1,000,000,000

9,411,070,000

450,000,000

5,070,000

Notes to the Financial Statements

4.7.2 Investments

Investments in Treasury bills, T&T bonds and Government bonds are accounted for in accordance with DOS Circular Letter No. 5, dated 26 May 2008 subsequently amended by DOS Circular Letter No. 5, dated 28 January 2009, which allow banks to use both Held to Maturity (HTM) and Held for Trading (HFT) securities for fulfilment of Statutory Liquidity Ratio (SLR) requirements.

In accordance with the requirements of the aforementioned circulars, amortised discount on HTM securities is recognised directly in equity as opposed to the profit and loss account previously. However, coupon interest on HTM securities continues to be recognised in the profit and loss account. Interest on HFT securities, including amortisation of discount, continues to be recognised in the profit and loss account.

Gain/(loss) arising from valuation of securities on 'Marking to Market' basis has been recognised as follows:

i) Held to Maturity (HTM) securities - recognised in statement of changes in equity

ii) Held for Trading (HFT) securities - recognised in Revaluation Reserve Account

All other investments are recorded at cost and income thereon is accounted for on accrual basis.

Reverse repo

When the Bank enters into a "reverse repo" arrangement, the arrangement is accounted for as an investment, and the underlying asset is not recognised in the Bank's financial statements.

4.8 Fixed assets including premises, furniture and fixtures

Items of fixed assets, other than land, are measured at cost less accumulated depreciation and impairment losses, as per BAS 16 Property, Plant and Equipment. Cost includes expenditures that are directly attributable to the acquisition of the asset. Land is carried at cost.

Subsequent costs

The cost of replacing part of an item of fixed assets is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The cost of day-to-day servicing of fixed assets are expensed when incurred.

Depreciation

Depreciation on premises other than freehold land, and other fixed assets, is recognised in profit or loss on a straight line basis over the expected useful economic life of the assets based on cost, or in the case of assets which have been revalued, on the revalued amount. The estimated useful lives for the current and comparative periods are as follows:

50 years
3 to 15 years
3 to 15 years
3 to 15 years
5 years

Depreciation on additions to fixed assets is charged from the month in which such assets are capitalised, and adjustments to accumulated depreciation for disposals/write offs are made upto the month in which the relevant assets are disposed/written off.

4.9 Leased assets

In accordance with BAS 17 Leases, leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

4.10 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with Bangladesh Bank and balances held with other banks and financial institutions.

4.11 Deposits

Deposits are the Bank's principal source of debt funding. Deposits are initially measured at fair

value and subsequently measured at amortised cost.

Repo When the Bank enters into a "repo" agreement, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

4.12 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

4.13 Employee benefits

Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under performance bonus plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans- Provident fund

The Bank contributes to a locally registered provident fund scheme (defined contribution plan) for employees of the Bank eligible to be members of the fund in accordance with the rules of the provident fund constituted under an irrevocable trust. The fund is recognised by the National Board of Revenue (NBR).

Obligations for contributions to the provident fund are recognised as an expense in profit or loss when they are due.

Defined benefit plans- Gratuity fund

The Bank operates a funded gratuity scheme, which is of the nature of a defined benefits scheme, for its permanent employees. The fund has been formed under an irrevocable trust deed and is approved by the National Board of Revenue. It is managed by a Board of Trustees comprising of employees of the bank. Gratuity is payable at the rate of one month's salary last drawn for each completed year of service or any part thereof in excess of six months.

In accordance with the requirements of BAS 19 Employee Benefits, the Bank's net obligation in respect of its gratuity fund is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation is performed by a qualified actuary using the Projected Unit Credit method.

In respect of actuarial gains and losses that arise in calculating the Bank's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the profit and loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit and loss account.

When the calculation results in a benefit to the Bank, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

4.14 Cash flow statement

Surplus capital

Cash flow statement has been prepared in accordance with the BAS 7 Cash Flow Statements under direct method as recommended in the BRPD circular No. 14 dated 25 June 2003 issued by the Banking Regulation & Policy Department of Bangladesh Bank.

5. Capital

In terms of the section 13(4) of the Banking Companies Act 1991 and Bangladesh Bank circular no. 10 dated 30 March 2003, the required value of the capital and reserves of the bank at the close of the business on 31 December 2008 is Tk 2,000,000,000 or 10% of risk weighted assets whichever is higher. Accordingly, the required value of the capital and reserves of the Bank at the close of the business on 31 December 2008 was Tk 7,439,589,804 (2007; Tk 6,393,601,188). The Bank's capital was greater than the amount required as above. The details of the capital as on 31 December 2008 are as follows:

	Jaka	Jaka
Total risk weighted assets	74,395,898,038	63,936,011,883
10% of risk weighted assets	7,439,589,804	6,393,601,188
Total capital held:		
Core capital (Tier - 1)		
Fund deposited with Bangladesh Bank	1,836,608,545	1,829,052,728
Profit and loss account balance	9,951,211,817	8,422,954,892
Actuarial gain	2,806,650	2,806,650
General reserve	735,905	735,905
	11,791,362,917	10,255,550,175
Supplementary capital (Tier - 2)		
General provision maintained against		
unclassified loans and advances	1,675,171,000	1,256,245,000
Exchange equalization account	48,592,024	48,592,024
Equity reserve - amortised discount on HTM securities	106,147,871	-
MTM gain / (loss) for HTM securities	19,794,923	155,842,183
	1,849,705,818	1,460,679,207
Total capital held	13,641,068,735	11,716,229,382

6,201,478,931

5.1	Fund deposited with Bangladesh Bank (representing capital)	2008	2007
		Taka	Taka
	The composition of head office assigned capital is as t	follows:	
	Capital maintained in FCY (USD 22,222,950) Amount transferred from retained profit in:	1,531,608,545	1,524,052,728
	1998	220,000,000	220,000,000
	1999	85,000,000	85,000,000
		305,000,000	305,000,000
		1,836,608,545	1,829,052,728
6.	Cash		
	Cash in hand	1,114,490,750	1,173,399,820
	Foreign currencies in hand	191,625,916	238,695,197
		1,306,116,666	1,412,095,017
	Cash with Bangladesh Bank:		
	Local currency	4,150,477,572	4,066,056,173
	Foreign currencies	4,417,184,693	3,482,108,589
	Foreign currency capital	1,531,608,545	1,524,052,728
		10,099,270,810	The property of the party of th
		11,405,387,476	9,072,217,490
		Management of the Parket of th	10,484,312,507
	As at 31 December 2008, an amount of Tk. 4,380,429 to meet the Cash Reserve Ratio (CRR) requirement when the Cash Reserve Ratio (CRR) requirement with the cash Ratio (CRR) requir	,000 was held with Bar nich was included in ca	ngladesh Bank
7.	Balances with other banks and financial institution		
	Inside Bangladesh:		

Inside Bangladesh:		
Current accounts - Sonali Bank Ltd.	202,357,884	144,786,808
Short term deposit accounts - Sonali Bank Ltd.		111,100,000
Fixed Deposit-The Hongkong and		
Shanghai Banking Corporation Ltd.		
Fixed Deposit-Dhaka Bank Ltd.	120,000,000	100,000,000
Fixed Deposit-Sonali Bank Ltd.		1,000,000,000
Fixed Deposit-Standard Bank Ltd.	140,000,000	.,000,000,000
Fixed Deposit-Mutual Trust Bank Ltd.	150,000,000	
Fixed Deposit-One Bank Ltd.	50,000,000	
Fixed Deposit-BRAC Bank Ltd.	150,000,000	
	812 357 884	1 244 700 000

Outside Bangladesh:
Current accounts:

Maturity upto 1 month

Maturity within 1 to 3 months

rent accounts:		
Royal Bank of Canada, Toronto - CAD	719,453	1,437,231
Sevenska Handles, Stockholm - SEK	328,766	301,550
Nordea Bank Denmark A/S, Copenhagen - DKK	88,108	51,936
ANZ Banking Group, Melbourne - AUD		
National Australia Bank Ltd., Melbourne - AUD		2,997,091
Union Bank of Switzerland - CHF	807,470	497,556
Nordea Bank Norge, Oslo - NOK	55,267	171,310
	1,999,064	5,456,674
	814,356,948	1,250,243,482
	MATERIAL PROPERTY AND ADDRESS OF THE PARTY AND	ECHICAGO CONTRACTOR CO

204,356,948

610,000,000

100,000,000

100,000,000

16,410,210,881

10,691,278,255

16,389,597,381

706,140,275

1,310,680,080

3,233,323,769 1,986,901,841

3,233,323,769

6,914,822,540

2,036,253,882

8,839,679,313

150,243,482

500,000,000

500,000,000

18,000,000

1,000,000,000

12,276,655,039

3,078,053,517

877,570,439

147,817,542

323,617,638

25,976,073

11,256,460,639

1,100,000,000

Please refer to Annexure - B for currency wise balances.

7.1 Residual maturity analysis of balance with other banks and financial institutions

Maturity within 3 to 12 months Maturity within 1 to 5 years Maturity over 5 years		
	814,356,948	1,250,243,482
Money at call and short notice		
Eastern Bank Ltd.	50,000,000	
Bank Asia Ltd.	50,000,000	
	100,000,000	

8.1 Money at call and short notice (Tenor-wise) Maturity on demand

waterity on comand
Maturity upto 1 month
Maturity within 1 to 3 months
Maturity within 3 to 12 months
Maturity within 1 to 5 years
Maturity over 5 years

Investments Government securities

Volument Scotlings.		
Treasury bills	9,474,774,841	2,416,781,326
Bangladesh Bank bills		
T&T Bonds	346,348,367	787,843,267
Bangladesh Government Treasury Bonds	1 6,568,474,173	8,051,836,046
	16,389,597,381	11,256,460,639
ize bonds	2,613,500	2,194,400
everse repo:		
Reverse REPO-Mercantile Bank Ltd	-	500.000.000

Shares of Central Depository Bangladesh Limited 18,000,000

9.1 Classification of treasury bills, T&T bonds and Government bonds

Reverse REPO-South East Bank Ltd

Treasury bills	2,016,820,355	1,374,981,692
Bangladesh Bank bills	-	-
T&T Bonds	346,348,367	738,491,225
Bangladesh Government Treasury Bonds	3,335,150,404	6,064,934,205
	5,698,319,126	8,178,407,122
Held for Trading (HFT)		
Treasury bills	7,457,954,486	1,041,799,634
Bangladesh Bank bills		-
T&T Bonds		49,352,042
Bangladesh Government Treasury Bonds	3,233,323,769	1,986,901,841

9.2 Tenor wise grouping of treasury bills, T&T bonds and Government bonds

Treasury Bills (HTM) 30 Days Bangladesh Bank Bills 28 Days Treasury Bills 91 Days Treasury Bills 182 Days Treasury Bills

1 Year Treasury Bills

3 Years Bond

5 Years Bond

2007

5,322,628,194

Held to Maturity (HTM)

2 Years Treasury Bills		
	2,016,820,355	1,374,981,693
Treasury Bills (HFT)		
30 Days Bangladesh Bank Bills	-	
28 Days Treasury Bills	-	316,897,22
91 Days Treasury Bills	4,864,497,921	147,832,15
182 Days Treasury Bills	2,078,495,987	107,262,98
1 Year Treasury Bills	514,960,578	469,807,28
2 Years Treasury Bills		
	7,457,954,486	1,041,799,634
	9,474,774,841	2,416,781,320
Government Bonds (HTM)		

	1,431,934,400	1,041,799,004
	9,474,774,841	2,416,781,326
Government Bonds (HTM)		
1 Year Bond		-
3 Years Bond	346,348,367	738,491,226
5 Years Bond	3,335,150,404	6,064,934,205
	3,681,498,771	6,803,425,431
Government Bonds (HFT)		
1 Year Bond		49,352,041

16,389,597,381 11,256,460,639 9.3 Residual maturity grouping of treasury bills, T&T bonds and Government bonds

7,862,145,289	1,813,734,989
984,520,320	657,451,698
1,464,876,988	396,242,502
6,078,054,784	8,389,031,450
16,389,597,381	11,256,460,639
	984,520,320 1,464,876,988 6,078,054,784

94	Transpury Bills and Covernment hands	2008	2007
	Treasury Bills and Government bonds	Taka	Iaka
	Face value of Treasury Bill	[0 500 000 000]	0 405 000 000
	(including Bangladesh Bank bills) Less: Unamortised amount of Treasury Bills	9,520,000,000	2,425,000,000
	Add/(less): MTM gain/(loss) from Treasury Bill - HFT	(44,247,852)	(8,915,886) 618,909
	Add/(less): MTM gain/(loss) from Treasury Bill - HTM	(267,975)	78,303
	generally on Trust	9,474,774,842	2,416,781,326
	Face value of Government Bond (Note 9.5)	7,300,000,000	9,411,070,00
	Less : Unamortised amount of Government Bonds	(479,478,850)	(763,348,44)

		9,474,774,842	2,416,781,326
Face value of Government Bond (Not	te 9.5)	7,300,000,000	9,411,070,000
Less: Unamortised amount of Govern	nment Bonds	(479,478,850)	(763,348,447)
Add/(Less): MTM gain/(loss) from Gover	mment Bond - HFT	54,443,569	36,193,880
Add/(Less): MTM gain/(loss) from Gover	nment Bond - HTM	39,857,820	155,763,880
		6,914,822,539	8,839,679,313
		16,389,597,381	11,256,460,639
9.5 Government bonds			

Government bonds			
Name of the bonds (Face value) Cour	on rate		
3 Years T & T Bond	7.00	350,000,000	350,000,000
3 Years T & T Bond	7.00	000,000,000	000,000,000
3 Years T & T Bond	7.00		400,000,000
1 Year T&T Bond	7.00		
5 Years Bangladesh Government Treasury Bond	10.82		50,000,000
5 Years Bangladesh Government Treasury Bond	10.65		120,000,000
5 Years Bangladesh Government Treasury Bond			200,000,000
5 Years Bangladesh Government Treasury Bond	10.65		100,000,000
5 Years Bangladesh Government Treasury Bond	10.69		36,000,000
5 Years Bangladesh Government Treasury Bond	10.65		200,000,000
5 Years Bangladesh Government Treasury Bond	7.50		250,000,000
5 Years Bangladesh Government Treasury Bond	7.50		250,000,000
5 Years Bangladesh Government Treasury Bond	7.50		250,000,000
5 Years Bangladesh Government Treasury Bond	7.50		250,000,000
5 Years Bangladesh Government Treasury Bond	7.50	250,000,000	250,000,000
5 Years Bangladesh Government Treasury Bond	7.50	250,000,000	250,000,000
5 Years Bangladesh Government Treasury Bond	7.50	1,500,000,000	1,500,000,000
5 Years Bangladesh Government Treasury Bond	7.50	500,000,000	500,000,000
5 Years Bangladesh Government Treasury Bond	7.50	500,000,000	
5 Years Bangladesh Government Treasury Bond	7.50	500,000,000	500,000,000
5 Years Bangladesh Government Treasury Bond	7.50		500,000,000
5 Years Rangladoch Coursement Trans	7.50	2,000,000,000	2,000,000,000

5 Years Bangladesh Government Treasury Bond 7.50 450,000,000

5 Years Bangladesh Government Treasury Bond 7.50 1,000,000,000

10. Loans and advances

5 Years Treasury Bond

Loans, cash credit, overdraft, etc.

	1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -		
	Secured cash credits Personal credit Loans against property Term loans Revolving loans Loans against trust receipts Auto loans House building loans Credit cards Overdraft Staff loans Islamic auto finance Islamic personal finance Islamic credit card	106,223,446 19,156,735,061 299,635,191 7,471,990,948 12,042,513,643 9,043,709,440 2,946,687,256 3,793,638,094 2,868,303,946 5,316,507,774 1,131,517,220 601,073,680 220,175,437 330,025,171 65,328,736,307	231,512,434 15,111,191,194 7,368,359,651 13,324,688,530 7,678,924,033 2,175,783,382 1,943,653,507 2,442,025,875 4,167,339,792 885,616,584 494,122,725 333,306,158 96,954,212 56,253,478,077
Bill	s discounted and purchased (Note 11)	2 020 262 260	1 270 000 070

5.00

7,300,000,000

65,328,736,307

56,253,478,077

449,643,411

449,643,411

17

67,368,098,567 57,633,308,749 10.1 Loans and advances - Inside and Outside Bangladesh (excluding bills)

Inside Bangladesh 65,328,736,307 56,253,478,077 Outside Bangladesh 65,328,736,307 56,253,478,077 10.2 Residual maturity grouping of loans and advances Payable on demand 11,024,324,175 12,923,057,501 Less than 3 months 15,391,325,192 9,851,784,217 More than 3 months but less than 1 year 16,444,119,746 14,091,251,620 More than 1 year but less than 5 years 20,268,023,030 17,945,155,944 More than 5 years 2,200,944,164 1,442,228,795

10.3 Loans and advances on the basis of significant concentration

including bills discounted and purchased (a) Loans and advances to Directors of the Bank

10.3.1 Details of large loans

(2007: 10%) of the Bank's capital:

(b) Loans and advances to Chief Executive and other senior executives 620,008,745 620,008,745

Total number of customers having facilities of more than 10%

Number of the clients 23 19,429,487,862 17,072,179,000 Amount of outstanding loans and advances (Taka) Amount of classified advances (Taka)

Names, sanctioned limits and outstanding amounts of large borrowers are as follows:

	200	08	2007	
Name of the borrower	Limit	Outstanding	Outstanding	
	Taka	Taka	Taka	
Orascom Telecom Bangladesh Limited	2,650,000,000	1,683,059,133		
PHP Corporation Limited	1,610,000,000	414,764,232	671,616,000	
PHP Ship Breaking & Recycling				
ndustries Limited	580,000,000	310,918,612	108,510,000	
PHP Cold Rolling Mills Limited	320,000,000	489,087,982		
afarge Surma Cement Limited	2,150,000,000	1,828,239,494	1,624,461,000	
CI Limited	1,040,100,000	559,112,528	551,440,000	
ACI Formulations Limited	520,000,000	366,281,046	298,268,000	
ACI Pure Flour Limited	170,000,000	107,499		
/OTT Oil Refineries Limited	1,260,000,000	420,544,852		
Shampa Flour Mills Limited	700,000,000	537,024,281		
City Feed Products Limited	200,000,000	187,708,765		
City Poultry & Fish Feeds Limited	426,600,000	200,000,000		
Kabir Steel Limited	1,205,000,000	1,462,617,021	766,933,000	
Cabir Steel Re-Rolling Mills Limited	430,000,000	398,587,967		
Grameenphone Limited	4,083,000,000	2,475,556,214	1,552,200,000	
SN Corporation	3,140,000,000	2,066,405,534		
CI Logistics Limited	170,000,000	13,212,895		
M International Bangladesh Limited	6,129,700,000	483,046,822	2,209,800,000	
bul Khair Steel Products Limited	310,000,000			
RAC	4,173,800,000	3,173,771,429	3,369,400,000	
Sinha Fashions Limited	667,300,000	545,004,250	72,780,000	
Sinha Industries Limited	1,506,000,000	1,141,947,312	130,465,000	
Sinha Yarn Dyeing & Fabrics Limited	779,200,000	672,489,994	416,492,000	
Sheba Telecom Private Limited			1,130,000,000	
ACI Godrej Agrovet Private Limited			107,908,000	
ABC Steel Enterprise Ltd.			60,000,000	
Sanofi Aventis Bangladesh Limited			1,058,297,000	
Energypac Power Generation Limited			119,171,000	
Energypac Engineering Limited			274,045,000	
Shabnam Vegetable Oil Industries Limited			888,674,000	
Square Toiletries Limited			12,180,000	
Square Yarns Limited			142,582,000	
Square Textiles Limited			217,571,000	
Square Pharmaceuticals Limited			725,516,000	
Square Cephalosporin Limited			42,479,000	
Summit Power Limited			521,391,000	

10.3.2 Sector-wise classification of loans and advances (including bill discounted and purchased)

Consumer loans and advances

Staff loan	1,131,517,220	885,616,58
House building loan	3,793,638,094	1,943,653,50
Islamic finance	821,249,117	827,428,88
Auto loan	2,946,687,256	2,175,783,38
Personal loan	10,037,356,052	7,751,696,45
Overdraft	598,828,244	671,194,87
Credit cards	2,868,303,946	2,442,025,87
Islamic credit cards	330,025,171	96,954.21
Islantic Cross Care	22,527,605,100	16,794,353,76

