

Dhaka

PRINCIPAL

10 Dilkusha C/A, Jiban Bima Bhavan, Dhaka-1000.
Tel: 9565696, 9558392, 9571262

GULSHAN

Gulshan Tower, 31 North C/A, Rd: 53, Circle: 2, Dhaka.
Tel: 8822104, 8812476, 8860381

DHANMONDI

House: 21, Road: 8, Dhanmondi R/A, Dhaka.
Tel: 9126141, 9146235, 9114145

MOTIJHEEL

88 Motijheel C/A, Dhaka.
Tel: 9559655, 9565073-4

CHAWK MUGHULTULY

150, Chawk Mughultuly (1st Floor), Dhaka.
Tel: 7314364, 7314369

MIRPUR

Plot: 14, Main Rd: 3, Block: A, Sec. 11, Mirpur, Dhaka.
Tel: 9008115, 9010478

SHYAMOLI

Plot-16-A/5, Ring Road, Block-F, Mohammadpur
Housing State, Dhaka-1207. Tel: 8116015, 9132497

ENGLISH ROAD

68 North South Road, (Shahid Sayed Nazrul Islam
Sharani), Dhaka. Tel: 7125269, 7116019

SONARGAON ROAD

14 Baponon C/A, Rahat Tower (1st Fl.), Sonargaon Link
Rd., West Bangla Motor, Dhaka. Tel: 8613225, 8619866

UTTARA

Plot: 1A, Road: 4, Sector: 4, Uttara Model Town, Dhaka
Tel: 8915136, 8919051, 8918859

SHANTINAGAR

Shan Tower (1st Fl.), 24/1 Chamelibagh, Shantinagar,
Dhaka. Tel: 9346406, 9341110

BASHUNDHARA

Plot: 15, Block: A, Bashundhara R/A, Dhaka 1219.
Tel: 01713-129907, 01712-156429

BANANI

House: 78, Road: 11, Block: D, Banani, Dhaka
Tel: 9862669, 9862572

NARAYANGANJ

64 BB Road (Islam Plaza), Narayanganj.
Tel: 9752512, 9752514

Chittagong

AGRABAD

33 Agrabad C/A, Chittagong.
Tel: 031-720755-9

STATION ROAD

Asian S. R. Hotel, 291, Station Road, Chittagong.
Tel: 031-621898, 620519, 636986

KHATUNGANJ

173 Khatunganj, Badsha Market, Chittagong.
Tel: 031-621316, 630229, 635153

O R NIZAM ROAD

Avenue Centre, 787 CDA Avenue, Chittagong.
Tel: 031-617082, 617083

JUBILEE ROAD

Mannan Bhavan (Gr Fl.), 156 Nur Ahmed Sarak,
Jubilee Road, Chittagong Tel: 031-614442, 621480

CHANDGAON

House: 16, Road: 01, Block: A, Chittagong: 4000.
Tel: 031-2571204

RAOZAN

Bharetoshowri Market, Kaptai Road, Chittagong: 4346.
Tel: 031-2571207

PANCHLAISH

14, Panchlaish R/A, Chittagong.
Tel: 031-2552691

Khulna

KHULNA

Taymun Centre & Properties, 181 Khan-A-Sabur Road,
ShibBari Mour, Khulna. Tel: 041-723506, 721069

JESSORE

25/A R. N. Road (1st Floor), Jessore
Tel: 0421-64533, 68843

Rajshahi

RAJSHAHI

Doinik Barta Complex (Ground Floor), Alupotti,
Natore Road, Rajshahi-6000 Tel: 9721-772372, 772356

BOGRA

513/786 Shantahar Road Baragola, Bogra
Tel: 051-73887, 73898

Sylhet

UPASHAHAR

Upashahar Gas Bhavan, Mehedi Bagh, Sylhet.
Tel: 0821-719573, 719584

CHOUHATTA

Firoz Centre, 891/KA, Chouhatta, Sylhet.
Tel: 0821-723242, 717545

BISHWANATH

Khurshid Ali Shopping Complex, Notun Bazar,
Bishwanath, Sylhet. Tel: 0449-4443319

MOULVI BAZAR

26 Sylhet Trunk Road, (1st Floor), Moulvi Bazar.
Tel: 0861-52034, 52226

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ANNUAL REPORT 2007



Eastern Bank Ltd.

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ANNUAL REPORT 2007

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Registered Office

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Dhaka-1000, Bangladesh
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Telex: 642951, 642482 EBLD BJ
Fax: 880-2-9562364, 9554610
E-mail: info@ebl-bd.com
SWIFT: EBLDBDDH
Cable: EASTBANK
Web: www.ebl-bd.com

VISION

To become the bank of choice by transforming the way we do business and developing a truly unique financial institution that delivers superior growth and financial performance and be the most recognisable brand in the financial services in Bangladesh.

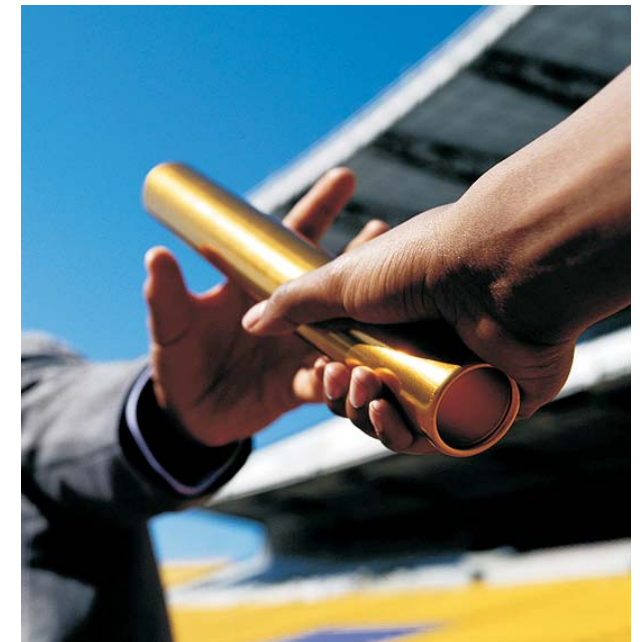
MISSION

We will deliver service excellence to all our customers, both internal and external.

We will ensure to maximise 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 & 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 solutions.*

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

Significantly improve customer satisfaction.

Provide more value to shareholders.

Repositioning Consumer Banking.

Further diversification of Corporate Banking portfolio with special focus on 'Emerging Corporate'.

Drive growth in SMEs.

Further strengthening compliance culture in the organization.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Chairman

Mr. A. Q. I. Chowdhury, OBE

Directors

Mr. Md. Showkat Ali Chowdhury

Mr. A. M. Shaukat Ali

Mr. Ahmed Jamal

Mr. Miah Muhammad Shaheedullah

Mrs. Mahbuba Hossain

Ms. Aneela Haque

Mr. Gazi Md. Shakhawat Hossain

Mr. Asif Mahmood

Mr. Meah Mohammad Abdur Rahim

Mr. Ali Reza Iftekhar (Ex-officio)

Company Secretary

Safiar Rahman

EXECUTIVE COMMITTEE

Chairman

Mrs. Mahbuba Hossain

Members

Mr. Md. Showkat Ali Chowdhury

Mr. Miah Muhammad Shaheedullah

Mr. Ali Reza Iftekhar

Secretary

Safiar Rahman

AUDIT COMMITTEE

Members

Mr. A. M. Shaukat Ali

Mr. Ahmed Jamal

Mr. Gazi Md. Shakhawat Hossain

Secretary

Safiar Rahman

Head of Finance

Malick Musfique Reza

Head of Internal Audit

Sheikh Mahfuzul Haque FCA

Auditors

Hoda Vasi Chowdhury & Co.
Chartered Accountants

Legal Advisors

Sadat, Sarwat & Associates

Registered Office

10, Dilkusha C/A
Dhaka-1000, Bangladesh

BOARD OF DIRECTORS

A. Q. I. Chowdhury, OBE
Chairman



M. Showkat A. Chowdhury
Director



A. M. Shaukat Ali
Director



G. M. Shakhawat Hossain
Director



Asif Mahmood
Director



M. M. Abdur Rahim
Director



BOARD OF DIRECTORS

Ahmed Jamal
Director



Mahbuba Hossain
Director



Aneela Haque
Director



M. M. Shaheedullah
Director



Ali Reza Iftekhar
Managing Director





CHAIRMAN'S STATEMENT

EBL kept its steady progress in 2007 also despite odds and sluggish economic environment in both national & international arena. We have been able to cope with the challenges of 2007 and achieve the desired target. We have made an operating profit growth of 37.72 percent in 2007 amounting to BDT 1,870.40 million. Board recommended Stock Dividend @ 34% for the year 2007. Also recommended Rights Issue @ 2:1 (50%) at par subject to approval from the regulatory authorities.

Dear Shareholders,

I would like to share the success of EBL achieved during 2007 and express my optimism for more success in the current year. Distinguished Shareholders-on behalf of myself and on behalf of the Board of Directors I extend my warm greetings and welcome you all to the 16th Annual General Meeting of the Bank.

The picture of 2007 was different. It was a year of slower loan growth, conservative deposit and diminishing import volume. In spite of this unfavorable business climate, we have made progress in delivering prompt quality service, curtailing unnecessary expenditures, facilitating better loan portfolio and ensuring effective control and compliance. Having passion for being the 'Bank of choice', we have continued our commitment to inculcate a sense of 'service mindset' among our people to deliver services and newer products only for customers' delight. We believe, nothing but the people can only differentiate the products and services of our EBL.

The national economy was under strain due to unprecedented price hike of essentials, frequent natural calamities, disquiet socio political conditions, shaken trade confidence and lower domestic and foreign investment. It is therefore likely that our GDP may grow at a moderate 5.5 to 6.0 percent in fiscal year 2008 against a usual 6.5 percent growth in last fiscal. Rising export earnings especially from RMG and inward remittance of around USD 6.7 billion remains the two key strengths of this economy during this year. Under threats of an imminent but moderate recession in the economy of the US and EU, two major destinations of our RMG, our export earnings will certainly have to face greater challenge whereas a bumper local crop still remains the only realistically attainable choice in facing constant surge of food prices. Multi pronged measures taken by the government in restoring business confidence and arresting galloping price hike have to be put for time testing.

We are pushing the boundary of our continued success beyond making a good profit every year. We want to sustain it. We want to maintain and even enhance the brand image of EBL through better customer service, strategic alliance and wider access to customers. Our Bank has made an Operating Profit growth of 37.72 percent during the year largely backed by an amazing 96 percent growth of Net Interest Income (NII). Better management of loan and deposit portfolio as well as their corresponding rates resulted this unprecedented success. Rise of specific provision to the amount of BDT 459.84 million due to new classification or downgrading of some of our major clients' accounts, newly imposed 0.5 percent general provision on contingent assets (BDT 65.75 million), shortfall in cumulative tax provision (BDT 53.50 million) and transfer to statutory reserve (BDT 207 million) have consumed a major portion of distributable profit for 2007. Therefore our profit after tax (PAT) has decreased by 18.33 percent to BDT 419.14 million during 2007. Earning Per Share (EPS) has dropped to BDT 40.50 in 2007 against BDT 49.58 in 2006.

EBL's return to its shareholders has been consistently 40 percent or more for three consecutive years up to 2006 which is commendable in comparison to the peers. For 2007, the Board has recommended the following:

- Stock dividend @ 34% for the year 2007.
- Rights issue @ 2:1 (One share for two existing shares held) at par subject to approval from the regulatory authorities.

Loan portfolio has got a satisfactory boost by **19.05 percent** and stood at **BDT 30,962 million** as on year end 2007 with a slight increase in Non Performing Loan (NPL) to 4.31 percent against 3.79 percent in 2006 end. Deposit grew by **17.09 percent** in 2007 which is not very satisfactory. All efforts will be made to improve the situation.

Corporate Banking contributed, as usual, major portion of interest as well as fees income during the year with largest volume of loan portfolio measuring around 80 percent. Adding 3 more branches at strategic locations, *Consumer Banking* continued to supply major part of funds for corporate and SME. *Small & Medium Enterprise (SME)*, being one of the high priority sectors, remained buoyant during 2007 in terms of loan and deposit growth. Adding several loans (EBL Agrim and EBL Uddog) and deposit (EBL Subidha) products and establishing different Business development centers across the strategic locations of the country during 2007, EBL SME Banking has started contributing towards revenue line with huge potentials yet to be explored. EBL *Treasury* has passed the year 2007 by suffering a negative growth in FX income by 16.53 percent mainly due to an extra ordinary growth in 2006 but significantly lower volatility in FX market and reduction of spread by central bank during 2007. Investment income also grew by **10.38 percent** mainly due to increased requirement of SLR which is well below our expectation. We are consolidating our position to overcome this.

For popularizing brand image, EBL arranged and sponsored several successful events (Dhaka International Education Fair, NRB Conference, SME road show, EBL Motor Show, Airline of the year 2007, Musical Concert and many more) and stroke different trade facilitation and corporate deals with customers and strategic partners like DEG, FMO, KfW, IFC, ADB and GOB which gave us an edge in **Trade Service and Structured Finance businesses** and helped position ourselves as a true financial intermediary.

We are closely following the action plans of central bank in implementing BASEL II and can assure that we will take appropriate initiatives to increase our capital base (which is quite strong at present) in the face of creating provisions against market and operational risks, if needed. Being a regular tax payer we have made a direct contribution to government exchequer an amount of **BDT 723 million** in the calendar year 2007 against **BDT 578 million** in 2006 registering a growth of 25 percent. Besides, we have deducted and deposited to govt. exchequer an amount of **BDT 386.61 million** as withholding tax and VAT against various bills we paid for procuring different goods and services (including HR services) during 2007.

We feel happy to share that EBL has made a breakthrough in Corporate Social Responsibility (CSR) activities in 2007. EBL has started with its first CSR program and even first of its kind in Bangladesh where all departments and all academic years were covered under one financial grant program by introducing a stipend program jointly with Dhaka University Alumni Association (DUAA) for the students of Dhaka University titled "*Inspiration*". One meritorious student from each academic year of all 56 departments of Dhaka University shall get the one time stipend from EBL. Besides, EBL has donated BDT 25 lacs for flood victims and BDT 50 lacs for cyclone 'Sidr' hit people of the country in 2007.

We owe our success to our people and customers who are our brand. Best service delivery to them will mean best success. We are committed to do our best.

I extend my sincere thanks to all the distinguished members of the Board of Directors and Management for their cooperation and valuable advice. It is all for them that EBL is in its present enviable position. I also convey my thanks and gratitude to all our valued clients, honorable shareholders, partners, patrons and well wishers for their continued support, trust and cooperation. My special thanks to the regulatory authorities especially Bangladesh Bank for their guidance and cooperation.

I thank you all--

A. Q. I. Chowdhury, OBE
Chairman of the Board of Directors

MANAGEMENT TEAM

in group photo, from right to left

Ali Reza Iftekhar
Managing Director & CEO

Muklesur Rahman
DMD & Head of SME Banking

Md. Fakhru Alam
SEVP & Area Head Corporate Banking, Ctg.

Noor A Alam Chowdhury
IT Consultant

Malick Musfique Reza
SVP & Head of Finance

Mamoon Mahmood Shah
DMD & Head of Consumer Banking

Sa'ad Zaglul Abbas
EVP & Head of Credit Risk Management

Syed Rafiqul Haq
EVP & Area Head Corporate Banking, Dhk.

Md. Safiar Rahman
EVP & Company Secretary

Mahbubul Alam Tayiab
EVP & Head of Operations

Md. Sirajul Islam
SVP & Head of Human Resources

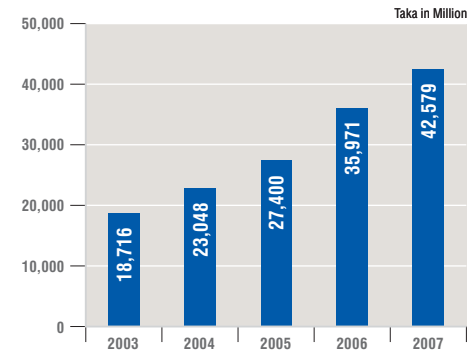


EBL AT A GLANCE 2003 - 2007

Particulars	2003	2004	2005	2006	2007
Authorised Capital	1,000	1,000	3,300	3,300	3,300
Paid Up Capital	828	828	828	828	1,035
Reserves	2,560	2,733	3,132	3,146	3,539
Deposits & Other Accounts	11,952	15,649	19,396	25,734	30,092
Loans & Advances	11,288	14,973	17,758	26,008	30,962
Export	3,533	8,303	13,239	24,286	26,673
Import (LC)	16,256	24,414	29,692	39,347	45,298
Guarantee Business	354	947	555	651	1,201
Operating Income	1,985	2,241	2,957	4,272	5,325
Operating Expenses	1,226	1,349	1,901	2,913	3,454
Operating Profit	759	892	1,056	1,358	1,870
Net Profit before Tax	638	851	967	1,134	1,286
Core Capital (Tier - I)	2,321	2,641	2,837	3,068	3,279
Supplementary Capital (Tier - II)	120	161	333	537	755
Total Capital	2,441	2,802	3,170	3,606	4,034
Total Risk Weighted Assets	13,355	18,829	16,901	25,721	30,687
Total Assets (Excluding contingent)	18,716	23,048	27,400	35,971	42,579
All figures above are in million BDT					
Book Value per share (Taka)	281.87	317.73	370.93	400.38	358.63
Market Value per share (Taka)	382.00	780.00	1,222.75	792.50	1,070.75
Earning per share (Taka)	43.21	58.38	66.00	49.58	40.50
Dividend per share (Taka)	20	43	40	45	34
Operating Profit Per Employee ('000 Taka)	1,533	1,709	1,970	2,219	2,711
Operating Income Per Branch ('000 Taka)	90,227	101,864	134,412	170,880	190,179
Return on Equity (Average)	15.33%	18.44%	19.17%	16.07%	11.93%
Return on Assets (Average)	1.94%	2.32%	2.17%	1.62%	1.07%
Cost to Income Ratio	28.17%	30.93%	33.66%	35.67%	33.73%
Net Interest Margin Ratio	2.47%	3.26%	2.81%	2.11%	3.34%
Classified Loan as a % of total loans	13.61%	7.19%	5.41%	3.79%	4.31%
Tier - I Capital Ratio	17.38%	14.03%	16.79%	11.93%	10.68%
Tier - II Capital Ratio	0.90%	0.85%	1.97%	2.09%	2.46%
Total Capital Adequacy Ratio	18.27%	14.88%	18.76%	14.02%	13.14%
RWA to Total Assets	71.36%	81.70%	71.50%	71.50%	72.07%
Number of Branches	22	22	22	25	28
Number of Employees	495	522	536	612	690

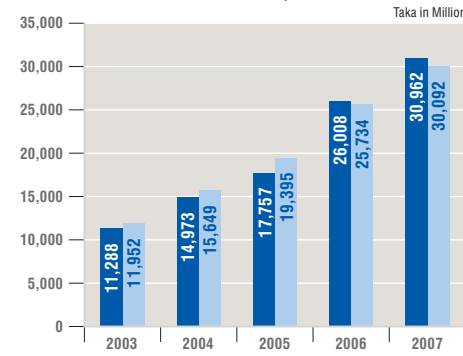
Balance Sheet Size

■ Total Asset

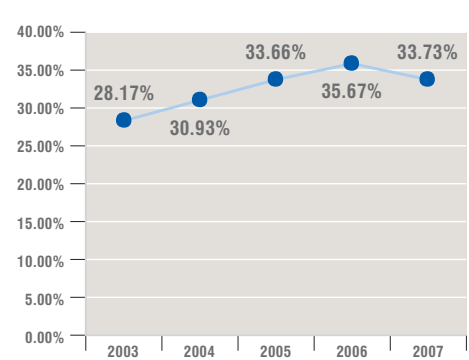


Loan & Advance - Deposit

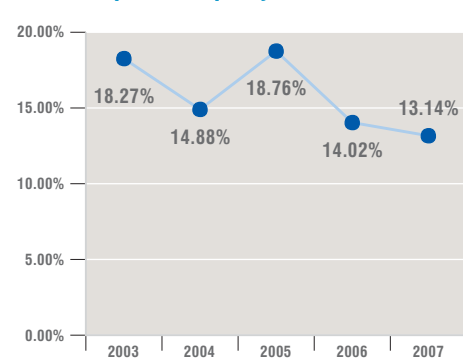
■ Loan & Advance ■ Deposit



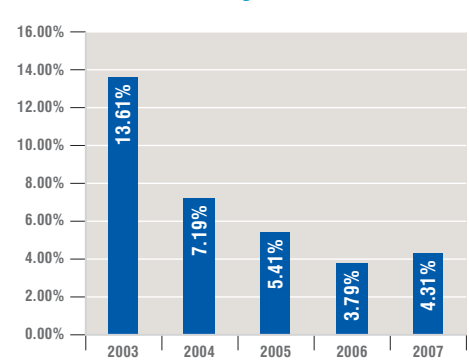
Cost to Income Ratio



Capital Adequacy Ratio

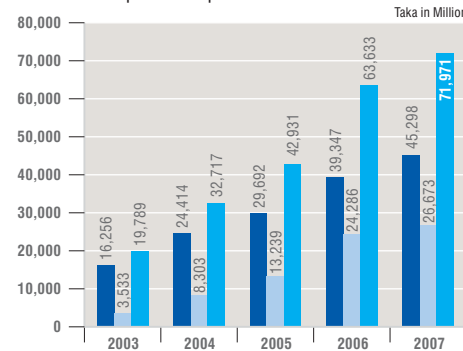


Non Performing Loan Ratio

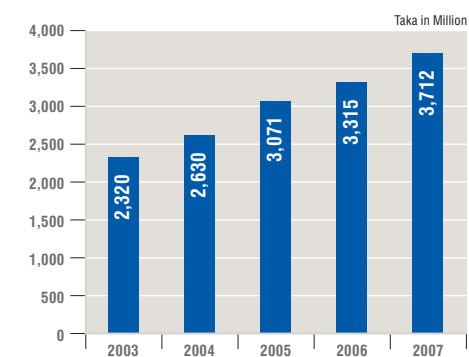


Trade Service Business

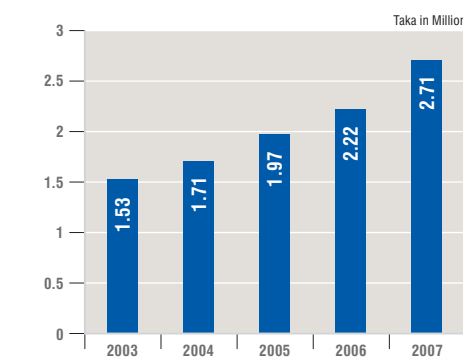
■ Import ■ Export ■ Total



Shareholders Equity



Operating Profit Per Employee



DIRECTORS' REPORT 2007

DIRECTORS' REPORT 2007

The Board of Directors of Eastern Bank Limited takes the pleasure in presenting the 16th Annual Report before you along with the Audited Financial Statements for the year ended on 31 December 2007. A brief overview of the relevant world and national economy, local financial industry, business activities and highlights of financial results of the Bank are placed before you.

Global Economy: Having reached a point of inflexion in 2006 after a consecutive rapid expansion for last four years, the growth of world economy slowed modestly in 2007 to 3.6 percent compared to 3.9 percent in 2006, a downturn due largely to weaker growth in high income countries [World Bank's *Global Economic Prospects or GEP 2008*]. South Asia's regional GDP growth was vibrant at 8.4 percent in 2007 sliding moderately from 8.8 percent in 2006. In 2008, US economy is projected to grow at 1.5 percent against 2.1 percent in 2007 whereas EU is projected to grow at 1.9 percent against 2.6 percent in 2007. Global growth is expected to be 3.3 percent in 2008.

Fears of US recession and global slowdown, wild and abrupt swings on global stock markets and tightening credit conditions across the world have led to a prevailing sense of pessimism about the years to come. For the first time in a quarter century, IMF in the recent gathering of World Economic Forum (WEF) held at Davos, Switzerland, has suggested that countries should increase their public spending even at the cost of budget deficits which reflects the gravity of world economic outlook deserving a serious but immediate response.

The current economic problems facing the world have been originated in the US housing sector and spread to infect the global financial system and markets. Banks particularly in US and Europe have suffered heavy losses from their exposures to complicated securities backed by subprime or high risk US mortgages which led to a credit crunch resulting restricted bank lending. Annual inflation in some of the world's leading industrialized nations jumped to 3.3 percent in November 2007 from 2.8 percent in the last 12 months fueled by increases in prices of commodity, energy and raw material. According to IMF assessment, a significant part of the latest jump in food prices can be traced directly to biofuels policy (Subsidized) exercised by the US and major EU countries which not only eats up the cultivable land for food production but camouflage the answers to energy insecurity and climate change. The real price of this subsidy policy is reflected in a widely quoted statistics by Gary Becker, a Noble Laureate from

Chicago, who has pointed out that '*A one third rise in food prices reduces living standards in poor countries by a fifth*'.

Bangladesh Macro Economic Overview:

2007, a year full of economic and political surprises, has shaken common socio economic orders largely due to unfavorable changes in the price structure of the essential commodities. Global price hikes of food and oil, loss of local crops due to two spell of floods and a devastating cyclone has played major role in pushing inflation rate to a double digit 17 year high.

Various ad hoc and institutional measures have been taken by the government to tame rising trend of inflation. Besides putting utmost emphasis in increasing local crops, increasing social safety nets, guaranteed employment generation for certain unemployed class, re-launching of rationing for the low income group etc. are some of the measures under active consideration of the government. Besides, various reform and corrective measures have been pursued by the govt. and other regulatory bodies to streamline age old rules, regulations and procedures that hinder business activities and to restore trade confidence to bring back normalcy to the economic and business activities. The projection of future economic status will largely depend on the degree of success of these initiatives.

GDP Growth & Forecast: As agriculture sector (which contributes around 21% of GDP) was severely hit by floods in two spells and a devastating cyclone in the first two quarters of fiscal year (FY) 08, our GDP growth projection remains below 6.0% against 6.5% in FY 07. As per BB statistics, agriculture sector is likely to grow between 2.3 to 2.5 percent against 3.2 percent in FY 07. Growth of industry sector is expected to be ranging between 8.5 to 8.7 percent as against 9.5 percent in FY 07 depending largely how quickly the export earnings of manufacturing goods especially RMG rebounds from a lagging start in early FY 08. As indicated by rising disbursement of industrial term loans, a turnaround in the industry sector is expected in the second half of FY 08. The service sector is expected to grow at a rate between 6.1 to 6.3 percent compared to 6.7 percent in FY 07.

Export, Import, Balance of Payments: The trade deficit widened to USD 2.1 billion in July/November FY 08, up from USD 1.2 billion during the same period FY 07. Despite a healthy growth in workers' remittance, the rise in the trade deficit forced current account balance to a deficit of

USD 153 million in July-November FY08 as against a surplus of USD 265 million in the same period FY07. But the overall balance showed a surplus of USD 140 million during July-November FY08 because of a surplus of USD 368 million in the financial account, driven by higher external assistance. After a setback during July-September FY08, exports recovered during the second quarter FY08 with a 15.4 percent growth because of an uptrend in knitwear exports. Overall exports in the first half (H1) FY08 rose by 4.4 percent compared to the corresponding period FY07. Imports, on the other hand, increased by 17.5 percent during July-November FY08 compared to the same period FY07 mainly due to import of huge food grains at excessive prices to meet the domestic shortfall caused by floods and cyclone.

Foreign Remittance & FX Reserve: In 2007 over USD 6.50 billion was remitted by the expatriate workers, registering an amazing 25 percent growth over the last year's USD 5,485 million, thanks to improved services provided by banks and money transfer agencies and effective regulatory support from Bangladesh Bank to simplify and speed up the money transfer process. Foreign Exchange Reserve reached USD 5.5 billion on year end 2007 up from USD 3.88 billion on year end 2006 (Growth 41 percent).

Inflation and Exchange Rates: Prices of basic food items have increased at a pace not seen in decades and to a level that made it very difficult for the fixed income and marginal household to meet their basic needs. In November 2007 inflation in food prices in urban areas was recorded at 15.5 percent whereas overall inflation was 11.2 percent in comparison to wage earnings growth of 5 to 6 percent in the same period. Inflation is now very much a global phenomenon. A ton of rice used to be sold for USD230-250 last year is currently selling for USD 400-500 or more. The increase in wheat price is even more phenomenal; price per bushel used to be sold for USD2.50-3.50 for many decades has surged to more than USD10 per bushel. Similar hikes have been recorded in the prices of edible oil, milk and metal products. Only remarkable improvement in local crop production and proper management and dissemination of information regarding the stock of food grains, price movement in international markets can keep this inflation monster within reasonable control.

The local foreign exchange market remained orderly throughout the year 2007. USD hit record lows against Euro and other major currencies driven by overall slowdown in US economy. The USD hovered

mostly between BDT 69.00-69.50 with marginal depreciation at the close of year at Tk 68.5728/USD against Tk 69.0651/USD as on YE 2006. The fact that most of our capital machineries are usually imported from Japan, European countries and India whose currencies have appreciated against USD in 2007, acted as a double edged sword in increasing inflation.

Money and Capital Market: The country's money market experienced an unusual calmness throughout the year 2007. Unlike previous year, the call money market was quite stable. Apart from a few intermittent spikes, rates swirled around 6.5 percent. The momentum gain in secondary bond trading was a major development in 2007. Activation of the primary dealership process by the central bank was a significant step in facilitating bond trading. Participation of increasing number of commercial banks in the secondary bond market and increased depth in REPO and Reverse REPO transactions were some other welcome developments in the money markets during 2007.

Bangladesh Bank has just published their pro growth monetary policy for January-June 2008 which is accommodative rather than tightened. This contains required flexibility in implementation of its policies to meet the short term exigencies especially after floods and cyclone in H1 FY08 such as ensuring the flow of adequate credit to productive sectors like agriculture, SMEs, low cost housing, and other priority sectors and women entrepreneurs. Since the recent inflation is attributed to a major part with supply shocks in local and international markets, the central bank is planning to advise scheduled banks to keep their spread within a reasonable limit preferably within 5.0 percent to make fund available to the productive sectors. This is in line with BB's strategy of curbing inflationary pressure on economy through increasing domestic production.

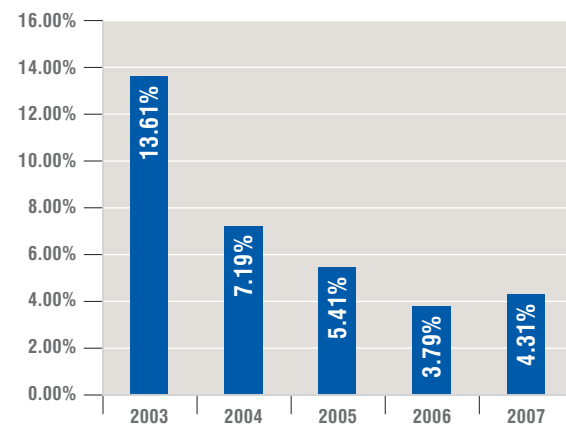
The stock market of the country was most vibrant in 2007 since 1996 'bubble burst'. The market capitalization and benchmark DSE General Index saw a record 139 percent and 91 percent growth respectively in 2007 against those of the previous year. All the market indicators recorded a rise during the year pushing up the benchmark DSE General Index to close at 3017.21 points from 1609.51 points, daily average turnover to BDT 1.36 billion from 285.43 million and market capitalization to BDT 742.19 billion from BDT 315.44 billion of December 30, 2006. There were 14 Initial Public Offerings (IPO) worth BDT 4.63 billion in 2007 against 7 worth BDT 1.43 billion of 2006. Our market capitalization to GDP ratio has, therefore, increased to around 16.0

percent at year end 2007 as against 7.59 percent as on December 30, 2006. The ratio is still much lower compared to other South Asian nations. This upbeat mode of stock market can sustain or even improve with flotation of fresh quality securities especially from telecom, power, gas, energy and infrastructure companies.

BANKING INDUSTRY SCENARIO:

Loan Deposit Growth & NPL: Despite having over 14,000 crores surplus liquidity in the banks, credit disbursement of private commercial banks increased by 15.49 percent in first 10 months of 2007 which was 20.88 percent in 2006 attributable mainly to uncertainty and poor business confidence rather than tightening of monetary policy. BB statistics shows that deposit in commercial banks increased 10.50 percent in the first 10 months of 2007 which was 14.69 percent in the same period 2006. BB data also shows that import of capital machinery decreased by 8.33 percent in the July-October FY 08 which indicates declining trend of investment. Weighted average lending rates in commercial banks increased from 12.4 percent in September 2006 to 12.92 percent in September 2007 and deposit rates have decreased from 6.99 percent in September 2006 to 6.76 percent in September 2007 further widening the spread. Gross Non Performing Loans (NPL) of all banks slightly declined to 14.0 percent at the end of September 2007 from 14.3 percent at the end of September 2006.

Non Performing Loan Ratio (EBL)



Financial Sector Reforms: The highly regulated banking sector has continually been undergoing changes and reforms in response to both internal and

external demands. Bangladesh Bank has already made it mandatory for banks to have rating by external agencies. Modifying earlier CAMEL rating, BB has renamed it CAMELS and expanded reporting requirements by commercial banks upon which it assigns rating for banks.

Bangladesh Bank has framed a road map for implementing BASEL II core principles and set guidelines for mortgage based securities, merger and amalgamation of banks and other FIs and loans write offs. The Bank Company (Amendment) Ordinance, 2007 is another step to improve the efficiency of financial sector. Under this new amendment, each bank will have to increase its capital base to BDT 2 billion by June 2009 among other requirements. Size and tenure of the Board and Board members as well as their individual and family shares (maximum limit) have also been modified. These changes or reforms will surely bring in more discipline, regularity and level playing field among banks, if implemented.

Under the gazette notification by Ministry of Finance in November, 2007, three NCBs have been converted into public limited companies which will bring them under central bank's monitoring. Although capital shortfalls and low recovery of non performing loans are major concerns for these NCBs, efforts are underway to restructure them to improve financial performance. However, the handover of Rupali Bank is facing difficulty as the highest bidder remains unresponsive to close the deal.

BASEL II & its implementation: The Basel II framework comprising three pillars is considered a regulatory tool of central bank for supervising commercial banks. **Pillar 1** deal with minimum capital requirement in a wider scale than in Basel I which covers calculation of capital to risk weighted assets ratios where Operational Risks as well as Market Risks are taken into consideration along with Credit Risk. **Pillar 2** is the supervisory review process of the central bank to supervise consistency between capital fund maintenance of commercial banks against actual confronted risk of a particular commercial bank. **Pillar 3** covers adequacy of a commercial bank's disclosure of information to public such as depositors and investors etc.

BASEL II implementation Unit (BIU):

Following recommendation from central bank, EBL formed the BIU in April 2007.

Current composition of BIU: Following is the current composition of EBL BIU:

Name & Designation (EBL)	Status with the BIU
1. Mr. Ali Reza Iftekhar, MD & CEO	Chairperson
2. Mr. Sheikh Mahfuzul Hoque, Head of Internal Audit	Member
3. Mr. Sa'ad Zaglul Abbas, Head of CRM	Member
4. Mr. Noor A Alam Chowdhury, IT Consultant	Member
5. Mr. Mahbubul Alam Taiyab, Head of Operations	Member
6. Mr. Malick Musfique Reza, Head of Finance	Member & Secretary

Terms of Reference (TOR): As follows:

- To implement action plans.
- To communicate issues related to BASEL II to senior management.
- To attend to QIS.
- To arrange awareness programs.
- To arrange training according to training need assessment.
- Meet quarterly to discuss issues.

As the findings of the Quantitative Impact Study (QIS) conducted by BASEL II implementation committee of Bangladesh Bank suggests, the preparation level of banks regarding implementation of BASEL II falls short of expectation mainly due to lack of adequate IT and MIS capacity to measure various risks precisely. So, to determine minimum capital requirement under BASEL II regime, most of the surveyed banks opted for the simplest methods for calculating credit risks, market risks and operational risks recognizing the whole process a complicated one. Varying amount of capital charge has been proposed to be kept against those exposures level.

At EBL, we are well aware of the extended version of market and operational risks which may demand certain amount of capital charges under BASEL II regime. Besides issuing rights @ 2:1 at par, EBL is planning to enhance its capital base further to match any extended requirement by the central bank in future. Following is the brief sketching of BASEL II components:

Operational Risk Management:

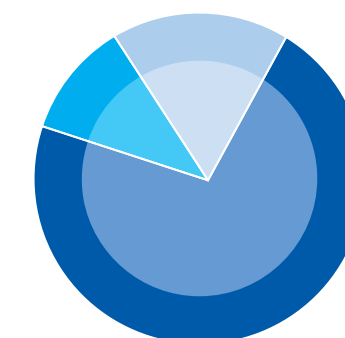
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and

systems or from external events but does not include credit risk.

▶ One of the key challenges in Operational Risk Management is to identify the Key Risk Indicators (KRIs) in Processes, People and Systems. Eastern Bank Limited has well defined processes for all the products and services, a pool of experienced and motivated people and state of the art International Standard IT platform to minimize its day to day operational risks. Moreover, there are dedicated Branch Operation team members at each Branch of EBL to ensure regular output checking and compliance issues.

Credit Risk Management (CRM):

▶ Continuous and consistent oversight by the Board, Executive Committee and the Audit Committee in compliance with good corporate governance norms.

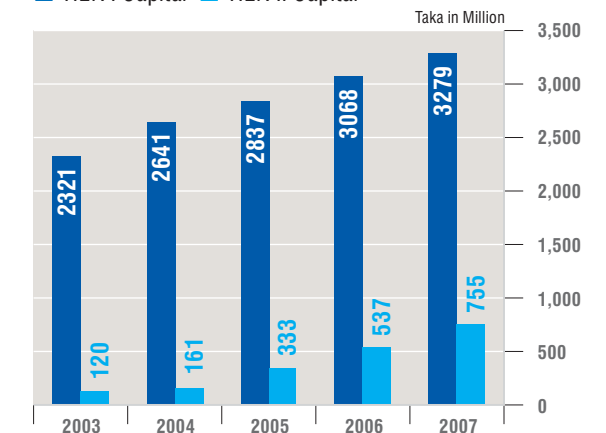


Capital Structure

- Financial Institutions 11%
- Directors 17%
- General Public 72%

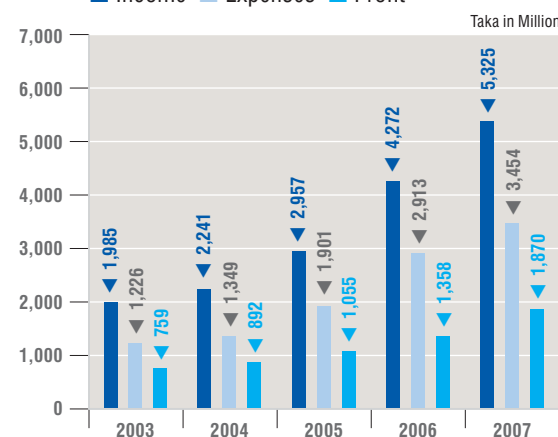
TIER I and TIER II Capital

■ TIER I Capital ■ TIER II Capital

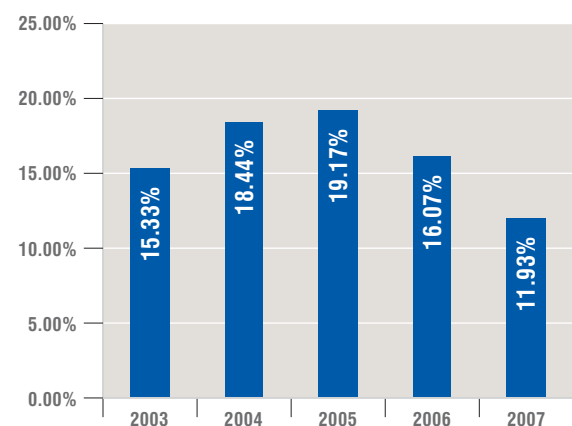


Income - Expenses - Profit

■ Income ■ Expenses ■ Profit

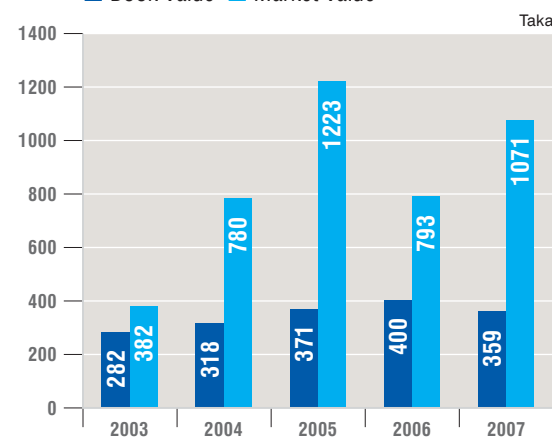


Return on Equity



Book Value vs Market Value

■ Book Value ■ Market Value



► Series of capacity building training on BASEL II has been arranged at home and abroad for the professional team of CRM department and related others and it will continue in a more focused way.

► Different risk management process under individual business units have been evaluated and modified accordingly.

► EBL is already doing its own grading of risks for corporate and mid segment clients in addition to risk grading formula of Bangladesh Bank.

MARKET RISK MANAGEMENT:

► Treasury is closely following the existing directives from central bank in dealing securities, investment, borrowing and FX. Any action plan prescribed by central bank in facing market risk under BASEL II regime will be instantly followed.

OUR BANK IN 2007:

Profile in Brief: Eastern Bank Limited (EBL) is a second generation commercial bank with 28 online branches across major cities in Bangladesh and 690 full time employees on year end 2007. It offers full range of commercial banking products and services to the corporate, mid-market and retail segment. Under the corporate banking segments the Bank has comprehensive range of financial products including corporate deposit accounts, syndicated financing, term loan, project finance, export-import financing, working capital and other finance, bonds and guarantees, investment and business counseling, infrastructure finance, cash management services etc. With urban banking focus, the Bank is offering various alternative delivery channels like ATMs, Bills Pay Machines, Kiosks, and Internet Banking etc. The Bank has set up a brand image attributable in part to its policy of continuous customer service excellence, innovative products and services at competitive prices and maximum technology utilization. Unlike conventional branch banking, credit proposals as well as business operations are processed centrally at EBL. Besides Main Operation, EBL has an Offshore Banking Unit (OBU) set up in 2004 which gives loans and takes deposits only in freely convertible foreign currency to and from non resident person/institutions, fully foreign owned EPZ companies etc.

Financial Performance of the Bank: Eastern Bank Limited has made a staggering 37.72 percent growth in Operating Profit in 2007 to BDT 1,870.40

million largely backed by a quantum growth (96 percent) of Net Interest Income (NII). Further analysis of Operating Profit 2007 reveals that EBL has been able to arrest the falling trend of Net Interest Income (NII) successfully in 2007 by managing balance sheet properly. This improvement once again reinforces the fact that EBL is clearly on the right track of solidifying its growth potential despite having lower fees income than expected. An usual growth of investment income (By 10.38 percent over 2006) to the tune of BDT 506.85 million and a comfortable growth of other operating income (By 26.59 percent over 2006) to the tune of BDT 365.92 million have outweighed the apparent shrinkage (negative growth) of Brokerage and Commission Income (By 8.13 percent in 2007) and incidental increase of operating expenses.

Provision for loans and advances has increased by 161 percent in 2007 (BDT 584.74 M vs. 223.71 M) causing a negative growth of Profit after Tax by 18.33 percent to 419.14 M from 513.20 M in 2006 although Profit before Tax grew by 13.33 percent in 2007. Therefore Earning Per Share (EPS) dropped to BDT 40.50 in 2007 against BDT 49.58 in 2006. Return on Assets and Return on Equity were 1.07 percent (1.62 percent in 2006) and 11.93 percent (16.07 percent in 2006) respectively. We have already identified the causes of default in payment by some of our major customers that contributed a huge jump in our specific provision expense during 2007. Active measures have been taken to recover the money as well as prevent new classification or downgrading in 2008.

Dividend for 2007 & Rights Issue: For the year ended December 31, 2007 the Board has recommended a stock dividend of 34% as compared to cash dividend @ 20% and a stock dividend @ 25% for the year 2006 and a Rights Issue @ 2:1 at par (One share for two existing shares held).

The major causes for lower dividend for 2007 can well be attributed to the rise in loan loss provision, provision for contingent assets, provision for cumulative tax shortfall and transfer to statutory reserve (regulatory requirement) during the year under review as explained below:

Loan loss provision during 2007: As reported in the financial statement 2007, specific provision (provision on classified loans) expense has increased to BDT 459.84 million during 2007 from BDT 25.39 million in 2006. We have also suffered newly imposed general provision on contingent assets

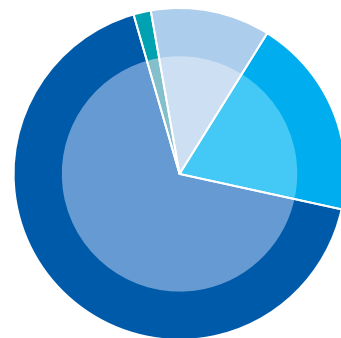
@ 0.5 percent equivalent to BDT 65.75 million which also affected our distributable profit. Total provision expense during 2007 was BDT 584.74 million and cumulative total provision as on year end 2007 was BDT 1,176.30 million. Classified loans as on year end 2007 stood at BDT 1,333.71 million whereas loans written off during 2007 was BDT 234.78 million.

Further drill down to the cause of rise in specific provision expense reveals that, only 05 major customers have contributed to increase of provision of BDT 325.30 million out of total expense of BDT 459.84 million during 2007. These are: S. Co. Steel Ltd. (BDT 101.13 M), Appollo Ispat Complex Ltd. (BDT 108.85 M), Maulana Ispat Ltd. (BDT 74.44 M), Jamson Packers (BDT 23.03 M), Sourav Trading Int'l Ltd. and Rupshi Concrete Products Ltd. (same group) with BDT 17.85 M. Besides, write off of two customer accounts have also caused rise of provision expense by BDT 105.47 million during 2007.

Provision for cumulative tax shortfall: A thorough investigative exercise was carried out during the year to find out whether our cumulative tax provision was sufficient to match the assessed tax for those respective years. As per the findings of the above, we had a cumulative (net) shortfall (assessed tax minus tax provision in the books) of tax provision of BDT 81.64 million as on December 31, 2007. This shortfall includes BDT 28.14 million for the assessment year 1996-97 which is pending in the honorable high court. Therefore it was imperative to provide BDT 53.50 million to meet the aforesaid tax provision shortfall out of Retained Earnings which also affected the distributable profit negatively for the year 2007.

Statutory Reserve: Pursuant to section 24 of the Bank Companies Act 1991, it was inevitable to transfer a sum of BDT 207.00 million to 'Statutory Reserve' out of Retained Earnings 2007 to bridge the gap between the paid up capital and statutory reserve during the year which also restrained our dividend proposition.

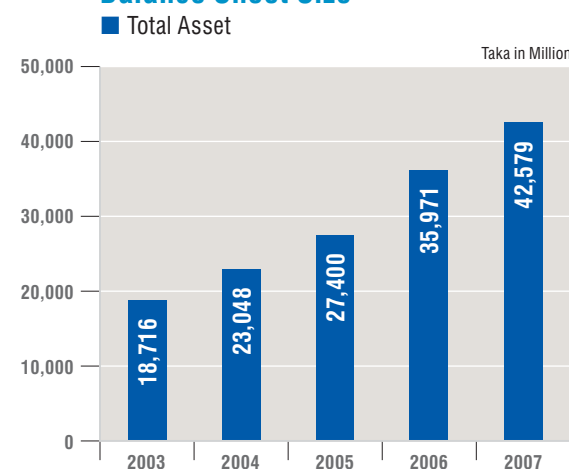
Financial Standing of the Bank: Loan portfolio of the Bank increased by 19.05 percent to BDT 30,961.80 million whereas Deposits grew by 17.09 percent to BDT 30,091.77 million as on December 31, 2007. In fine, Loans grew by BDT 4,953.94 million whereas Deposits grew by BDT 4,391.99 million in 2007. Increase in **Borrowing** by BDT 1,623.50 million or 36.57 percent over 2006 partly made up the gap of Loan-Deposit increase in 2007.



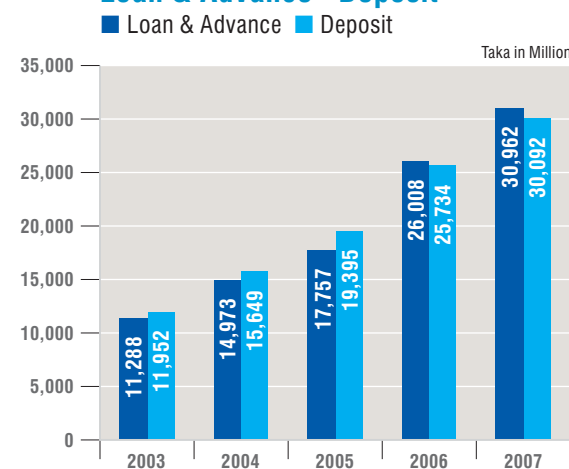
Deposit Mix

- Fixed Deposits **66%**
- Savings Deposits **20%**
- Current and other Deposits **12%**
- Bills payable **2%**

Balance Sheet Size



Loan & Advance - Deposit



Investment increased by a meager 0.11 percent to BDT 5,895.99 million as on December 31, 2007 whereas **Fixed Assets** increased by 50.23 percent reaching BDT 871.27 million as on year end 2007 mainly due to Land Revaluation Gain and expansion of ICT capacity. **Cash and Balance with Other Banks & Financial Institutions** marked a considerable rise of 40.93 percent in 2007 and stood at BDT 4,364.02 million as on year end 2007. **Shareholders' Equity** increased by 11.97 percent in 2007 and reached BDT 3,711.81 million as on year end 2007. Finally, the Balance Sheet size of EBL i.e. **Total Assets** increased significantly by 18.37 percent and reached to BDT 42,579.48 million as on December 31, 2007.

Import, Export & Guarantee Business:

During the year the Bank transacted an Import volume of BDT 45,297.59 million against 10,185 (2006: 8,382) number of cases which is 15.12 percent higher than the volume of 2006. On the other hand, the Bank handled an Export volume of BDT 26,672.92 million against 12,050 (2006: 11,437) number of cases which is 9.83 percent higher than the volume of 2006. Guarantee Business volume in 2007 was BDT 1,200.71 million against 416 (2006: 513) number of cases which is 84.51 percent higher than the transacted volume of 2006. Some of the mentionworthy imported items are Capital machinery, Industrial raw materials, electronic and consumer goods etc. Among the export basket Ready made Garments (RMG) occupies the major portion and includes Jute & Jute goods, Shrimp, Leather items, Fresh vegetables etc. On the average import business volumes remain higher than export volume in 2007.

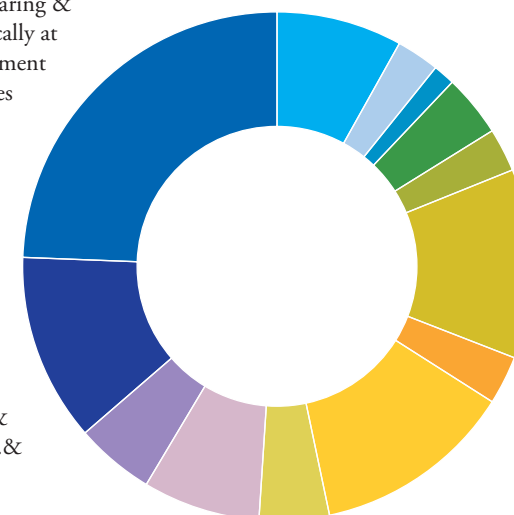
REVIEW OF BUSINESS PERFORMANCE IN 2007

Business Matrix: The Business Matrix of EBL consists of Corporate, Consumer and SME Banking as core business units having separate set of MIS for individual business performance evaluation and management decision. On the other hand, 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 business etc. Also there are Structured Finance, Cash Management, Non Resident Business (NRB) and Cards units at EBL that contributes towards enhancing fee based earning. Following is the yearly roundup of individual business units for 2007:

Corporate Banking: EBL Corporate Banking comprising of eight relationship units, two specialized unit Cash Management Unit and Structured Finance Unit supported by two product unit Project finance unit and CRCP (Customer Relationship & Corporate Product) Unit in Dhaka and Chittagong, continued to contribute major share both in Loans & Advance book (measuring around 80 percent of the total loans as on December 31, 2007) as well as fee based income. It also occupies a considerable portion of EBL deposit book with 37 percent as on year end 2007. While corporate relationships and project finance units provide comprehensive financial products including trade finance, working capital, project finance etc., Cash Management Units are assigned to attract low cost deposit by providing transactional value to the customers.

Corporate Banking Focus: During the year 2007, the thrust of Corporate Banking was to diversify its portfolio by entering into new avenues thus putting its risk management appetite into different parcel of the business segment. Emphasis was also given to grab Emerging Business Market and potential Future Corporate Giants. Accordingly a relationship unit was assigned for this special objective. Apart from traditional RMG, Steel, Pharmaceuticals, Textiles, Ship Breaking & Trading sector it enhanced its foot print into Packaging (other than garments), Food, Power, Agri-business (poultry) etc. To enhance service an Internet banking-Corporate module with short listed functionalities has been launched in 2007.

Cash Management Unit (CMU): Cash Management Unit has been putting all out effort to attract low cost deposit by providing transactional value to the customers. Cheque writing software “EBL Cheque Pro” was introduced in 2007 to facilitate customers in preparing & printing cheques automatically at their office. CMUs achievement during the year also includes setting up Utility Bill Collection Center at Narayanganj, direct listing (share sales proceed) collection solution for Power Grid Company of Bangladesh, developing value added product for Hajj remittances service and providing Collection & Payment solution for Govt.& Quasi govt organization.



Structured Finance Unit (SFU): Structured Finance Unit pursued its relentless efforts to become best product structuring syndication finance unit by doing syndications, equity participations, JV projects, bond issuance, agency arrangements and providing package solution to its customer.

Following are some of the mention worthy deals made by SFU:

- SFU achieved its milestone by building financial ties with German based financial institution DEG. Under this deal, first of its kind at EBL, EBL is directly syndicating a project as an Arranger and Agent with offshore fund arrangement. It concluded syndication arrangement of USD 7.5 million and BDT 210 million funds for setting up the expansion plant of Esquire Knit Composite Mills Ltd.
- As trustee of world's first micro credit securitization of BRAC, the world's largest private NGO financed by RSA Capital, Citigroup, FMO and KfW and denominated in BDT, EBL managed disbursement of USD 15 million during the year.
- For the first time at EBL, a syndication fund arrangement was made with equity product i.e. preference share to finance a Power Plant of Meghna Group with capacity of generating 25 MW electricity. The syndication deal amounting BDT 700 million (as medium term loan) is already oversubscribed and under process of completion.
- Under the Private-Public Partnership (PPP) deal, EBL has extended USD 4.57 million (BDT 319.88 million equivalent) loan to three largest

Portfolio Diversification

- Commerce and Trading **7.96%**
- Commodity Import **2.88%**
- Construction **1.47%**
- Edible Oil Refinery **3.74%**
- Electronic Goods **2.81%**
- Individuals **12.10%**
- Pharmaceuticals Industries **2.92%**
- Readymade Garments (RMG) **12.70%**
- Ship Breaking Industry **4.50%**
- Steel Products **7.53%**
- Telecommunication **4.97%**
- Textile Mills **12.10%**
- Others **24.33%**



DEG - The German Investment and Development Company has extended Long Term Loan of US\$ 7.5 million to Esquire Knit Composite Ltd., a member of Esquire Group for its expansion project of knit composite unit located at Kanchpur, Sonargaon, Narayanganj. Eastern Bank Ltd has arranged term loan facility of US\$ 7.50 million from DEG and term loan syndication facility of BDT 210 million from EBL and DBBL for Esquire Knit Composite Ltd (EKCL). The agreements to this effect have been signed in a signing ceremony held at The Westin, Dhaka recently.

NGOs namely BRAC, ASA & TMSS for the Agribusiness Development project under the financing structure of Asian Development Bank (ADB) to EBL through Ministry of Finance, Government of Bangladesh (GOB).

- Provided as arranger and agent a syndication facility of BDT 775 million with mix of fund from World Bank (under IPFF scheme), Long Term Loan and Preference Share arrangement for setting up a 22 MW Power Plant by Regent Power Ltd., a concern of Habib Group.
- Provided as arranger and agent a syndication facility of BDT 300 million with Long Term Loan product for setting up a 100000 MT capacity steel re-rolling Plant by Magnum Steel Mills Ltd.

With association of global financial institution like ADB, World Bank & IFC - trust and confidence on EBL will be increased further which will also enhance the image of this country.

Consumer Banking: In line with goal congruence and overall strategy EBL Consumer Banking continued to put thrust on deposit mobilization at reasonable rate. Expanding consumer loan is under cautious surveillance due to 5 percent provisioning slap. Despite having the increased provisioning requirement imposed by central bank, we opted to adopt a conservative loan growth strategy for Consumer Banking instead of putting a stop. As the consumer loan portfolio reaches a reasonable size few

years down the road, the impact of incremental provisioning will be offset by the income the portfolio will generate. As the major provider of funds within the bank, consumer did and will continue to support asset growth of corporate and SME business. It contributes 58 percent deposit and 12 percent of the loan portfolio of EBL as on year end 2007.

Channel Distribution: With the opening of 3 new branches at Raozan and Chandgaon, Chittagong and at Bashundhara, Dhaka during the end of 2007, EBL has made banking services more accessible to customers. These branches have already started operation and are expected to help strengthen CNB business in 2008 especially the branch at Raozan, Chittagong due to its strategic location, is expected to attract a handsome amount of FC remittance and deposit. Also the other two branches are well positioned in terms of business prospect.

We have moved some branches to more convenient locations, established 2 kiosks (Minibank) during this period so that they are able to accommodate a growing volume of transactions and provide more convenience to customers. *By the end of 2007, Eastern Bank had 28 branches, 19 own ATMs, 83 shared Q-cash ATMs and 5 Bills Pay Machines across the country. EBL also had 67,275 Debit Cards (First of its kind in Bangladesh), 1,228 Cool Cards and 4,947 Lifestyle Prepaid Cards at the year end 2007.*

Credit Card: EBL successfully launched its Credit Card Project in June 2007. Titled “*EBL Simple Credit Card*” the product featured many offerings that were innovative and for the first time in Bangladesh. *Zero Renewal Fee, Double Benefit Insurance Coverage, Free Card Cheque Book and in true sense 45-day interest free period were introduced by EBL.* Among various types of credit card, ‘Dual Currency’ credit card (Which can be used at home and abroad in BDT as well as US dollar respectively) attracted huge customers’ attention. At year end 2007, it had 3,928 credit cards outstanding.

The number of credit cards is expected to grow rapidly during 2008 and we envisage capturing 5 percent of the total anticipated market size (55,000) by the year 2009. Although the existing market size of cards (235,000) is presently dominated by SCB, we have reasons to be optimistic in grabbing a considerable portion of this market through innovative product packaging, pricing and media plan. If everything goes as planned, this project alone will fetch Tk. 120 million operating profit by 2009. *Twenty one (21) new*

ATMs are projected to be launched in 2008 to facilitate reach and convenience and thereby help consumer banking to increase its customer base significantly.

NRB Remittance Business: Launched in the later half in 2005 EBL Non Resident Business (NRB) unit under Consumer Banking has passed another successful year 2007 with inward remittance of USD 131.84 million equivalents to BDT 9,040.64 million. This unit has built up a network of 16 exchange houses based mainly in Middle East and United Kingdom and active efforts are under way to spread it to other strategic countries including Saudi Arabia. With prompt and efficient service provided to the foreign remitter, this unit has already achieved a remarkable level of customer satisfaction manifested by their enhanced remittance flow. This success is highly attributable to Govt. initiatives to encourage remitter to use official channel and thereby help rich country’s FX reserve and make stable FX market. EBL recognizes the huge potential of this business and understands the expectation of this highly sensitive customer segments and is equipped with modern technology to cater those with upbeat service mindset. Successful FX business somewhat depends on success of this unit.

SME Banking: SMEs are indispensable partners in national economy and social development. Their major contribution is towards creation of new enterprise, employment generation and poverty alleviation. Accordingly, EBL has given special focus on SME- Banking since its launch in June, 2006. Year 2007 was the year of spiraling the entire SME Banking Business Unit like Process, Policy, Product development, Capacity planning and ultimately triggering the focus on the growth of the business taking all the risk factors into consideration.

SME Banking division has swung into full fledged business operations expanding their distribution channels (which was 16 in 2007) and introduced 2 (two) asset products and 1(one) deposit product especially for the SME Customers.

Numerical data indicating the performance in different area can give a gist of SME activities in 2007. Total loans and advance reported an amazing growth of 54 percent whereas deposit of SME grew by 121 percent in 2007 over those of 2006. SME was not only growing in the book size but also maintained good health of the portfolio and significantly reduced the non performing asset burden. NPA has come down to 8.30 percent in 2007 from 17.84 percent in



EBL opened three new branches at Chandgaon R/A, Chittagong; Raozan, Chittagong and Bashundhara R/A, Dhaka this year. EBL MD & CEO is seen in the photograph at Bashundhara R/A Branch Opening along with other EBL Officials.



Eastern Bank Ltd. has recently signed an agreement with Malaysian Airlines under the EBL Customer Benefit Program titled EBL Advantage. EBL Employees and Selective EBL Credit Card holders will enjoy exclusive priority service from Malaysian Airlines as per the agreement. EBL Head of Consumer Banking Mamoon Mahmood Shah & Mr. Nur Shafik Haris, Malaysian Airlines Area Manager Bangladesh signed on behalf of the respective organizations. EBL Head of Marketing Nazeem A. Choudhury and other senior officials of both the organizations were present during the signing.

2006. Our correct selection of borrower, strong monitoring and business strategy was the main strength to reduce the NPA rate by 53.47 percent.

SME Banking division is preparing to deploy **Electronic Loan Processing System** to make loan processing easier and faster. An array of innovative products is going to be launched to accommodate the SME Customers’ financial needs with least possible paper requirement from customers. Ease of payment method, expansion of distribution channel to give better access to the business community, conducting national seminar to grow awareness to the society on the prospect of this segment are few of the future initiatives we are taking as we did in 2007.

The unit is ready to explore the potentials of the SME Industry in 2008 and beyond and hopefully EBL will be the leading organization in the country to offer the best outfit to the most potential segment in the country. EBL always believes and keep its rhythm with the global indication that SME is the fuel of the country's economy.

Treasury: A moderate successful was year 2007 both in terms of FX earning and NII (Investment & Placement income less borrowing cost). Forex market experienced a moderate volatility in 2007. Due to economic slowdown and high inflationary pressure Forex Market remain volatile with a range of 68.48 to 70.55 (approx. BDT 2.07) as compared with previous years BDT 6 (apprx.). EBL Treasury used this volatility as an opportunity to generate extra revenue for the Bank utilizing their experiences and better risk management capabilities. In this dynamism, Treasury had handled a total of USD 1,221.23 million in this period which is approximately 23% higher than 2006. Money Market also performed in a smooth fashion while overnight rate remained steady with a benchmark rate of 6.50%. This somewhat satisfactory FX & MM dealing was attributable mainly to the following factors:

- FX volatility was properly addressed through long/short positioning by Treasury through optimum use of Bangladesh Bank Overnight Open Position Limit with a primary view for managing foreign exchange risk. This strategy also generated extra stream of revenue. Treasury also actively participated in interbank.

- Awareness has increased in local corporate world regarding market volatility. For catering their need Treasury has introduced Corporate Desk for customized solutions for various corporate customers. This initiative added USD 50 Million (approx.) volume in 2007.

- Online Foreign Exchange platform has been established with two large international banks. This platform enables the bank to get real time online rates, execute deals and access to international financial market news and views with greater accuracy. This also helped the bank to setup for currency trading desk in a smaller scale. Apart from that two other new banks are also in pipeline for extending their online platform with us.

Depending on the politiconomic situation or outlook of the country, Treasury will continue to further contribute towards EBL profitability in 2008. EBL Treasury is planning to expand its Corporate Sales Desk to foster business through a wider array of products for various corporate customers.

REVIEW OF OPERATIONS AND ACTIVITIES IN 2007

Brand and Marketing Initiatives: 2007 has been a remarkable year in terms of EBL Marketing initiatives. Little did we know about our market positioning in terms of customer insight and brand image. Before launching EBL Credit Cards, we conducted a full range market research regarding customer perception. When they were asked about the EBL brand persona the feedback came as female and modern; indicating the bank's sensitiveness towards customer relationship, tech-savvy environment and trendy brand look. Based on the customer perception, EBL management decided to re-work on the brand look and feel to make it even more dynamic and customer-oriented.

Credit Card Launching: Credit Card launching was a great leap forward for EBL in 2007. It was indeed a milestone in Bangladesh Banking Industry in terms of making a product that was developed keeping customer need in mind. Various attractive and innovative features coupled with proper media coverage have resulted in almost 10,000 application submission by the prospects in 5-months of operation in 2007. Competitors had to re-strategize their card products and many of them copied the features that were introduced by Eastern Bank.

Direct Marketing Initiatives: This year, EBL broke free from traditional press-based marketing campaigns and got involved in Direct Marketing and alternate channel promotions. This helped EBL to experience more direct and fast customer responses whenever a product or service is launched. Procurement of SMS server at Cards Center allowed customers to SMS EBL whenever they were interested to know about any particular product. EBL 24-hour card center representatives were there all the time to answer inbound customer calls. After launching the SMS service and up to year-end, we had received almost 50,000 customer SMS's want to know more about EBL products and services. EBL website was revamped and re-launched in December 2007. Unlike the previous version, more product specific information and query-based response system was introduced. Now on an average we receive 100 customer e-mails regarding various service and product information. In 2008, we plan to take the web-based service a step further by introducing web helpline, loan assessment tools and many more.

Enhancement of Visibility: Making TV and Radio commercials were another step we took towards ensuring vibrant market presence. Though aired on a limited scale, but it gave EBL another way of reaching target audience and building brand awareness. 25 city buses were branded with EBL color and products this year. The busiest bus stop in Dhaka city at Banani intersection was branded - a place where approximately 50,000 commuters touch every day. Existing billboard and outdoor promotion locations were reviewed and new places were touched down upon to ensure better visibility and round the year presence.

But as the saying goes charity begins at home, EBL followed the path exactly. Previously EBL main signage was white background with black writing. Changing it to Saffron background and blue writing gave the premises an instant glamour.

Branches that were lost amid hundreds of other signs and hoardings sprang to life with this minor change in color combination. Now EBL premises are visible even from a distant due to this bright distinct color of EBL Saffron. ATM signage and outdoor designs were updated accordingly to give all EBL locations a unified glamorous look from outside.

Another initiative of EBL Marketing was to update its forms, brochures and printed matters to a trendy version. Many of them were transformed and the rest will be completed through out 2008.

Product Launching: Several new SME & Consumer Banking products were launched this year. EBL Marketing followed it up with proper market introduction. Quality media relationship ensured 250+ news hits for EBL in the last half of the year compared to around 100 in the first half. All product launchings, ATM, Branch Bills Pay & Student Center openings were covered in TV and press resulting better customer turnover.

Conference, Seminar, Signings, Product Orientation Sessions all types of outdoor activity was done round the year ensuring proper branding standards.

To add spicy momentum to the marketing campaigns and ensure proper attention to EBL's growing diversified product lines two new Advertising and Promotion agencies were incorporated along with the existing one in 2007. This diversification will show its merit and result all round the year 2008 when all will work in tandem.



EBL launched its first SME deposit account titled "EBL Shubidha" in 2007. EBL MD & CEO Ali Reza Iftekhar & EBL Head of SME Banking Muklesur Rahman are seen at a press meet marking the launch.



EBL opened 4 ATM booths in Dhaka and Chittagong in 2007. EBL MD & CEO Ali Reza Iftekhar is seen at an ATM Booth opening at Malibagh, Dhaka.

Corporate Social Responsibility: In 2007, EBL introduced a stipend program jointly with Dhaka University Alumni Association (DUAA) for the students of Dhaka University titled "*Inspiration*". One meritorious student from each academic year of all 56 departments of Dhaka University shall get the one time stipend from EBL. The selection committee is headed by DU Vice Chancellor and DUAA is the coordination partner in the program. This is the first CSR program of EBL and even first of its kind in Bangladesh where all departments and all academic years were covered under one financial grant program.

Besides, EBL has donated a generous sum of BDT 25 lacs for flood victims and BDT 50 lacs for cyclone 'Sidr' hit people of the country in 2007. We also donated a considerable sum of money for publishing '*Mohan Ekushey Subarnojoyanti Grontho*' written on our rich heritage of language movement and culture in predominance.



Eastern Bank Ltd has donated 32 cartons of clothes for the Sidi-victims. Eastern Bank Managing Director Ali Reza formally handed over the relief goods to Chairman of Bangladesh Red Crescent Society Professor Dr M Abdur Rab at the society office on Monday, reports UNB. Professor Abdur Rab thanked the bank officials for their humanitarian efforts and urged the affluent people in the society to come forward and stand beside the poor and needy people, said a press release.



Dhaka University Alumni Association (DUAA) and Eastern Bank Limited (EBL) signed a memorandum of understanding (MoU) in 2007 to launch a financial assistance programme for the students of the university. Under the programme, the EBL will provide scholarships to four students of each academic year from every department every year. Besides, the EBL will also offer privileged banking services and organise career-grooming events for the recipients. EBL Managing Director and CEO Ali Reza Ittekkhar and DUAA Secretary General Raquibuddin Ahmed signed the MoU at the Senate Building. DU Vice-chancellor Prof SMA Faiz and Syed Manzur Elahi, president of DUAA, were also present on the occasion.

Partnership and alliance: 2007 also saw EBL initiatives to build and develop alliances with different service providers for delivering customer value propositions. The program titled “*EBL Advantage*” was launched under which various service and product vendors were incorporated to provide EBL customers with specialized price and service.

Marketing is all about creating interest and perception in customer mind and Sales will follow it up with successful closure. To sum the year up we can surely say 2007 was the build-up time for overall EBL

Marketing initiatives that will start yielding result in the coming days.

EBL Marketing: Future Outlook: 2008 is a crunch year for EBL Marketing initiatives. We plan to focus on SME Banking promotion, continue to support Corporate Banking initiatives, help Consumer Banking to reposition its entire product line and service, build better corporate image and get more close to customers through Direct Marketing initiatives. This year we will launch EBL Brand Manual and EBL Premises Branding Guidebook to standardize everything. We plan to launch more customer focused need-based product solutions. Based on 2007 learning, EBL Marketing will focus on building a brand that not only promises to customers, but ensures the deliverables through its delivery channels.

Marketing is no longer a perception game it is now something to experience, to feel and make customer wish to be a part of it rest of his or her life. At EBL, we are engaged in creating that value. The EBL Way.

Operations: With the objective of providing faster service to the customers while ensuring increased control over operational activities, EBL has established a central operations unit named as **Service Delivery**. This unit based on Dhaka and Chittagong, centralized all the back office processes which were previously conducted at branch level. This initiative has freed the branch people from major process jobs which helped them focus on providing better service and sales of EBL products to the customers. Following were the broad objectives of this centralization of operations:

Business Support: Enhance capability to offer best support to the front and middle offices, significant reduction in bulk processing time and provide comprehensive and customized MIS. Develop resources to offer new products and services for the customers.

Risk Management: Establish control over daily operational risks through monitoring, supervision and archiving.

Human Resources: Optimum utilization and better development of human resources to reduce overall operating costs.

Trade Services Operations: EBL Trade Services (TS) Team has been continuously raising the service and operational efficiency to new heights including

introduction of new products to meet customer's requirement. Working with trade module support of robust software Flex-Cube integrated with SWIFT, the Trade Service team has been continuously developing the process and efficiency to meet customer's need with higher level of satisfaction. In automated trade payments TS reached the highest efficiency level in 2007.

The largest USD Clearing Bank in New York, JP Morgan Chase NA reported 100% of EBL trade payments in July 2007 were processed Straight Through (STP) without any operator intervention. In subsequent months the efficiency level has also been close to highest level. This is a feat which is rarely achieved by any other peer banks be it local or foreign.

EBL has active correspondent relationship with most of the major global banks supporting trade transactions. Furthermore, EBL has been getting effective support from International Finance Corporation (IFC) under their Global Trade Finance Program (GTFP) and Asian Development Bank (ADB) under their Trade Finance Facilitation Program (TFFP). EBL has been enjoying regular guarantee and credit lines to support EBL's trade finance transactions under these programs.

Information Technology Update:

Information Technology as a strategic tool will continue to transform EBL into a financial institution whose business bears little resemblance to that of a traditional bank. EBL relies on a very profitable IT-driven business, focusing on making transaction simple for customers while complex accounting and record-keeping activities are automated. This division plays an integrated role to deliver services on time reliably. We enhanced our capacity to optimize service management with increased reliability and robustness. With the success of our automation, we had the incentive to develop new products and new delivery channels, to reach new customers and create the opportunity for greater value proposition. In year 2007 we managed quite a few technology driven business projects. Some are:

EBL's VISA Credit card Project: The length and depth of having own TietoEnators Card-Suite system for the business with international certification is significant. The project was fully managed with own resources covering all redundancy and reliability tests for process and control. Since launching we are receiving encouraging feedback from the customers. We envisage taking the level of satisfaction of our



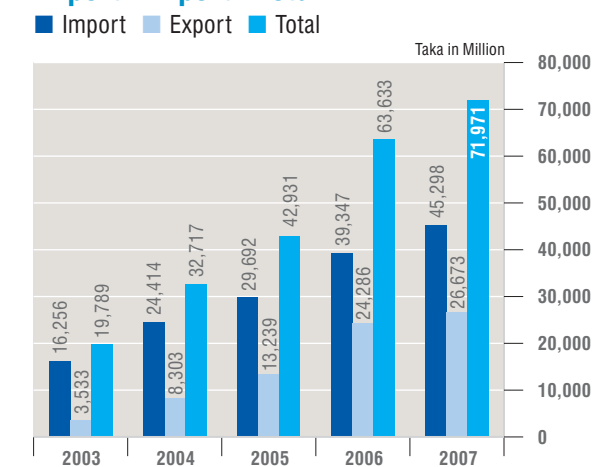
EBL donated Tk. 50 Lac for the cyclone affected people to Chief of Army Staff. EBL Chairman A.Q.I. Chowdhury, OBE and EBL MD & CEO Ali Reza Ittekkhar were present.

credit card customers to a level that best match with the best services of the world.

Automated Loan Application Processing: Sysarc's LAP deployment helped us to improve processing or turnaround time for retail and SME loan applications significantly without increasing any head-count even after having 200% increase in volume. The accuracy and consistency is ensured through eliminating any duplication of work in the full processing cycle. This is online real-time with our FLEXCUBE CBS.

Future Outlook of EBL IT: As we look ahead to the next generation of banking information

Import - Export - Total





technology, we believe the types of products and services delivered and the way they are delivered will continue to evolve. In a sea of rapid and abrupt changes, it is also reasonable to expect some real surprises. Our objective is to make optimum use of tried and tested technology, keeping on improving with our offer to the customers with greater value proposition.

Internal Audit & Compliance in 2007:

The Internal Audit Department works towards strengthening internal control of the Bank. The department reports to the Audit Committee formed as per requirements of Bangladesh Bank. The main role of the department is to contribute towards effectiveness of the internal control system. It also provides high quality counseling to management on the effectiveness of risk management and the internal controls including regulatory compliance by the Bank.

Our audit system has been concentrating on transaction testing as per process, testing of accuracy and reliability of accounting records and financial reports, integrity, reliability and timeliness of control reports and adherence to legal and regulatory requirements. The mentionable achievements of Internal Audit Department in 2007 are:

- Comprehensive Process and Risk Based Audit.
- Department has completed audit of all branches (25 branches) and all departments (16 departments) within set timeframe.

- 5 (five) audit committee meetings required as per Bangladesh Bank Circular was held on time and the necessary directives from the Members of the Audit Committee of the Board of Directors have been implemented.

Human Resources: In an era of progressively more competitive business environment, the Bank is ever more watchful of the importance of its people as a key success factor. Eastern Bank therefore aims to create a work environment that enables staffs to realize their full capabilities and build for themselves a fulfilling career. The Bank realizes that to be the employer of choice, it needs to create a high class work environment where its people are nurtured and cared. The department increased its performance through:

- Restructuring the department by separating the service and development area;
- Process renovation and reengineering for increasing efficiency;
- Categorized T&D for developing Human Resources;

It has sought to enhance the effectiveness of its recruitment and orientation processes. Rigorous selection mechanism and effective retention policy meant top notch people in the staff pool. Around 495 (permanent and contractual) new people were appointed to improve the workforce for better efficiency. Our Bank was strengthened with around 690 permanent and 559 contractual employees at end of 2007 of which 144 were executives.

Significant number of trainings have been provided to employees on various topics like Trade, Leadership, Credit Risk Management, BASEL II, Customer Service, UCPDC-600, Supply chain management, Law & Regulations in Banks, SWIFT, Anti Money Laundering and many more both in home and abroad which is aligned with the philosophy of enabling people to continually develop themselves to their fullest potential. Staffs were encouraged to continually learn and take on new challenges and managers were provided with further trainings to ensure they support their staff through effective communication, coaching and constructive feedback.

Last year around 1010 employees were provided with local training on various topics and around 45 employees were provided with foreign trainings some of them are mentioned below:

Training Course/Seminar	Trainer	Participants
<i>Foreign:</i>		
Trade Seminar	Citigroup	1
Correspondent Banking Seminar	Financial Institution Group	1
Correspondent Banking Workshop	Standard Chartered Bank	1
D&B Knowledge Forum	D&B Knowledge Forum	2
Motivational Leadership	TACK Training	6
Structuring and Marketing of Trade Finance Facilities	Institut Bank Bank Malaysia	1
Credit Risk Management: Loan Structuring	Institut Bank Bank Malaysia	3
ICICI Bank Training Workshop on International Trade	SEDF & ICICI	1
SME Lending: Risks and Opportunity	CRISIL	2
International Banking Seminar 2007	N/A	1
Correspondent Banking Workshop	Standard Chartered Bank	1
Business Credit Analysis: Case Study Approach	Institut Bank Bank Malaysia	4
Trade Finance Risk Management	Institut Bank Bank Malaysia	3
Understanding Customer Financials - A Forensic Approach	CRISIL	1
2nd Annual SME Banking & Finance	Marcus Evans	2
Global Credit & Operational Risk Forum 2007	Marcus Evans	2
Advanced Credit: Monitoring, Control & Warning Signals	Institut Bank Bank Malaysia	3
SWIFT Regional Conference	Syscom Information Systems Ltd.	1
Operational Risk Management in Compliance with BASEL II	Institut Bank Bank Malaysia	4
Corporate Credit Risk Analysis	Bahrain Institute of Banking & Finance	2
Time Management for Managers	Bahrain Institute of Banking & Finance	3
D&B's Credit Report	D&B	1
<i>Local:</i>		
Consultation on Political Economy of BD's Power sector	World Bank, Dhaka Office	1
UCPDC-600	Mehboobur Rahman	66
Fundamentals of Banking	In House	69
Risk Management & Disclosure requirement of Banks under BASEL-II-regime: The role of management accountants	ICMAB ICMAB	4
BASEL-II: A Modern Approach	Bangladesh Bank	1
BASEL -II: New Capital Adequacy Proposals	BIBM	4
New UCP 600	ICC Bangladesh	4
Loan Structuring	Amplitude Solutions	4
Health, Safety and Environment (HSE)	University & Industry Alliance	1
Anti Money Laundering & Combating the Financing of Terrorism	BBTA	1
Bond Market & Securitization	BIBM	1
SME Financing	In House	35
FX Workshop	External	6
Bangladesh Capital Markets - Engine of Economic Growth	External	2
Anti Money Laundering	In House	138
Strategic Alignment	SENSEI	27

The Bank has enhanced and implanted effective performance management practices. This is to ensure that in planning, all employees and managers concentrate on the most important business issues, and in executing the plan, on monitoring and evaluating the progress. There had been a continuous effort in reviewing of employee benefits and compensation packages and revising personnel policies to accommodate with the current practices and needs. And all these led to encouraging the staffs to continually take on more challenges, at both the individual and business unit levels. All these reflects the promise of developing better human resources and ensure the sustainability in future years, to become the bank of choice; the vision of EBL.

Risk Factors:

Credit Risk: Credit risk is a risk where the borrower may not be able or willing to repay the debt he or she owes to the Bank, or to honor other contractual commitments. Despite continual development and improvement of the Bank's credit risk management system, running a commercial bank inevitably entails exposure to a certain level of credit risk. The Bank deals with these credit risks by establishing different levels of authority for credit approval depending on the type of business and / or the size of the credit line. In approving each loan application, the Bank considers the purpose of the loan, assesses the repayment ability from the applicants operating cash flows, business feasibility, capability of management and collateral. The Bank also reviews the levels of credit risk ratings on a regular basis.

Risk Governance by Board: The Board of Directors establishes the strategic risk philosophy and policies for Eastern Bank Ltd. They determine the risk policies, procedures and methodologies for measuring and monitoring risk as well as reputation risk issues. The Board of Directors-

- Set delegated authorities for management levels.
- Approve credit, market, and operational risk parameters associated with new products.
- Approve risk on transactions whose value exceeds the amount of the authority delegated to management levels.
- Approve structured finance and complex transactions.
- Oversee the bank's overall credit portfolio and review adequacy of provision.

Credit Risk Management: Comprehensive risk management is a core competence of Eastern Bank Ltd. We take a prudent and conservative approach to risk that is fully aligned with our long-term strategy. The risk framework combines centralized policy setting with broad oversight supported by risk execution and monitoring. It provides management with the ability to oversee the bank's large and highly diversified portfolio effectively and efficiently.

EBL's risk management systems are designed to identify and analyze risks at an early stage, to set and monitor prudent limits, and to learn and evolve continuously to help us to face a volatile and rapidly-changing risk environment. In this way, EBL's risk management adds value for the company's shareholders.

Over the past few years, Eastern Bank Limited has improved its credit risk management processes by establishing a credit risk management policy, credit underwriting standards, and credit risk rating methodology. It also established a Credit Risk Management Division, which is independent from relationship management units, to ensure proper controls on its lending. This unit was established to oversee, manage and control credit risk and is charged with maintaining the level of the Bank's risk exposure in line with its overall policy. The main responsibilities of Credit Risk Management Unit are mentioned below:

- To ensure approval of quality credits upon full compliance of all regulatory matters and local laws.
- To ensure credit approvals within the approval authority at different level, as delegated by the Board of Directors as per guideline of Bangladesh Bank.
- To manage all the risks, associated with credit at credit approval and monitoring level.
- To maintain acceptable books of assets by doing periodical portfolio review and take corrective measures for removal of any identified credit weaknesses.
- To keep close watch to market movement and changes and take timely decision to initiate different credit strategy.
- To facilitate smooth credit operation through Credit Administration Department.
- To manage individual problem credits and monitor the distressed assets portfolio within EBL's risk parameters.

Provisioning Policies: Eastern Banks Loan provisioning policy is guided by the central banks rules and policies as instructed time to time. The provisioning policies applicable as at 31 December 2007 were as follows:

Business Unit	Non Funded	Funded								
		UC	SMA	Quantitative Criteria (past due days)	SS	Quantitative Criteria (past due days)	DF	Quantitative Criteria (past due days)	BL	Quantitative Criteria (past due days)
Consumer	0.50%	5%	5%	90	20%	180	50%	270	100%	365
SME	0.50%	2%	5%	90	20%	180	50%	270	100%	365
Corporate	0.50%	1%	5%	90	20%	180	50%	270	100%	365
Other	0.50%	1%	5%	90	20%	180	50%	270	100%	365

General Provisioning for these products are carried out on a portfolio basis. However specific provision is determined by the bank's loss experience of a particular client. The Central Banks Loan Loss Provision Guidelines recommends in general, when interest or principal on a consumer loan is overdue for 90 days or more, any further accrual of interest is suspended and such loans are then classified as non accrual. Doubtful and non-performing loans are classified as doubtful as soon as there is evidence about the borrower's lack of ability to meet its payment obligations to the bank in accordance with the original contractual terms. Where deemed necessary, an allowance for loan losses is determined on a per item basis, taking into account the value of the collateral.

Additionally, the bank's credit officers continually monitor the quality of loans. Should the quality of a loan or the borrower's financial strength deteriorate to the extent that doubts arise over the borrower's ability to repay the loan, management of the relationship is transferred to Special Asset Management Unit (SAMU). After making an assessment of the specific provision that should be made taking into account the value of collateral, CRM reviews specific provisions on the portfolio at the close of each quarterly reporting period, to ensure their adequacy.

Market Risk: Market risk is the risk that arises from volatilities in interest rates, exchange rates, and the prices of instruments in the money and capital markets, which may affect the financial performance of the Bank.

Interest Rate Risk: The level of interest rates is a major factor that determines the Bank's interest income from assets and interest expenses on liabilities.

The Bank is exposed to an interest rate risk arising from the fact that the assets and liabilities are subject to different interest rate repricing periods or contractual maturities, or when movements of interest rates on assets and liabilities are inconsistent, thus

impacting on the Bank's net interest income. The Bank has set up the Asset and Liability Committee (ALCO) to be responsible for establishing guidelines for the management of assets and liabilities. ALCO is also responsible for monitoring and maintaining interest rate risks at an acceptable level with minimal fluctuations through interest rate sensitivity analyses. These guidelines are in accordance with the policy guidelines issued by Bangladesh Bank from time to time.

Foreign Exchange Rate Risk: Foreign exchange rate risk arises when the Bank is involved in foreign currency transactions, which may result in deficits or surpluses in the Bank's foreign currency position. These transactions include, for instance, foreign currency exchange, investments, loans, borrowings and contractual commitments, etc. They may incur gains or losses on exchanges as a result of movements in exchange rates. In general, the Bank's policy is to match foreign currency assets and liabilities following strictly the overnight limit of open position issued by the central bank. The Treasury Division manages and controls day-to-day trading activities under the supervision of ALCO which in turn ensures that the level of assumed risks, as per the various designated measures, is maintained within the approved level.

Liquidity Risk: Liquidity risk is the risk that the Bank may not be able to meet cash flow obligations within a stipulated timeframe. The purpose of the Bank's liquidity risk management is to maintain suitable and sufficient funds to meet present and future liquidity obligations whilst utilizing the funds appropriately to take advantage of market opportunities as they arise. The Bank has several sources of liquidity and manages its liquidity mainly

through domestic money and capital markets including repurchase markets. The Bank seeks to minimize its liquidity costs in line with the market situation by closely managing the liquidity position on a daily basis and restricting the holding of cash held above an appropriate level at any given time. As part of liquidity management, the Bank adheres to its funding plan, and exercises due care in using medium-term borrowings.

Capital Adequacy Risk: Capital adequacy risk is a risk where the Bank does not have sufficient capital reserves to do the business or to absorb unexpected losses arising from credit, market and operational risks. The principal objective of the Bank's capital management policy is to ensure that the Bank maintains an adequate level of capital to support growth strategies and meets regulatory requirements and market expectations. Commercial banks in Bangladesh will be required to comply with the Bank for International Settlements Basel II Accord by 2009, which will result in changes to capital adequacy requirements. The Basel II Accord will affect the risk weightings of different types of assets including provisioning for market and operational risks. This in turn will have a direct effect on the Bank's capital adequacy ratio. Bangladesh Bank is in the process of establishing detailed methodologies and procedures to suit the domestic market.

Operational Risk: Operational risk is the risk of potential losses from a breakdown in internal processes and systems, deficiencies in people and management or operational failure arising from external events. The objective of the operational risk management framework is to ensure that the Bank has in place appropriate policies, work processes and procedures. This requires gathering information pertaining to operational risks so as to avoid operational failures and minimize relevant losses; while enabling the Bank to quickly respond to and pursue new business opportunities with appropriate risk controls and monitoring. The Bank's operational risk management policy embraces the concepts of risk identification, risk assessment, risk monitoring, and risk mitigation and control. The primary responsibility for managing this risk rests with each operating unit, through the adoption of proper internal control measures in the operating environment.

Business Continuity & Disaster Recovery Plan: A comprehensive Business Continuity Plan (BCP) of Eastern Bank Limited is underway. Our BCP, at present revolves in securing business and financial information from any disaster through Disaster Recovery (DR) System. This system is tested to ensure functional and effective disaster recovery capability. EBL has DR site at Uttara about 20 kilometers away

from its production site. It is equipped with identical Servers, storage system and other equipments similar to production. It has the 1Gbps fiber optic link for data transmission. Mirror View software for Asynchronous Replication is installed for replication data from live server to DR server. It is minimizing the risk of losing the banks customer data, eliminates any singly point of failure and matches the service standard of those of the peers.

Prevention of Money Laundering: According to BB guideline, banks and financial institutions should view money laundering prevention as a part of their reputation and operational risk management, as it has adverse impact on national economy, security and social values. Eastern Bank Ltd. formed its own Anti Money Laundering (AML) manual as per BB guideline. The Chief Anti Money Laundering Compliance Officer (CAMLCO) of Head Office is primarily responsible for executing bank wide AML operation supported by his/her followers at each branch.

In the process of AML, the Bank starts with Customer Due Diligence (KYC profile) to collect customer details, risk categorization of different accounts etc. For high risk graded accounts the transaction profile is up dated annually. The senior management is involved exclusively; to deal with high risk customers. Besides this, to augment the AML capacity, every Sales and Service Manager (SSM) initiate a year end AML assessment at each branch level with the support of AMLCO. Besides, EBL ensures training on Money Laundering Prevention Act and other Bangladesh Bank's related Circulars to all staff of the bank as a part of building awareness on Money Laundering Risk. In the reporting framework of EBL, every AMLCO submit his finding to SSM and also to CAMLCO, if required. CAMLCO eventually reports to the CEO of the Bank and Bangladesh Bank regarding AML associated matters.

Directors' declaration to Shareholders:

Complying with Clause 1.4 of SEC guidelines on Corporate Governance the Directors' declaration is as follows:

- The financial statements prepared by the management of Eastern Bank Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained;
- 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;
- International Accounting Standards, as applicable

in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;

- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There are no significant deviations in 2007 operating results of Eastern Bank Limited in

comparison to that of 2006 except Net Interest Income (NII) which increased by 96 percent over 2006 due to the reasons explained on the **page no. 19.**

Corporate Governance Checklist: Status of Compliance with the conditions imposed by the Securities and Exchange Commission Order no. SEC/CMRRCD/2006-158/Admin/02-08 dated 20 February, 2006 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

(Report under Condition No.5.00)

Condition	Title	Compliance Status (Put ✓ in the appropriate column)		Explanation for non-compliance
		Complied	Not Complied	
1.00	Board of Directors (BOD):			
1.1	Board's Size (Should not be less than 5 but not more than 20)	✓		
1.2 (i)	Independent Directors (At least 1/10th i.e. minimum one)	✓		
1.2 (ii)	Appointment of Independent Director by elected Directors	✓		
1.3	Separate Chairman & CEO and their clearly defined roles and responsibilities.	✓		
1.4	Directors' Report to Shareholders:			
1.4 (a)	Fair presentation of Bank financials	✓		
1.4 (b)	Maintenance of proper books of account	✓		
1.4 (c)	Adoption of appropriate accounting policies and estimates consistently	✓		
1.4 (d)	Compliance with International Accounting Standard	✓		
1.4 (e)	Soundness of Internal Control System	✓		
1.4 (f)	Ability to continue as a going concern	✓		
1.4 (g)	Significant deviations in operating results from last year	✓		
1.4 (h)	Presentation of key operating and financial data of at least 3 preceding years	✓		
1.4 (i)	Declaration of Dividend	✓		
1.4 (j)	Number of Board Meetings held and attendance by each Director.	✓		
1.4 (k)	Shareholding pattern.	✓		
2.00	CFO, Head of Internal Audit (HoIA) and Company Secretary (CS):			
2.1	Appointment of CFO, HoIA and CS and their clearly defined roles and responsibilities.	✓		
2.2	Attendance of CFO & CS in the Board of Directors' Meeting.	✓		CFO attends the Meeting as and when required.
3.00	Audit Committee:			
3.1	Constitution of Audit Committee:			
3.1 (i)	Size of the Audit Committee (Should be at least 3 members.)	✓		
3.1 (ii)	Audit Committee comprised of Board members including independent director(s).	✓		
3.1 (iii)	Filling of casual vacancy in the Audit Committee.			No such case
3.2 (i)	Selection of Chairman of the Audit Committee.	✓		
3.2 (ii)	Professional qualification and experience of the Chairman of the Committee.	✓		
3.3.1 (i)	Reporting to BOD on the activities of the Audit Committee.	✓		
3.3.1(ii)(a)	Reporting of conflict of interest to the BOD.	✓		
3.3.1(ii)(b)	Reporting of any fraud or irregularity to the BOD.	✓		
3.3.1(ii)(c)	Reporting of suspected infringement of laws to the BOD.	✓		
3.3.1(ii)(d)	Reporting of any other matter to the BOD.	✓		
3.3.2	Reporting of anything having material financial impact to the Commission.	✓		
3.4	Reporting of activities to the shareholders and general investors.	✓		
4.00	External/Statutory Auditors: The external auditors should not be engaged in:			
4.00 (i)	Appraisal or valuation services or fairness opinions.	✓		
4.00 (ii)	Design and implementation of Financial Information System.	✓		
4.00 (iii)	Book keeping or any other related services.	✓		
4.00 (iv)	Broker or dealer services.	✓		
4.00 (v)	Actuarial services.	✓		
4.00 (vi)	Internal audit services.	✓		
4.00 (vii)	Any other services determined by the Audit Committee.	✓		

**Status of compliance of Bangladesh Bank's guideline for Corporate Governance
(BRPD circular no. 16 dated 24-07-2003):**

Sl No.	Particulars	Compliance Status
1	Responsibilities and authorities of the board of Directors: (a) Work planning and strategic management: (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.	Complied
	(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.	Complied
	(b) Loan and Risk Management: (i) The policies, procedures, strategies, etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, re-schedulement 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.	Complied
	(ii) The board shall frame policies for risk management and get them complied with and shall monitor at quarterly rests the compliance thereof.	Complied
	(c) Internal Control Management: The board shall be vigilant on the internal control system of the bank in order to attain and maintain satisfactory qualitative standard 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.	Complied
	d) Human Resources Management and Development: (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.	Complied
	(ii) 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
	(e) Financial Management: (i) 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
	(ii) 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

**Status of compliance of Bangladesh Bank's guideline for Corporate Governance
(BRPD circular no. 16 dated 24-07-2003):**

Sl No.	Particulars	Compliance Status
	(f) Formation of Supporting Committees: 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
	(g) Appointment of CEO: The board shall appoint a competent CEO for the bank with the approval of the Bangladesh Bank.	Complied
2	Responsibilities of the Chairman of Board of Director: (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 policymaking 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
3	Responsibilities of Adviser: The adviser, whatever name called, shall advise the board of directors or the CEO on such issues only for which he is engaged in terms of the conditions of his 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.No such Adviser	Complied
4	Responsibilities and authorities of CEO: The CEO of the bank, whatever name called, shall discharge the responsibilities and effect the authorities as follows:	Complied
	(a) In terms of the 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 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	Complied
	(d) 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

CORPORATE GOVERNANCE

(1) Guideline on corporate governance:

Corporate Governance is based on several critical principles. *They include an independent, active and engaged Board of Directors which has the skill to properly evaluate and oversee the business process, business and financial performance, internal control and compliance structure and direct management on strategic and policy issues.* On the other hand, the Board has to ensure that the management headed by Chief Executive Officer (CEO) fully discharge their day to day administrative responsibilities prescribed by BB and the Board itself and necessarily refrain themselves from micro management of the management affairs. Eastern Bank Ltd. recognizes the importance of good corporate governance as a major factor in enhancing the efficiency of the organization. The Bank therefore seeks to encourage the conduct of its business to be in line with the principles of good corporate governance, which form a basis for sustainable growth. The only guideline regarding Corporate Governance so far issued by Securities & Exchange Commission (SEC) vide letter no SEC/CFD/246/2006-2378 dated January 26, 2006 is currently being followed by Banks, although not mandatory yet.

In absence of any specific, integrated and mandatory Corporate Governance instructions, various rules and guidelines by different regulatory bodies constitute an informal structure of Corporate Governance. EBL understands that all these rules and guidelines aim at establishing and maintaining a delicate balance of authority and responsibility conferred on the Board, the collective representatives of shareholders, and the management to safeguard the interest of key stakeholders i.e. depositors and shareholders. 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.

(2) Rights of shareholders: The Bank observes shareholders' rights and provides equitable treatment to each shareholder. The Bank sends each shareholder an invitation to the annual shareholders' meeting with proper notice as per Company's Act 1994 and assists and provides facilities for shareholders to attend the meeting. At every general meeting, the Board of Directors gives shareholders the opportunity to exercise their rights to vote on the scheduled agenda, and express their opinions or inquire about decisions of the Board of Directors on important matters. The Bank also recognizes the significance of disclosure of accurate and relevant information to its shareholders regularly. The Board of Directors recognizes the importance of increasing the long-term value of its shares by maintaining the Bank's solid financial standing through ongoing positive performance results, as well as by

sustaining its good reputation. Therefore, the Bank is determined to conduct its business with care and watchfulness by setting up sufficient and appropriate internal control and risk management systems in accordance with the principles of good corporate governance. Furthermore, the Bank complies with its dividend policy when its financial position and performance are reasonably strong and permit it to do so.

(3) Rights of other stakeholders: The Bank recognizes the rights of other groups of stakeholders, and treats them fairly in accordance with the following guidelines.

Customers: Customers are the most important contributors to the Bank's success and growth. Eastern Bank is determined to serve its customers' needs and create customer satisfaction by offering financial products and services of good quality and standard, 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 personnel so as to ensure that customers receive the best possible service. The Bank continually expands its network of branches and business centers nationwide, protects customer's information, and manages and duly rectifies complaints.

Staff: The Bank recognizes that its staff is one of its most valuable assets. It has therefore established a safe and enabling working environment and does support employees to perform their work efficiently and effectively. The Bank also provides various welfare systems such as healthcare and contributory provident funds, house building and car loan scheme as well as gratuity and super annuation funds. The Bank also arranges several Town Hall Meetings in a year with all its employees to freely exchange their views, ideas and evaluation of ongoing performance. Besides a program called “EBL Family Night” is arranged once a year with all the family members of employees present. Various recreational events arranged for EBL employee add vitality and motivation towards work

Employees are provided with orientation, local and foreign training and development programs. The Bank allocates a budget each year for various internal and external training and development programs to help enhance the knowledge, ability, working, managerial and other technical skills of its staff.

Suppliers: The Bank believes that suppliers play a significant role in supporting its business, and honors its agreements with suppliers.

Creditors: The Bank recognizes its responsibility for contractual commitments and obligations. It honors loan conditions and agreements made with creditors and depositors.

Society, Community and Environment:

The Bank realizes the importance of contributing to the public, community, and society as a whole as well as participating in environmental protection and conservation for a sustainable future. Your Bank ensures that the customer already having production facilities that are susceptible to damage environment has due environmental clearance certificate from the concerned ministry while granting or renewing credit facilities.

(4) Communication with Shareholders:

Complying rule 13 of the SEC Rules 1987, the Bank reports half yearly financial statements and also the annual one to its shareholders and stock exchanges. Every shareholder or his representative has the right to attend the Annual General Meeting where they can meet and communicate with directors and express their views regarding company's affairs, business, future prospects and other matters of interest. The 15th Annual General Meeting of the Bank was held on June 12, 2007 at the BDR Darbar Hall which was attended by 7 out of 11 members of the Board of Directors including the Chairman and Managing Director.

(5) Leadership and vision: Eastern Bank Limited, many believe as the fastest turn around Bank in Bangladesh, started its operation in 1992 with all the business of a collapsed Bank (BCCI Overseas) including 85% non-performing loans. The Bank has been growing and evolving along with the economy and the people of Bangladesh for 15 years or so. Key factors to the success of the Bank have always been its leadership and vision. The Bank's Board of Directors comprises prominent people from diverse backgrounds with proven knowledge, experiences and expertise, who are known and respected for their leadership. The directors understand their duties and the commitment of their directorships. The Bank provides directors with general information about its business upon their initial appointment. The Board of Directors is charged with identifying the organization's vision, designating business policy and direction, and supervising the Bank's operations to be in compliance with the laws, business objectives, regulations, and resolutions of shareholder's meetings.

(6) Clear Segregation of Duties: Complying clause 1.3 of SEC guidelines we report that the chairman of the board is elected from among the directors and there is clear and defined roles and responsibilities of Chairman and the Chief Executive Officer. 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 aspects of the Bank's corporate strategy, financial performance, core risks, corporate governance and organization structure, human resources policy, customer and services strategies, etc.



The 15th Annual General Meeting held on June 12, 2007 at the BDR Darbar Hall.

Partial view of the Shareholders present at the 15th Annual General Meeting.

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 and principles established by the Board and the central bank. Management's primary responsibilities are to:

- Manage the operation of the Bank safely and soundly and in accordance 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.

(7) Committees: The Bank has several committees represented by the Management and Board. Management Committee, Asset Liability Committee (ALCO) and the Expanded Management Committee

are comprised of Management whereas Executive Committee and Audit Committee are comprised of Board to closely monitor and oversee its operations on a regular basis. These committees include:

The Executive Committee: In compliance with the BRPD circular no. 16 dated July 24, 2003, the Board of Directors of Eastern Bank Limited has reconstituted its Executive Committee (EC) in its 378th Board Meeting and was duly confirmed by the Board in the following Board Meeting held on 6 September 2007. There was no Executive Committee meeting held during 2007.

This Committee is comprised of 3 (Three) Non-Executive Directors and Managing Director of the Bank who are:

Sl No.	Name and Status with the Board	Status with the EC
1.	Mrs. Mahbuba Hossain, Director	Chairperson
2.	Mr. Md. Showkat Ali Chowdhury, Director	Member
3.	Mr. Miah Muhammad Shaheedullah, Director	Member
4.	Mr. Ali Reza Iftekhhar, Managing Director & CEO	Member

Functions and responsibilities: 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.

Sl No	Name	Status with the Bank	Status with the Committee	Educational Qualification
1	Mr. A. M. Shaukat Ali	Director	Member	B. Sc. Engineer
2	Mr. Ahmed Jamal	Director	Member	B.Sc.(Hons),M.Sc.
3	Mr. Gazi Md. Shakhawat Hossain	Director	Member	M.Com (Accounting)

- Develop and implement uniform and minimum acceptable credit standards for the Bank.
- Approve all new credit proposals of the Bank which is beyond the approving limit of Head Office Credit Committee.
- Approve all revise, restructure and amendments made to the credit proposals initially approved by this Committee.

The Audit Committee:

Objective of Audit Committee:

- 1) The Audit Committee will 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.
- 2) The Committee will review the financial reporting process, the system of internal control and management of the financial risks, the audit process, and the Bank processes for monitoring compliance with laws and regulations and its own code of business conduct.

Composition and Qualifications: In compliance with the BRPD circular no. 12 dated 23 December 2002, an Audit Committee was first constituted by the Board of Directors of Eastern Bank Limited in its 253rd meeting held on 7th January, 2003 and thereafter last reconstituted in 352nd Board Meeting held on 29th August 2006.

The members of the Audit Committee are:

The Company Secretary is to act as Secretary of the Audit Committee of the Board.

Roles and Responsibilities of Audit Committee:

A) Internal Control:

- 1) Evaluate whether management is setting the appropriate compliance culture by communicating the importance of internal control and management of risk and ensuring that all employees have understanding of their role and responsibilities.
- 2) Review the arrangements made by the management for building a suitable Management Information System [MIS] including computerization system and its applications.
- 3) Consider whether internal control strategies recommended by internal and external auditors have been implemented by the management.
- 4) Review the existing risk management procedures for ensuring an effective internal check and control system.
- 5) Review the corrective measures taken by the management as regards the reports relating to fraud forgery, deficiency in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory and inform the board on a regular basis.

B) Financial Reporting:

- 1) Review the Annual Financial Statements and determine whether they are complete and consistent with the accounting standards set by the regulatory authority.
- 2) Meet with Management and External Auditors to review the financial statements before their finalization.

C) Internal Audit:

- 1) Review the activities and organizational structure of the internal audit function and ensure that no unjustified restrictions or limitations are made.
- 2) Review the efficiency and effectiveness of internal audit function.
- 3) Review that findings and recommendations made by the Internal Auditors for removing the irregularities detected and also running the affairs of the bank are duly considered by the management.

D) External Audit:

- 1) Reviewing the auditing performance of the external auditors and their audit reports.
- 2) Review that findings and recommendations made by the external auditors for removing the irregularities detected and also running the affairs of the bank are duly considered by the management.
- 3) Make recommendations to the Board regarding the appointment of the external auditors.

Compliance with existing law and regulations:

Review whether the laws and regulations framed by the regulatory authorities [Central Bank and other bodies] and internal regulations approved by the board have been complied with.

Meeting: The Audit Committee holds meetings at least once every three months to scrutinize matters as assigned by the Board of Directors. The Audit Committee held 5 (Five) Meetings in 2007 as per following dates:

- 16th meeting held on 4th April, 2007
- 17th meeting held on 26th July, 2007
- 18th meeting held on 2nd August, 2007
- 19th meeting held on 29th August, 2007
- 20th meeting held on 1st November, 2007

Reporting: The Audit Committee has the duty to report its performance to the Board of Directors.

The 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. Following is the major scope of work by this committee:

- Set vision, mission and strategies of the Bank as a whole and for business units and organogram and its changes.
- Strategic and tactical decisions relating to business, credit, operations, administration, HR, internal and financial control and compliance.
- 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 HR performance appraisal and promotions.
- Market analysis and internal service quality.
- Discuss and approve Budget before forwarding to Board (if needed).
- Discuss and decide on other issues as raised by the members.
- Empowered to co-opt any other member as suitable by MANCOM.
- Acting Managing Director can preside over the MANCOM meeting in absence of MD.

The routine agenda of a typical MANCOM meeting includes the following:

- Discussion on due diligence regarding different compliance matters.
- Monthly business and financial performance analyses.
- Monthly business review and analysis of each business units (Corporate, Consumer, SME and Treasury).
- Monthly review of various issues related to support functions (Operations, HRD, ITD, CRM etc.).
- Monthly review of control and compliance (internal and regulatory) issues.
- Manage external communications, including management of advertising and public relations.
- 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.

Meeting: The Management Committee holds meetings at least once every month to review the above mentioned matters. They held 06 meetings in 2007.

Assets Liability Management Committee (ALCO): ALCO is responsible for protecting the Bank's earnings and capital position against adverse

interest rate and currency movements in its trading portfolios, as well as managing the liquidity profile of assets and liabilities of the Bank on a consistent basis. The objective is also to maintain a fine balance between profitability, growth and risks. In line with the objective, ALCO has to define, measure, monitor, modify and manage the Bank's exposure to Foreign Exchange, Interest Rate and Liquidity Risks.

Headed by the CEO of EBL, ALCO comprises all the business unit heads of Corporate, Consumer and SME banking, Head of Treasury and Head of Finance and is entrusted with following tasks:

- ALCO particularly focus on current Market scenario, Monetary & Fiscal Policy, Interest rate spectrum, Currency volatility & Liquidity profile.
- They work on managing the company's capital structure i.e. the balance sheet risk.
- They set standards and policies for transfer pricing for inter Business Unit transactions, manages the corporate investment portfolio of the bank and are responsible for setting overall Value-at-Risk (VaR) limits.

During 2007, ALCO held 12 meetings.

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

EMT comprises mid level managers 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. EMT sits bi monthly and in 2007 they held 3 meetings being first meeting held in April 2007.

(8) Conflicts of interest: The Bank keeps extra vigil where there exists or potentially exists conflicts of interest, connected transactions, or related party transactions, and ensures that the directors who are related persons must not be involved with the scrutiny and approval of such transactions. In addition, the Bank will not prescribe special conditions for such transactions in favor of the directors involved.

Directors and top executives are required to report changes in their holdings of the Bank's shares thru' buy or sell to the office of the Securities and Exchange Commission before one month of such transactions.

Furthermore, the Bank has set up guidelines to safeguard against the illegal use of inside information and has disseminated these guidelines to its staff, executives and directors for their knowledge and observance.

The guidelines include the prohibition of directors, executives, and personnel involved with preparation of financial statements from buying or selling, offering to buy or sell, or advising others to buy or sell the Bank's shares during the period of completion of Bank's income year to the date of approval of Financial Statements by the Board.

(9) Composition of the Board: Following Bangladesh Bank BRPD circular no. 12 dated April 23, 2003 & SEC guideline No 1.1, the Board of Directors of Eastern Bank Limited is constituted with 11 directors among whom 10 are Non executive directors including the Chairman and 1 is Managing Director (Ex-Officio).

Regarding the Non-shareholders directors as guided by SEC (No. 1.2), we report that there is no non-shareholder director as the provision 96 of the Articles of Association of EBL requires having at least 100 shares to qualify as a Director.

(10) Board of Directors meeting: The Board of Directors holds meetings on a regular basis. Usually two meetings are held each month and additional meetings may be called if necessary. At each meeting, the management provides information, references and details of each agenda item to all Directors for consideration.

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 ability.

During the year 2007, total 27 Board Meetings were held.

The attendance record of the Directors is as follows:

Name of the Directors	Meetings Attended
Mr. A. Q. I. Chowdhury , OBE	21
Mr. Md. Showkat Ali Chowdhury	18
Mr. A. M. Shaukat Ali	25
Mr. Ahmed Jamal [Representing Arusha & Co. (Pvt.) Ltd.]	20
Mrs. Mahbuba Hossain	17
Ms. Aneela Haque	23
Mr. Gazi Md. Shakhawat Hossain [Representing Unique Eastern (Pvt.) Ltd.]	24
Mr. Asif Mahmood [Representing Aquamarine Distributions Ltd.]	18
Mr. Meah Mohammad Abdur Rahim	14
Mrs. Salina Ali (Up to 12th June 2007)	10
Mr. Miah Muhammad Shaheedullah [Representing Borak Real Estate (Pvt.) Ltd.] (From 12th June 2007)	14
Mr. Kazi Mahmood Sattar (Up to 30th June 2007)	13
Mr. Ali Reza Iftekhhar (From 1st July 2007)	14

The Directors who could not attend the meetings were granted leave of absence by the Board.

(11) Election of Directors: In the 15th Annual General Meeting (AGM) held on Tuesday 12th June 2007, four Directors retired and three of them being eligible for re-election were re-elected and one Director was newly elected by the shareholders, they are:

1. Aquamarine Distributions Ltd., Represented by Mr. Asif Mahmood
2. Unique Eastern (Pvt.) Ltd., Represented by Mr. Gazi Md. Shakhawat Hossain
3. Mr. Meah Mohammad Abdur Rahim
4. Borak Real Estate (Pvt.) Ltd., Represented by Mr. Miah Muhammad Shaheedullah (Newly elected).

This year four Directors shall retire from the office at the 16th Annual General Meeting and four of them will be eligible for re-election as per BRPD Circular

Letter No.8 dated April 26,2003, BRPD ('R) 717/2004/234 dated April 1, 2004 and Section 15(Ka Ka) of the Banking Companies Act,1991.

(12) Auditors: M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants, served second year of their three year tenure in 2007 as per guidelines of Bangladesh Bank and have indicated their willingness for re-appointment for the 3rd year.

(13) Independence of Statutory and External Auditors: Complying with provision 4 of SEC guidelines we declare that the external auditor Hoda Vasi Chowdhury & Co., Chartered Accountants involved in statutory audit, was not engaged in following services during 2007:

- 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.

On behalf of the Board of Directors



A. Q. I. Chowdhury, OBE
Chairman

VALUE ADDED STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

Particulars	2007 Taka	2006 Taka
Income from Banking services	5,324,595,764	4,266,148,612
Less: Cost of services & supplies	(2,968,566,841)	(2,521,063,705)
Value added by the Banking services	2,356,028,922	1,745,084,907
Non-banking income	119,924	5,383,833
Loan written off & provision	(584,738,996)	(223,708,084)
	1,771,409,850	1,526,760,656
Distribution of value added		
Employees as salaries & allowances	422,038,171	344,638,703
Govt. as income tax	866,518,184	621,243,433
Shareholders	419,142,205	513,197,847
Depreciation	63,711,291	47,680,673
	1,771,409,850	1,526,760,656

EVA STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

Amount in Taka		
Particulars	2007	2006
Shareholders equity	3,711,807,755	3,315,126,805
Add: Cumulative Provision for loans and advances	1,176,303,272	785,590,887
	4,888,111,027	4,100,717,691
Average Shareholders' equity	4,494,414,359	3,914,763,228
Earnings		
Profit after taxation	419,142,205	513,197,846
Add: Provision for loans and advances during the year	584,738,996	223,708,084
	1,003,881,201	736,905,930
Average cost of equity (Based on weighted average rate of Shanchay Patra issued by the Bangladesh Government) Plus 2% risk factor	13.75%	13.75%
Economic Value Added	617,981,974 385,899,227	538,279,944 198,625,986
Growth over last year	94%	29%

AUDITORS' REPORT 2007

CONSOLIDATED AND MAIN OPERATION

Auditors' Report TO THE SHAREHOLDERS

We have audited the accompanying Balance Sheet of Eastern Bank Limited as of 31 December 2007 and the related Profit and Loss Account, Statement of Cash Flows, Statement of changes in Equity together with the Notes 1 to 44 for the year then ended. The preparation of these Financial Statements is the responsibility of the Bank's management. Our responsibility is to express an independent 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 plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall Financial Statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Financial Statements prepared in accordance with Bangladesh Accounting Standards (BAS) give a true and fair view of the state of the Bank's affairs as on 31 December 2007 and of the results of its operations and its, cash flows for the year then ended and comply with 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,

- 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 Bank so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- iii) the Bank's Balance Sheet and Profit and Loss Account together with the annexed notes 1 to 44 dealt with by the report are in agreement with the books of account and returns;
- iv) the expenditure incurred was for the purpose of the Bank's business;
- v) the financial position of the Bank at 31 December 2007 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;
- vi) the Financial Statements 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;
- vii) subject to above paragraphs, adequate provisions have been made for advances and other assets which are, in our opinion, doubtful of recovery;
- viii) 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;
- ix) the records and statements submitted by the branches have been properly maintained and consolidated in the Financial Statements on the basis of the statements certified by the branch manager and considered by us as correct;
- x) the information and explanations required by us have been received and found satisfactory;
- xi) we have reviewed over 80% of the risk weighted assets of the bank and we have spent around 3,000 person hours for the audit of books and accounts of the bank;
- xii) the capital adequacy ratio (CAR), as required by law, has been maintained adequately during the year.

Dhaka, 30 April, 2008

Hoda Vasi Chowdhury
Hoda Vasi Chowdhury & Co
Chartered Accountants

Consolidated Balance Sheet

AS AT 31 DECEMBER 2007

	2007 Taka		Total Taka	2006 Taka
	Offshore	Main Operation		
PROPERTY AND ASSETS				
Cash				
Cash in hand (including foreign currencies)	-	382,927,615	382,927,615	398,779,353
Balances with Bangladesh Bank & its agent bank(s)	-	1,964,375,663	1,964,375,663	1,768,576,162
(including foreign currencies)	-	2,347,303,278	2,347,303,278	2,167,355,515
Balances with other Banks and Financial Institutions				
In Bangladesh	-	1,276,690,139	1,276,690,139	717,883,190
Outside Bangladesh	6,363,817	263,661,848	270,025,665	211,345,075
	6,363,817	1,540,351,987	1,546,715,804	929,228,265
	-	470,000,000	470,000,000	-
Money at call and short notice				
Investments				
Government	-	5,751,836,137	5,751,836,137	5,620,577,176
Others	-	144,153,970	144,153,970	269,030,929
	-	5,895,990,107	5,895,990,107	5,889,608,105
Loans and advances				
Loans, cash credits, overdrafts, etc.	66,096,535	30,194,171,436	30,260,267,971	25,080,501,944
Bills purchased & discounted	-	701,534,858	701,534,858	927,361,984
	66,096,535	30,895,706,294	30,961,802,829	26,007,863,928
Fixed assets including land, building, furniture and fixtures	-	871,267,743	871,267,743	579,972,860
Other assets	-	486,406,095	486,406,095	396,613,621
Non-banking assets	-	-	-	-
TOTAL ASSETS	72,460,352	42,507,025,504	42,579,485,856	35,970,642,294
LIABILITIES & CAPITAL				
Liabilities				
Borrowings from Other Banks, Financial Institutions and Agents	66,346,927	5,997,118,831	6,063,465,758	4,439,967,083
Deposits and other accounts				
Current Deposits and other accounts, etc	4,985	3,480,781,653	3,480,786,638	3,257,066,432
Bills payable	-	491,030,835	491,030,835	274,574,972
Savings Bank Deposits	-	5,896,619,266	5,896,619,266	5,153,631,787
Fixed Deposits	-	20,201,082,357	20,201,082,357	16,992,255,517
Bearer Certificates of Deposits	-	22,250,000	22,250,000	22,250,000
	4,985	30,091,764,111	30,091,769,096	25,699,778,708
Other liabilities	5,213,624	2,707,229,623	2,712,443,247	2,515,769,699
TOTAL LIABILITIES	71,565,536	38,796,112,565	38,867,678,101	32,655,515,490
Shareholders' Equity				
Share Capital				
Paid up capital	-	1,035,000,000	1,035,000,000	828,000,000
Statutory reserve	-	1,035,000,000	1,035,000,000	828,000,000
Dividend Equalisation Reserve	-	356,040,000	356,040,000	356,040,000
Reserve against Pre-Take over loss	-	1,554,759,750	1,554,759,750	1,554,759,750
Pre-take over loss	-	(1,214,087,213)	(1,214,087,213)	(1,224,349,057)
Assets revaluation reserve	-	405,015,050	405,015,050	234,075,050
Reserve for Revaluation of Treasury Bills (HTM)	-	28,180,168	28,180,168	12,734,774
Reserve for Building Fund	-	60,000,000	60,000,000	60,000,000
General Reserve	-	100,000,000	100,000,000	100,000,000
Proposed dividend: Stock @ 34% (2006: Cash @ 20% & Stock @ 25%)	894,816	351,005,184	351,900,000	372,600,000
Profit and loss account-Retained Earnings	-	-	-	193,266,287
TOTAL SHAREHOLDERS' EQUITY	894,816	3,710,912,939	3,711,807,755	3,315,126,804
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	72,460,352	42,507,025,504	42,579,485,856	35,970,642,294
Continued . . .				

Consolidated Balance Sheet

AS AT 31 DECEMBER 2007

	2007 Taka		Total Taka	2006 Taka
	Offshore	Main Operation		
OFF BALANCE SHEET ITEMS:				
Contingent Liabilities				
Acceptances and endorsements (Net)	4,086,939	5,767,247,987	5,771,334,926	6,150,213,009
Letters of Guarantees	-	1,793,971,094	1,793,971,094	1,555,074,554
Irrevocable letters of credit (Net)	-	4,657,101,076	4,657,101,076	5,256,611,172
Bills for collection	-	431,974,868	431,974,868	839,938,407
Other liabilities (Bad & Loss)	-	-	-	-
	4,086,939	12,650,295,025	12,654,381,964	13,801,837,142
Other Contingent Liabilities				
Value of Bangladesh Sanchaya Patra on hand	-	434,117,100	434,117,100	270,399,100
Value of travelers' cheques on hand	-	184,558,936	184,558,936	148,739,816
	-	618,676,036	618,676,036	419,138,916
Total Contingent Liabilities	4,086,939	13,268,971,061	13,273,058,000	14,220,976,058
Other commitments				
Lease rental commitments	-	-	-	-
Documentary Credits and short term trade -related transactions	-	-	-	-
Forward assets purchased and forward deposits placed	-	65,599,991	65,599,991	134,717,390
Undrawn note issuance and revolving facilities	-	-	-	-
Undrawn formal standby facilities, credit lines & other commitments	-	-	-	-
Spot and forward foreign exchange rate contracts	-	-	-	-
Other Capital Commitments	-	-	-	17,203,026
Other exchange contracts	-	-	-	-
	-	65,599,991	65,599,991	151,920,416
Claims against the Bank not acknowledged as debt	-	-	-	-
	-	65,599,991	65,599,991	151,920,416
Total	4,086,939	13,334,571,052	13,338,657,991	14,372,896,474

* For detail break up please see our annexed Financial Statements and Notes thereon.

These Financial Statements should be read in conjunction with the annexed notes



Managing Director



Director



Director



Chairman

Auditors' Report to the Shareholders
See annexed report of date

Dhaka, 30 April, 2008


Hoda Vasi Chowdhury & Co.
Chartered Accountants

Consolidated Profit and Loss Account

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 Taka		Total Taka	2006 Taka
	Offshore	Main Operation		
Interest income	5,856,227	3,808,903,036	3,814,759,263	2,829,763,463
Less: Interest paid on deposits and borrowings	4,421,506	2,498,068,117	2,502,489,623	2,160,208,182
Net interest income	1,434,721	1,310,834,919	1,312,269,639	669,555,281
Income from investments	-	506,856,546	506,856,546	459,180,077
Commission, exchange and brokerage	92,664	637,091,367	637,184,031	693,540,535
Other operating income	31,475	365,884,373	365,915,848	289,048,370
Total operating income	1,558,860	2,820,667,205	2,822,226,065	2,111,324,263
Salary and allowances	-	411,556,905	411,556,905	333,362,759
Rent, taxes, insurance, electricity etc.	-	71,920,207	71,920,207	58,996,633
Legal and professional expenses	-	17,821,671	17,821,671	12,308,910
Postage, stamp, telecommunication etc.	-	43,099,104	43,099,104	37,078,867
Stationery , printing, advertisement, etc.	-	99,194,921	99,194,921	61,935,652
Managing Director's salary and allowances	-	10,481,265	10,481,265	11,275,944
Directors' fees and expenses	-	1,266,801	1,266,801	971,075
Audit fees	-	209,424	209,424	209,000
Charges on loan losses	-	-	-	-
Repairs, maintenance and depreciation	-	82,676,269	82,676,269	66,527,290
Other expenses	33,326	213,566,786	213,600,112	170,508,769
Total operating expense	33,326	951,793,353	951,826,678	753,174,899
Profit before provisions	1,525,534	1,868,873,852	1,870,399,386	1,358,149,364
Provision for loans and advances	-	-	-	-
Specific Provision	-	459,836,065	459,836,065	25,385,627
General Provision	344,990	124,557,943	124,902,933	198,322,457
(including provision for contingent assets)	344,990	584,394,008	584,738,998	223,708,084
Provision against other assets	-	-	-	-
Total provisions	344,990	584,394,008	584,738,998	223,708,084
Profit before tax for the year	1,180,544	1,284,479,844	1,285,660,388	1,134,441,280
Provision for tax made during the year	(686,491)	(859,395,451)	(860,081,942)	(611,167,213)
Deferred Tax (expenses)/income	-	(6,436,243)	(6,436,243)	(10,076,220)
	(686,491)	(865,831,694)	(866,518,185)	(621,243,433)
Net Profit after tax for the year	494,053	418,648,150	419,142,203	513,197,847
Balance of profit brought forward from previous year	403,640	192,862,647	193,266,287	52,668,440
Adjustment relating to prior year	(2,877)	(53,505,613)	(53,508,490)	-
	894,816	558,005,184	558,900,000	565,866,287
Appropriations				
Statutory reserve	-	(207,000,000)	(207,000,000)	-
Proposed dividend: Stock @ 34% (2006: Cash @ 20% & Stock @ 25%)	(894,816)	(351,005,184)	(351,900,000)	(372,600,000)
	(894,816)	(558,005,184)	(558,900,000)	(372,600,000)
	-	-	-	193,266,287
			40.50	49.58

* For detail break up please see our annexed Financial Statements and Notes thereon.

These Financial Statements should be read in conjunction with the annexed notes


Managing Director


Director


Director


Chairman

Auditors' Report to the Shareholders
See annexed report of date


Hoda Vasi Chowdhury & Co.
Chartered Accountants

Dhaka, 30 April, 2008


EASTERN BANK LIMITED


Consolidated Statement of changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2007

Particulars	Paid up Capital Taka	Statutory Reserve Taka	Dividend Equalization Reserve Taka	Reserve for Building Fund Taka	Reserve against pre-take over loss Taka	Pre-takeover loss Taka	Assets Revaluation Reserve Taka	Treasury bill Revaluation Reserve (HTM) Taka	General Reserve Taka	Proposed dividend Taka	Profit and Loss account Taka	Total Taka
Balance on 1 January 2007	828,000,000	828,000,000	356,040,000	60,000,000	1,554,759,750	(1,224,349,057)	234,075,050	12,734,774	100,000,000	372,600,000	193,266,287	3,315,126,804
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	(53,508,490)	(53,508,490)
Net profit for the year 2007	-	-	-	-	-	-	-	-	-	-	419,142,203	419,142,203
Addition During the year 2007	-	-	-	-	-	-	170,940,000	15,445,394	-	-	-	186,385,394
Bonus Share issued	207,000,000	-	-	-	-	-	-	-	-	-	-	207,000,000
Transfer to statutory reserve	-	207,000,000	-	-	-	-	-	-	-	-	(207,000,000)	-
Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	(372,600,000)
Proposed Dividend	-	-	-	-	-	-	-	-	-	351,900,000	(351,900,000)	-
Recovery of Pre-Take over Loss	-	-	-	-	-	10,261,844	-	-	-	-	-	10,261,844
Balance at 31 December 2007	1,035,000,000	1,035,000,000	356,040,000	60,000,000	1,554,759,750	(1,214,087,213)	405,015,050	28,180,168	100,000,000	351,900,000	-	3,711,807,755
Balance at 31 December 2006	828,000,000	828,000,000	356,040,000	60,000,000	1,554,759,750	(1,224,349,057)	234,075,050	12,734,774	100,000,000	372,600,000	193,266,287	3,315,126,804


Chairman


Director


Director


Managing Director

Balance Sheet
AS AT 31 DECEMBER 2007

	Note	2007 Taka	2006 Taka
PROPERTY AND ASSETS			
Cash			
Cash in hand (including foreign currencies)	3	382,927,615	398,779,353
Balances with Bangladesh Bank and its agent bank (s) (including foreign currencies)	4	1,964,375,663	1,768,576,162
		2,347,303,278	2,167,355,515
Balances with other Banks and Financial Institutions			
In Bangladesh	5	1,276,690,139	717,883,190
Outside Bangladesh		263,661,848	209,418,539
		1,540,351,987	927,301,729
	6	470,000,000	-
Money at call and short notice			
Investments			
Government	7	5,751,836,137	5,620,577,176
Others		144,153,970	269,030,929
		5,895,990,107	5,889,608,105
Loans and advances			
Loans, cash credits, overdrafts, etc.	8	30,194,171,436	25,046,619,296
Bills purchased & discounted		701,534,858	927,361,984
		30,895,706,294	25,973,981,280
	9	871,267,743	579,972,860
	10	486,406,095	396,613,621
		-	-
TOTAL ASSETS		42,507,025,504	35,934,833,110
LIABILITIES & CAPITAL			
Liabilities			
Borrowings from Other Banks, Financial Institutions and Agents	11	5,997,118,831	4,405,400,000
Deposits and other accounts			
Current Deposits and other accounts, etc	12.2	3,480,781,653	3,257,030,733
Bills payable	12.3	491,030,835	274,574,972
Savings Bank Deposits	12.4	5,896,619,266	5,153,631,787
Fixed Deposits	12.5	20,201,082,357	16,992,255,517
Bearer Certificates of Deposits		22,250,000	22,250,000
	12	30,091,764,111	25,699,743,009
	13	2,707,229,623	2,514,966,937
		38,796,112,565	32,620,109,946
Other liabilities			
TOTAL LIABILITIES			
Shareholders' Equity			
Share Capital			
Paid up capital	14	1,035,000,000	828,000,000
Statutory reserve	15	1,035,000,000	828,000,000
Dividend Equalization Reserve	16	356,040,000	356,040,000
Reserve against Pre-Take over loss	17	1,554,759,750	1,554,759,750
Pre-take over loss	17.2	(1,214,087,213)	(1,224,349,057)
Assets revaluation reserve	18	405,015,050	234,075,050
Reserve for Revaluation of Treasury Bills (HTM)	19	28,180,168	12,734,774
Reserve for Building Fund	20	60,000,000	60,000,000
General Reserve	21	100,000,000	100,000,000
Proposed dividend:		351,005,184	372,600,000
Profit and loss account-Retained Earnings	22	-	192,862,647
TOTAL SHAREHOLDERS' EQUITY		3,710,912,939	3,314,723,164
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		42,507,025,504	35,934,833,110
Continued . . .			

Balance Sheet
AS AT 31 DECEMBER 2007

	Note	2007 Taka	2006 Taka
OFF BALANCE SHEET ITEMS:			
Contingent Liabilities			
Acceptances and endorsements (Net)	23	5,767,247,987	6,129,888,531
Letters of Guarantees		1,793,971,094	1,555,074,554
Irrevocable letters of credit (Net)		4,657,101,076	5,256,611,172
Bills for collection		431,974,868	839,938,407
Other liabilities (Bad & Loss)		-	-
		12,650,295,025	13,781,512,664
Other Contingent Liabilities			
Value of Bangladesh Sanchaya Patra on hand		434,117,100	270,399,100
Value of travelers' cheques on hand		184,558,936	148,739,816
		618,676,036	419,138,916
		13,268,971,061	14,200,651,580
Total Contingent Liabilities			
Other commitments			
Lease rental commitments		-	-
Documentary Credits and short term trade -related transactions		-	-
Forward assets purchased and forward deposits placed		65,599,991	134,717,390
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		-	17,203,026
Other exchange contracts		-	-
		65,599,991	151,920,416
		-	-
		65,599,991	151,920,416
Claims against the Bank not acknowledged as debt		13,334,571,052	14,352,571,996
Total			

These Financial Statements should be read in conjunction with the annexed notes


Managing Director


Director


Director


Chairman

Auditors' Report to the Shareholders
See annexed report of date

Dhaka, 30 April, 2008


Hoda Vasi Chowdhury & Co.
Chartered Accountants

Profit and Loss Account
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 Taka	2006 Taka
Interest income	24	3,808,903,036	2,829,332,632
Less: Interest paid on deposits and borrowings	25	2,498,068,117	2,160,078,142
Net interest income		1,310,834,919	669,254,489
Income from investments	26	506,856,546	459,180,077
Commission, exchange and brokerage	27	637,091,367	693,299,546
Other operating income	28	365,884,373	289,013,216
Total operating income		2,820,667,205	2,110,747,329
Salary and allowances	29	411,556,905	333,362,759
Rent, taxes, insurance, electricity etc.	30	71,920,207	58,996,633
Legal and professional expenses	31	17,821,671	12,308,910
Postage, stamp, telecommunication etc.	32	43,099,104	37,078,867
Stationery , printing, advertisement, etc.	33	99,194,921	61,935,652
Managing Director's salary and allowances	34	10,481,265	11,275,944
Directors' fees and expenses	35	1,266,801	971,075
Audit fees	36	209,424	209,000
Charges on loan losses		-	-
Repairs, maintenance and depreciation	37	82,676,269	66,527,290
Other expenses	38	213,566,786	170,482,731
Total operating expense		951,793,353	753,148,861
Profit before provisions		1,868,873,852	1,357,598,468
Provision for loans and advances	13.2		
Specific Provision		459,836,065	25,385,627
General Provision (Loans & Contingent assets)		124,557,943	197,983,631
		584,394,008	223,369,258
	13.4	-	-
Total provisions		584,394,008	223,369,258
Profit before tax for the year		1,284,479,844	1,134,229,210
Provision for tax made during the year	13.1.1	(859,395,451)	(610,919,310)
Deferred Tax (expenses)/income		(6,436,243)	(10,076,220)
		(865,831,694)	(620,995,530)
Net Profit after tax for the year		418,648,150	513,233,680
Balance of profit brought forward from previous year		192,862,647	52,228,967
Adjustment relating to prior year (Tax)		(53,505,613)	-
		558,005,184	565,462,647
		894,816	-
Appropriations		558,900,000	565,462,647
Statutory reserve		(207,000,000)	-
Proposed dividend: Stock @ 34% (2006:Cash 20% & Stock @ 25%)		(351,900,000)	(372,600,000)
		(558,900,000)	(372,600,000)
Retained earnings carried forward	22	-	192,862,647

These Financial Statements should be read in conjunction with the annexed notes


Managing Director


Director


Director


Chairman

Auditors' Report to the Shareholders
See annexed report of date


Hoda Vasi Chowdhury & Co.
Chartered Accountants

Dhaka, 30 April, 2008

Cash Flow Statement
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 Taka	2006 Taka
A) Cash flows from operating activities			
Interest received		3,808,903,036	2,829,332,632
Interest paid		(2,498,068,117)	(2,160,078,142)
Dividend received		119,924	5,383,833
Fees & Commission received		635,666,347	683,743,076
Income from Investment		506,736,622	453,796,244
Recovery of loans previously written off		73,090,678	28,950,370
Cash paid to employees		(423,304,971)	(345,609,778)
Cash paid to suppliers		(288,175,341)	(222,152,771)
Income taxes paid	13.1	(723,202,347)	(578,119,927)
Received from other operating activities	39	289,980,951	253,440,200
Paid for other operating activities	40	(144,736,340)	(535,937,680)
Operating profit before changes in operating assets and liabilities		1,237,010,443	412,748,057
Increase/(Decrease) in Operating Assets & Liabilities			
Changes in trading securities		-	-
Loans and advances to other banks		-	-
Loans and advances to customers (Other than Banks)		(5,361,922,056)	(7,977,096,109)
Other assets	41	(41,007,403)	61,119,687
Deposits from other Banks		(14,421,227)	15,209,535
Deposits from customers (Other than Banks)		4,406,442,329	7,706,677,192
Other liabilities	42	(201,771,994)	266,588,308
Net Cash received from operating activities		24,330,092	485,246,670
B) Cash flows from investing activities			
Changes in non-trading securities		(2,516,382,002)	(1,602,692,505)
Net proceeds /(payments) for sale/ purchase of Treasury bills		2,510,000,000	720,000,000
Purchase of property , plant and equipment		(184,392,923)	(139,293,010)
Sales proceeds of Fixed assets		2,935,302	7,047,516
Purchase/sale of subsidiary		-	-
Net cash used in investing activities		(187,839,623)	(1,014,937,999)
C) Cash flows from financing activities			
Borrowings from Other Banks, Financial Institutions and agents		1,591,718,832	245,400,000
Received from issue of loan capital and debt securities		-	-
Dividend paid (cash dividend)		(165,600,000)	(331,200,000)
Net cash received from financing activities		1,426,118,832	(85,800,000)
D) Net (decrease) / increase in cash (A+B+C)		1,262,609,301	(615,491,329)
E) Effects of exchange rate changes on cash and cash-equivalents		1,425,020	9,556,470
F) Opening cash and cash-equivalents		3,095,716,244	3,701,651,103
G) Closing cash and cash-equivalents (D+E+F)*		4,359,750,565	3,095,716,244
*Closing cash and cash-equivalents			
Cash In hand (including foreign currencies)		382,927,615	398,779,353
Balances with Bangladesh Bank and its agent bank (s)		1,964,375,663	1,768,576,162
Balances with other Banks and Financial Institutions		1,540,351,987	927,301,729
Money at call and short notice		470,000,000	-
Prize bonds		2,095,300	1,059,000
		4,359,750,565	3,095,716,244

These Financial Statements should be read in conjunction with the annexed notes


Managing Director


Director

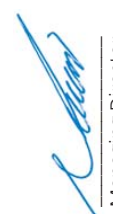

Director


Chairman

Liquidity Statement (Asset and Liability Maturity Analysis)

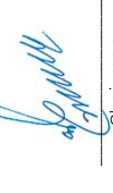
AS AT 31 DECEMBER 2007

Particulars	Not more than 1 month term	1-3 month term	3-12 month term	1-5 years term	Above 5-years term	Total
Assets:						
Cash in hand (including balance with Bangladesh Bank)	2,347,303,278	-	-	-	-	2,347,303,278
Balances with other banks and financial institutions	574,005,059	219,904,078	746,442,850	-	-	1,540,351,987
Money at call & short notice	470,000,000	-	-	-	-	470,000,000
Investments	158,112,569	300,000,000	948,180,168	3,427,697,370	1,062,000,000	5,895,990,107
Loans & Advances	6,635,465,968	5,850,655,306	7,352,032,434	10,078,912,238	978,640,348	30,895,706,294
Fixed assets including land, building, furniture & fixtures	5,654,002	11,308,005	50,886,022	167,187,273	636,232,441	871,267,743
Other Assets	201,409,283	68,476,820	12,184,830	204,335,162	-	486,406,095
Non-banking assets	-	-	-	-	-	-
Total Assets	10,391,950,159	6,450,344,209	9,109,726,304	13,878,132,043	2,676,872,789	42,507,025,504
Liabilities:						
Borrowing from Other Banks, Financial Institutions & agents	2,278,000,000	2,965,000,000	437,796,031	316,322,800	-	5,997,118,831
Deposits and other accounts	8,506,073,793	8,194,098,658	10,821,809,590	2,567,732,986	2,049,084	30,091,764,111
Provision & other liabilities	133,367,068	153,859,895	797,267,220	1,550,410,144	72,325,296	2,707,229,623
Total Liabilities	10,917,440,861	11,312,958,553	12,056,872,841	4,434,465,930	74,374,380	38,796,112,565
Net Liquidity Gap	(525,490,702)	(4,862,614,344)	(2,947,146,537)	9,443,666,113	2,602,498,409	3,710,912,939


Managing Director


Director


Director


Chairman

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

1 The Bank and Its Activities

- 1.1 The Eastern Bank Limited was formed as a public limited company incorporated in Bangladesh with primary objective to carry on all kinds of banking business in and outside Bangladesh. Eastern Bank Limited has also taken over the businesses, assets, liabilities and losses of erstwhile Bank of Credit & Commerce International (Overseas) Limited, (hereinafter called BCCI) branches in Bangladesh with effect from 16th August, 1992 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.
- 1.2 The Bank is listed in the Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.
- 1.3 The Bank commenced its business with four branches from 16 August 1992. Number of branches as on 31 December 2007 were twenty eight.

1A Offshore Banking Unit

Offshore Banking Unit is a separate business unit of Eastern Bank Limited, governed under the Rules & Guidelines of Bangladesh Bank. The Bank obtained the Offshore Banking Unit permission vide letter no. BRPD(P)744/(89)/2004-303 dated January 25, 2004. The Bank commenced operation of this unit from May 19, 2004 and its office is located at 10, Dilkusha C/A (2nd floor), Dhaka.

1B Nature of business

The principal activities of Eastern Bank Limited in Bangladesh is to provide a comprehensive range of financial services; personal and commercial banking; trade services; cash management; treasury, securities and custody services.

2 Significant Accounting Policies

2.1 Basis of preparation of the Financial Statements

These Financial Statements of the Bank as at 31 December, 2007 have been prepared in accordance with "First Schedule" of the Bank Companies Act 1991 as amended by BRPD Circular no. 14 of 2004, Bangladesh Bank Circulars, Bangladesh Accounting Standards (BASs), the Companies Act 1994, the Securities and Exchange Act 1993, Securities and Exchange Rules 1987 and other rules and regulations applicable in Bangladesh on a going concern basis.

2.2 Consolidation

Statement of affairs and Income and expenditure statements of all branches and Head office are consolidated together to prepare Financial Statements of the Bank for the year 2007.

2.3 Investments:

Investments are stated as per following bases:

Items	Basis
Government treasury bills	Face Value (Marking to Market)
ICB's debenture	Face value
Prize bond	Cost price
Shares	Lower of cost or market value

2.4 Loans and Advances

Loans and Advances are stated at gross amount. General provisions on unclassified Loans and Advances, & contingent assets, Specific provisions for classified loans and interest suspense account thereon are shown under other liabilities.

2.5 Fixed Assets and Depreciation

- Fixed assets are stated at cost less accumulated depreciation.
- Depreciation is charged at the following rates on all fixed assets and the amount is calculated from the date of capitalisation. Depreciation is charged on disposed assets up to date of disposal and accumulated depreciation on any disposal/write off are reversed.
- Depreciation rates used for each type of fixed assets are as follows:

Particulars of Fixed Assets	Rate of Depreciation p.a.	Method of depreciation
Land	0%	
Building	2.5%	Reducing balance
Furniture and fixtures	10%	Reducing balance
Office Equipment	20%	Reducing balance
Motor Vehicles	20%	Straight line
- Repair and maintenance are charged to income as and when incurred.

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

2.5A Lease hold fixed assets

The Bank entered into a lease agreement in 2004 for its networking equipment for Taka 91,591,148 for a term of 5 years with IDLC Finance Limited. These assets are accounted for under finance lease in compliance with **Bangladesh Accounting Standards - 17 (Leases)**.

Year	Installment Taka	Interest Taka	Lease obligation Taka	Outstanding Taka
2004	-	-	-	91,591,148
2004	23,896,956	9,356,426	14,540,530	77,050,618
2005	23,896,956	7,673,818	16,223,138	60,827,480
2006	23,896,956	5,796,495	18,100,461	42,727,019
2007	23,896,956	3,701,931	20,195,025	22,531,990
2008	23,896,956	1,364,966	22,531,990	-
	119,484,780	27,893,636	91,591,144	

2.6 Revenue Recognition

The revenue during the year is recognised following all conditions of revenue recognition as prescribed by **BAS - 18 "Revenue Recognition"**.

2.6.1 Interest income

Interest on unclassified (excluding SMA) loans and advances have been accounted for as income on accrual basis, interest on classified loans and advances (including SMA) is credited to interest suspense account and actual receipt of interest therefrom is credited to income as and when received as per instruction of Bangladesh Bank.

2.6.2 Fees and Commission Income

Fess and Commission income arises on services provided by the Bank and recognized on a cash receipt basis. Commission charged to customers on letter of credit and letter of gaurantee are credited to income at the time of effecting the transactions.

2.6.3 Dividend Income

Dividend income from shares is recognized at the time when it is realized.

2.6.4 Interest paid on borrowings and Deposits

Interest paid on Borrowings and Deposits are calculated on a day basis and recognized on accrual basis .

2.6.5 Interest Income from Investments

Interest income on investments in Government and other trust securities, debentures and bonds is accounted for on accrual basis.

2.6.6 Management & Other expenses

Expenses incurred by the Bank are recognised on actual or accrual basis whenever necessary.

2.6.7 Provision for Loans and Advances

Provision against classified loans and advances is made on the basis of quarter end review by the management and instruction contained in BCD Circular no.12 dated 4 September 1995, BRPD circular no. 16 dated 6 December 1998, BRPD circular no. 9 dated 14 May 2001, BRPD circular no.02 dated 15 February 2005 and BRPD circular no. 05 dated 27 April 2005. The classification rates as per Bangladesh Bank circulars used for provision are as follows:

Business Unit		Rates of Provision				
		UC	SMA	SS	DF	BL
Consumer	House Building & Professional	2%	5%	20%	50%	100%
	Other than House Building & Professional	5%	5%	20%	50%	100%
Small & Medium Enterprise		2%	5%	20%	50%	100%
All Others		1%	5%	20%	50%	100%

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

2.6.8 Provision for taxation

a. Current Tax

Provision for current income tax has been made @ 45% as prescribed in Finance Ordinance, 2007 of the profit made by the Bank considering major taxable allowances and disallowances and the same is understated/overstated to that extent. Any shortfall / excess provision will be duly adjusted after final assessment.

b. Deferred Tax

Deferred Tax is calculated on the taxable / deductible temporary differences between tax base amount and carrying amount of assets and liabilities as required by **Bangladesh Accounting Standard (BAS)-12 Accounting for Taxes"**.

2.6.9 Retirement benefits

a) Gratuity

i) The Bank operates a funded gratuity scheme. The policy has been approved by the National Board of Revenue with effect from 01 January 1997. Gratuity is paid to those employees who have completed minimum 10 (ten) years of continuous service at the time of their separation from the Bank.

ii) Provision for gratuity is made in the books annually on the basis of actuarial valuation made once in three years (@ 7% of basic payroll each year).The next actuarial valuation will be done by June 2008.

b) Provident fund

The Bank operates a contributory provident fund for its permanent employees. Provident fund is administered by a board of trustees and is funded by contributions partly from the employees and partly from the company at a pre-determined rate. This fund got approval from the National Board of Revenue on July 31, 1997. Any investment decision out of this fund is made separately from that of the company's funds.

c) Superannuation fund

The Bank's superannuation fund was approved by the National Board of Revenue with effect from November 20, 1999. This is payable to the employees of the Bank as per their ranks, grades and length of service with the Bank.The Bank conducted an actuarial valuation of the fund in 2006 and the next valuation is due in 2009. The broader objectives of this valuation was to calculate the on going as well as future liability that will arise from the pool of employees of the Bank. The actuary recommended the minimum contribution of 0.63% of total admissible benefits into the fund each year.

2.6.10 Exchange rate:

Foreign currencies are translated into Taka currency at the following rates:

a) Assets and Liabilities existing at the takeover date, at the rate prevailing on 6 July 1991.

b) Assets relating to customers' foreign currency deposit account at standard mid rates of USD 1= Tk.68.5728 and GBP 1= Tk.136.7342 and EURO 1= Tk.100.2954 as on 31 December 2007.

c) Other foreign currency related transactions have been converted by using the rate of exchange prevailing on the dates of such transactions.

2.7 Earning per share

Earning per share (EPS) has been computed by dividing the profit after tax (PAT) by the number of ordinary shares outstanding as on 31 December 2007 **as per BAS- 33 "Earning Per Share"**. Diluted earning per share was not required to calculate as there were no dilution possibilities during the year.

2.8 Reconciliation of Books and Account

Books of account in regard to inter-bank (in Bangladesh & outside Bangladesh) as well as inter-branches are reconciled at a regular interval .

2.9 Cash Flow Statement

Cash Flow Statement is prepared in accordance with **Bangladesh Accounting Standard (BAS) 7 " Cash Flow Statement"** 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. It is broken down into Operating activities , Investing activities and Financing activities

2.10 Statement of Changes in Equity

Statement of changes in Equity is prepared in accordance with **Bangladesh Accounting Standard (BAS) 1 "Presentation of Financial Statements"** and relevant guidelines of Bangladesh Bank.

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

2.11 Liquidity Statement

The Liquidity Statement has been prepared in accordance with remaining maturity grouping of Assets and Liabilities as of the close of the year.

2A

I) Credit Rating of the Bank

As per the BRPD instruction circular no.6 dated July 5, 2006, the Bank has done its credit rating by Credit Rating Information and Services Limited (CRISL) based on the Financial Statements dated 31 December 2006 , the following rating has been awarded :

	Date of rating	Long term	Short term
Entity Rating	27-6-2007	A	ST-3

II) Compliance of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS)

Name of BAS	BAS No.	Status
Presentation of Financial Statements	1	Applied
Inventories	2	N/A
Cash Flow Statements	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Balance Sheet Date	10	Applied
Construction Contracts	11	N/A
Income Taxes	12	Applied
Segment Reporting	14	Applied
Property, Plant and Equipments	16	Applied
Leases	17	Applied
Revenue Recognition	18	Applied
Employee Benefits	19	Applied
Accounting for Govt. Grants and disclosures of Govt. Assistances	20	N/A
The Effects of Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Consolidated and Separate Financial Statements	27	N/A
Investments in Associates	28	N/A
Disclosures in Financial Statements of Banks and Similar Financial Institutions	30	Applied
Interest in Joint Ventures	31	N/A
Earning Per Share	33	Applied
Interim Financial Reporting	34	Applied
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Investment Property	40	N/A
Agriculture	41	N/A

Name of BFRS	BFRS No.	Status
Share Base Payments	2	N/A
Business Combinations	3	N/A
Non- Current Assets Held for Sale and discontinued operations	5	N/A
Exploration for and Evaluation of Mineral Resources	6	N/A

III) General

- a) Figures appearing in these Financial Statements have been rounded off to the nearest Taka.
b) Previous year's figures have been rearranged in order to conform to current year's presentation.

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

IV) Audit Committee

In compliance with the BRPD Circular No. 12 dated 23 December 2002 of Bangladesh Bank, an audit committee was first constituted by the Board of Directors of Eastern Bank Limited (EBL) in its 253rd Meeting held on 7th January 2003 and thereafter last reconstituted by the Board of Directors in the 352nd Meeting held on 29th August 2006 in this regard as under:

SL #	Name	Status with the Bank	Status with the Committee	Educational Qualification
i)	Mr. A. M. Shaukat Ali	Director	Member	B. Sc. Engineer
ii)	Mr. Ahmed Jamal	Director	Member	B.Sc. (Hons.), M.Sc.
iii)	Mr. Gazi Md. Shakhawat Hossain	Director	Member	M. com (Accounting)

The company secretary is to act as Secretary of the Audit Committee of the Board.

During the Year 2007, the Audit Committee of the Board conducted 5 (five) meetings in which among other things, the following issues were reviewed/discussed:

- * Terms of Reference of the Audit Committee as stated in the BRPD Circular No. 12 dated 23/12/2002.
- * Reviewing the Internal Audit Reports along with the Executive Summary of the different EBL branches/departments conducted by the Internal Audit Team of the Bank from time to time and also the status of compliance thereof.
- * Reviewing the Inspection report of Bangladesh Bank Inspection Department (DBI) and its subsequent compliance thereof.
- * Reviewing the progress of strengthening the internal control system & procedures, strict compliance of Anti-Money Laundering Act and also the Internal Audit Team of the Bank.
- * The Committee places its report regularly to the Board of the Bank for review and monitoring the activities with recommendations on internal control system, compliance of rules and regulations of the Regulatory Bodies.

The Audit Committee meetings were held on the following dates:

16th meeting held on 4th April 2007
17th meeting held on 26th July 2007
18th meeting held on 2nd August 2007
19th meeting held on 29th August 2007
20th meeting held on 1st November 2007

2B Related party disclosures

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
Mr. Ahmed Quamrul Islam Chowdhury, OBE	Chairman	Royal Capital Limited	Chairman	50.00%
		Consolidated Tea & Plantation Ltd.	MD	10.00%
		Finlay International Ltd.	MD	10.00%
	Partner	(Ex J. F. Engineering Services Ltd.) Royal Garden		50.00%

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

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
Mr Md. Showkat Ali Chowdhury	Director	Need Apparels (Pvt) Ltd.	Chairman	35.00%
		Need Tex Chittagong 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%
		(Ex J.F. Engineering Services Ltd.)		
		Z. N. Enterprise Ltd.	MD	50.00%
		Namreen Enterprise Ltd.	MD	50.00%
		M.M. Khan & Company Ltd.	MD	52.00%
		Port Link Logistics Centre Ltd.	Director	25.00%
		South Asia Capital Ltd.	Director	6.38%
		South Asia Securities Ltd.	Director	4.40%
		Peninsular Housing & Development Ltd.	Director	36.00%
Mr A. M. Shaukat Ali	Director	Engineering Consultants & Associates Ltd.	Chairman	20%
Arusha & Co. (Pvt) Ltd. Represented by Mr. Ahmed Jamal	Director	M/s Allied Enterprise	Proprietor	100.00%
Mrs. Mahbuba Hossain	Director	Mir Akhter Hossain Ltd.	Director	10.00%
		Mir Ceramic Ltd.	Director	30.00%
		Mir Holdings Ltd.	Director	30.00%
Aquamarine Distributions Ltd. Represented by Mr Asif Mahmood	Director	Advance Technology Computers Ltd.	Chairman	33.33%
		Advanced Data Networks System Ltd.	Chairman	20.00%
		Tech Valley Computers Ltd.	Director	33.33%
		Pangaca Partners (BD) Ltd.	Director	20.00%
M/s Unique Eastern (Pvt) Ltd. Represented by Mr Gazi Md. Shakhawat Hossain	Director	Purnima Construction (Pvt) Ltd.	MD	15.00%
		Unique Hotel and Resorts Ltd.	Representative Director	15.00%
Mr Meah Mohammad Abdur Rahim	Director	Ancient Steamship Company	Proprietor	100.00%
		Hudig and Meah (BD) Ltd.	MD	51.00%
Ms Aneela Haque	Director	Andes Ltd.	MD	80.00%
		Presence Ltd.	MD	80.00%
		Andes Publications	Proprietor	100.00%
M/s Borak Real Estate (Pvt) Ltd. Represented by Mr Miah Muhammad Shaheedullah	Director	Muhammad Shaheedullah & Co	Proprietor	100.00%
Mr Ali Reza Iftekhar	CEO & MD	Nil	Nil	Nil

- 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 : See Annexure -C
- 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

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 Taka	2006 Taka
3 Cash in hand (Including foreign currencies)		
Local currency	361,638,420	393,096,778
Foreign Currencies	21,289,195	5,682,575
	382,927,615	398,779,353
4 Balance with Bangladesh Bank and its agent Bank(s) (Including foreign currencies)		
Bangladesh Bank :		
Local currency	1,527,063,518	1,146,323,220
Foreign currencies	366,445,253	558,771,348
	1,893,508,771	1,705,094,568
Sonali Bank (as an agent of Bangladesh Bank)-Local Currency	70,866,892	63,481,594
	1,964,375,663	1,768,576,162
4.1 Cash Reserve Ratio (CRR): 5% of Average Demand and Time Liabilities:		
Average time and demand liabilities of October 2007 (excluding inter-bank deposit)	27,631,279,000	24,347,374,000
Required Reserve (5 % of Average time and demand liabilities)	1,381,563,950	1,217,368,700
Actual Reserve held with Bangladesh Bank (In local currency)*	1,511,426,000	1,307,969,000
Surplus / (Shortage)	129,862,050	90,600,300
* As per Bangladesh Bank statement		
4.2 Statutory Liquidity Ratio (SLR): 18% of average Demand and Time Liabilities:		
Average time and demand liabilities of October 2007 (excluding inter-bank deposit)	27,631,279,000	24,347,374,000
Required Reserve (18 % of total time and demand liabilities)	4,973,630,220	4,382,527,320
Actual Reserve held	5,247,070,507	4,716,371,000
Surplus	273,440,287	333,843,680
4.2.1 Composition of Actual Reserve held		
Cash held	382,927,615	398,799,000
Balance with Bangladesh Bank	1,511,426,000	1,009,312,000
Balance with Sonali Bank	70,866,892	63,481,000
TT in Transit	-	150,000,000
Unencumbered approved securities (HTM)	3,281,850,000	3,094,779,000
	5,247,070,507	4,716,371,000
5 Balances with other banks and financial institutions	Notes	
Inside Bangladesh	5.1	1,276,690,139
Out side Bangladesh	5.2	263,661,848
		1,540,351,987
5.1 Inside Bangladesh		
In Current Accounts with:		
Agrani Bank Limited	12,515,619	22,084,737
Janata Bank Limited	31,521,547	28,796,090
Bangladesh Krishi Bank	4,216,358	12,455,134
The Trust Bank Limited	1,584,951	-
Standard Chartered Bank	1,794,093	-
Sonali Bank Limited	33,175,066	17,881,176
The City Bank Limited	2,006,546	4,386,978
National Bank Limited	15,715,943	4,820,011
National Credit & Commerce Bank Limited	2,647,300	2,940,931
Rupali Bank Limited	9,698,100	15,409,106
Islami Bank Bangladesh Limited	70,644	70,644
AB Bank Limited	3,374,609	4,582,410
Pubali Bank Limited	2,489,765	8,931,283
United Commercial Bank Limited	4,702,715	4,258,487
	125,513,256	126,616,987

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 Taka	2006 Taka
In Short Term Deposit Accounts with:		
Sonali Bank Limited	19,959,732	4,378,483
Prime Bank Limited	4,909	4,693
Janata Bank Limited	4,790	4,890
Agrani Bank Limited	336,436	336,436
AB Bank Limited	-	188,145,109
Bank Asia Limited	61,066	59,070
BASIC Bank Limited	42,482	41,465
Bangladesh Krishi Bank	118,661	115,293
Dhaka Bank Limited	79,527	77,609
The City Bank Limited	38,719,230	10,374,658
Oriental Bank Limited	689,287	841,045
NCC Bank Limited	739,000	701,478
National Bank Limited	403,518	388,613
Standard Chartered Bank	-	35,779,548
EXIM Bank Limited	18,245	17,813
	61,176,883	241,266,203
In Fixed Deposit Accounts with Banks & NBFIs:		
BRAC Bank Limited	390,000,000	-
Uttara Finance & Investment Co. Limited	200,000,000	200,000,000
Premier Leasing International Limited	70,000,000	-
Union Capital Limited	100,000,000	-
National Housing & Finance Limited	120,000,000	-
Industrial and Infrastructural Development Finance Company Ltd.	-	150,000,000
International Leasing & Financial Services Limited	100,000,000	-
LankaBangla Finance Limited	110,000,000	-
	1,090,000,000	350,000,000
	1,276,690,139	717,883,190
5.2 Out side Bangladesh		
In Deposit account (Non-interest bearing) with:		
The Bank Tokyo Mitshubishi, Tokyo	79,576	263,850
The Bank of Tokyo Mitshubishi, Kolkata*	3,428,640	3,453,255
The Bank of Tokyo Mitshubishi, London	9,036,026	8,709,792
Standard Chartered Bank, Kolkata	5,596,850	299,680
Standard Chartered Bank, Colombo	4,638,532	1,791,293
Standard Chartered Bank, London	21,873,893	(1,342,752)
Standard Chartered Bank, Singapore	243,848	297,645
Standard Chartered Bank, New york	112,080,411	100,361,557
Citibank N A, New york	(53,478,100)	42,231,090
Citibank NA, Mumbai	108,030	94,648
Nepal Bngladesh Bank Limited	437,216	461,074
AB Bank Limited, Mumbai	242,275	309,923
Bank of Bhutan	455,677	287,194
Mashreqbank, Newyork	32,254,360	(3,420,512)
JP Morgan Chase Bank, New York	(6,834,759)	9,944,407
The Bank of Nova Scotia, Toronto	(35,267)	190,950
JP Morgan Chase Bank NA, Sydney	(259,804)	654,963
American Express Bank, New York	45,388,659	996,461
Zurcher Kantonal Bank, Zurich	73,494	-
National Commercial Bank, KSA	457,493	-
Wachovia Bank NA New York	11,485,207	15,910,315
ICICI Bank	5,868,320	(30,953,280)
NDLC-IFIC Bank (NIB) Pakistan	627,818	149,522
HSBC, New york	(57,351)	22,437,985
Commerz Bank AG, Frankfurt, Germany	3,603,877	1,722,396
Placement to OBU	66,346,927	34,567,083
	263,661,848	209,418,539

(For details of Foreign currency amounts and rates thereof please see "Annexure-B")

* An amount of USD 50,000.00 has been blocked by the Court Injunction due to disputes in two LCs amounting to USD 47,232.00 opened at our Bogra & Khantunganj Branches. Both the cases are pending in Kolkata High Court and our lawyers are attending these cases. However the Bank management feels that the outcome of the case will be in favor of the Bank.

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 Taka	2006 Taka
5.3 Balance with other banks and financial institutions (according to remaining maturity grouping)		
Receivable :		
On demand	322,828,178	336,035,527
In not more than one month	251,176,881	391,266,202
In more than one months but not more than three months	219,904,078	200,000,000
In more than three months but not more than one year	746,442,850	-
In more than one year but not more than five years	-	-
In more than five years	-	-
	1,540,351,987	927,301,729
6 Money at call and short notice		
With Deposit Money Bank (s):		
Mutual Trust Bank Limited	250,000,000	-
With NBFIs:		
IIDFC	90,000,000	-
LankaBangla Finance Limited	50,000,000	-
IPDC of Bangladesh Limited	40,000,000	-
National Housing & Finance Limited	20,000,000	-
GSP Finance Limited	20,000,000	-
	470,000,000	-
6.1 Maturity Grouping of Money at Call and short notice		
Receivable :		
On demand	470,000,000	-
In not more than one month	-	-
In more than one months 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	-	-
	470,000,000	-
7 Investments	Notes	
In Government securities:		
Treasury bills	7.1	1,170,000,000
Unrealised Gain/(Loss) on HFT & HTM T-Bills, Bonds		29,340,837
Bangladesh Bank Bills (Tenor 30 Days)		-
Bonds	7.3	4,550,400,000
Prize Bonds		2,095,300
		5,751,836,137
Other Investments :		
Debentures	7.2	137,000,000
Zero Coupon Bond (ULC)		2,297,370
Ordinary Shares(Quoted And Unquoted)	7.4	4,856,600
		144,153,970
		5,895,990,107
7.1 Treasury bills:		
28- day Treasury bills		-
364 -day Treasury bills		90,000,000
5- year Treasury bills		1,080,000,000
Total Treasury Bills		1,170,000,000
7.2 Debentures :		
	Date of maturity	Interest Rate (% p.a.)
Investment Corporation of Bangladesh	26-08-10	5.00
Investment Corporation of Bangladesh	24-11-12	5.00
Investment Corporation of Bangladesh	31-05-13	5.00
House Building Finance Corporation	31-08-16	6.50
House Building Finance Corporation	15-02-15	5.50
United Leasing Company Limited		-
		137,000,000
		259,000,000

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

			2007 Taka	2006 Taka
7.3 Bonds:	Date of maturity	Interest Rate (% p.a.)		
10 Year Treasury bonds	08.08.17	12.15	250,000,000	-
10 Year Treasury bonds	05.12.17	11.73	35,000,000	-
10 Year Treasury bonds	05.12.17	11.72	150,000,000	-
10 Year Treasury bonds	08.11.17	11.74	200,000,000	-
10 Year Treasury bonds	04.07.17	12.19	150,000,000	-
10 Year Treasury bonds	03.10.17	11.85	180,000,000	-
5- year Treasury bonds	24.01.12	7.50	100,000,000	-
5- year Treasury bonds	22.02.12	7.50	300,000,000	-
5- year Treasury bonds	18.07.12	10.82	350,000,000	-
5- year Treasury bonds	19.09.12	10.74	400,000,000	-
5- year Treasury bonds	19.12.12	10.65	144,000,000	-
5- year Treasury bonds	21.11.12	10.65	470,000,000	-
5- year Treasury bonds	22.11.11	7.5	250,000,000	250,000,000
5- year Treasury bonds	07.06.09	7.5	160,000,000	160,000,000
5- year Treasury bonds	07.08.11	7.5	500,000,000	500,000,000
5- year Treasury bonds	20.09.11	7.5	150,000,000	150,000,000
			3,789,000,000	1,060,000,000
1 Year T & T Bonds	05.03.08	7.00	100,000,000	-
3 Year T & T Bonds	11.06.10	7.00	271,400,000	-
3 Year T & T Bonds	29.06.08	7.00	100,000,000	100,000,000
3 Year T & T Bonds	01.11.09	7.00	50,000,000	50,000,000
3 Year T & T Bonds	01.11.09	7.00	240,000,000	240,000,000
			761,400,000	390,000,000
			4,550,400,000	1,450,000,000
7.4 Ordinary Shares (Quoted and Unquoted):	Note			
Quoted:				
Investment Corporation of Bangladesh	7.4.1		856,600	856,600
			856,600	856,600
Un- quoted:	No. of shares			
Central Depository (Bangladesh) Limited*	4		4,000,000	4,000,000
			4,000,000	4,000,000
			4,856,600	4,856,600

* The Bank holds 4 shares of Tk. 1,000,000 each in Central Depository Bangladesh Ltd. (CDBL). First Installment of Tk 1,200,000 was paid on 05 September 2000 and final payment of Tk 2,800,000 was made on 20 March 2003 totaling Tk 4,000,000. CDBL issued those shares in dematerialized form. Under the provision of the Depositors Act 1999 the account statement is legally admissible as prima facie evidence of share holding in CDBL.

7.4.1 Valuation of shares
Shares (Quoted as on 31-12-2007)

	Face value per share	No of shares	Market price Per share		Market value Taka	Market value Taka
			2007	2006		
Investment Corporation of Bangladesh	100	8,566	1,113.50	157	9,538,241	1,344,862
		8,566	1,113.50	157	9,538,241	1,344,862

7.5 Assets pledged as security

Assets in the amount shown below were pledged as security for the following liabilities :

Liabilities other Banks	-	-
Liabilities to Customers	-	-
	-	-

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

		2007 Taka	2006 Taka
7.6 Remaining maturity grouping of investments			
On demand		8,112,569	232,699,003
In not more than one month		150,000,000	920,000,000
In more than one month but not more than three months		300,000,000	200,000,000
In more than three months but not more than one year		948,180,168	1,842,734,773
In more than one year but not more than five years		3,427,697,370	2,565,174,329
In more than five years		1,062,000,000	129,000,000
		5,895,990,107	5,889,608,105
8 Loans and Advances*			
Loans, cash credits, overdrafts etc.			
Inside Bangladesh:			
Loans - general		25,958,579,503	21,094,369,828
Cash credit		792,125,214	926,863,664
Overdraft		3,443,466,719	3,025,385,804
Outside Bangladesh:		-	-
		30,194,171,436	25,046,619,296
Bills purchased and discounted			
Inside Bangladesh			
Local bills		647,073,531	830,521,006
Foreign bills /documents		54,461,327	96,840,978
		701,534,858	927,361,984
Outside Bangladesh		-	-
		701,534,858	927,361,984
		30,895,706,294	25,973,981,280

* There is a difference of Loans and Advances between General Ledger and Classification of Loan Statements (CL) amounting Tk. 34,210,819 as a result loans and advances is understated to that extent. The rectification process to eliminate the difference is being carried out.

8.1 Residual maturity grouping of loans and advances including bills purchased & discounted

Receivable :			
On demand		6,635,465,968	6,503,496,055
In more than one month but not more than three months		5,850,655,306	1,058,295,217
In more than three months but not more than one year		7,352,032,434	3,078,237,198
In more than one year but not more than five years		10,078,912,238	15,264,084,233
In more than five years		978,640,348	69,868,577
		30,895,706,294	25,973,981,280

8.2 Loans and advances on the basis of significant concentration
8.2.1 Loans and advances to Directors , executives and others

Advance to Directors and their allied concerns(including Ex-Directors)	15,853,406	14,594,466
Advances to CEO & Managing Director	4,456,238	4,521,342
Advances to Other executives and staffs	253,030,002	149,666,521
Advances to Customers (Group wise)	22,958,736,506	18,254,800,000
Industrial Advances	7,663,630,142	7,550,398,951
	30,895,706,294	25,973,981,280

Large Loan details(Loans and Advances allowed to each customer exceeding 10% of Bank's total capital):

* Total Loans and Advances	(In Crore Taka)	2,500.64	2,217.57
No. of Customers		116	103
Classified amount thereon	(In Crore Taka)	39.40	Nil
(For details , see Annexure-D)			

*The amount represents the sum of total loans and advances to each customer exceeding Tk 40.34 crore which is computed @ 10% of total capital of the bank (i.e. Tk 403.37 crore) as at 31 December 2007 .

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 Taka	2006 Taka
8.2.2 Industry-wise concentration of loans and advances including bills purchased and discounted		
Commercial and Trading	2,459,936,902	1,837,693,080
Importer of Commodity	890,423,103	1,602,405,276
Construction	454,799,675	468,596,726
Edible Oil Refinery Industry	1,155,427,618	1,101,714,672
Electronics Goods	866,715,805	663,258,562
Individuals	3,737,422,048	3,368,246,576
Pharmaceuticals Industries	902,393,082	520,182,969
Readymade Garments Industry	3,923,314,596	3,513,152,841
Ship Breaking Industry	1,390,246,110	1,878,422,794
Industries for Steel products	2,325,347,115	1,592,160,029
Telecommunication Sector	1,534,693,785	1,339,765,317
Textile Mills	3,737,175,590	2,591,662,465
Others	7,517,810,865	5,496,719,973
	30,895,706,294	25,973,981,280
8.2.3 Geographical location-wise concentration of Loans and advances including bills purchased and discounted		
Inside Bangladesh		
Dhaka Division	25,118,588,988	21,029,294,392
Chittagong Division	4,834,964,656	4,208,260,540
Sylhet Division	267,154,570	257,321,899
Rajshahi Division	367,120,744	214,223,750
Khulna Division	307,877,336	264,880,699
	30,895,706,294	25,973,981,280
Outside Bangladesh	-	-
	30,895,706,294	25,973,981,280
8.3 Classified, unclassified, doubtful and bad loans & advances		
Unclassified:		
Standard	29,280,971,596	24,551,166,587
Special Mention Accounts	281,028,646	437,053,469
	29,562,000,242	24,988,220,056
Sub-standard	57,499,173	240,093,693
Doubtful	378,234,156	17,753,533
Bad/Loss	897,972,723	727,913,998
	30,895,706,294	25,973,981,280
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 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		
8.4 Particulars of loans and advances		
i) Debts considered good in respect of which the bank is fully secured.	27,186,469,971	24,820,104,926
ii) Debts considered good for which the bank holds no other security than the debtor's personal security.	3,709,236,323	1,153,876,354
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 adversely classified; for which no provision is created.	-	-
	30,895,706,294	25,973,981,280

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 Taka	2006 Taka
v) Debts due by directors or officers of the bank or any of them either jointly or severally with any other persons.	273,339,646	168,782,329
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.	273,339,646	168,782,329
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	1,333,706,052	985,761,224
(i) (Decrease)/Increase of provision (specific)	-	-
(ii) Amount of written off debt against fully provided debts	234,785,276	107,278,583
(iii) Amount of debt recovered against the debt which was previously written off	73,090,678	28,950,370
b) Amount of provision kept against loans classified as bad/loss as at the Balance Sheet date.	516,394,931	305,017,524
c) Amount of interest creditable to the interest suspense account	189,517,130	189,603,161
xi) Cumulative amount of written off loans		
Opening Balance	497,199,359	418,871,146
Amount written off during the year	234,785,276	107,278,583
Amount recovered during the year	(73,090,678)	(28,950,370)
Balance of written off loans and advances yet to be recovered	658,893,957	497,199,359
The amount of written off loans for which law suits have been filed	1,216,998,690	1,199,390,883
8.5 Out of the total amount cases have been filed against the parties amounting Tk. 1,216,998,690. Year wise break up is as follows		
Upto 2006	1,199,390,883	
During 2007	17,607,807	
	1,216,998,690	
Bangladesh Bank issued a circular no. 02 dated 13 January 2003 instructing all the banks in the country to write off bad & loss loans which have passed five years after its classification and legal actions have been taken against all those default borrowers with an immediate effect. In compliance with the circular, the Bank formed a Special Assets Department in its Head Office from where monitoring has been made accordingly. During the year, the Bank allowed write off amounting to Tk 234,785,276. Legal actions have been lying with the money suit court against Tk 1,216,998,690. In this connection, Special Assets Department has been maintaining separate ledger for all individual cases and liaison with Bank's legal counsel constantly for those cases lying in the honorable court to recover the debts. The Special Assets Department follows up the realization progress of such debts. During the year total amount realized by the special assets department is Tk 73,090,678.		
8.6 Bills purchased & discounted: (on the basis of the residual maturity grouping)		
Receivable :		
Within one month	263,567,045	384,535,421
In more than one month but less than three months	316,341,039	378,848,773
In more than three months but less than six months	121,626,774	163,977,790
Above six months	-	-
	701,534,858	927,361,984

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

		2007 Taka	2006 Taka
9	Fixed assets including land, building, furniture and fixtures		
	Cost		
	Freehold Land and Land Development	535,306,650	329,700,000
	Buildings on Freehold land	21,592,280	21,592,280
	Machinery and Equipments	263,740,674	172,205,807
	Furniture and fixtures	139,951,888	92,042,600
	Vehicles	50,325,442	47,588,146
	Leased Assets (Finance Lease)	91,591,169	91,591,169
	Total Cost	1,102,508,103	754,720,002
	Accumulated depreciation	(231,240,360)	(174,747,142)
	Written Down Value at 31 December	871,267,743	579,972,860
	(Annexure-A enclosed for details)		
10	Other assets		
	Income generating		
	Non- Income generating		
	Stock of stationery	9,203,391	11,525,699
	Stamps on hand	509,203	681,089
	Suspense account	9,599,100	11,716,375
	Advance paid for development of land and building	28,961,032	28,961,032
	Security Deposits	4,467,767	1,883,125
	Interest and other receivables	134,034,062	82,179,283
	Other Account receivables BCCI	105,920,605	105,920,605
	Advance Rent and Advertisement	81,232,199	34,246,509
	Prepaid expenses and other prepayments	98,653,619	82,582,952
	Bangladesh Bank Clearing Account	13,817,985	27,304,941
	Inter branch & Inter system Accounts	-	6,604,870
	Inter branch cash transfer account (Net)	7,132	3,007,141
		486,406,095	396,613,621
10.1	Suspense Account		
	This includes the system related automatic suspenses, sundry debtors and temporary parking accounts which are in the process of regular monitoring so that the balance is reduced to non material level.		
10.2	Other Account Receivable -BCCI		
	Tax refundable	178,898,420	178,898,420
	Less. Provision made	(72,977,815)	(72,977,815)
	Tax refundable on account of BCCI	105,920,605	105,920,605

This represents amount of advance tax paid to tax authority by erstwhile BCCI overseas Limited, predecessor of Eastern Bank Limited. This amount has been carried since the formation of Eastern Bank Limited.

10.3 Inter branch & Inter system Accounts

There is no unreconciled item (debit or credit entries) in the Inter branch and Inter system account as on the reporting date.

10.4 Inter branch cash transfer account

The outstanding balance in this account was created due to difference in decimal places of exchange rates while making entry involving foreign currency by the branches. The same has already been identified and to be adjusted subsequently.

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

			2007 Taka	2006 Taka
11	Borrowings from other banks, financial institutions and agents			
	Secured		-	-
	Unsecured:			
	In side Bangladesh			
	Payable on demand			
	Agrani Bank Limited		150,000,000	-
	Sonali Bank Limited		400,000,000	-
	Janata Bank Limited		200,000,000	-
	Dutch-Bangla Bank Limited		100,000,000	-
	Bangladesh Shilpa Bank		60,000,000	-
	National Bank Limited		300,000,000	-
	The Hongkong & Shanghai Banking Corporation		50,000,000	-
	Rupali Bank Limited		-	100,000,000
	First Security Bank Limited		-	80,000,000
	The City Bank Limited		200,000,000	200,000,000
	State Bank of India, Dhaka		-	60,000,000
	BASIC Bank Limited		-	150,000,000
			1,460,000,000	590,000,000
	Term Borrowings	Maturity Date	Interest rate (%)	
	Commercial Bank of Ceylon Ltd.		-	100,000,000
	Citibank N A	06.02.08	8.50	200,000,000
	Citibank N A	10.02.08	8.50	75,000,000
	BASIC Bank Limited	28.02.08	9.00	200,000,000
	BASIC Bank Limited	14.02.08	8.75	100,000,000
	BASIC Bank Limited	02.03.08	9.25	100,000,000
	Prime Bank Limited	04.02.08	9.00	250,000,000
	Prime Bank Limited	14.01.08	9.00	200,000,000
	Standard Bank Limited	01.01.08	8.65	100,000,000
	Jamuna Bank Limited		-	300,000,000
	Uttara Bank Limited		-	400,000,000
	ONE Bank limited		-	200,000,000
	United Commercial Bank Limited		-	150,000,000
	Dutch-Bangla Bank Limited	24.02.08	9.25	270,000,000
	Rupali Bank Limited		-	350,000,000
	Trust Bank Limited	10.02.08	9.00	200,000,000
			1,695,000,000	2,300,000,000
	REPO (Secured against treasury bills)	11.1	2,270,000,000	1,470,000,000
	ADB Financing for Agri Business Loan to NGOs		316,322,800	-
	Refinancing for Agrobased Industries from Bangladesh Bank		255,796,031	45,400,000
	Out Side Bangladesh		5,997,118,831	4,405,400,000
11.1	Bank wise REPO	Maturity Date	Interest rate (%)	
	AB Bank Limited	02.01.08	8.50	200,000,000
	AB Bank Limited	05.02.08	8.10	200,000,000
	AB Bank Limited	10.11.08	8.80	200,000,000
	AB Bank Limited	30.01.08	8.15	150,000,000
	Commercial Bank of Cylon, Dhaka	17.02.08	8.15	250,000,000
	Commercial Bank of Cylon, Dhaka	03.02.08	8.00	200,000,000
	Commercial Bank of Cylon, Dhaka	29.01.08	8.00	200,000,000
	Commercial Bank of Cylon, Dhaka	05.02.08	8.15	120,000,000
	Agrani Bank Limited	17.01.08	8.15	150,000,000
	Dutch Bangla Bank Limited		-	350,000,000
	BASIC Bank Limited	11.03.08	8.75	600,000,000
			2,270,000,000	1,470,000,000

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

		2007 Taka	2006 Taka
11.2 Remaining maturity grouping of Borrowings			
Payable:			
On demand		1,460,000,000	590,000,000
In not more than one month		818,000,000	612,000,000
In more than one month but not more than three months		2,965,000,000	2,200,000,000
In more than three months but not more than one year		437,796,031	1,003,400,000
In more than one year but not more than five years		316,322,800	-
In more than five years		-	-
		5,997,118,831	4,405,400,000
12 Deposits and other accounts	Notes		
Current deposits and other accounts	12.2	3,480,781,653	3,257,030,733
Bills payable	12.3	491,030,835	274,574,972
Savings Bank Deposits	12.4	5,896,619,266	5,153,631,787
Fixed Deposits	12.5	20,201,082,357	16,992,255,517
Bearer Certificate of Deposits*		22,250,000	22,250,000
		30,091,764,111	25,699,743,009
*Issuance of Bearer Certificate of Deposits has been stopped as per BRPD circular No. 09 dated 20 October 2002.			
12.1	Deposits from banks-Inside Bangladesh	12.6	1,806,414
	Other than banks		30,089,957,697
			30,091,764,111
12.2 Current deposits and other accounts			
Current deposits	12.2.1	1,599,695,057	1,383,271,669
Sundry Deposits		1,009,210,000	1,032,957,198
Matured Deposits		16,214,845	11,791,968
Un-Claimed Deposits		1,161,329	1,363,692
BCCI Reducing Deposits		197,997,068	197,997,068
Interest Accrued on Deposits		656,503,354	629,649,138
		3,480,781,653	3,257,030,733
12.2.1 Current Deposits			
Local Currency		1,409,101,521	1,216,646,183
Foreign Currency		190,593,536	166,625,486
		1,599,695,057	1,383,271,669
12.3 Bills Payable			
Local Currency		494,261,408	306,288,450
Foreign Currency		(3,230,573)	(31,713,478)
		491,030,835	274,574,972
12.4 Savings Bank Deposits			
Saving Deposits		2,663,422,827	2,389,669,006
EBL SB Insurance account		658,674	581,375
High performance deposit - retail		2,326,260,425	2,349,626,718
EBL Campus account		8,001,872	2,239,814
EBL Interesting account		468,036,965	166,933,374
EBL Confidence		30,891,500	-
Salary account Deposits		23,210,507	-
Monthly deposit plan		376,136,496	244,581,500
		5,896,619,266	5,153,631,787
12.5 Fixed Deposits			
Short term deposits		2,993,115,248	2,827,044,209
Term Deposits		17,091,662,695	14,109,835,134
Non Resident foreign currency deposits		116,304,414	55,376,174
		20,201,082,357	16,992,255,517
12.6 Deposits from banks			
In short Term Deposits Accounts with			
Janata Bank Limited		38,511	13,441
National Bank Limited		120,265	111,733
ONE Bank Limited		1,619,076	16,075,571
Southeast Bank Limited		28,562	26,896
		1,806,414	16,227,641
Total Bank Deposits-inside Bangladesh		1,806,414	16,227,641

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

		2007 Taka	2006 Taka
12.7 Residual maturity grouping of Deposits	Notes		
From Banks			
Payable:			
On demand		-	-
Within one month		1,806,414	-
In more than one month but less than six months		-	16,227,641
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		-	-
		1,806,414	16,227,641
From other than Banks			
Payable:			
On demand		4,593,401,555	6,418,980,208
Within one month		3,910,865,824	274,574,972
In more than one month but less than six months		12,312,929,213	11,017,948,880
In more than six months but less than one year		6,702,979,035	6,929,139,566
In more than one year but within five years		2,567,732,986	1,042,871,742
In more than five years but within ten years		2,049,084	-
		30,089,957,697	25,683,515,368
		30,091,764,111	25,699,743,009
13 Other liabilities			
Privileged Creditors		80,587,214	70,875,288
Acquirer Liabilities		18,898,409	229,636,168
Sundry Creditors		75,887,814	59,599,667
Miscellaneous Creditors		428,947,711	473,600,542
Exchange Equalization Account		22,628,988	22,628,988
Internal Suspense	13.4	9,415,137	6,782,244
Current tax liability	13.1	429,493,028	239,794,311
Deferred tax liability	13.8	8,635,282	2,199,039
Provision for loans and advances	13.2	1,175,621,872	785,252,060
Interest suspense account	13.3	189,517,130	189,603,161
Provision for other assets	13.5	179,000	179,000
Provision for gratuity	13.6	-	-
Advance Interest /Commission Received		96,835,958	282,869,808
Expenses payable		72,212,858	61,006,158
Miscellaneous payable		68,513,695	40,889,948
BCCI Liabilities		7,321,887	7,321,887
Obligation Under Finance Lease	2.5A	22,531,990	42,727,018
SIA Insurance Premium		1,650	1,650
		2,707,229,623	2,514,966,937
13.1 Current tax Liability/(assets)			
Provision for tax			
Opening balance		1,128,536,653	517,617,343
Settlement/adjustments for previous years	13.1.2	53,505,613	-
Provision for tax made during the year	13.1.1	859,395,451	610,919,310
		2,041,437,717	1,128,536,653
Balance of Income tax paid			
Opening balance		888,742,342	310,622,415
Settlement/adjustments for previous years		-	-
Paid during the year		723,202,347	578,119,927
		1,611,944,689	888,742,342
		429,493,028	239,794,311
13.1.1 Provision for tax made during the year			
Current Tax		859,395,451	610,919,310
		859,395,451	610,919,310

Provision for Current tax has been made on profit before tax considering major allowances and disallowances as per ITO 1984 using the Tax rate 45% as per Finance Ordinance 2007.

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13.1.2 Year-wise tax status

The Bank has provided the amount of short provision for previous years from Retained earnings except for assessment year 1996-1997 which is pending in Honourable High Court. The Bank management has decided to provide the said amount after settlement of the appeal if required. Year-wise tax status is given below:

Acc. Year	Assessment Year	Provision made	Income tax as per assessment order or return submitted or as per provision	(Shortage) / Excess provision	Remarks
1992	1993-1994	-	-	-	Assessment completed
1993	1994-1995	-	14,964,157	(14,964,157)	Assessment completed
1994	1995-1996	-	6,533,749	(6,533,749)	Assessment completed
1995	1996-1997	-	28,135,060	(28,135,060)	Pending in High Court
1996	1997-1998	-	121,450,584	(121,450,584)	Assessment completed
1997	1998-1999	20,227,105	136,989,282	(116,762,177)	Assessment completed
1998	1999-2000	142500000	152,514,842	(10,014,842)	Assessment completed
1999	2000-2001	485,000,000	192,550,436	292,449,564	Assessment completed
2000	2001-2002	230,000,000	170,841,383	59,158,617	Assessment completed
2001	2002-2003	230,000,000	234,001,952	(4,001,952)	Assessment completed
2002	2003-2004	260,000,000	293,193,210	(33,193,210)	Assessment completed
2003	2004-2005	280,000,000	230,545,486	49,454,514	Assessment completed
2004	2005-2006	370,000,000	429,862,091	(59,862,091)	Assessment completed
2005	2006-2007	426,657,882	488,694,686	(62,036,804)	Assessment completed
2006	2007-2008	611,167,213	636,915,955	(25,748,742)	Assessment completed
2007	2008-2009	859,395,451	859,395,451	-	Return filing date is due on 15-7-08
Total		3,055,552,200	4,607,507,634	(81,640,673)	
Less: Provided during the year				53,505,613	
				(28,135,060)	The amount relates with AY 96-97

13.1.3 The Bank made an appeal to Commissioner of Taxes (Appeal) and Appellate Tribunal against the order of Deputy Commissioner of Taxes (Order No.728/Co.-20/Tax area-7/98-99) for disallowing set off and carry forward of loss (Tk 2,436,053,918) incurred by BCCI overseas Limited, Predecessor of Eastern Bank Limited, both the Authority had given their Judgement in favour of the Bank. But the Deputy Commissioner of Taxes in his revised assessment order dated 19 September 2005 allowed only Tk 134,373,603 explaining the ground that as there is no scope to set-off any loss other than Assessed Loss, So in compliance with the order of Honourable Tribunal and Commissioner of Taxes (Appeal), The DCT allowed to set-off the said amount with the assessment year 1996-97 as there is no assessed loss for set-off in any year. Meanwhile the Deputy Commissioners office filed a reference application No.181 of 2001 before The Honourable High Court Division challenging the Tribunals' order, hearing of the reference application case is still pending. The Bank management feels that the High Court's order will be given in favour of the Bank.

13.2 Provision for loans and advances (Including 0.50% on contingent assets)

(a) Specific provision against Loans & Advances

Opening balance	393,879,956	464,083,380
Fully provided debt written off during the year	(194,024,196)	(95,589,051)
Recovery of amounts previously written off	-	-
Specific provision for the year	459,836,065	25,385,627
	265,811,869	(70,203,424)
Provision held at the end of the year	659,691,825	393,879,956

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(b) General provision against unclassified loans & advances: (Including 0.5% provision on Contingent Assets)

Opening balance	391,372,104	193,388,473
Provision made during the year for contingent assets	65,753,237	-
Provision made during the year for loans and advances	58,804,706	197,983,631
515,930,047	391,372,104	
1,175,621,872	785,252,060	

Total (a) + (b)

13.2.1 Calculation of Provision for Loans and Advances as per CL December 2007 (excluding provision for contingent assets)

Nature	Outstanding	Interest Suspense	Eligible Security	Base for provision	Required provision
Standard	29,056,242,050	N/A	N/A	29,056,242,050	436,958,019
SMA	282,591,877	17,590,763	N/A	265,001,114	13,218,791
SS	57,499,173	3,584,302	8,810,000	45,104,871	9,020,974
DF	378,234,156	39,773,998	70,219,078	268,551,840	134,275,920
BL	897,972,723	94,584,155	399,447,870	516,394,931	516,394,931
Staff loan	257,377,134	N/A	N/A	N/A	N/A
Total	30,929,917,113	155,533,218	478,476,948	30,151,294,806	1,109,868,635

13.3 Interest suspense account

Opening balance	189,603,161	117,359,720
Amount transferred during the year	731,102,840	607,242,967
Amount recovered during the year	(690,427,791)	(523,309,994)
Amount written off during the year against fully provided debts	(40,761,080)	(11,689,532)
Balance at the end of the year	189,517,130	189,603,161

13.4 Internal Suspense

Opening balance	6,782,244	4,842,304
Addition during the year	3,069,465	1,941,943
Adjusted during the year	(436,572)	(2,003)
Balance at the end of the year	9,415,137	6,782,244

13.5 Provision for other assets

Provision for other assets

Opening balance	179,000	179,000
Provision made during the year	-	-
Adjustment made during the year	-	-
179,000	179,000	

13.6 Provision for gratuity

Opening balance	-	34,361,950
Provision made during the year	11,303,751	8,866,490
Payment made during the year	-	-
Amount Transferred to Gratuity Fund	(11,303,751)	(43,228,440)
	-	-

The balance of Gratuity provision has been transferred to Current account in the name of EBL-Employees Gratuity Fund (Recognized) during the year.

		2007 Taka	2006 Taka
13.7 Provision for Nostro Reconciliation			
No provision is required as per Circular letter No. FEPD(FEMO)/01/2005-677 for unreconciled nostro debit entries as there is no entry aging more than 3 months. Details of aging analysis are given below:			
	Debit entries (Amount in million)		
	As per our book	As per their book	
	USD	USD	
Up to three months	2.0691	2.3061	
More than three months less than six months	-	-	
More than six months less than nine months	-	-	
More than nine months less than twelve months	-	-	
More than twelve months	-	-	
	<u>2.0691</u>	<u>2.3061</u>	
13.8 Deferred Tax (assets)/Liability			
Deferred Tax Assets :			
Opening Balance	488,380	7,877,181	
Addition during the year	1,238,733	488,380	
	<u>1,727,113</u>	<u>8,365,561</u>	
Adjustment made during the year	-	(7,877,181)	
Closing balance	1,727,113	488,380	
Deferred Tax Liability :			
Opening Balance	2,687,419	-	
Addition during the year	7,674,976	2,687,419	
	<u>10,362,395</u>	<u>2,687,419</u>	
Adjustment made during the year	-	-	
Closing balance	10,362,395	2,687,419	
Net Deferred Tax (Assets) /Liability	8,635,282	2,199,039	
14.0 Share Capital :			
14.1 Authorized Capital:			
33,000,000 ordinary shares of Tk 100 each	3,300,000,000	3,300,000,000	
14.2 Issued Subscribed and fully paid up Capital (Note-14.3)			
	<u>2007</u>	<u>2006</u>	
Issued for cash/bonus share	10,350,000	8,280,000	1,035,000,000
Issued for other than cash/bonus share	-	-	-
Total	10,350,000	8,280,000	1,035,000,000

14.3 Slab wise List as on 31 December 2007

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 BDT 3,300,000,000.00 divided into 33,000,000 ordinary shares of Tk 100 each. The issued, subscribed and fully paid up capital of the bank is Tk 1,035,000,000.00 divided into 10,350,000 ordinary shares of Tk 100 each. Subject to above conditions the break up of issued, subscribed and paid up capital of Tk 1,035,000,000.00 as on 31 December 2007 is as follows:

Shareholders' Group*	NO. OF SHARES	(%) OF SHARE HOLDING	Amount Taka
Directors	1,768,525	17.09	176,852,500
General Public	7,460,225	72.08	746,022,500
Financial Institutions	1,121,250	10.83	112,125,000
Total	10,350,000	100.00	1,035,000,000

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Taka

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Taka

* None of the CFO, Head of Internal Audit, Company Secretary and top five salaried executives of the Bank has any shareholdings of EBL as on reporting date.

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.

De - materialization :

RANGE	NO. OF SHARE HOLDER	NO. OF SHARE	(%) OF SHARE HOLDING
001 - 500	4,712	388,842	3.76
501 - 5,000	376	652,552	6.30
5,001 - 10,000	66	481,780	4.65
10,001 - 20,000	40	571,291	5.52
20,001 - 30,000	15	379,775	3.67
30,001 - 40,000	7	237,185	2.29
40,001 - 50,000	4	185,800	1.80
50,001 - 1,00,000	11	820,485	7.93
1,00,001 - 10,00,000	21	4,568,615	44.14
10,00,001 - Above	2	2,063,675	19.94
TOTAL	5,254	10,350,000	100.00

14.4 Capital Adequacy Ratio:

Tier – I (Core Capital)

Paid up Capital	1,035,000,000	828,000,000
Statutory reserve	1,035,000,000	828,000,000
General Reserve	100,000,000	100,000,000
Dividend Equalization Account	356,040,000	356,040,000
Reserve Against Pre-Take over Loss (Net off Loss)	340,672,537	330,410,693
Reserve for Building Fund	60,000,000	60,000,000
Proposed Dividend	351,900,000	372,600,000
Retained earnings (Including OBU)	-	193,266,287
	3,278,612,537	3,068,316,980

Tier –II (Supplementary Capital)

General Provision against UC Loans & contingent assets	Note 13.2 (b)	515,930,047	391,372,104
Exchange Equalization Account	13	22,628,988	22,628,988
Reserve for Revaluation of Treasury Bills - HTM (50%)		14,090,084	6,367,387
Assets Revaluation Surplus (50%)		202,507,525	117,037,525
		755,156,644	537,406,004
		4,033,769,180	3,605,722,983
		30,687,089,893	25,720,769,530
		3,068,708,989	2,314,869,258
		965,060,191	1,290,853,725

A. Total Capital

B. Total Risk Weighted Assets

C. Required Capital based on Risk Weighted Assets (10% on B)

D. Surplus/(Deficiency)....(A - C)

Capital Adequacy Ratio

	Required		
	2007	2006	Actual
On Core Capital	5.00%	4.50%	10.68% 11.93%
On Supplementary Capital	N/A	N/A	2.46% 2.09%
On Total Capital	10.00%	9.00%	13.14% 14.02%

N.B. As per BRPD circular # 7, dated August 28, 2006 total General provision maintained against Unclassified Loans to be included in Tier-II capital as against General provision (1% of UC loans).

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	2007 Taka	2006 Taka
15 Statutory Reserve		
Balance on 1 January	828,000,000	828,000,000
Transferred from profit during the year	207,000,000	-
Balance at 31 December	1,035,000,000	828,000,000
16 Dividend Equalization Reserve		
Balance on 1 January	356,040,000	356,040,000
Transferred from profit during the year	-	-
Balance at 31 December	356,040,000	356,040,000
17 Reserve against Pre-takeover loss		
Balance on 1 January	1,554,759,750	1,554,759,750
Recoveries / adjustment during the year	-	-
Balance at 31 December	1,554,759,750	1,554,759,750
17.1	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 the clause 14 of the scheme, in 1997 a review was carried out of the recovery made against the BCCI assets and it was concluded that no repayment of the deductions need to be made to the depositors of BCCI as per the scheme. Accordingly this provision is no longer required. Therefore, it is shown as reserve against pretake over loss(Note-17.2).	
17.2 Pre-take over loss		
Balance on 1 January	1,224,349,057	1,273,388,162
Recoveries / adjustment during the year	(10,261,844)	(49,039,105)
Balance at 31 December	1,214,087,213	1,224,349,057
18 Assets revaluation reserve		
Opening balance	234,075,050	234,075,050
Addition during the year	170,940,000	-
	405,015,050	234,075,050
In line with BRPD circular No. 10 dated 25 November 2002 the Bank has revalued during 2007 of its two land located at 100 Gulshan Avenue, Dhaka measuring 26.25 kathas and 33 Agrabad C/A, Chittagong measuring 13.44 Kathas by independent valuer named M/s Asian Surveyors Limited which was duly certified by the external auditor.		
19 Treasury bill Revaluation Reserve		
Balance at the beginning of the year	12,734,774	-
Addition during the year	15,445,394	12,734,774
Adjustment made during the year	-	-
Balance at the end of the year	28,180,168	12,734,774
As per instruction/circular of Bangladesh Bank (DOS circular Letter No 10 dated 11 September 2006)		
20 Reserve for Building Fund		
Balance at the beginning of the year	60,000,000	60,000,000
Addition during the year	-	-
Adjustment made during the year	-	-
Balance at the end of the year	60,000,000	60,000,000
21 General Reserve		
Balance at the beginning of the year	100,000,000	100,000,000
Addition during the year	-	-
Adjustment made during the year	-	-
Balance at the end of the year	100,000,000	100,000,000
22 Profit and loss account		
Balance on 1st January	192,862,647	52,228,967
Adjustment relating to previous year	(53,505,613)	-
Profit for the year	418,648,150	513,233,680
Proposed dividend for the year	(351,005,184)	(372,600,000)
Transfer to statutory reserve	(207,000,000)	-
Dividend Equalization Reserve	-	-
Balance at 31st December	-	192,862,647

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	2007 Taka	2006 Taka
23 Letters of Guarantee		
Directors	1,144,980	3,094,180
Government	12,205,964	13,458,488
Banks and other financial institutions	232,400,477	243,632,581
Others	1,614,735,364	1,342,546,699
	1,860,486,785	1,602,731,948
	(66,515,691)	(47,657,394)
Margins	1,793,971,094	1,555,074,554
23.1	A case was filed by Eastern Bank Limited, successor of BCCI overseas Ltd. against National Bank Ltd.(NBL) for issue of 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 being 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 case NBL has paid TK 13,683,225 to the court being 50% of the principal decreed amount.	
23.2	A case was filed against the BCCI overseas Ltd., predecessor of Eastern Bank Ltd. (Money suit No.133/91) on 16.04.1991 for an amount of Tk 4,731,552.00 (principal plus interest upto 31.12.90). The case was awarded against the bank for paying principal amounting Tk 3,289,620 plus simple interest @ 7.5% starting from 13.02.91 till the date of payment. The Bank filed an appeal Case # 415/99 in the High Court against the decree which was dismissed in absence of proper persuasion by the then lawyer. Meanwhile the appellant of the Money suit filed an execution case No.01/06 dated 01.01.06 in the Joint District Judge Additional Artha rin Adalat for an amount of Tk 6,991,542.00 including interest upto 31.12.05 against which the Bank management has filed a misc. case no.72/06 dated 17.02.06 for waiver of the execution. A summon return date has been fixed by the Honorable Court on 24 March 2008. Additionally the Bank made another appeal for restoration of first appeal No. 415/99 which is still pending. The Honorable High court Stayed all proceeding of money execution case No.6/06 untill the settlement of the appeal. However the Bank management has decided to make necessary provision in the books of account after final settlement of the appeal.	
24 Interest income		
Interest on Advances	3,700,904,109	2,724,785,904
Interest on Money at Call and Short Notice	24,721,778	12,235,149
Interest on Placement with other Banks	66,620,273	84,697,429
Interest on Foreign Currency Balances	16,656,876	7,614,150
	3,808,903,036	2,829,332,632
25 Interest expenses		
Interest on Deposits	2,056,648,818	1,748,710,170
Interest on Borrowings	298,211,267	205,646,321
Discount	1,288	15,030
Interest on REPO	143,206,744	205,706,621
	2,498,068,117	2,160,078,142
26 Income from investments		
Dividend on Shares		
ICB shares	119,924	102,792
Redeemable Preference shares	-	5,281,041
	119,924	5,383,833
Interest on Bangladesh Bank Bills	73,748,638	13,006,262
Reverse REPO	8,025,044	95,263,967
Interest on Debentures	18,253,493	21,082,534
Interest on Treasury bills	187,079,579	243,561,707
Gain (loss) on Revaluation of Treasury bills (HFT)*	(25,622,734)	26,783,403
Bonds	244,993,598	53,525,047
Zero Coupon Bonds	259,004	573,324
	506,856,546	459,180,077
*As per instruction/circular of Bangladesh Bank (DOS circular Letter No10 dated 11 September 2006).		
27 Commission, exchange and brokerage		
Commission	274,995,726	259,515,001
Exchange gain net off exchange losses	362,095,641	433,784,545
Brokerage	-	-
	637,091,367	693,299,546

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28 Other operating income

Profit on sale of fixed assets (see Annexure-A1)
Rebate earnings
Telex charges recovered
Postage charges recovered
Fund management and statement related services
Service charges
Swift charges
Management fees
Periodic service charges
Facility service charges
Recovery of write off loans
Card income
Locker and godown rent
Miscellaneous

2007 Taka	2006 Taka
2,812,744	6,622,646
20,174,750	17,711,742
318,507	99,508
10,946,861	10,388,262
540,198	299,915
82,395,575	60,505,509
22,166,119	17,130,574
70,892,353	93,129,755
46,999,979	34,315,504
8,939,104	5,384,299
73,090,678	28,950,370
23,974,935	11,748,488
2,489,850	2,254,900
142,720	471,744
365,884,373	289,013,216
156,252,732	124,244,990
161,367,585	131,094,557
28,354,023	27,862,795
40,126,681	30,000,000
14,152,133	11,293,927
11,303,752	8,866,490
411,556,905	333,362,759
40,854,037	33,907,133
17,997,684	13,470,718
13,068,486	11,618,782
71,920,207	58,996,633
1,998,996	1,884,960
15,822,675	10,423,950
17,821,671	12,308,910
15,528,247	10,399,006
23,585,711	22,840,476
201,884	448,212
3,783,262	3,391,173
43,099,104	37,078,867
28,352,053	17,741,443
70,842,868	44,194,209
99,194,921	61,935,652
5,444,516	5,670,353
3,692,295	3,600,000
800,000	1,438,556
544,454	567,035
10,481,265	11,275,944
1,090,200	897,575
176,601	73,500
1,266,801	971,075

Each director is paid for Tk.4,000/- per Board meeting and per committee meeting.

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36 Audit Fee (including VAT)

37 Repairs, maintenance and depreciation Depreciation: (Annexure 'A')

Buildings
Machinery and equipment
Vehicles
Furniture and fixtures
Leased assets under finance lease

Repairs and maintenance

Office equipments
Vehicles
Furniture and fixtures
Rented premises- General
Rented premises-Lighting

38 Other expenses

Card expenses
Travelling expenses
Bank charges
Subscriptions
Books, periodicals and publications
Cartage/freight
Staff training expenses
Finance cost of leased ICT equipments
Entertainment
Software maintenance cost
Staff welfare expenses
Uniform and liveries
Branch operating expenses
Office securities
Direct sales team (DST) expenses
AGM expenses
Loss on sale of fixed assets (Annexure-A1)

39 Cash received from other operating activities

Rebate earnings
Telex charges recovered
Postages charges recovered
Fund management & statement related services

Service charges
Swift charges
Management fees
Periodic service charges
Facility service charges
Card Income
Locker and Godown Rent
Miscellaneous

40 Cash Paid for Other Operating activities

Other office operating expenses
Opening payable
Closing payable

2007 Taka	2006 Taka
209,424	209,000
489,276	501,817
27,477,853	17,390,586
7,497,755	6,277,508
9,928,167	5,192,522
18,318,240	18,318,240
63,711,291	47,680,673
13,747,197	12,404,276
1,386,170	1,601,440
499,944	841,082
2,579,728	3,073,426
751,939	926,393
18,964,978	18,846,617
82,676,269	66,527,290
21,502,202	7,132,606
88,843,409	72,824,308
8,260,183	576,903
5,447,998	3,506,717
1,048,371	561,595
446,965	386,017
16,919,134	7,743,107
3,701,928	5,796,494
11,538,719	8,888,541
1,365,589	5,148,124
2,629,830	3,981,056
1,725,077	594,979
320,832	377,644
12,693,846	10,132,178
35,521,180	41,639,223
1,397,332	1,193,239
204,191	-
213,566,786	170,482,731
20,174,750	17,711,742
318,507	99,508
10,946,861	10,388,263
540,198	299,915
82,395,575	60,505,509
22,166,119	17,130,574
70,892,353	93,129,755
46,999,979	34,315,504
8,939,104	5,384,299
23,974,935	11,748,488
2,489,850	2,254,900
142,720	471,743
289,980,951	253,440,200
213,566,786	170,482,731
71,896,106	437,351,055
(140,726,553)	(71,896,106)
144,736,340	535,937,680

Notes to the Financial Statements

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41 Changes in other assets

Opening Balances

Stock of stationery	11,525,699	9,124,785
Stamps on hand	681,088	-
Suspense account	11,716,375	63,305,344
Advance paid for development of land and building	28,961,032	-
Security deposits	1,883,125	1,665,125
Other account Receivable-BCCI	105,920,605	105,920,605
Advance rent and advertisement	34,246,508	22,161,697
Prepaid expenses and other prepayments	79,513,246	56,106,186
Deferred tax assets	-	7,877,181
Bangladesh Bank Clearing Account	27,304,941	-
Inter branch & Inter system Accounts	6,604,870	-
Inter branch cash transfer account (Net)	3,007,141	106,323,394
	311,364,630	372,484,317

Closing Balances

Stock of stationery	9,203,391	11,525,699
Stamps on hand	509,203	681,088
Suspense account	9,599,100	11,716,375
Advance paid for development of land and building	28,961,032	28,961,032
Security Deposits	4,467,767	1,883,125
Other account Receivable-BCCI	105,920,605	105,920,605
Advance rent and advertisement	81,232,199	34,246,508
Prepaid expenses and other prepayments	98,653,619	79,513,246
Bangladesh Bank Clearing Account	13,817,985	27,304,941
Inter branch & Inter system Accounts	-	6,604,870
Inter branch cash transfer account (Net)	7,132	3,007,141
	352,372,033	311,364,630

Net Changes in other assets

(41,007,403) **61,119,687**

42 Changes in other Liabilities

Opening Balances	70,875,288	38,980,002
Privileged creditor	229,636,168	37,837,189
Acquirer liabilities	59,599,667	69,439,331
Sundry creditors	473,600,542	468,611,894
Miscellaneous creditors	22,628,988	22,628,988
Exchange Equalization Account	6,782,244	4,842,304
Internal suspense	189,603,161	117,359,720
Interest suspense	179,000	179,000
Provision for other assets	-	34,361,950
Provision for gratuity	61,006,158	38,151,120
Expense payable	40,889,948	39,919,935
Miscellaneous payable	2,199,039	7,321,887
Deferred tax liability	7,321,887	60,827,480
BCCI liability payable	42,727,018	1,650
Obligation under Finance Lease	1,650	-
SIA Insurance premium	-	-
Un-earned Interest income	1,207,050,758	940,462,450

1,207,050,758 **940,462,450**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

Closing Balances

Privileged creditor	80,587,214	70,875,288
Acquirer liabilities	18,898,409	229,636,168
Sundry creditors	75,887,814	59,599,667
Miscellaneous creditors	428,947,711	473,600,542
Exchange Equalization Account	22,628,988	22,628,988
Internal suspense	9,415,137	6,782,244
Interest suspense	189,517,130	189,603,161
Provision for other assets	179,000	179,000
Provision for gratuity	-	-
Expense payable	72,212,858	61,006,158
Miscellaneous payable	68,513,695	40,889,948
Deferred tax liability	8,635,282	2,199,039
BCCI Liability payable	7,321,887	7,321,887
Obligation under Finance Lease	22,531,990	42,727,018
SIA Insurance premium	1,650	1,650
	1,005,278,764	1,207,050,758
	(201,771,994)	266,588,308

Net changes in other liability

43 Business Segment wise revenue during the year is as follows:

Figures in million BDT

	Business Segments				
Head of Income/ Expenses	Corporate	Consumer	SME	Treasury	Total
Interest Income from Loan	2,875.90	558.41	266.60	-	3,700.91
Interest Income from Investment	-	-	-	506.86	506.86
Interest Income from Placement	-	-	-	108.00	108.00
Total	2,875.90	558.41	266.60	614.86	4,315.77
Interest Expenses for Deposits	717.95	1,301.14	37.56	-	2,056.65
Interest Expenses for Borrowing	-	-	14.27	427.15	441.42
Total	717.95	1,301.14	51.83	427.15	2,498.07
Net Interest Income (NII) before TP*	2,157.95	(742.73)	214.77	187.71	1,817.70
Net TP income (expenses)	(1,331.85)	924.47	(79.50)	486.88	-
NII after TP	826.10	181.74	135.27	674.59	1,817.70
Fees and Commission	442.34	73.01	47.13	-	562.48
FX Income	-	-	-	362.09	362.09
Other Operating Income	62.50	2.53	10.56	2.82	78.41
Total Revenue	1,330.94	257.28	192.96	1,039.50	2,820.68

*To determine business segment wise revenue, we use transfer pricing (TP). TP income or expenses have been calculated based on tenor wise average loans, deposits and borrowings of the respective business segments for a certain period. TP rate has been determined using the T-bill rate of the respective tenor plus 100 basis point as determined by ALCO from time to time.

44 Events after the balance sheet date

No material events had occurred after the balance sheet date to the date of issue of these Financial Statements, which could substantially affect the values stated in the Financial Statements or require adjustments in the Financial Statements.


Managing Director


Director


Director


Chairman

Annexure - A

Schedule of Fixed Assets

AS AT 31 DECEMBER 2007

Particulars	Cost					Depreciation				Net book value at 31 December 2007 Taka
	Balance on 01 January 2007 Taka	Revaluation Gain Taka	Additions during the year Taka	Disposals during the year Taka	Balance at 31 December 2007 Taka	Balance on 1 January 2007 Taka	Charge for the year Taka	On disposals during the year Taka	Balance at 31 December 2007 Taka	
Freehold Land and Land Development	329,700,000	170,940,000	34,666,650	-	535,306,650	-	-	-	-	535,306,650
Building on freehold land	21,592,280	-	-	-	21,592,280	2,021,335	489,276	-	2,510,611	19,081,669
Machinery and Equipment	172,205,807	-	91,534,867	-	263,740,674	69,884,300	27,477,853	-	97,362,153	166,378,521
Vehicles	47,588,146	-	9,520,000	(6,782,704)	50,325,442	24,022,241	7,497,755	(6,782,698)	24,737,298	25,588,144
Furniture and fixtures	92,042,600	-	48,671,406	(762,118)	139,951,888	23,864,536	9,928,167	(435,375)	33,357,328	106,594,560
Leased Assets under Finance Lease	91,591,169	-	-	-	91,591,169	54,954,730	18,318,240	-	73,272,970	18,318,199
At 31 December 2007	754,720,002	170,940,000	184,392,923	(7,544,822)	1,102,508,103	174,747,142	63,711,291	(7,218,073)	231,240,360	871,267,743
At 31 December 2006	629,485,718	-	139,293,010	(14,058,726)	754,720,002	140,700,325	47,680,673	(13,633,856)	174,747,142	579,972,860

Annexure - A1

Schedule of Fixed Assets Disposals

AS AT 31 DECEMBER 2007

	Cost Taka	Accumulated Depreciation Taka	Net book value Taka	Sales Value Taka	Gain/ (Loss) Taka	Mode of Disposal	Buyer/ Highest bidder
Furniture and fixtures	762,118	435,375	326,743	122,552	(204,191)	Quotation	M/s Biplob Trading & Furnitures
Loss	762,118	435,375	326,743	122,552	(204,191)		
Vehicles:							
Car	745,000	744,999	1	446,000	445,999	Tender	Ms Safina Nasreen
Car	745,000	744,999	1	159,500	159,499	Do	Mr Jashim Uddin
Car	745,000	744,999	1	499,500	499,499	Do	Mr Ashraful Islam
Car	832,704	832,703	1	557,750	557,749	Do	M/s Everway Yarn Dying Ltd.
Car	990,000	989,999	1	250,000	249,999	Do	Mr A T M Masudur Rahman
Car	2,725,000	2,724,999	1	900,000	899,999	Do	Mr Md Faruque Hossain
Gain	6,782,704	6,782,698	6	2,812,750	2,812,744		
Grand Total (Gain)	7,544,822	7,218,073	326,749	2,935,302	2,608,553		

* For detail see "Annexure-A"

Annexure - B

AS AT 31 DECEMBER 2007 Balance with other Banks and Financial Institutions

Outside Bangladesh - Note-5.2

2007			2006		
Currency Name	Amount in Foreign Currency	Conversion rate per unit F.C.	Amount in BDT.	Amount in Foreign Currency	Conversion rate per unit F.C.
<i>In demand deposit account (non interest bearing) with:</i>					
The Bank of Tokyo Mitsubishi, Newyork	-	-	-	-	69.07
The Bank of Tokyo Mitsubishi, Tokyo	-	-	-	-	0.58
The Bank Tokyoyo Mitsubishi, Tokyo	130,602	0.61	79,576	454,521	0.58
The Bank of Tokyo Mitsubishi, Kolkata	50,000	68.57	3,428,640	50,000	69.07
The Bank of Tokyo Mitsubishi, London	66,085	136.73	9,036,026	64,352	135.35
Standard Chartered Bank, Kolkata	81,619	68.57	5,596,850	4,339	69.07
Standard Chartered Bank, Colombo	67,644	68.57	4,638,532	25,936	69.07
Standard Chartered Bank, London	216,733	100.93	21,873,893	(14,724)	91.19
Standard Chartered Bank, Singapore	5,144	47.40	243,848	6,607	45.05
Standard Chartered Bank, New york	1,634,473	68.57	112,080,411	1,453,144	69.07
WEST LB (GERMANY)	-	-	-	-	-
Citibank N.A, Newyork	(779,873)	68.57	(53,478,100)	611,468	69.07
Citibank N.A, Mumbai	1,575	68.57	108,030	1,370	69.07
Nepal Bangladesh Bank Ltd.	6,376	68.57	437,216	6,676	69.07
AB Bank Limited, Mumbai	3,533	68.57	242,275	4,487	69.07
Bank of Bhutan	6,645	68.57	455,677	4,158	69.07
Rupali Bank, Karachi (ACU)	-	-	-	-	0.00
Mashreqbank, Newyork	470,367	68.57	32,254,360	(49,526)	69.07
JP Morgan Chase Bank NY	(99,672)	68.57	(6,834,759)	143,986	69.07
The Bank of Nova Scotia, Toronto	(504)	69.97	(35,267)	3,221	59.28
JP Morgan Chase Bank NA, Sydney	(4,330)	60.00	(259,804)	12,012	54.53
American Express Bank, NY	661,905	68.57	45,388,659	14,428	69.07
Zurcher Kantonal Bank (ZKB,Zurich)	1,208	60.84	73,494	-	-
National Commercial Bank KSA	25,000	18.30	457,493	-	-
BB USD (CLG)	-	0.00	-	-	0.00
Wachovia Bank NA New York	167,489	68.57	11,485,207	230,367	69.07
Union Bank of California, NY	-	-	-	-	0.00
ICICI Bank ACU	85,578	68.57	5,868,320	(448,175)	69.07
NDLC-IFIC Bank (NIB) Pakistan	9,156	68.57	627,818	2,165	69.07
HSBC - New york USA	(836)	68.57	(57,351)	324,882	69.07
Commerz Bank AG, Frankfurt, Germany	35,708	100.93	3,603,877	18,887	91.19
PlACEMENT to OBU	967,540	68.57	66,346,927	500,500	69.07
Total			263,661,848		209,418,539
Grand total			263,661,848		209,418,539

Annexure - C

iv) Related Party Transactions :

The Bank in normal course of business has 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.					
The significant Related party transactions during the year were as follows:					
Name of the organisation	Representing Directors	Nature of Transaction	Outstanding as on 1st Jan 2007	Transactions Debit (Tk)	Outstanding as on 31-Dec-07
Unique Enterprise	Mr. Noor Ali (Ex-Director of Eastern Bank Ltd.)	LG (Revolving)	787,360	-	787,360
MSIC Textiles Ltd	Mr Zahidul Islam Chowdhury (Ex-Director of Eastern Bank Ltd)	Term Loan OD	5,467,756 206,895	1,302,048 206,895	4,165,708 -
SAARC Enterprise	Mr Adnanul Islam Chowdhury brother of Mr Zahidul Islam Chowdhury, Ex-Director Eastern Bank Ltd	OD LG Term Loan Demand Loan	5,187,304 2,000,000 3,732,510 -	2,033,785 2,000,000 3,732,510 -	3,153,519 - - 7,500,000
Z.N. Shipping Lines	Mr Md Showkat Ali Chowdhury, Director Eastern Bank Limited	LG	113,920	-	113,920
Z.N. Enterprise	Do	LG	192,900	-	192,900
			15,688,645	7,500,000	9,275,238
			15,913,407		

Statement of Large Loan Outstanding

Annexure - D

AS AT 31 DECEMBER, 2007

Figures in crore BDT						
SI No	Name of the Customer	Outstanding As on 31.12.2007			2006	Remarks
		Funded	Non Funded	Total		
1	Abrar Steel	8.43	-	8.43	33.20	
2	Patenga Builders Corporation	4.80	-	4.80	0.79	
3	Abul Khair Limited	29.42	7.92	37.34	35.08	
4	Shah Dairy Products Ltd.	-	4.31	4.31	-	
5	A.K Corporation Ltd.	-	0.49	0.49	0.49	
6	Abul Khair Steel Products Ltd.	-	0.32	0.32	0.32	
7	Crown Agency	-	0.44	0.44	-	
8	Abul Khair Steel Industries Ltd.	-	0.12	0.12	-	
9	Abul Khair Steel Mills Ltd.	-	2.35	2.35	-	
10	Romana Enterprise	-	0.34	0.34	-	
11	Ahmed Muztaba Steel Ind.	29.75	-	29.75	41.90	
12	Silvia Travels International	-	0.05	0.05	0.05	
13	AK Khan Co. Ltd	-	0.05	0.05	0.05	
14	A.K Trading	-	0.24	0.24	0.24	
15	Infocom Limited	-	-	-	2.23	
16	T M International BD Ltd.	21.74	14.66	36.40	122.60	
17	Hossain Dying & printing mills Ltd.	24.34	2.97	27.31	25.56	
18	Mehmud Industries Ltd.	12.33	2.27	14.60	18.69	
19	Apex Lingerie Limited	8.04	9.09	17.13	19.24	
20	Apex Spinning & knitting Mills Ltd.	9.08	23.30	32.38	39.07	
21	Appollo Ispat Complex Ltd	26.34	12.72	39.06	39.42	
22	S. Co. Steel Ltd	13.05	-	13.05	13.20	
23	Ashik Composite Textile Mills Limited	54.12	9.97	64.09	20.22	
24	BRAC	45.92	-	45.92	46.00	
25	DAF Packaging Ind. Ltd.	7.89	1.18	9.07	9.29	
26	Delhi Aluminium Factory Ltd	1.56	0.04	1.60	1.54	
27	Fortune Apparels Ltd	3.66	8.00	11.66	9.61	
28	ATS Apparels Ltd.	3.65	21.72	25.37	19.10	
29	DAF CTG Accessories Ltd.	1.58	-	1.58	2.12	
30	DAF Knitwears Ltd	4.56	9.74	14.30	-	
31	Electroventure Ltd.	31.89	2.69	34.58	-	
32	Trade Venture Ltd.	-	0.13	0.13	-	
33	Techno Venture Ltd.	6.99	14.25	21.24	-	
34	Epyllion Knit Wears Limited	14.31	49.31	63.62	45.95	
35	Epyllion Style Limited	33.86	6.20	40.06	37.70	
36	Alfa Textiles Ltd.	2.31	13.10	15.41	-	
37	Esquire Knit Composite Ltd.	31.87	7.74	39.61	1.56	
38	FS Sweater Ltd.	45.49	49.60	95.09	89.21	
39	Grameen Phone Limited	54.12	70.14	124.26	40.48	
40	Golden Horizon Limited	24.05	17.21	41.26	28.91	
41	Mens Fashion Ltd.	17.45	12.57	30.02	-	
Page Total		572.60	375.23	947.83	743.82	

Statement of Large Loan Outstanding

Annexure - D

AS AT 31 DECEMBER, 2007

Figures in crore BDT						
SI No	Name of the Customer	Outstanding As on 31.12.2007			2006	Remarks
		Funded	Non Funded	Total		
42	Jalal Ahmed Spinning Mills Ltd.	21.78	5.04	26.82	24.77	
43	KYCR Coil Industries Ltd.	23.83	-	23.83	32.65	
44	KDS Apparels Ltd.	6.89	26.96	33.85	30.74	
45	Liberty Fashion Wears Ltd	31.47	42.17	73.64	71.41	
46	Malek Spinning Mills Ltd	25.76	19.96	45.72	60.36	
47	ASA	12.93	-	12.93	-	
48	Kazi Farms Ltd.	7.78	1.19	8.97	-	
49	Modern Corporation	36.61	-	36.61	-	
50	Masud & Brothers	2.39	-	2.39	-	
51	Modern Ploy Ind. Ltd	4.86	1.18	6.04	5.60	
52	Modern fibre Industries Ltd.	18.65	-	18.65	6.26	
53	Mohd. Ellias Bros (Pvt) Ltd.	43.03	13.88	56.91	53.02	
54	MEB Sheet Glass Industries Ltd.	-	0.50	0.50	-	
55	MEB Brick Industries Ltd.	-	0.02	0.02	-	
56	Bangladesh Soap Factory	-	0.01	0.01	-	
57	MEB Paper - Board Mills Ltd	-	0.03	0.03	-	
58	Mostafa Steel Galv. Plant Ltd.	-	5.69	5.69	8.12	
59	Mostafa Shrimp Products Ltd.	6.30	-	6.30	7.45	
60	M.M Shipbreaker Ltd.	5.26	4.69	9.95	25.90	
61	Mustard Traders	31.66	1.00	32.66	29.85	
62	Dress Designers Ltd.	2.02	-	2.02	1.78	
63	Northern Corporation Ltd	8.54	26.93	35.47	30.00	
64	Northern Fashion Ltd	26.10	1.91	28.01	21.98	
65	Opex Industries Limited	8.46	-	8.46	16.70	
66	PHP Corporation Ltd.	4.27	-	4.27	-	
67	Design Makers Ltd.	4.84	9.66	14.50	-	
68	Sinha Designers Ltd	16.61	0.07	16.68	12.91	
69	Pacific (BD) Telecom limited	41.26	5.47	46.73	47.36	
70	Bay Terminal Distribution Co	-	0.05	0.05	0.05	
71	PHP Steels Ltd. *	32.76	-	32.76	34.51	
72	Rahim Afrooz Batteries Ltd.	21.52	6.11	27.63	-	
73	Rahim Afrooz Renewable Energy Ltd.	11.16	4.92	16.08	-	
74	Paradise Spinning Mills Ltd	40.09	25.49	65.58	62.69	
75	Popular Diagnostic Center Ltd.	37.34	1.79	39.13	36.12	
76	Nuvista Pharma Ltd.	28.00	9.21	37.21	-	
77	Sharp Travels Ltd.	-	0.30	0.30	-	
78	Consolidated Trading & Mfg Co. Ltd.	0.14	0.15	0.29	0.51	
79	Rangs Electronics Limited	16.92	1.34	18.26	18.42	
80	Rangs Medicine Ltd.	7.09	0.09	7.18	7.19	
81	REL Motors Ltd.	3.56	0.15	3.71	-	
82	White Produtcs Electronics Ltd.	16.89	0.79	17.68	12.03	
83	Artistic Design Ltd.	-	-	-	6.51	
84	Ha Meem Denim Ltd	26.01	21.35	47.36	20.14	
85	Square Cephal Osporins Ltd	3.43	-	3.43	5.56	
86	Square Fashions Ltd.	3.78	25.50	29.28	24.43	
87	Square Pharmaceuticals Ltd.	5.49	3.15	8.64	10.11	
88	Sheba Telecom (Pvt.) Ltd.	13.05	81.82	94.87	118.47	
Page Total		658.53	348.57	1,007.10	843.60	

Statement of Large Loan Outstanding

Annexure - D

AS AT 31 DECEMBER, 2007

Figures in crore BDT						
SI No	Name of the Customer	Outstanding As on 31.12.2007			2006	Remarks
		Funded	Non Funded	Total		
89	Rastas Apparels Ltd	-	0.02	0.02	-	
90	Square Knit Fabrics Ltd.	20.00	-	20.00	-	
91	Siams Superior Ltd	-	24.82	24.82	34.27	
92	Sea Tex Limited	11.57	21.08	32.65	39.59	
93	Seaham Trading	6.77	-	6.77	4.44	
94	Super Oil Refinery Ltd.	44.12	-	44.12	22.45	
95	Bengal Sack Corporation	-	0.03	0.03	-	
96	M.N. Corporation	-	0.09	0.09	-	
97	M. U. Enterprise	-	0.17	0.17	-	
98	Marshal Oil Ltd (Unit-2)	-	0.44	0.44	-	
99	Multi Oil Refinery Ltd.	-	2.28	2.28	-	
100	Bangladesh Lamps Ltd.	6.94	1.48	8.42	9.72	
101	Media Star Ltd.	13.29	6.79	20.08	13.68	
102	Transcom Beverage Ltd.	3.20	5.27	8.47	14.44	
103	Transcom Ltd.	5.20	-	5.20	-	
104	Eskayef Bangladesh Ltd.	8.84	-	8.84	13.61	
105	Tusuka Processing Ltd.	13.85	2.47	16.32	11.09	
106	Tusuka Trousers Ltd.	6.72	47.87	54.59	57.21	
107	Tanveer Dal Mill-Flour Mills Ltd	2.56	23.88	26.44	-	
108	United Edible Oils Ltd.	1.29	18.00	19.29	2.97	
109	United Suger Mills Ltd.	8.66	-	8.66	70.88	
110	Warid Telecom International Ltd.	19.06	-	19.06	-	
111	Rising Steel Ltd.	60.83	-	60.83	-	
112	Rising Spinning Mills Ltd.	11.48	7.95	19.43	-	
113	Ziri Subader Steel Rerolling Mills	29.70	-	29.70	-	
114	Opex Style Wear Ltd.	11.62	13.89	25.51	-	
115	Kazi Grand Parents Ltd.	5.71	14.26	19.97	-	
116	Viyellatex Spinning Ltd	42.85	20.66	63.51	73.26	
	Page Total	334.26	211.45	545.71	367.61	
	Grand Total	1,565.39	935.25	2,500.64	1,955.03	

* PHP Steels Ltd. Is enjoying credit facility of PHP Corporation Ltd.

Highlights on the overall activities

Annexure - E

FOR THE YEAR ENDED 2007

SI No	Particulars		2007	2006
1	Paid up Capital	Taka	1,035,000,000	828,000,000
2	Total Capital (Tier-I & II)	Taka	4,033,769,180	3,605,722,983
3	Surplus/ (Shortage) Capital	Taka	965,060,191	1,290,853,725
4	Total Assets	Taka	42,579,485,856	35,970,642,294
5	Total Deposits	Taka	30,091,769,096	25,699,778,708
6	Total Loans and Advances	Taka	30,961,802,829	26,007,863,928
7	Total Contingent Liabilities	Taka	13,338,657,991	14,372,896,474
8	Loans and Deposits Ratio	%	102.89	101.20
9	% of Classified loans against total loans and advances	%	4.31	3.79
10	Profit after tax and provisions	Taka	419,142,203	513,197,847
11	Classified loans for the year	Taka	1,333,706,052	985,761,224
12	Provision held against classified loans	Taka	659,691,825	393,879,956
13	Surplus of provision	Taka	-	45,123,137
14	Cost of Fund	%	7.64	8.26
15	Interest bearing assets	Taka	38,874,508,739	32,751,377,868
16	Non-interest bearing assets	Taka	3,704,977,117	3,219,264,426
17	Return on aseets	%	1.07	1.62
18	Income from investments	Taka	506,856,546	459,180,077
19	Return on Investment (ROI)	%	11.42	16.07
20	Earning per share	Taka	40.50	49.58
21	Revenue per share	Taka	272.68	254.99
22	Price earning ratio	Times	26.44	24.66

AUDITORS' REPORT 2007

OFFSHORE BANKING UNIT, BANGLADESH

Auditors' Report

TO THE SHAREHOLDERS

We have audited the accompanying balance sheet of the Offshore Banking Unit, Bangladesh of Eastern Bank Limited as of 31 December 2007 and the related profit and loss account and cash flow statement for the year then ended together with the notes 1 to 17 annexed thereto. The preparation of these Financial Statements is the responsibility of the Bank's management. Our responsibility is to express an independent 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 plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Financial Statements prepared in accordance with Bangladesh Accounting Standards (BAS) give a true and fair view of the state of the affairs of Offshore Banking Unit as on 31 December 2007 and of the results of its operations and its cash flows for the year then ended and comply with the Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994 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 together with the annexed notes 1 to 17 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) read in conjunction with the notes to the Financial Statements, the financial position of the unit at 31 December 2007 and the profit for the year then ended have been properly reflected in the Financial Statements; and the Financial Statements have been prepared in accordance with the generally accepted accounting principles;
- vi) we have reviewed over 80% of the risk weighted assets of the unit;
- vii) the Financial Statements 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;
- viii) 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; and
- ix) the information and explanations required by us have been received and found satisfactory.

Dhaka, 30 April, 2008

Hoda Vasi Chowdhury
Hoda Vasi Chowdhury & Co
Chartered Accountants


Balance Sheet
AS AT 31 DECEMBER 2007


Note	2007		2006	
	US\$	Taka	US\$	Taka
PROPERTY AND ASSETS				
CASH				
In hand (including foreign currencies)	-	-	-	-
With Bangladesh Bank (including foreign currencies)	-	-	-	-
BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (ON CURRENT AND OTHER ACCOUNTS) :				
3				
In Bangladesh	-	-	-	-
Outside Bangladesh	92,803.81	6,363,817	27,894.50	1,926,536
	92,803.81	6,363,817	27,894.50	1,926,536
MONEY AT CALL AND SHORT NOTICE				
	-	-	-	-
INVESTMENT				
	-	-	-	-
LOANS AND ADVANCES:				
4				
i) Loans, cash credits, overdrafts, etc. :				
In Bangladesh	963,888.53	66,096,535	490,590.00	33,882,648
Outside Bangladesh	-	-	-	-
	963,888.53	66,096,535	490,590.00	33,882,648
ii) Bills purchased and discounted (excluding treasury bills of the Government) :				
Payable in Bangladesh	-	-	-	-
Payable outside Bangladesh	-	-	-	-
	-	-	-	-
	963,888.53	66,096,535	490,590.00	33,882,648
FIXED ASSETS				
	-	-	-	-
OTHER ASSETS				
5				
	-	-	-	-
NON-BANKING ASSETS				
	-	-	-	-
TOTAL ASSETS				
	1,056,692.34	72,460,352	518,484.50	35,809,184


Balance Sheet


Note	2007		2006	
	US\$	Taka	US\$	Taka
CAPITAL AND LIABILITIES				
BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS				
6				
Bangladesh Bank	-	-	-	-
Other:				
In Bangladesh	967,540.00	66,346,927	500,500.00	34,567,083
Outside Bangladesh	-	-	-	-
	967,540.00	66,346,927	500,500.00	34,567,083
	967,540.00	66,346,927	500,500.00	34,567,083
DEPOSITS AND OTHER ACCOUNTS :				
7				
Current deposits and other accounts	72.70	4,985	516.89	35,699
Term deposits	-	-	-	-
	72.70	4,985	516.89	35,699
OTHER LIABILITIES				
8				
Proposed Dividend	76,030.49	5,213,624	11,623.28	802,762
Retained Earnings brought forward from profit & loss account	1,043,643.19	71,565,536	512,640.17	35,405,544
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,056,692.34	72,460,352	518,484.50	35,809,184
Off balance sheet items:				
Contingent liabilities:				
Acceptance and endorsements	59,600.00	4,086,939	294,280.00	20,324,478
Letter of guarantee - Banks	-	-	-	-
Letter of guarantee - Others	-	-	-	-
Bills for collection	-	-	-	-
Irrevocable letters of credit	-	-	-	-
Other Commitments	-	-	-	-
	59,600.00	4,086,939	294,280.00	20,324,478

These Financial Statements should be read in conjunction with the annexed notes


Managing Director


Director


Director


Chairman

Auditors' Report to the Shareholders
See annexed report of date

Dhaka, 30 April, 2008


Hoda Vasi Chowdhury & Co.
Chartered Accountants

Profit and Loss Account
FOR THE YEAR ENDED 31 DECEMBER 2007

		2007		2006	
	Note	US\$	Taka	US\$	Taka
Interest income	9	85,401.60	5,856,227	6,238.04	430,831
Interest paid on deposits and borrowings	10	64,479.00	4,421,506	1,882.86	130,040
Net interest income		20,922.60	1,434,721	4,355.18	300,791
Commission, exchange and brokerage	11	1,351.32	92,664	3,489.30	240,989
Other Operating Income	12	459.00	31,475	509.00	35,154
Total operating income		22,732.92	1,558,860	8,353.48	576,934
Less: Operating expenses	13	486.00	33,326	377.00	26,038
Profit before provision		22,246.92	1,525,534	7,976.48	550,896
Less :Provision for unclassified Loans and Advances (Including provision for off Balance Sheet items)		5,030.99	344,990	4,905.90	338,826
Profit before income tax		17,215.93	1,180,544	3,070.58	212,070
Less. Provision for income tax		10,011.11	686,491	3,589.42	247,903
Net Profit after taxation		7,204.82	494,053	(518.84)	(35,833)
Balance of Profit brought forward from previous year		5,844.33	403,640	6,363.17	439,473
Effect of changes in exchange rate		-	(2,877)	-	-
Retained Earnings carried forward		13,049.15	894,816	5,844.33	403,640
Retained earnings transferred to Main operation (For appropriation)		(13,049.15)	(894,816)	-	-
		-	-	5,844.33	403,640

These Financial Statements should be read in conjunction with the annexed notes


Managing Director


Director


Director


Chairman

Auditors' Report to the Shareholders
See annexed report of date

Dhaka, 30 April, 2008


Hoda Vasi Chowdhury & Co.
Chartered Accountants

Cash Flow Statement
FOR THE YEAR ENDED 31 DECEMBER 2007

Note	2007		2006	
	US\$	Taka	US\$	Taka
A) Cash flow from operating activities				
Interest Income	85,401.60	5,856,227	6,238.04	430,831
Interest paid	(64,479.00)	(4,421,506)	(1,882.86)	(130,040)
Received from other operating activities	15	1,810.32	124,139	3,998.30
Paid for operating expenses	16	(486.00)	(33,326)	(377.00)
Operating profit before changes in operating assets and liabilities		22,246.92	1,525,534	7,976.48
(Increase)/decrease in operating assets:				
Loan and advances to customers	(473,298.53)	(32,455,406)	(442,137.71)	(30,536,285)
Other Assets	-	-	-	-
Increase/(decrease) in operating liabilities:				
Effect of Changes in exchange rate	-	(13,733)	-	-
Deposits from Banks	-	-	-	-
Customers' deposits and other accounts	(444.19)	(30,459)	(42,522.93)	(2,936,850)
Borrowing from other banks and financial institutions	467,040.00	32,026,241	500,500.00	34,567,082
Other liabilities	49,365.11	3,385,104	1,882.86	130,040
	42,662.39	2,911,747	17,722.22	1,223,987
Net cash provided from operating activities	64,909.31	4,437,281	25,698.70	1,774,883
B) Cash flow from investing activities	-	-	-	-
C) Cash flow from financing activities				
Profit remitted to Head Office	-	-	-	-
D) Net increase in cash and cash equivalent (A+B+C)	64,909.31	4,437,281	25,698.70	1,774,883
E) Opening cash and cash equivalent	27,894.50	1,926,536	2,195.80	151,653
F) Closing cash and cash equivalent (D+E)	92,803.81	6,363,817	27,894.50	1,926,536
G Closing cash and cash equivalents	14			
Cash In hand (including foreign currencies)	-	-	-	-
Balances with Bangladesh Bank and its agent bank (s)	-	-	-	-
Balances with other Banks and Financial Institutions	92,803.81	6,363,817	27,894.50	1,926,536
Money at call and short notice	-	-	-	-
Prize bonds	-	-	-	-
	92,803.81	6,363,817	27,894.50	1,926,536


Managing Director


Director


Director


Chairman

Statement of Liquidity in US Dollar

(MATURITY ANALYSIS OF ASSETS AND LIABILITIES)

AS AT 31 DECEMBER 2007

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
	US \$	US \$	US \$	US \$	US \$	US \$
ASSETS						
Cash in hand	-	-	-	-	-	-
Balance with other banks and financial institutions	92,803.81	-	-	-	-	92,803.81
Money at call and short notice	-	-	-	-	-	-
Investment in Treasury Bills & others	-	-	-	-	-	-
Loans & advances to customers	92.00	651,000.00	312,796.53	-	-	963,888.53
Fixed assets	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Non-banking assets	-	-	-	-	-	-
Total Assets	92,895.81	651,000.00	312,796.53	-	-	1,056,692.34
LIABILITIES						
Borrowings from other banks & financial institutions	-	-	967,540.00	-	-	967,540.00
Deposits & other accounts	72.70	-	-	-	-	72.70
Other liabilities	-	52,493.00	23,537.49	-	-	76,030.49
Total Liabilities	72.70	52,493.00	991,077.49	-	-	1,043,643.19
Net Liquidity Difference	92,823.11	598,507.00	(678,280.96)	-	-	13,049.15

Statement of Liquidity in BDT

(MATURITY ANALYSIS OF ASSETS AND LIABILITIES)

AS AT 31 DECEMBER 2007

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
	Taka	Taka	Taka	Taka	Taka	Taka
ASSETS						
Cash in hand	-	-	-	-	-	-
Balance with other banks and financial institutions	6,363,817	-	-	-	-	6,363,817
Money at call and short notice	-	-	-	-	-	-
Investment in Treasury Bills & others	-	-	-	-	-	-
Loans & advances to customers	6,309	44,640,892	21,449,334	-	-	66,096,535
Fixed assets	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Non-banking assets	-	-	-	-	-	-
Total Assets	6,370,126	44,640,892	21,449,334	-	-	72,460,352
LIABILITIES						
Borrowings from other banks & financial institutions	-	-	66,346,927	-	-	66,346,927
Deposits & other accounts	4,985	-	-	-	-	4,985
Other liabilities	-	3,599,592	1,614,032	-	-	5,213,624
Total Liabilities	4,985	3,599,592	67,960,959	-	-	71,565,536
Net Liquidity Difference	6,365,141	41,041,300	(46,511,625)	-	-	894,816

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

- 1

Nature of business
Offshore banking Unit is a separate business unit of Eastern Bank Limited, governed under the Rules & Guidelines of Bangladesh Bank. The Bank obtained the Offshore Banking Unit permission vide letter no. BRPD(p)744/(89)/2004-303 dated January 25, 2004. The Bank commenced the operation of its Offshore Banking unit from May 19, 2004 and its office is located at 10, Dilkusha C/A (2nd floor) Dhaka.
- 2

Significant Accounting policy
- 2.1

Basis of accounting:
The Unit maintains its accounting records in USD from which accounts are prepared according to the Bank Companies Act 1991, Bangladesh Accounting Standards and other applicable directives issued by Bangladesh Bank.
- 2.2

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)

Interest is calculated on a daily product basis but charged and accounted for quarterly on accrual basis.

c)

Provision for Loans and Advances is made on the basis of period end review by the management and of instructions contained in Bangladesh BRPD circular 19 & 20 dated December 2005.
- 2.3

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 fee have not been separately accounted for in the Financial Statements.
- 2.4

Provision for income tax has been made @ 45% on accounting profit without considering possible add-backs and allowable items.

3	Balance with other Banks and Financial Institutions	2007		2006	
		USD	Taka	USD	Taka
	Inside Bangladesh	-	-	-	-
	Standard Chartered Bank, New york	92,803.81	6,363,817	27,894.50	1,926,536
	(For detail see Annexure - A)	92,803.81	6,363,817	27,894.50	1,926,536
3.1 Balance with other banks and financial institutions (according to remaining maturity grouping)					
	<i>Payable :</i>				
	On demand	92,803.81	6,363,817	27,894.50	1,926,536
	In not more than one month	-	-	-	-
	In more than one months but not more than three month	-	-	-	-
	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	-	-	-	-
		92,803.81	6,363,817	27,894.50	1,926,536
4 Loans and advances					
4.1 Loans, Cash Credit, Overdraft etc.					
4.1.1 Inside Bangladesh					
	Loans	963,888.53	66,096,535	490,590.00	33,882,648
	Cash Credit	-	-	-	-
	Overdraft	-	-	-	-
		963,888.53	66,096,535	490,590.00	33,882,648
4.1.2 Outside Bangladesh					
		-	-	-	-
		963,888.53	66,096,535	490,590.00	33,882,648
4.2 Bills purchased and discounted:					
4.2.1 Inside Bangladesh					
	Import bills	-	-	-	-
	Export bills	-	-	-	-
4.2.2 Outside Bangladesh					
		-	-	-	-
		963,888.53	66,096,535	490,590.00	33,882,648

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2007

4.3	Maturity grouping of loans and advances including bills discounted and purchased	2007		2006	
		USD	Taka	USD	Taka
	Payable on demand	92.00	6,309	-	-
	Less than three months	651,000.00	44,640,893	425,000.00	29,352,668
	More than three months but less than 1 year	312,796.53	21,449,333	65,590.00	4,529,980
	More than 1 year but less than 5 years	-	-	-	-
		963,888.53	66,096,535	490,590.00	33,882,648
4.4 Maturity analysis of bills purchased and discounted					
	Within 1 month	-	-	-	-
	More than 1 month but less than 3 months	-	-	-	-
	More than 3 months but less than 6 months	-	-	-	-
		-	-	-	-
4.5 Loans and Advances on the basis of Significant Concentration					
4.5.1 Loans and Advances to Directors, Executive and Others					
	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	963,888.53	66,096,535	490,590.00	33,882,648
		963,888.53	66,096,535	490,590.00	33,882,648
4.6 Industry-wise Concentration of loans and advances					
	Commercial and Trading	-	-	-	-
	Importer of Commodity	-	-	-	-
	Construction	-	-	-	-
	Edible Oil Refinery Industry	-	-	-	-
	Electronics Goods	-	-	-	-
	Individuals	-	-	-	-
	Pharmaceuticals Industries	-	-	-	-
	Readymade Garments Industry	963,888.53	66,096,535	490,590.00	33,882,648
	Ship Breaking Industries	-	-	-	-
	Industries for Steel products	-	-	-	-
	Telecommunication Sector	-	-	-	-
	Textile Mills	-	-	-	-
	Others	-	-	-	-
		963,888.53	66,096,535	490,590.00	33,882,648
4.7 Geographical location-wise concentration of Loans and advances					
	<i>Inside Bangladesh</i>				
	Dhaka Division	-	-	-	-
	Chittagong Division	963,888.53	66,096,535	490,590.00	33,882,648
	Khulna Division	-	-	-	-
	Rajshahi Division	-	-	-	-
	Barishal Division	-	-	-	-
	Sylhet Division	-	-	-	-
	<i>Outside Bangladesh - other Division</i>	-	-	-	-
		963,888.53	66,096,535	490,590.00	33,882,648
4.8 Classified, unclassified, doubtful and bad loans & advances					
	Unclassified:				
	Standard	963,888.53	66,096,535	490,590.00	33,882,648
	Special Mention Account	-	-	-	-
	Classified				
	Sub-standard	-	-	-	-
	Doubtful	-	-	-	-
	Bad/Loss	-	-	-	-
		963,888.53	66,096,535	490,590.00	33,882,648

		2007		2006	
		USD	Taka	USD	Taka
4.9 Particulars of loans and advances					
i) Debt considered good in respect of which the bank is fully secured	963,888.53	66,096,535	490,590.00	33,882,648	
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	-	-	-	-	
	<u>963,888.53</u>	<u>66,096,535</u>	<u>490,590.00</u>	<u>33,882,648</u>	
v) Debts taken by directors or executives or any of them taken jointly or separately with other persons	-	-	-	-	
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	-	-	-	-	
5 Other assets					
Interest receivable	-	-	-	-	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
6 Borrowings from other banks, financial institutions and agents					
In Bangladesh	967,540.00	66,346,927	500,500.00	34,567,083	
Outside Bangladesh	-	-	-	-	
	<u>967,540.00</u>	<u>66,346,927</u>	<u>500,500.00</u>	<u>34,567,083</u>	
6.1 Classification based on type of security					
Secured	-	-	-	-	
Unsecured	967,540.00	66,346,927	500,500.00	34,567,083	
	<u>967,540.00</u>	<u>66,346,927</u>	<u>500,500.00</u>	<u>34,567,083</u>	
6.2 Maturity grouping of borrowings from other banks, financial institutions and agents					
Payable on demand	-	-	-	-	
Payable within one month	-	-	-	-	
More than one month but less than three months	-	-	-	-	
More than three months but less than 1 year	967,540.00	66,346,927	500,500.00	34,567,083	
More than 1 year but less than 5 years	-	-	-	-	
	<u>967,540.00</u>	<u>66,346,927</u>	<u>500,500.00</u>	<u>34,567,083</u>	
7 Deposits and other accounts					
Current and other accounts:					
Current account	72.70	4,985	516.89	35,699	
Other Account	-	-	-	-	
	<u>72.70</u>	<u>4,985</u>	<u>516.89</u>	<u>35,699</u>	

		2007		2006	
		USD	Taka	USD	Taka
7.1 Maturity grouping of deposits and other accounts					
Payable on demand	72.70	4,985	516.89	35,699	
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	-	-	-	-	
	<u>72.70</u>	<u>4,985</u>	<u>516.89</u>	<u>35,699</u>	
8 Other liabilities					
Interest payable on Borrowings	52,493.07	3,599,597	3,127.96	216,033	
Provision for taxation	13,600.53	932,627	3,589.42	247,903	
Provision for unclassified Loans and advances (Including provision for off Balance Sheet items)	9,936.89	681,400	4,905.90	338,826	
	<u>76,030.49</u>	<u>5,213,624</u>	<u>11,623.28</u>	<u>802,762</u>	
9 Interest income					
Interest on Advances	85,401.60	5,856,227	6,238.04	430,831	
Interest on Money at Call and Short Notice	-	-	-	-	
Interest on Placement with other Banks	-	-	-	-	
Interest on Foreign Currency Balances	-	-	-	-	
	<u>85,401.60</u>	<u>5,856,227</u>	<u>6,238.04</u>	<u>430,831</u>	
10 Interest paid on deposits and borrowings					
Interest on Deposits	-	-	-	-	
Interest on Borrowings	64,479.00	4,421,506	1,882.86	130,040	
Discount	-	-	-	-	
Interest on REPO	-	-	-	-	
	<u>64,479.00</u>	<u>4,421,506</u>	<u>1,882.86</u>	<u>130,040</u>	
11 Commission, exchange and brokerage					
Commission	1,351.32	92,664	3,489.30	240,989	
Exchange gain net off exchange losses	-	-	-	-	
Brokerage	-	-	-	-	
	<u>1,351.32</u>	<u>92,664</u>	<u>3,489.30</u>	<u>240,989</u>	
12 Other Operating Income					
Management fees	459.00	31,475	509.00	35,154	
	<u>459.00</u>	<u>31,475</u>	<u>509.00</u>	<u>35,154</u>	
13 Operating Expenses					
Bank Charges	486.00	33,326	377.00	26,038	
	<u>486.00</u>	<u>33,326</u>	<u>377.00</u>	<u>26,038</u>	
14 Cash and cash equivalent					
Balance with other banks	92,803.81	92,803.81	27,894.50	1,926,536	
	<u>92,803.81</u>	<u>92,803.81</u>	<u>27,894.50</u>	<u>1,926,536</u>	
15 Cash Received from other operating activities					
Commission, exchange and brokerage	1,351.32	92,664	3,489.30	240,989	
Miscellaneous	459.00	31,475	509.00	35,154	
	<u>1,810.32</u>	<u>124,139</u>	<u>3,998.30</u>	<u>276,143</u>	
16 Cash paid for other operating activities					
Other office Operating expenses	486.00	33,326	377.00	26,038	
	<u>486.00</u>	<u>33,326</u>	<u>377.00</u>	<u>26,038</u>	
17 General					
17.1	Fixed assets of this unit are appearing in the books of the main operation of the bank and depreciation is also charged to Profit & Loss Account of the main operation of the bank.				
17.2	Assets and liabilities have been converted into Taka currency @ US\$ 1 = Tk 68.5728 (2006: Tk 69.0651) which represents the year-end mid rate of exchange as at 31 December 2007.				
17.3	Previous year's figures have been rearranged, where considered necessary, to conform to current year's presentation.				

Balance with Other Banks and Financial Institutions - Outside Bangladesh (note 3)

AS AT 31 DECEMBER 2007

Annexure - A

Name of the Banks	Currency Name	2007			2006		
		Foreign Currency	Rate	Local Currency	Foreign Currency	Rate	Local Currency
Standard Chartered Bank	USD	92,803.81	68.5728	6,363,817	27,894.50	69.0651	1,926,536
Total		92,803.81		6,363,817	27,894.50		1,926,536



EASTERN BANK LIMITED

HEAD OFFICE
10, DILKUSHA COMMERCIAL AREA, DHAKA-1000.

NOTICE OF THE 16TH ANNUAL GENERAL MEETING

NOTICE is hereby given to all the **Members of Eastern Bank Limited** that the **16th Annual General Meeting (AGM)** of the Company will be held on **Sunday, 25th May 2008 at 11-30 A.M. at the BDR DARBAR HALL, Peelkhana, Dhaka** to transact the following business:

: AGENDA:

ORDINARY BUSINESS

- To receive, consider and adopt the Profit & Loss Account of the Company for the year ended December 31, 2007 and the Balance Sheet as at that date together with the Reports of the Auditors and the Directors thereon.
- To declare the Dividend for the year ended December 31, 2007 as recommended by the Board of Directors.
- To elect Directors.
- To appoint the Auditors of the Company for the term until the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

- To consider and if thought fit to pass 'with or without modification' the following Resolution as a **Special Resolution**:

“Resolved that the proposal for Bank's Rights Issue of Shares @ 2:1 at Par i.e. One Right Share against Two existing Shares held by each Shareholders in order to increase the Paid up Capital of the Bank be and is hereby approved subject to approval from the Regulatory Authorities”.

OTHER BUSINESS

To transact any other business with the permission of the Chair.

By order of the Board of Directors


Safiar Rahman, FCS
Company Secretary

Dated, Dhaka,
21st April 2008

NOTES:

- * The Board of Directors recommended for issuance of 34% Stock Dividend (Bonus Shares) on the profit of the Bank as at the close of business on 31 December 2007.
- * The 'Record Date' in lieu of Book Closure on Sunday, 20th April 2008. The Shareholders whose names would appear in the Register of Members of the Company or in the Depository on the 'Record Date' (20th April 2008) will be eligible to attend the 16th AGM and receive Stock Dividends.
- * The “Record date” for the purpose of the proposed “Rights Issue” of Shares will be announced subject to approval from SEC.
- * 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.
- * The Nomination Forms for participating in the election of Directors can be obtained from the Registered Office at 10, Dilkusha Commercial Area, Dhaka from 21st April 2008 and the Nomination Form shall be submitted by 4.00 P.M. on 27th April 2008. The Nomination may be withdrawn by 4.00 P.M. on 4th May 2008.
- * The Nomination Forms shall be scrutinized at 3.00 P.M. on 5th May 2008 and the list of the valid candidates shall be displayed on the Notice Board of the Registered Office at 3.00 P.M. on 6th May 2008.
- * 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.
- * Members are requested to notify change of address, if any, to the Company.
- * The Shareholders are requested to please register their names in the counter at the entrance of the AGM Hall (BDR Darbar Hall) from 10-00 a.m. to 12.30 p.m.



ইস্টার্ন ব্যাংক লিমিটেড

প্রধান কার্যালয়

১০, দিলকুশা বাণিজ্যিক এলাকা, ঢাকা-১০০০

প্রক্সি ফরম

আমি / আমরা ঠিকানা
..... ইস্টার্ন ব্যাংক লিমিটেড - এর
শেয়ারহোল্ডার হিসাবে এতদ্বারা জনাব / বেগম কে
ঠিকানা অথবা তাঁর
অপারগতায় জনাব / বেগম কে
ঠিকানা আমার / আমাদের
প্রক্সি হিসাবে আমার / আমাদের পক্ষে ২০০৮ ইং সালের ২৫শে মে রোজ রবিবার বিডিআর দরবার হল, পিলখানা ঢাকায় অনুষ্ঠিতব্য কোম্পানীর ষোড়শ
বার্ষিক সাধারণ সভায় এবং পরবর্তী যে কোন মূলতবী সভায় উপস্থিত থেকে ভোট দেওয়ার জন্য নিযুক্ত করলাম।

অদ্য ২০০৮ ইং সালের মাসের তারিখে আমার / আমাদের সম্মুখে তিনি স্বাক্ষর করলেন।

শেয়ারহোল্ডারের স্বাক্ষর

প্রক্সির স্বাক্ষর

ফোলিও / বিও নং

রাজস্ব
টিকেট
আট
টাকা

লক্ষনীয়ঃ যথাযথভাবে পূরণ করে প্রক্সি ফরম সভার ন্যূনতম আটচল্লিশ (৪৮) ঘণ্টা 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 সংশ্লেষ্ট দলিল এবং পাওয়ার অব এটর্নী বা অন্য কোন ক্ষমতা প্রদান পত্র বা নোটারী পাবলিক কর্তৃক সত্যায়িত ক্ষমতা প্রদান পত্রের অনুলিপি সভা অনুষ্ঠানের আটচল্লিশ (৪৮) ঘণ্টা পূর্বে কোম্পানীর প্রধান কার্যালয়ে জমা দেয়া না হলে কোন ব্যক্তি উক্ত সভায় প্রক্সি হিসাবে কাজ করতে পারবেন না।



ইস্টার্ন ব্যাংক লিমিটেড

প্রধান কার্যালয়

১০, দিলকুশা বাণিজ্যিক এলাকা, ঢাকা-১০০০

শেয়ারহোল্ডার / প্রক্সির হাজিরা পত্র

আমি / আমরা ২৫শে মে ২০০৮ ইং তারিখ রোজ রবিবার বেলা ১১-৩০ ঘটিকায় বিডিআর দরবার হল, পিলখানা ঢাকায় অনুষ্ঠিতব্য ইস্টার্ন ব্যাংক
লিমিটেড-এর ষোড়শ বার্ষিক সাধারণ সভায় আমার / আমাদের উপস্থিতি লিপিবদ্ধ করলাম।

শেয়ারহোল্ডারের নাম স্বাক্ষর

শেয়ার সংখ্যা ফোলিও / বিও নং

প্রক্সির নাম স্বাক্ষর

লক্ষনীয়ঃ 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 কোম্পানীর রক্ষিত স্বাক্ষরের সাথে এই স্বাক্ষরের মিল থাকতে হবে।