Trade Service Division
HFT	Held for Trading	UBS	Universal Banking System (Core Banking Solution)
HRD	Human Resource Division	WACRG	Weighted Average Credit Risk Grade
ICAB	Institute of Chartered Accountants of Bangladesh.		
ICCD	Internal Control & Compliance Division		
ICMAB	Institute of Cost and Management of Bangladesh		
IFC	International Finance Corporation		
IT	Information Technology		



## **EASTERN BANK LIMITED**

HEAD OFFICE  
JIBAN BIMA BHABAN  
10, DILKUSHA COMMERCIAL AREA  
DHAKA-1000.

### **NOTICE OF THE 21ST ANNUAL GENERAL MEETING**

NOTICE is hereby given to all the Members of Eastern Bank Limited (EBL) that the 21st Annual General Meeting (AGM) of the Company will be held on Sunday 31 March, 2013 at 10.30 A.M. at the Bangabandhu International Conference Centre (BICC), Agargaon, Dhaka to transact the following Agenda:

#### **AGENDA**

01. To receive, consider and adopt the Profit & Loss Account of the Company for the year ended 31 December, 2012 and the Balance Sheet as at that date together with the Reports of the Auditors and the Directors thereon.
02. To declare the Dividend for the year ended 31 December, 2012 as recommended by the Board of Directors.
03. To elect Directors.
04. To approve the appointment of Independent Directors.  
[As per Bangladesh Securities and Exchange Commission (BSEC) Corporate Governance Guidelines (CGG)].
05. To appoint the Auditors of the Company for the term until the next Annual General Meeting and to fix their remuneration.

Dated, Dhaka  
28 February 2013

By order of the Board of Directors

  
Safiar Rahman, FCS  
SEVP & Company Secretary

#### **NOTES:**

- \* The Board of Directors recommended for payment of 20% (Twenty Percent) Cash Dividend on the profit of the Bank as at the close of business on 31 December 2012.
- \* The 'Record Date' in lieu of Book Closure on Sunday, 10 March 2013. The Shareholders whose names would appear in the Register of Members of the Company and/or in the Depository on the 'Record Date' (10 March, 2013) will be eligible to attend the 21st AGM and entitled to Cash Dividend as mentioned above.
- \* A Member eligible to attend the Annual General Meeting is entitled to appoint a Proxy to attend and vote on his/her behalf. The Proxy may not be a Member of the Company. Forms of Proxy, duly stamped, must be deposited at the Registered Office of the Company at least 48 hours before the time fixed for the Meeting.
- \* Annual Report, Attendance Slip and Proxy Form along with the Notice are being sent to all the Members by Courier Service/Post. The Members may also collect the Proxy Form from the Registered Office of the Company.
- \* The Shareholders are requested to register their names in the counter at the entrance of the AGM Venue from 9.00 A.M. on 31 March, 2013.



## ইস্টার্ন ব্যাংক লিমিটেড

প্রধান কার্যালয়  
জীবন বীমা ভবন, ১০, দিলকুশা বাণিজ্যিক এলাকা  
ঢাকা-১০০০

### প্রক্সি ফরম

আমি/আমরা ..... ঠিকানা .....

..... ইস্টার্ন ব্যাংক লিমিটেড-এর  
শেয়ারহোল্ডার হিসাবে এতদ্বারা জনাব / বেগম ..... কে

ঠিকানা ..... অথবা  
তঁার অপারগতায় জনাব / বেগম ..... কে

ঠিকানা ..... আমার / আমাদের প্রক্সি হিসাবে  
আমার / আমাদের পক্ষে ২০১৩ইং সালের ৩১ শে মার্চ রোজ রবিবার বঙ্গবন্ধু আন্তর্জাতিক সম্মেলন কেন্দ্র, আগারগাঁও, ঢাকায় অনুষ্ঠিতব্য কোম্পানীর  
২১তম বার্ষিক সাধারণ সভায় এবং পরবর্তী যে কোন মূলতবী সভায় উপস্থিত থেকে ভোট দেওয়ার জন্য নিযুক্ত করলাম।

অদ্য ২০১৩ ইং সালের ..... মাসের ..... তারিখে আমার / আমাদের সম্মুখে তিনি স্বাক্ষর করলেন।

শেয়ারহোল্ডারের স্বাক্ষর .....

প্রক্সির স্বাক্ষর .....

ফোলিও/বিও নং .....

রাজস্ব টিকেট  
বিশ টাকা

#### লক্ষ্যনীয়ঃ

যথাযথভাবে পূরণ করে এই প্রক্সি ফরম সভার ন্যূনতম আটচল্লিশ (৪৮) ঘন্টা পূর্বে কোম্পানীর প্রধান কার্যালয়ে জমা দিতে হবে। স্ট্যাম্প ও স্বাক্ষরবিহীন প্রক্সি বৈধ বলে বিবেচিত হবে না। শেয়ারহোল্ডার ও প্রক্সির স্বাক্ষর কোম্পানীর নথিভুক্ত নমুনা স্বাক্ষরের সাথে মিল থাকা বাঞ্ছনীয়। প্রক্সির নাম সম্বলিত প্রক্সি নিয়োগ সংক্রান্ত দলিল এবং পাওয়ার অব এটর্নী বা অন্য কোন ক্ষমতা প্রদানপত্র বা নোটারী পাবলিক কর্তৃক সত্যায়িত ক্ষমতা প্রদানপত্রের অনুলিপি সভা অনুষ্ঠানের নির্ধারিত সময়ের আটচল্লিশ (৪৮) ঘন্টা পূর্বে কোম্পানীর প্রধান কার্যালয়ে জমা দেয়া না হলে কোন ব্যক্তি উক্ত সভায় প্রক্সি হিসাবে কাজ করতে পারবেন না।



## ইস্টার্ন ব্যাংক লিমিটেড

প্রধান কার্যালয়  
জীবন বীমা ভবন, ১০, দিলকুশা বাণিজ্যিক এলাকা  
ঢাকা-১০০০

### শেয়ারহোল্ডার / প্রক্সির হাজিরা পত্র

আমি / আমরা ৩১ শে মার্চ ২০১৩ইং রোজ রবিবার বেলা ১০-৩০ ঘটিকায় বঙ্গবন্ধু আন্তর্জাতিক সম্মেলন কেন্দ্র, আগারগাঁও, ঢাকায় অনুষ্ঠিতব্য ইস্টার্ন ব্যাংক লিমিটেড-এর ২১তম বার্ষিক সাধারণ সভায় আমার / আমাদের উপস্থিতি লিপিবদ্ধ করলাম।

শেয়ারহোল্ডারের নাম ..... স্বাক্ষর .....

শেয়ার সংখ্যা ..... ফোলিও / বিও নং .....

প্রক্সির নাম ..... স্বাক্ষর .....

#### লক্ষ্যনীয়ঃ

যে সকল শেয়ারহোল্ডারগণ নিজে অথবা প্রতিনিধির মাধ্যমে সভায় উপস্থিত থাকতে চান, সভাস্থলে প্রবেশের আগে এই হাজিরা পত্র যথাযথভাবে পূরণ করে নির্ধারিত কাউন্টারে জমা দিতে হবে এবং কোম্পানীতে রক্ষিত স্বাক্ষরের সাথে এই স্বাক্ষরের মিল থাকতে হবে।



**Eastern Bank Ltd.**  
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