

## Half Yearly Report 2008



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## Vision

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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

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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.

## Managing Director's Statement

I am pleased to share the performance of EBL during first half (Jan-Jun) of 2008. The economy during the period observed a slower shift towards expansion from the period of contraction experienced during the last half of 2007. Growth in private sector credit demand and imports have led to increased loan growth of the banks. In contrast, corresponding growth of customer deposit has been gaining momentum albeit slowly. As a result, a sense of increased dependency on wholesale market has been prevailing causing the interest rates to remain heated for a longer period of time.



Our Bank has made an Operating Profit growth of 33.86 percent during the period. A notable improvement in the Non-performing Loan (NPL) has helped to keep specific provision within tolerable level. Therefore our profit after tax (PAT) has increased by an amazing 129 percent to BDT 531.44 million during the period against BDT 232.33 million in the first half last year. Decrease of loan loss provision by 47 percent has contributed in increased PAT. Earning Per Share (EPS), therefore, has increased to BDT 48.79 against BDT 21.33 during corresponding period last year.

Loan portfolio has grown by 18.26 percent and stood at BDT 36,617 million as on June end 2008 with a marked decrease in Non Performing Loan (NPL) to 3.50 percent against 4.31 percent in 2007 end. Deposit growth, on the other hand, was 18.78 percent in June end 2008 over that of the 2007 end. As part of our strategic shift in asset liability management, we are pursuing slower loan growth, faster deposit mobilization, increased income from fees, improved asset quality, increased recovery from written off loans and stronger control and compliance. A quarter long 'Deposit Campaign' has just concluded in June 2008 with satisfactory amount of deposit mobilization. EBL has handled import volume of BDT 34,944 million (Growth 69.67%) and export volume of BDT 17,857 million (Growth 40%) during the period under review. Two new branches and five ATMs have been opened during this period and another four branches are planned to be opened during 2nd half of 2008.

We are happy to share that, Credit Rating of EBL has been upgraded to 'A+' from 'A' (In the long term) by CRISL on the bases of 2007 audited financials, relevant qualitative factors and positive outlook of future business and performance. As the historical trend suggests, we are sure that the business and financial performance of the second half of 2008 will be better than the first half. We are well aware of our continuous commitment in maximizing shareholders' value and we always strive towards achieving that.



**Ali Reza Iftekhar**  
Managing Director & CEO

## Consolidated Balance Sheet

(Main & Off Shore Banking Unit)

As at 30 June 2008

(Unaudited)

	30 June, 2008	31 December, 2007
	<b>Taka</b>	<b>Taka</b>
<b>PROPERTY &amp; ASSETS</b>		
<b>Cash</b>		
Cash in hand (including foreign currencies)	328,279,604	382,927,615
Balances with Bangladesh Bank and its agent bank(s) (including foreign currencies)	2,598,805,713	1,964,375,663
	<b>2,927,085,317</b>	<b>2,347,303,278</b>
<b>Balances with Other Banks and Financial Institutions</b>		
In Bangladesh	2,140,116,863	1,276,690,139
Outside Bangladesh	495,413,238	270,025,665
	<b>2,635,530,101</b>	<b>1,546,715,804</b>
<b>Money at Call and Short Notice</b>	160,000,000	470,000,000
<b>Investments</b>		
Government	7,079,219,023	5,751,836,137
Others	248,041,284	144,153,970
	<b>7,327,260,307</b>	<b>5,895,990,107</b>
<b>Loans and Advances</b>		
Loans, Cash Credits, Overdraft etc.	36,524,435,071	30,260,267,971
Bills discounted and purchased	92,476,165	701,534,858
	<b>36,616,911,236</b>	<b>30,961,802,829</b>
Fixed assets including land, building, furniture & fixtures	890,424,729	871,267,743
Other assets	550,845,160	486,406,095
<b>TOTAL ASSETS</b>	<b>51,108,056,849</b>	<b>42,579,485,856</b>
<b>LIABILITIES AND CAPITAL</b>		
<b>Liabilities</b>		
Borrowing from other banks, financial institutions and agents	8,611,102,794	6,063,465,758
<b>Deposits and other accounts:</b>		
Current deposits & other accounts, etc.	4,525,314,247	3,480,786,638
Bills payable	743,399,213	491,030,835
Savings bank deposits	6,686,640,677	5,896,619,266
Fixed deposits	23,763,942,321	20,201,082,357
Bearer certificates of deposits	22,250,000	22,250,000
	<b>35,741,546,458</b>	<b>30,091,769,096</b>
Other liabilities	2,506,503,830	2,712,443,247
<b>TOTAL LIABILITIES</b>	<b>46,859,153,082</b>	<b>38,867,678,101</b>

## Consolidated Balance Sheet - continued

### SHAREHOLDERS' EQUITY

#### Share Capital

Paid up capital	1,386,900,000	1,035,000,000
Statutory reserve	1,035,000,000	1,035,000,000
Dividend equalisation reserve	356,040,000	356,040,000
Reserve against pre takeover loss	1,554,759,750	1,554,759,750
Pre takeover loss	(1,208,434,675)	(1,214,087,213)
Asset revaluation reserve	405,015,050	405,015,050
Reserve for revaluation of treasury bills (HTM)	28,180,168	28,180,168
Reserve for building fund	60,000,000	60,000,000
General reserve	100,000,000	100,000,000
Proposed dividend: (2007: Stock @ 34%)	-	351,900,000
Retained earnings brought forward from Profit & Loss Account	531,443,474	-

**TOTAL SHAREHOLDERS' EQUITY** **4,248,903,767** **3,711,807,755**

**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** **51,108,056,849** **42,579,485,856**

### OFF BALANCE SHEET ITEMS

#### Contingent liabilities

Acceptance and endorsements (net)	5,832,181,540	5,771,334,926
Irrevocable Letters of Credit (net)	8,351,562,922	4,657,101,076
Letter of Guarantees (net)	1,948,529,883	1,793,971,094
Bills for Collection	524,639,933	431,974,868

**16,656,914,278** **12,654,381,964**

#### Other memorandum items

Value of travelers' cheques on hand	194,962,418	184,558,936
Value of Bangladesh Sanchaya Patra on hand	388,519,100	434,117,100

**583,481,518** **618,676,036**


#### Other commitments

Documentary credits and short term trade-related transactions	-	-
Forward assets purchased and forward deposits placed	831,798,511	65,599,991
Undrawn note issuance and revolving facilities	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-

**831,798,511** **65,599,991**

Claims against the Bank not acknowledged as debt - -

**TOTAL OFF-BALANCE SHEET ITEMS** **18,072,194,307** **13,338,657,991**



Malik Musfique Reza  
SVP & Head of Finance



Ali Reza Iftekhar  
Managing Director & CEO

## Consolidated Profit & Loss Account

(Main & Off Shore Banking Unit)  
For the half year ended June 30, 2008  
(Unaudited)

	2008 Taka	2007 Taka	Growth (%)
Interest Income	2,424,265,012	1,794,704,459	35.08%
Interest Expenses	1,656,210,258	1,216,320,669	36.17%
<b>Net Interest Income</b>	<b>768,054,754</b>	<b>578,383,790</b>	<b>32.79%</b>
Income from investments	383,655,511	249,785,365	53.59%
Commission, exchange and brokerage	389,261,933	324,109,248	20.10%
Other operating income	223,279,606	141,829,705	57.43%
<b>Total operating income</b>	<b>1,764,251,803</b>	<b>1,294,108,107</b>	<b>36.33%</b>
Salary & allowances	238,010,665	146,012,202	63.01%
Rent, taxes, insurance, electricity etc.	41,854,991	31,767,972	31.75%
Legal & professional expenses	8,075,299	7,507,692	7.56%
Postage, stamp, telecommunication etc.	24,873,374	21,603,813	15.13%
Stationery, printing, advertisement, etc.	60,030,478	31,336,774	91.57%
Managing Director's salary and allowances	4,440,000	5,523,306	-19.61%
Directors' Fees & Expenses	571,348	695,901	-17.90%
Auditor's fees	-	-	-
Repairs, maintenance and depreciation	50,072,827	36,863,519	35.83%
Other expenses	110,019,931	96,688,830	13.79%
<b>Total operating expenses</b>	<b>537,948,913</b>	<b>378,000,008</b>	<b>42.31%</b>
<b>Profit before provision and tax</b>	<b>1,226,302,890</b>	<b>916,108,100</b>	<b>33.86%</b>
Provision for loans and advances:			
General provision	75,346,517	29,184,263	158.18%
Specific provision	67,676,599	242,345,243	-72.07%
<b>Total provisions</b>	<b>143,023,116</b>	<b>271,529,506</b>	<b>-47.33%</b>
<b>Profit before tax for the period</b>	<b>1,083,279,774</b>	<b>644,578,593</b>	<b>68.06%</b>
Provision for tax	551,836,301	412,248,645	33.86%
<b>Profit after tax for the period</b>	<b>531,443,474</b>	<b>232,329,948</b>	<b>128.75%</b>
Retained earnings brought forward	-	193,266,287	
<b>Retained surplus</b>	<b>531,443,474</b>	<b>425,596,235</b>	
Earning per share (EPS)	48.79	21.33	128.75%

  
Malick Musfique Reza  
SVP & Head of Finance

  
Ali Reza Iftekhhar  
Managing Director & CEO



# Consolidated Cash Flow Statement

(Main & Off Shore Banking Unit)

For the half year ended June 30, 2008 (Unaudited)

	June 30, 2008 Taka	June 30, 2007 Taka
<b>A. Cashflows from operating activities</b>		
Interest received in cash	2,424,265,012	1,794,704,459
Interest payment	(1,656,210,258)	(1,216,320,669)
Dividend received	3,527,417	-
Fees and commission received in cash	389,261,933	324,109,248
Cash paid to employees	(242,450,665)	(152,231,409)
Cash paid to suppliers	(134,834,142)	(92,216,250)
Income from investment	380,128,094	249,785,365
Income taxes paid	(551,378,071)	(411,187,940)
Recovery of loans previously written off	15,187,685	10,106,000
Received from other operating activities	208,091,921	131,723,705
Paid for other operating activities	(160,664,106)	(133,553,899)
<b>Operating profit before changes in operating assets and liabilities</b>	<b>674,924,819</b>	<b>504,918,610</b>
<b>Increase/(decrease) in operating assets and liabilities</b>		
Changes in trading securities	(1,393,821,121)	258,600,000
Loans and advances to customers (other than banks)	(5,589,011,872)	(348,251,251)
Other assets	(64,439,065)	69,641,667
Deposit from other banks	-	1,835,495,435
Deposit from customers (other than banks)	5,397,408,984	117,655,056
Trading liabilities [B/P]	252,368,378	80,915,967
Recovery from BCCI assets	5,652,538	9,825,922
Other liabilities	(350,314,895)	(208,376,494)
	(1,742,157,052)	1,815,506,303
<b>Net cash received from operating activities</b>	<b>(1,067,232,233)</b>	<b>2,320,424,913</b>
<b>B. Cash flows from investing activities</b>		
Changes in non-trading securities	-	-
Net proceeds/(payments) for sale/purchase of T-bills	-	-
Purchase of property, plant and equipment	(19,156,986)	(73,043,173)
Sale proceeds of fixed assets	-	-
Investment- Others	(103,887,314)	(1,843,532,366)
<b>Net cash used in investing activities</b>	<b>(123,044,300)</b>	<b>(1,916,575,539)</b>
<b>C. Cash flows from financing activities</b>		
Borrowing from other banks, financial institutions and agents	2,548,531,851	31,327,261
Dividend paid in cash	-	(372,600,000)
<b>Net cash received from financing activities</b>	<b>2,548,531,851</b>	<b>(341,272,739)</b>
<b>D. Net (decrease)/increase in cash (A+B+C)</b>	<b>1,358,255,318</b>	<b>62,576,635</b>
<b>E. Effects of exchange rate changes on cash &amp; cash equivalents</b>	<b>(683)</b>	<b>-</b>
<b>F. Opening cash and cash equivalents</b>	<b>4,366,114,382</b>	<b>3,097,642,780</b>
<b>G. Closing cash and cash equivalents (D+E+F)*</b>	<b>5,724,369,017</b>	<b>3,160,219,415</b>
* Closing cash and cash equivalents		
Cash in hand (including foreign currencies)	328,279,604	325,352,035
Balance with Bangladesh Bank & its agent banks	2,598,805,713	1,877,866,096
Balance with other banks and financial institutions	2,635,530,101	955,525,084
Money at call and short notice	160,000,000	-
Prize bonds	1,753,600	1,476,200
	<b>5,724,369,017</b>	<b>3,160,219,415</b>

  
Malick Musfique Reza  
SVP & Head of Finance

  
Ali Reza Iftakhar  
Managing Director & CEO  
Half yearly report 2008 07





Eastern Bank Limited

# Consolidated Statement of Changes in Equity

(Main & Off Shore Banking Unit)  
For the half year ended June 30, 2008 (Unaudited)

Half yearly report 2008 08

	Paid up capital	Statutory reserve	Dividend equalisation reserve	Asset revaluation reserve	Reserve against pre-tax over loss	Reserve for building fund	General reserve	Reserve for Revaluation of Treasury Bills (RTM)	Profit and Loss Accounts	Pre-takeover Loss	Proposed dividend	TOTAL
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Balance as on 1 January 2008	1,035,010,000	1,035,000,000	356,040,000	405,015,050	1,514,759,750	60,000,000	100,000,000	28,180,168	-	(1,214,887,213)	351,900,000	3,711,897,755
Net profit for the half year after tax	-	-	-	-	-	-	-	-	531,443,474	-	-	531,443,474
Transferred from general reserve	-	-	-	-	-	-	-	-	-	-	-	-
Bonus share issued	351,940,000	-	-	-	-	-	-	-	-	-	(351,940,000)	-
Addition during the period	-	-	-	-	-	-	-	-	-	-	-	-
Transferred to dividend equalisation reserve	-	-	-	-	-	-	-	-	-	-	-	-
Transferred to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-
Recovery of pre-takeover loss	-	-	-	-	-	-	-	-	-	5,652,538	-	5,652,538
Balance as at June 30, 2008	1,386,940,000	1,035,000,000	356,040,000	405,015,050	1,514,759,750	60,000,000	100,000,000	28,180,168	531,443,474	(1,208,494,675)	-	4,248,903,767
Balance as at June 30, 2007	628,010,000	838,000,000	356,040,000	294,075,050	1,514,759,750	60,000,000	100,000,000	12,794,779	424,487,132	(1,214,523,135)	-	3,183,523,570

  
Malik Mustique Reza  
SVP & Head of Finance

  
Ali Reza Iftekhar  
Managing Director & CEO

## Selective notes to the financial statements June 2008:

### A. Significant Accounting Policies:

1. Basis of preparation of the financial statements: These half yearly financial statements 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 (BAS), 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. Investments: Investments are stated as per following bases:

Items	Bases
Government treasury bills	Face value (marking to market)
ICB's Debenture	Face value
Prize Bond	Cost price
Shares	Lower of cost or market price

3. Fixed assets and depreciation: Fixed assets are stated at cost less accumulated depreciation as per following methods and rates:

Asset Types	Rate of Depreciation	Method of Depreciation
Land	0%	N/A
Building	2.50%	Reducing balance
Furnitures and fixtures	10.00%	Reducing balance
Office Equipment	20.00%	Reducing balance
Motor Vehicles	20.00%	Straight line

4. Provisions:

a. Loans and Advance: Provisions for Loans and Advance have been made following relevant rules and instructions from Bangladesh Bank issued from time to time.

b. Tax: Provision for tax has been made @ 45% as prescribed in Finance Ordinance 2008 on accounting profit without considering possible add backs or deductions.

### B. Capital Enhancement:

Stock dividend @ 34% for the year 2007 has been transferred to share capital on 3 June, 2008. Therefore, Paid Up Capital has been increased to BDT 1,386.90 million as on 30 June, 2008.

### C. Earning Per Share (EPS):

As per BAS 33, Earning Per Share (EPS) for Jan-Jun 2008 has been calculated based on weighted average number of shares outstanding for the said period and respective profit after tax for the same period. EPS for Jan-Jun 2007 has been restated using the same denominator as that of the current period (Jan-Jun 2008).

	Jan-Jun 2008	Jan-Jun 2007
Profit after tax for the period (BDT)	531,443,474	232,329,948
Weighted average no. of shares outstanding	10,891,385	10,891,385
Basic EPS (BDT)	48.79	21.33

### D. General:

1. Figures appearing in these financial statements have been rounded off to the nearest BDT.

2. Corresponding period's figures have been rearranged wherever necessary to conform to current period's presentation.

3. The USD figures of Off shore Banking Unit have been transformed using conversion rate of 1 USD=68.5204 BDT (Standard mid rate).

## Credit Rating Report

	Long Term	Short Term	Date of Rating
Entity Rating 2007	A+	ST-3	15 June, 2008
Entity Rating 2006	A	ST-3	27 June, 2007

Credit Rating Information and Services Limited (CRISL) has upgraded the rating of Eastern Bank Limited to 'A+' from 'A' rating in the long term and reaffirmed ST-3 rating in the short term. The above rating has been awarded on the bases of Bank's good fundamentals such as good capital adequacy, good non funded earnings, good asset quality, good financial performance, experienced top management and developed ICT.

Banks rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations.

This level of rating indicates a corporate entity with an adequate credit profile.

## Highlights

### Business Performance Indicators



	Jan-Jun 08	Jan-Jun 07	Growth
Operating Profit (Million BDT)	1,226.30	916.11	33.86%
Profit after tax (Million BDT)	531.44	232.33	128.75%
EPS (Taka)	48.79	21.33	128.75%
Export & Import (LC) Million BDT	53,969.32	33,762.17	59.85%

### Key Ratios

	Jun-08	Dec-07
NPL	3.50%	4.31%
Capital Adequacy Ratio	12.91%	13.14%

	Jan-Jun 08	Jan-Jun 07
Return on Equity (Average)	13.35%	7.15%

### Balance Sheet Growth



	Jun-08	Dec- 07	Growth
Loans & Advance (Million BDT)	36,616.91	30,961.80	18.26%
Deposit (Million BDT)	35,741.55	30,091.77	18.78%

## Corporate Directory

### BOARD OF DIRECTORS

Chairperson  
Mr. Mir Nasir Hossain

### DIRECTORS

Mr. A. Q. I. Chowdhury, OBE  
Mr. Md. Showkat Ali Chowdhury  
Mr. Mohd. Noor Ali  
Mr. A. M. Shaukat Ali  
Ms. Aneela Haque  
Mr. Gazi Md. Shakhawat Hossain  
Mr. Asif Mahmood  
Mr. Meah Mohammad Abdur Rahim  
Mr. Ali Reza Iftekhar (Ex-officio)

### MANAGEMENT COMMITTEE

Ali Reza Iftekhar  
Managing Director & CEO

Mukdesur Rahman  
Deputy Managing Director

Mamoon Mahmood Shah  
Deputy Managing Director

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

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

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

Malick Musfique Reza  
SVP & Head of Finance

Mahbubul Alam Tayiab  
EVP & Head of Operations  
and Legal & Compliance

Md. Sirajul Islam  
SVP & Head of Human Resources

Noor A Alam Chowdhury  
IT Consultant

Safiar Rahman  
EVP & Company Secretary

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### 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