

For the year ended 31 December 2007

7. INVESTMENT SECURITIES
A) Available-for-sale securities
i) Breakdown between quoted and unquoted securities

	2007	2007	2006	2006
As at 31 December	BD'000	US\$'000	BD'000	US\$'000
Quoted :				
Debt securities	241,514	642,324	295,297	785,364
Equity securities	69,568	185,021	62,626	166,559
Quoted available-for-sale securities	311,082	827,345	357,923	951,923
Unquoted :				
Equity securities	1,499	3,988	1,190	3,165
Available-for-sale securities	312,581	831,333	359,113	955,088

Available-for-sale securities for 2007 include securities amounting to BD 18.14 million (US\$ 48.23 million) [2006: BD 40.88 million (US\$ 108.74 million)], sold under agreement to repurchase.

ii) Maturity profile of available-for-sale debt securities

The carrying cost of the debt securities by remaining period to contractual maturity is as follows:

	2007	2007	2006	2006
As at 31 December	BD'000	US\$'000	BD'000	US\$'000
Up to 6 months	52,019	138,348	41,411	110,136
6 months to 1 year	7,212	19,181	76,496	203,447
1 to 3 years	80,838	214,995	89,787	238,795
3 to 5 years	88,463	235,274	81,602	217,026
5 to 10 years	12,982	34,526	5,872	15,617
10 to 20 years	-	-	129	343
Total	241,514	642,324	295,297	785,364

For assets and mortgage backed securities, remaining maturity is based on the expected weighted average life and not the legal maturity as on account of inherent nature of this product, expected weighted average life is better representative of the product's maturity profile.

iii) Breakdown between fixed rate and floating rate available-for-sale debt securities

	2007	2007	2006	2006
As at 31 December	BD'000	US\$'000	BD'000	US\$'000
Fixed rate debt securities	53,074	141,154	143,984	382,936
Floating rate debt securities	188,440	501,170	151,313	402,428
Total	241,514	642,324	295,297	785,364

iv) Breakdown of available-for-sale debt securities by rating

	2007	2007	2006	2006
As at 31 December	BD '000	US\$ '000	BD '000	US\$ '000
AAA	37,867	100,710	112,704	299,745
AA	46,567	123,848	39,527	105,125
A	123,315	327,966	110,424	293,681
BBB	18,244	48,521	17,935	47,699
Not-rated	15,521	41,279	14,707	39,114
Total	241,514	642,324	295,297	785,364

B) Investments at fair value through profit or loss

Fair value through profit or loss investment securities comprise investments in mutual funds and CPNs as follows:

	2007	2007	2006	2006
As at 31 December	BD '000	US\$ '000	BD '000	US\$ '000
Investments in mutual funds	25,902	68,888	24,821	66,013
Investments in Capital Protected Notes	10,305	27,407	8,494	22,591
Total	36,207	96,295	33,315	88,604

8. ACCRUED INTEREST RECEIVABLE AND OTHER ASSETS

	2007	2007	2006	2006
As at 31 December	BD '000	US\$ '000	BD '000	US\$ '000
Accrued interest receivable	17,523	46,604	16,624	44,213
Accounts receivable & prepayments	807	2,146	873	2,322
Others*	2,987	7,944	3,022	8,037
Total	21,317	56,694	20,519	54,572

*Others include BD 1.32 million (US\$ 3.51 million) [2006: BD 1.40 million (US\$ 3.72 million)] in respect of land and buildings acquired from customers and now held for disposal. The land and buildings are stated at cost.

9. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions consists of short-term borrowings from banks and financial institutions.

	2007	2007	2006	2006
a) As at 31 December	BD'000	US\$'000	BD'000	US\$'000
Current and call accounts	15,809	42,045	18,166	48,314
Taking - Term	286,523	762,029	167,387	445,178
Total	302,332	804,074	185,553	493,492

	2007	2007	2006	2006
b) Agreed maturity dates by remaining maturity	BD'000	US\$'000	BD'000	US\$'000
As at 31 December				
Up to 1 month	249,307	663,050	170,641	453,832
1 to 6 months	47,549	126,460	14,711	39,125
6 to 12 months	5,476	14,564	201	535
Total	302,332	804,074	185,553	493,492

10. BORROWINGS UNDER REPURCHASE AGREEMENTS

Borrowings under repurchase agreements represent available-for-sale securities of BD 18.14 million (US \$48.23 million)

[2006: available-for-sale securities of BD 40.88 million (US \$ 108.74 million)] sold under agreement to repurchase.

	2007	2007	2006	2006
Agreed maturity dates by remaining maturity	BD'000	US\$'000	BD'000	US\$'000
As at 31 December				
Up to 1 month	18,135	48,231	40,885	108,737
Total	18,135	48,231	40,885	108,737

11. CUSTOMERS' DEPOSITS

	2007	2007	2006	2006
Agreed maturity dates by remaining maturity	BD'000	US\$'000	BD'000	US\$'000
As at 31 December				
Repayable on demand or at short notice	576,971	1,534,497	570,055	1,516,104
Up to 3 months	647,270	1,721,463	527,342	1,402,505
3 months to 1 year	95,076	252,862	102,369	272,258
1 to 3 years	635	1,689	11	29
Total	1,319,952	3,510,511	1,199,777	3,190,896

12. ACCRUED INTEREST PAYABLE AND OTHER LIABILITIES

	2007	2007	2006	2006
As at 31 December	BD '000	US\$ '000	BD '000	US\$ '000
Accrued interest payable	5,231	13,912	3,977	10,577
Creditors & account payables	7,441	19,790	6,014	15,995
Deferred income	647	1,721	421	1,120
Employee benefits	5,200	13,830	3,738	9,941
Trading liabilities	-	-	10,812	28,755
Others	1,144	3,042	3,065	8,152
Total	19,663	52,295	28,027	74,540

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13. CASH AND CASH EQUIVALENTS

	2007		2006	
As at 31 December	BD '000	US\$ '000	BD '000	US\$ '000
Cash and balances at central banks	53,538	142,388	50,181	133,460
Treasury bills	12,526	33,314	33,879	90,104
Placements with banks and other financial institutions	332,672	884,766	195,216	519,191
Total	398,736	1,060,468	279,276	742,755

14. CONTINGENT LIABILITIES AND BANKING COMMITMENTS

As at 31 December	Notional principal amount		Risk weighted equivalent		Notional principal amount		Risk weighted equivalent	
	2007	2007	2007	2007	2006	2006	2006	2006
	BD '000	US\$ '000	BD '000	US\$ '000	BD '000	US\$ '000	BD '000	US\$ '000
Contingent liabilities								
Liabilities on confirmed documentary credits	27,405	72,886	2,983	7,934	14,582	38,782	2,417	6,428
Guarantees :								
Counter guaranteed by banks	27,261	72,503	2,710	7,207	27,566	73,314	2,757	7,333
Others	37,106	98,686	18,325	48,737	22,084	58,734	11,042	29,367
Sub-total	91,772	244,075	24,018	63,878	64,232	170,830	16,216	43,128
Banking commitments								
Undrawn loan commitments	92,778	246,750	15,935	42,380	108,967	289,806	20,836	55,415
Forward commitments:								
Securities purchased	11,091	29,497	-	-	-	-	-	-
Securities sold	3,760	10,000	-	-	-	-	-	-
Interbank placings	6,207	16,508	1,241	3,301	12,870	34,229	2,574	6,846
Interbank takings	11,227	29,859	-	-	57,446	152,782	-	-
Interest rate contracts	26,412	70,245	-	-	35,770	95,133	55	146
Foreign exchange contracts	151,447	402,784	370	984	181,910	483,803	207	550
Sub-total	302,922	805,643	17,546	46,665	396,963	1,055,753	23,672	62,957
Total	394,694	1,049,718	41,564	110,543	461,195	1,226,583	39,888	106,085



15. DERIVATIVE AND FOREIGN EXCHANGE FINANCIAL INSTRUMENTS

The Bank utilises various derivative and foreign exchange financial instruments for trading, asset/liability management and hedging risks. These instruments primarily comprise futures, forwards, swaps and options.

Futures and forward contracts are commitments to buy or sell financial instruments or currencies on a future date at a specified price or yield, and may be settled in cash or through delivery. Swap contracts are commitments to settle in cash on a future date or dates, interest rate commitments or currency amounts based upon differentials between specified financial indices, as applied to a notional principal amount. Option contracts give the acquirer, for a fee, the right but not the obligation, to buy or sell within a limited period a financial instrument or currency at a contracted price.

In respect of the derivative and foreign exchange financial instruments, the contract/notional principal amounts do not represent balances subject to credit or market risk. Contract/notional principal amounts represent the volume of outstanding transactions and are indicators of business activity. These amounts are used to measure changes in the value of derivative products and to determine the cash flows to be exchanged. The replacement cost is the cost of replacing those financial instruments with a positive market value, together with an estimate for the potential future change in the value of the contract, and reflects the maximum credit loss for the Bank had all these counterparties defaulted. For written options, there is no credit risk, as they represent obligations of the Bank. The fair value represents the aggregate of the positive and negative cash flows which would have occurred if the rights and obligations arising from the instrument were extinguished by the Bank in an orderly market as at the reporting date. The fair values of derivative financial instruments such as interest rate swaps and forward rate agreements were calculated using discounted cash flow models based on current market yields for similar types of instruments and the maturity of each instrument. The futures contracts, foreign exchange contracts and interest rate options were revalued using market prices and option valuation models as appropriate.

a) The following table summarises for each type of derivative and foreign exchange financial instrument, the aggregate notional amounts, the replacement cost and the fair value :

Figures in BD '000 As at 31 December	Contract / notional principal amount		Replacement cost		Fair value	
	2007	2006	2007	2006	2007	2006
Interest rate contracts						
Interest rate swaps	26,412	35,770	32	267	29	260
Sub-total	26,412	35,770	32	267	29	260
Foreign exchange contracts						
Outright spot and forward contracts	65,631	4,665	229	18	211	(50)
Options	1,413	1,478	17	-	(12)	(2)
Swap agreements	84,403	175,767	10	23	(13)	(1)
Sub-total	151,447	181,910	256	41	186	(53)
Total	177,859	217,680	288	308	215	207

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15. DERIVATIVE AND FOREIGN EXCHANGE FINANCIAL INSTRUMENTS (continued)

b) The remaining maturity profile by each class of derivative and foreign exchange financial instrument based on contract/notional principal amounts is as follows :

Figures in BD '000 As at 31 December	2007			2006		
	Up to 1 year	1 to 2 years	Total	Up to 1 year	1 to 2 years	Total
Interest rate contracts						
Interest rate swaps	26,412	-	26,412	9,400	26,370	35,770
Sub-total	26,412	-	26,412	9,400	26,370	35,770
Foreign exchange contracts						
Outright spot and forward contracts	65,631	-	65,631	4,665	-	4,665
Options	1,413	-	1,413	1,478	-	1,478
Swap agreements	84,403	-	84,403	175,767	-	175,767
Sub-total	151,447	-	151,447	181,910	-	181,910
Total	177,859	-	177,859	191,310	26,370	217,680

16. CONTINGENT LIABILITIES AND UNDRAWN LOAN COMMITMENTS

The Bank issues commitments to extend credit and guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties. For these instruments, the contractual amount of the financial instrument represents the maximum potential credit risk if the counterparty does not perform according to the terms of the contract. The credit exposure for the contingent liabilities is reduced by obtaining counter guarantees from third parties. A large majority of these expire without being drawn upon, and as a result, the contractual notional principal amounts are not representative of the actual future credit exposure or liquidity requirements of the Bank. In the absence of any process for accurate determination of credit risk of these undrawn loan commitments and contingent liabilities, the contract or notional principal amount has been considered as the credit exposure.

Based upon the level of fees currently charged, taking into account maturity and interest rates together with any changes in the credit worthiness of counterparties since origination, the Bank has determined that the fair value of contingent liabilities and undrawn loan commitments is not material.

The following table summarises the Bank's maximum credit risk which is represented by the contract or notional principal amounts relating to these financial instruments and also the expiration dates of the instruments.

Figures in BD '000 As at 31 December	2007				2006			
	Less than 1 year	1-3 years	More than 3 years	Total notional principal amount	Less than 1 year	1-3 years	More than 3 years	Total notional principal amount
Contingent liabilities	56,659	30,566	4,547	91,772	42,063	21,980	189	64,232
Undrawn loan commitments	44,705	48,073	-	92,778	24,995	79,847	4,125	108,967
Total	101,364	78,639	4,547	184,550	67,058	101,827	4,314	173,199

17. FORWARD COMMITMENTS

As at 31 December 2007, for the forward commitments, the remaining period to the contractual date was within 14 days. On the contractual date these commitments were carried out, and resulted in cash flows in and out of the Bank as represented by the notional principal amount.