

ANNUAL REPORT 2007



Prime Bank Limited
a bank with a difference



**THE BEST BANK
ACCORDING TO
EXPERTS **THREE YEARS**
IN A ROW!!!**

For the third year in a row, Prime Bank won the prestigious ICAB Award for being the best bank in Bangladesh and SAFA Merit Award for published accounts and reports. To be recognized by a mandate so comprehensive and by a body of such experts as the Institute of Chartered Accountants of Bangladesh and South Asian Federation of Accountants is a matter of great honor and pride. We dedicate this triumph to our patrons, customers, shareholders and employees.

Your loyalty and hard work is what makes us "a bank with a difference" in the eyes of one and all!



Prime Bank Limited

Registered Office: Adamjee Court Annexe Building-2, 119-120, Motijheel C/A,
Dhaka-1000, Bangladesh Phone: 9567265, 9570747-8, Fax: 88-02-9560977,
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E-mail: primebnk@bangla.net, info@prime-bank.com,
Website: www.prime-bank.com

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Rationale of the Cover

PBL, a leading local Private commercial bank continued l its growth performance in all' areas of its operation despite adversities, uncertainties, changes and challenges. This has been focused as the l theme of the Cover.

Letter of Transmittal

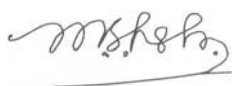
To
All Shareholders
Securities and Exchange
Commission Registrar of Joint Stock
Companies & Firms Dhaka Stock
Exchange Limited
Chittagong Stock Exchange Limited

**Sub: Annual Report for the year
ended December 31,2007**

Dear Sir (s)

We are pleased to enclose a copy of the Annual Report together with the Audited Financial Statements including Consolidated and Separate Balance Sheet as at December 31, 2007 and Income Statements, Cash Flow Statements for the year ended December 31, 2007 along with notes thereon of Prime Bank Limited, its Subsidiary (Prime Exchange Co. Pte. Limited, Singapore) & Prime Bank Off-shore Banking Unit for Kind information and record.

Yours sincerely



Manash Kumar Ghosh
Company Secretary



Statement Regarding Forward Looking Approach

The Annual Report contains some forward looking statements regarding the business environment and its likely effect in the financial conditions of the PBL. Statements which are not historical facts including statement of PBL's belief, expectation are forward looking statement. Words such as plan, anticipate are forward looking statement. Forward looking statements involve inherent risks and uncertainties. Some factors may actually cause actual result to differ and some may significantly deviate from the forward looking approach. Some of the factors that may effect the business environment are given below:

- Changes in general economic condition resulting from natural calamities and political disturbances;
- Changes in government policy issues viz.
 - . Increase in tax, VAT on banking services
 - . Increase in corporate tax rate
 - . Increase in CRR and SLR of the banks
 - . Withdrawal of incentives given to some thrust sectors which may make the projects slow moving;
 - . Directives to reduce the lending rates to finance essential items;
 - . Increase in provisioning requirement would reduce the ROA and ROE;
 - . Reducing the margin ratio for investment accounts.
- Volatility in interest rate;
- Volatility in capital market arising from speculations;
- Introduction of compliance issues raised by the international forums which is likely to affect the export growth;
- Rise in international prices of essential which is growing pressure on foreign exchange market resulting to volatility in FX market;
- International embargo on certain countries is likely to affect remittances and trade;
- Risk management of lending portfolio often require stress testing which are based on sophisticated mathematical tools and cannot solely be dependent on existing MIS. The level of technology in banking industry is yet to acquire that sophistication.

Notice of the Thirteenth Annual General Meeting



Prime Bank Limited

Registered Office: Adamjee Court Annex
Building-2
119-120 Motijheel C/A, Dhaka-1000

AGENDA

Notice is hereby given to all Members of Prime Bank Limited that the **13th Annual General Meeting** of the Company will be held on Sunday, March 30, 2008 at 10.00 a.m. in the Plenary Hall of Bangladesh-China Friendship Conference Centre, Agargaon, Dhaka to transact the following business and adopt necessary resolutions:

1. To receive, consider and adopt the Directors' Report and Audited Financial Statements of the Bank for the year ended December 31, 2007 together with the Auditors' Report thereon.
2. To declare dividend for the year ended December 31, 2007.
3. To elect/re-elect Directors.
4. To appoint Auditors for the term until the next AGM and to fix their remuneration.
5. To transact any other related business with the permission of the Chair.

By order of the Board of Directors

Manash Kumar Ghosh
Company Secretary

February 24, 2008

Notes:

- a. March 12, 2008 is scheduled as Record Date. Shareholders whose name will appear in the Register of Members on the Record Date will be eligible to attend the meeting and qualify for dividend.
- b. The Board of Directors has recommended 35% Dividend out of which 10% Cash Dividend and 25% Stock dividend i.e. 1 (One) Bonus Share for every 4 (Four) Ordinary Shares.
- c. A Member eligible to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf. Form of proxy, duly stamped, must be deposited at the Registered Office of the Company at least 72 hours before the time fixed for the Meeting. Proxy Form will be available at the Registered Office of the Bank.
- d. The existing Joint Auditors M/S Rahman Rahman Huq, Chartered Accountants and M/S S. F. Ahmed & Co., Chartered Accountants have completed 3 (three) years in succession as Auditors of the Bank. As such, they are not eligible for re-appointment as per Bangladesh Bank's directives. Shareholders are hereby requested for nomination of Audit Firms enlisted with Bangladesh Bank on or before March 13, 2008 for appointment as External Auditors in the AGM.

Vision-Mission

Our Vision

To be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity.

Our Mission

To build Prime Bank Limited into an efficient, market driven, customer focused institution with good corporate governance structure.

Continuous improvement in our business policies, procedure and efficiency through integration of technology at all levels.

Strategic Priority

To have sustained growth, broaden and improve range of products and services in all areas of banking activities with the aim to add increased value to shareholders investment and offer highest possible benefits to our customers.

Core Values

For our Customers

to become most caring Bank - by providing the most courteous and efficient service in every area of our business.

For our Employees

by promoting well - being of the members of the staff.

For our Shareholders

by ensuring fair return on their investment through generating stable profit.

For our Community

by assuming our role as socially responsible corporate entity in a tangible manner through close adherence to national policies and objectives.

... upholding ethical values and best practices

Board of Directors



Azam J Chowdhury
Chairman, Board of Directors

Azam J Chowdhury is a leading industrialist and entrepreneur in Bangladesh. He is the Chairman of East Coast Group, engaged in International Trading, Manufacturing, Engineering, Lubricants, LPG, Wooden Poles, Real Estate, including investments in Banks, Finance, Leasing and Insurance having main focus on Oil & Gas business.

He is also the Chairman of Bangladesh-Norway Chamber of Commerce & Industry, Vice President of Bangladesh Energy Companies Association and Member of Advisory Council of Government of the People's Republic of Bangladesh on Power, Energy & Mineral Resources. Mr. Chowdhury is also the Managing Director of Mobil Jamuna Fuels Limited and Mobil Jamuna Lubricants Limited, both companies having joint-venture with ExxonMobil Corporation. He is also the Director of Central Depository Bangladesh Limited (CDBL). He was Chairman of Green Delta Insurance Co. Limited, one of the most successful general insurance companies in Bangladesh. He has corporate interest in Prime Finance & Investment Limited and Union Capital Limited; both are leading NBFIs in Bangladesh. Mr. Chowdhury is also the Chairman of The Consolidated Tea & Lands Co. (Bangladesh) Limited (James Finlay) which own 17 tea estates having 32,000 workers and 150 officers.

Having completed his Masters in English literature from Dhaka University, he attended courses on Business Administration in UK and Singapore. He also completed a course In Pricing and Costing sponsored by UNCTAD under United Nations.

In recognition to his performance, Hungarian Government nominated him as the Honorary Consul of Hungary in Bangladesh. Mr. Chowdhury is a contributor of articles on political Issues, business and shipping in leading dailies and journals at home and abroad. He is a renowned Golfer and achieved laurels several times in this sporting arena.



Shahnaz Quashem
Vice Chairperson

Mrs. Shahnaz Quashem is a Sponsor Director of Prime Bank Ltd. and Vice Chairperson of the Board of Directors of Prime Bank for two consecutive terms. She became a member of the Board in June 2004 and was last reappointed on 30 March 2005. She is also a Director of Associated Oxygen Ltd.



Hasina Khan
Vice Chairperson

A sponsor Director of Prime Bank Limited, Mrs. Hasina Khan is the present Vice Chairperson of the Board of Directors. She was first appointed as a Director in June 2004 and re-appointed on 30 March 2007. She is also Director of Pedrolio Group and Pedrollo nk Ltd, Polyexprint Ltd, Polyexlaminat Ltd., Polytape Ltd., Prime Insurance Co. Ltd, Halda Valley Tea Co. Ltd and Pedrollo Dairy & Horticulture Ltd. An eminent social worker Mrs. Khan is the Pesident of Khulsi Lions Club, Chittagong.



Mohammad Aminul Haque
Chairman, Executive Committee

Former Chairman Mr. Mohammad Aminul Haque is the present Chairman of the Executive Committee and a sponsor Director of Prime Bank Ltd. After graduating in Mechanical Engineering from Ahsanuliah Engineering College, Dhaka (now BUET) in 1962 he joined Water and Power Development Authority (WAPDA), an autonomous body, as a Design Engineer. Subsequently he joined Dhaka Polytechnic Institute as a Lecturer/Instructor. Immediately after the liberation of Bangladesh he decided to opt for business towards shaping the war torn economy and established Greenland Engineers and Tractors Company (GETCO) Ltd. and continued to serve as its Managing Director. He is the Chairman of Prime Finance & Investment Ltd. a leading non-banking financial institution in Bangladesh.



Quazi Sirazul Islam
Vice Chairman, EC

A sponsor Director & former Chairman, Quazi Sirazul Islam is the present ViceChairman of the Executive Committee of the Board of Prime Bank Ltd. He took part in country's liberation war In 1971 and elected as a Member of Parliament in 1996 and 2001. He is a member of Federation of Bangladesh Chamber of Commerce & Industry (FBCCI) and the Senior Vice President of Bangladesh Jewelers Association. He is also the Chairman of City Hospital (Burn Hospital), which is the only private sector hospital of this kind in Bangladesh. He is a Member of the Board of Governors of People's University of Bangladesh.

A philanthropist by nature Quazi Sirazul Islam was awarded Kabi Jasimuddin Gold Medal, Maulana Akram Kha Gold Medal, Sufi Motahar Hossain Gold Medal and Atish Dipankar Gold Medal for his remarkable contribution in spreading education. He was also awarded MJF (Melvin Jones Fellow) Medal by the Lions International Foundation for his contribution to the Society.



Razia Rahman
Director

Mrs. Razia Rahman is a Sponsor Director of Prime Bank Ltd. She is also the Managing Director of Transworld Bicycle Co. Ltd., Meghna Components Ltd., Uniglory Steel Products Ltd. Chairman, Meghna Wheels Ltd., Meghna Innova Rubber Co. Ltd., Meghna Rubber Ind. Ltd., Director, Meghna Bangladesh Ltd., Uniglory Cycle Components Ltd., proprietor, Concept Cycling, etc. She became the Director of Prime Bank in June 2004 and was last re-appointed on 30 March 2005.



Ferdousi Islam
Director

Mrs. Ferdousi Islam, is a Sponsor Director of Prime Bank Ltd. She became Director of the Bank in June 2004 and was last re-appointed on 30 March 2006. A successful woman entrepreneur Mrs. Islam is the Chairman of Bajnabo Textile Mills Ltd., Director of Northern General Insurance Ltd and Trusty Associates Ltd, a Member of DSE (Dhaka Stock Exchange).



Capt. Imam Anwar Hossain
Chairman, Audit Committee

Sponsor Director & Chairman, Audit Committee of the Board of Directors, Capt. Imam Anwar Hossain is a leading business personality in the Shipping, Cement & Energy Sector. He completed his graduation from Jaldia Marine Academy in 1969 and became a Class-1 Master Mariner from UK in 1980. He is a dynamic and competent entrepreneur, promoter and Chairman of Imam Group. His business portfolio comprises shipping, insurance, leasing, cement industry, lube oil industry and distribution etc. He is the Director of Pragati Insurance Ltd., Ben Ocean Lines Ltd., Prime Cement Ltd., Ben Marine Lines, Bengal Tiger Cement Industries Ltd., Ben Lloyd Lines Ltd., Ocean Wave Shipping Ltd., Commodity & Carriage, Jamuna Resort Ltd., Fuchs Lubricants (BD) Ltd.

He is the member of French-Bangladesh Chamber of Commerce and Industry, President of Lenonone Chess Club, Founder member of the Board of Governors of the Peoples University of Bangladesh and President 'Oitijjo Onneshon' (i.e. search for heritage), a trust working for archeological excavation and research. He had written a number of articles, which focused on development of port, shipping and transit trade in Bangladesh.

He is the Member of Federation of Bangladesh Chamber of Commerce and Industries (FBCCI), the apex body of the business community of the country for last 25 years. He is also the former Chairman of Bangladesh Ocean going Vessel Owners Association.



Nafis Sikder
Director

Mr. Nafis Sikder is a Sponsor Director of Prime Bank Limited and a very talented entrepreneur. After Completion of his Bachelor of Science in Business Administration (BSBA) from Washington University, U.S.A. he has been actively involved in his family business from the start of his career. At present, he is the Managing Director of Palmal Group, a pioneer and leading group in the RMG Sector of Bangladesh with a fleet of twenty two factories. As a young and dynamic person Mr. Nafis Sikder has remarkable success within a short span of time.



Mohammad Delwar Hossain
Director

Mr. Mohammad Delwar Hossain, nominated Director of East Coast Shipping Lines Ltd., has completed Honours & Masters in Social Science from the University of Dhaka. He also had his Post Graduate Diploma in Personnel Management from BMDC, Dhaka. Mr. Hossain has to his credit multifaceted experience of about two decades in diversified fields ranging from Energy to Aviation business. Mr. Hossain is the Vice President of East Coast Shipping Lines Ltd., a concern of East Coast Group since 1996, who obtained overseas training in USA and Singapore on International Marketing Procedures on different Aircraft, Aviation Products and Security Market products. He is an amateur golfer and an active member of Kunmitola Golf Club.



Qazi Saleemul Huq
Director

Former Chairman, Board and E.C. Qazi Saleemul Huq is a Sponsor Director of Prime Bank Limited. After obtaining MBA from IBA of University of Dhaka in 1979, he started his business career through GQ Ball Pen Industries, a pioneer in production of one time ballpoint pen in Bangladesh. He is the Chairman of GQ Group of Companies, a fast growing group, engaged in manufacturing of fertilizer bags, snack foods, mosquito coil, plastic furniture, writing equipments etc.

Mr. Huq is also the Director of Prime Insurance Company Limited, Delta Soft Ltd, Managing Director of GEP Telecom Ltd. and GEP Holdings Ltd. He is also involved in printing media and is a Director of Newscorp Ltd., which publishes The Daily News Today. He is involved in various social & educational development activities. He was the Member of Parliament of Bangladesh Jatio Sangshad for three terms.



Saheda Pervin Trisha
Director

Ms. Saheda Pervin is a young and promising entrepreneur. An MBA from the faculty of Business Studies, University of Dhaka, Ms. Trisha also holds the position of Directorship of Prime Insurance Co. Ltd., VIP Shahadat Poultry & Hatchery and VIP Shahadat Cold Storage. She is also a talented presenter in Electronic Media.



Maksudur Rahman Sarkar
Independent Director

Mr. Maksudur Rahman Sarkar is the Independent Director in the Board of the Bank. He completed his graduation in Mechanical Engineering from Bangladesh University of Engineering & Technology, Dhaka and completed MBA from IBA, Dhaka University. Being a highly qualified professional Mr. Sarkar is a fellow of Institution of Engineers, Bangladesh.



M. Shahjahan Bhuiyan
Managing Director

M Shahjahan Bhuiyan, Managing Director has over thirty-eight years of solid banking experience in various capacity including first eighteen years with nationalized commercial banks (NCBs) and last twenty years with private commercial banks (PCBs). He was appointed as the Managing Director of the Bank in May 2004 and since then has been instrumental in setting up correspondent banking relationship and boosting up export finance business of the Bank. He has segmented Bank's business operations into various strategic business units, strengthened credit risk management system and ensured compliance. Under his leadership, the Bank's business grew across all operational areas and branch network strengthened throughout the country. Mr. Bhuiyan holds a Masters degree in Management and prior to joining banking industry has served as a Lecturer in Faridpur Govt. College. He has taken part in numerous professional trainings/workshops, visited many countries in business connection and has been contributing regularly in newspapers and journals on banking and management issues.

**Executive Committee &
Audit Committee of the Board**

Executive Committee

Mohammad Aminul Haque	Chairman
Quazi Sirazul Islam	Vice Chairman
Shahnaz Quashem	Member
Hasina Khan	Member
Capt. Imam Anwar Hossain	Member
Qazi Saleemul Huq	Member
Razia Rahman	Member
Ferdousi Islam	Member
Nafis Sikder	Member
Saheda Pervin Trisha	Member
Mohammad Delwar Hossain	Member

Audit Committee

Capt. Imam Anwar Hossain	Chairman
Saheda Pervin Trisha	Member
Maksudur Rahman Sarkar	Member
Manash Kumar Ghosh	Secretary

Shariah Council

Maulana Mohammad Salahuddin	Chairman
Shah Abdul Hannan	Vice Chairman
Maulana Abul Kalam Azad	Member
Maulana Mohammad Shahidul Islam	Member
Professor Dr. Shamsher Ali	Member
A.S.M.Fakhrul Ahsan	Member
Azam J Chowdhury	Member
Qazi Saleemul Huq	Member
M.Shahjahan Bhuiyan	Member
Nasiruddin Ahmed	Member Secretary

Management



Management Committee meeting in session

Managing Director

M. Shahjahan
Bhuiyan

Additional Managing Director

Nasiruddin Ahmed

Deputy Managing Directors

Mahbubul Alam
R. Q. M. Forkan

Senior Vice Presidents

Md. Shahinur Rahman
Hasan Mohiuddin Bhuiyan
S. M. Abul Quasem
Shahidur Rahman Khan
Md. Touhidul Alam Khan
Adil Raihan
Mohammed Ehsan Habib
Md. Iqbal Hossain
Shahanul Husain
Sarqume Mohd. Kabir
Jahan Ara Begum
Nasim Sekander
Abu Mohammad Mohabbat Hassan
Md. Zahirul Alam
Ferdousi Sultana
Abdur Rashid Miah
Md. Anwarul Islam
Abdus Salam Khan
A S M Fasiul Islam

Senior Executive Vice Presidents

Md. Mukhter Hossain
Md. Mehmood Husain
Md. Reazul Karim
Muhammed Shahidul Islam
Isbahul Bar Chowdhury
Md. Jasim Uddin
Khondaker Iqbal Hossain
Mamun-ur-Rashid
Ahmed Kamal Khan Chowdhury
Manash Kumar Ghosh

Vice Presidents

Wasequddin Ahmed Chowdhury
Mohammad Taheruzzaman
Shah Farid Ahmed
A B M Abdullah
Khondoker Fazle Haider
Md. Shahin Alam
Nuhul Ahmed Choudhury
Sheikh Mortuza Ahmed
Joynul Abedin
Md. Mahiuddin Ahmed
Md. Abul Kashem
Md. Fakhruul Islam
Md. Didarul Alam
Abdullah Al Masud
Syed A K Rahat Jaman Sohel
Md. Khurshed Anowar
Md. Iftekhhar Uddin
Sk. Matiur Rahman
Mohammed Faruque
Md. Abul Kashem Khan
Imtiaz Ahmed Siddiqui
Kazi Tozammel Huq
Md. Shariful Islam Khan
Md. Mashiur Rahman
Mohd. Afzal Hossain
Anwarul Hoque
Md. Shahidul Islam
Abu Ashraf Siddique
Imtiaz Ahamed Bhuiyan
Md. Anwarul Islam
A K M Kamal Uddin
Syed Md. Nazmul Huque
Muhammad Anowarul Islam
Md. Shahidul Alam
Major Md. Maruful Islam (Retd)

Senior Asstt. Vice Presidents

Mohammed Abul Kalam
Muhammad Muzahid Hossain
Md. Shah Alam Howlader
Sharif tddin Choudhury
A B M Habibur Rahman
Joseph Halder
Kazi Zillur Rahman
Md. Muhibbur Rahman
Taher Jamil
Mozammel Hoque
Md. Salah Uddin
Mohammad Aminul Islam
Abdul Motaleb Bhuiyan
Md. Abdul Hye
Mir Md. Hassanul Zahed
Dewan Arfanul Alam
Md. Abdus Shukur
Kazi Muzibul Islam
Md. Omar Kabir
Mohammad Jashim Uddin
Salahuddin Ahmed
Kamruzzaman Khairul Kabir
A K M Jan-e-Alam
Syed Shahadat Hossain
Md. Amzad Hossain Mollah
Mohd. Jamil Hossain
Md. Moniruzzaman
T. M. Shafiquul Huq
Md. Toufiqur Rahman Ayeni
Md. Moniruzzaman
Md. Hafizur Rahman Mallick Md. Ibrar
Masudur Rahman
Md. Abu Taher Khan
Md. Milon Miah
Tanfiz Hossain Chowdhury
Md. Faizur Rahman Majumdar
Md. Giash Uddin
Mohammed Zakaria
Md. Ibrahim Hossain Gazi
Md. Amir Hossain Majumder
Md. Shaheen Howlader
Farhad Ahmad Khan
Md. Golam Haider
Md. Firdous Alam
Mahmudur Rahman
Syeda Nazma Parvin
Abu Zafer Md. Sharifuddin
Md. Forhad Hossain

Executive Vice Presidents

Quazi A S M Anisul Kabir
Md.Ezaz Hossain
Md. Nazim Uddin
Barun Kanti Saha
Md. Sohrab Mustafa
Md. Golam Rabbani
Md. Mozammel Hussain
Md. Khaled Latif
Kazi Mahmood Karim
Habibur Rahman
Wg Cdr Md. Tabarak Hossain Bhuiyan, psc
(Retd)

Asstt. Vice Presidents

Md. Ahsan Habib
Gazi Salauddin
Ajmal Hoque Chowdhury
Kamruzzaman
Md. Mahbubur Rahman
Md. Omar Faruque
Md. Ramiz Uddin Miah
A N M Baki Billah
Md. Zakir Hossain
Md. Abdul Halim
Ashraf Uddin Ahmed
M A Mubin
Mohammad Yaqub
A H M Zakir Hossain
Md. Yusuf Ali
Mohammad Nuruzzaman
A S M Azizul Karim
Harunur Rashid Chowdhury
Morshed Ahammed
Md. Mazharul Haque
Shamsher Jamal
Md. Shamsuddin
Md. Habibur Rahman
Sheikh Mohammad
Anisuzzaman Md. Rezaul
Haque
Amirul Alam Chowdhury
Md. Fayezur Rahman
Talukder Md. Amanullah
Md. Kabirul Hasan
Md. Alamgir
Md. Shahidul Islam
Mollah Farid Ahmed
A K M Kafiluddin Chowdhury
Kazi Azharul Islam
Md. Jafar Hasan
Md. Showkat Kamal Sarker
A K M Enamul Haque
Md. Kamrul Islam
Mostafa Hasan
Md. Abdul Quddus
Mohammad Nazim Uddin
Bidyut Kumar Das
Javed Iqbal
Iqbal Haider

Financial Highlights of Five Years

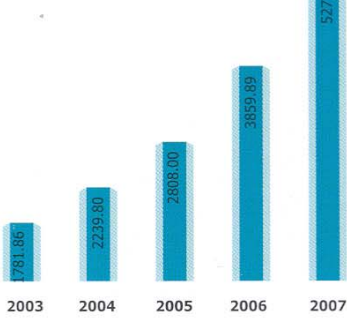
	Taka in Million				
Income Statement	2003	2004	2005	2006	2,007
Interest income	2,159	2,641	3,446	5,199	7,170
Interest expenses	1,408	1,616	2,271	3,698	5,267
Net interest income	751	1,025	1,175	1,500	1,903
Non-interest income	841	946	1,232	1,732	2,913
Non-interest expenses	591	824	886	1,101	1,559
Net non-interest income	250	121	346	631	1,354
Profit before provision and tax	1,001	1,146	1,520	2,131	3,257
Provision for loans and assets	232	82	320	390	910
Profit after provision before tax	770	1,064	1,201	1,741	2,347
Tax including deferred tax	394	452	633	689	946
Profit after tax	375	612	568	1,052	1,401
Balance Sheet					
Authorized capital	1,000	1,000	4,000	4000	4,000
Paid-up capital	700	1,000	1,400	g	2,275
Total shareholder's equity	1,782	2,240	2,808	,860	5,273
Deposits	20,483	28,069	36,022	54,724	70,512
Long-term liabilities	7,052	7,371	11,406	16,877	15,267
Loans and advances	16,492	23,220	31,916	45,010	57,683
Investments	2,750	3,084	3,940	7,844	12,698
Property, Plant and Equipment	256	322	372	412	660
Earning assets	19,335	27,131	36,727	55,458	72,798
Net current assets	583	(1,299)	31	5,286	1,338
Total assets	24,249	32,362	41,506	60,899	79,588
Current ratio	0.96	1.06	1.00	0.88	0.97
Debt equity ratio	8%	7%	7%	7%	7%
Other Business					
Import	25,441	36,747	40,303	52,639	70,617
Export	16,490	19,502	28,882	41,801	51,316
Remittance	3,063	2,140	3,688	15,050	15,905
Guarantee Business	4,248	4,085	5,303	5,386	7,033
Inland letter of credit	3,729	4,267	5,405	10,174	11,943
Capital Measures					
Total risk weighted assets	16,455	23,050	31,890	44,324	55,485
Core capital (Tier-I)	1,782	2,240	2,808	3,860	5,273
Supplementary capital (Tier-II)	176	236	369	549	1,109
Total capital	1,958	2,476	3,177	4,409	6,382
Tier- I capital ratio	10.83	9.72	8.80	8.71	9.50-
Tier-II capital ratio	1.07	1.02	1.16	1.24	2.00
Total capital ratio	11.90	10.74	9.96		11.50
Credit Quality					
Non-performing loans (NPLs)	326.53	352.73	308.21	367.15	777
% of NPLs to total loans and advances	1.98%	1.52%	0.96%		1.35%
Provision for unclassified loans	171.73	231.73	364.80	44.80	895
Provision for classified loans	249.44	174.00	127.00	308.52	478
Share Information					
Market price per share (Taka)	374.25	879.50	681.50	528.75	924
No. of shares outstanding	7	10	14	17.50	22.75
No. of shareholders at actual	1993	2620	4467	5262	7,368
Earnings per share(Taka)	37.55	43.71	40.59	60.11	61.57
Dividend;	62.86%	40.00%	25.00%	30%	35%
Cash	20.00%	0.00%	0.00%	0	10%
Bonus	42.86%	40.00%	25.00%	30%	25%
Effective dividend ratio	67.70%	47.06%	29.17%	33%	40%
Market capitalization	2,619.75	8,795.00	9,541.00	9,253.13	21,021
Net assets per share (Taka)	233.12	223.98	200.57	220.57	232
Price earning ratio(times)	9.97	20.12	16.79	8.80	15.00
Operating Performance Ratio					
Net interest margin on average earning assets	4.36%	4.41%	3.68%	3.26%	2.97%
Net non-interest margin on average earning assets	1.45%	0.52%	1.08%	1.37%	2.11%
Earning base in assets(average)	79.02%	82.08%	86.45%	90.02%	91.29%
Cost income ratio	37.11%	41.83%	36.82%	34.07%	32.37%
Credit deposit ratio	80.52%	82.72%	88.60%	82.25%	81.81 %
Cost of funds on average deposits	7.62%	6.66%	7.09%	8.15%	8.41%
Yield on average advance	14.80%	13.30%	12.50%	13.52%	13.96%
Return on average assets	1.72%	2.16%	1.54%	2.05%	1.99%
	22.70%	30.43%	22.51 %	31.55%	30.68%
Return on average equity					
Other information					
No. of branches	30	36	41	50	61
No. of employees	777	894	1024	1172	1,400
No. of foreign correspondents	441	501	517	517	553
Average earning assets	17,230.13	23,233.08	31,929.08	46,092.85	64,128
Average total assets	21,804.03	28,305.38	36,933.96	51,202.88	70,244
Average deposits	18,482.42	24,276.24	32,045.85	45,373.27	62,618
Average advnce	14,590	19,856	27,568	38,463	51,347
Average Equity	1,654.14	2,010.83	2,523.90	3,333.94	4,567

Profit before Tax & Profit After Tax
Taka in Million



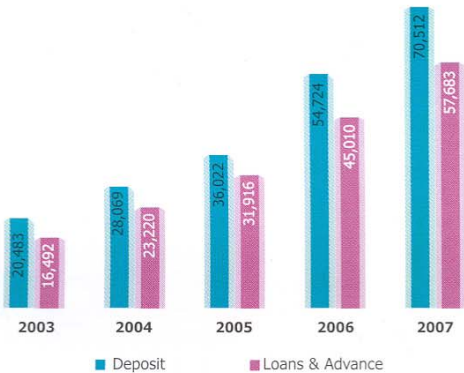
Profit before Tax increased by 34.81% & Profit after Tax increased by 33.17%

Shareholders' Equity
Taka in Million



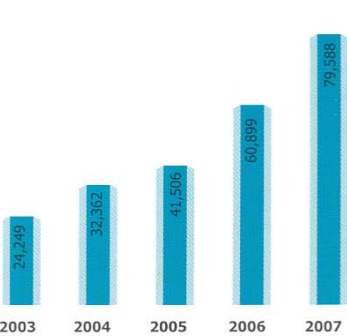
Shareholders' equity grew by 36.62%

Deposit and Loans & Advance
Taka in Million



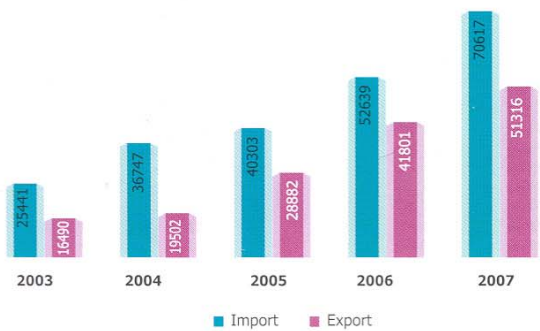
Deposit increased by 28.85% and Loans & advance increased by 28.16%
Higher than Industry average

Total Assets
Taka in Million



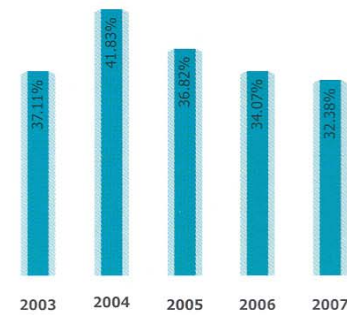
Total Assets increased by 30.69%
Higher than Industry average

Import and Export
Taka in Million



Import increased by 34.15% and Export increased by 22.76%

Cost / Income Ratio



Cost / Income Ratio improved by 4.96%
Cost / Income Ratio is lower than Industry average

Economic impact report

Economic impact report

The Bank's overall objective is to deliver optimum value to our customers, employees, shareholders and the nation and our business strategy is geared towards achieving those. This section covers the value we delivered to our shareholders and the nation at large.

The Bank's policy has been to deliver optimum value in a manner that is consistent with the highest level of fairness and transparency. While building financial value and enhancing the bottom line, PBL followed a participatory process of creating value through fair and ethical means and to remain accountable. Building sustainable value of all stakeholders is an important corporate goal.

Some of the measures taken to create, sustain and deliver optimum value are as follows:

Maintaining capital adequacy

PBL wants to maintain a strong capital base as capital adequacy symbolises the financial strength and stability of a bank. It limits the extent up to which banks can expand their business in terms of risk weighted assets. Like all other commercial institutions, banks too constantly look at ways of expanding their operations by acquiring property, plant & equipment, opening branches, in addition to mobilising deposits, providing loans and investing in other assets.

Regulatory capital requirements are therefore necessary to prevent banks from expanding beyond their ability to manage (over trading), to improve the quality of bank's assets, to control the ability of the banks to leverage their growth and to lead to higher earnings on assets, leading to peace of mind of all the stakeholders. The Bank keeps a careful check on its capital adequacy ratios.

The capital adequacy computation of Prime Bank Limited as at December 31, 2007 is given below:

Taka in Million			
Particulars	Balance 2007	Conversion factor	
Cash in hand and balance with banks (except banks abroad)	5,611,826	-	
Money at call and short notice (Banking companies)	-	-	
Money at call and short notice (Non-banking companies)	-	-	
Foreign currency balance held	2,224,459	-	
Export and other foreign bills		-	
Import and inland bills			
Private sector	117,632	1.00	117,632
Deposit Money Banks	2,364,017	0.20	472,803
Advances			
Government	224,479	-	
Other Financial Institutions-private	2,031,731	0.50	1,015,866
Private sector	45,111,409	1.00	45,111,409
Deposit Money Banks	1,504,037	0.20	300,807
Investments			
Government	12,090,285	-	
Other Financial Institutions-public	40,664		
Other Financial Institutions-private	40,067	0.50	20,034
Other non-financial public enterprises	245,792	0.50	122,896
Private sector	163,417	1.00	163,417
Deposit Money Banks	117,794	0.20	23,559
Head office and inter-branch adjustment	261,913	-	
Contingent assets as per contra			
Letters of credit and letters of guarantee-Govt.	1,783,321	-	
Others	14,190,816	0.50	7,095,408
Fixed assets	660,490	0.50	330,245
Expenditure account	10,770,444	-	
Others	710,613	1.00	710,613
			55,484,689

Economic impact report

Details of Capital Fund	2007	2006
Tier 1 : Core capital		
Paid up capital	2,275,000	1,750,000
Statutory reserve	1,873,544	1,404,171
Revaluation gain on investment	12,724	
Surplus in profit and loss account / Retained earnings	1,112,010	705,718
Total tier 1: capital	5,273,277	3,859,889
Supplementary capital (Tier-II)		
General provision maintained against unclassified loan / investments	894,800	544,800
General provision maintained against Off-balance sheet items	210,000	
Exchange equalization account	4,523	4,523
Total tier II capital	1,109,323	549,323
Total capital	6,382,601	4,409,212
Total risk-weighted assets	55,484,688	44,323,656
Core capital ratio	9.50%	8.71%
Supplementary capital ratio	2.00%	1.24%
Total capital adequacy ratio	11.50%	9.95%

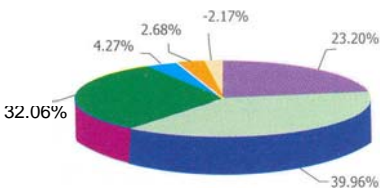
Value added statements for the year ended 31 December 2007

Income from banking services	10,082,803	6,928,700
Less: Cost of services & supplies	(6,006,601)	(4,172,519)
value added by Banking service	4,076,202	2,756,181
Non-banking income	-	1,777.07
Provision for loans & Off-balance sheet items	(910,000)	(390,000)
	3,166,202	2,367,958

Distrubution of value addition

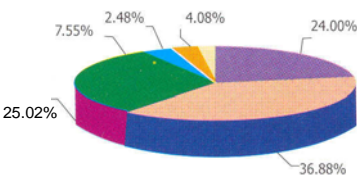
To employees as salaries & allowances	734,417	568,330
To providers of capital as dividend & reserve	1,265,623	873,193
To Government as income tax	1,015,000	592,363
To expension and growth		
Retained profit	135,042	178,698
Depreciation	84,920	58,664
Deferred taxation	(68,800)	96,710
	151,162	334,072
Total	3,166,202	2,367,958

Distrubution of value addition - 2007



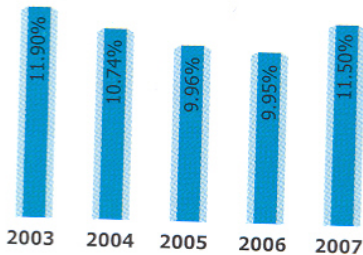
- . To employees as salaries & allowances .
- . To Government as income tax .
- . Depredation
- . To providers of capital as dividend & reserve
- . Retained profit
- . Deferred taxation

Distrubution of value addition - 2006



- . To employees as salaries & allowances .
- . To Government as income tax .
- . Depredation
- . To providers of capital as dividend & reserve
- . Retained profit
- . Deferred taxation

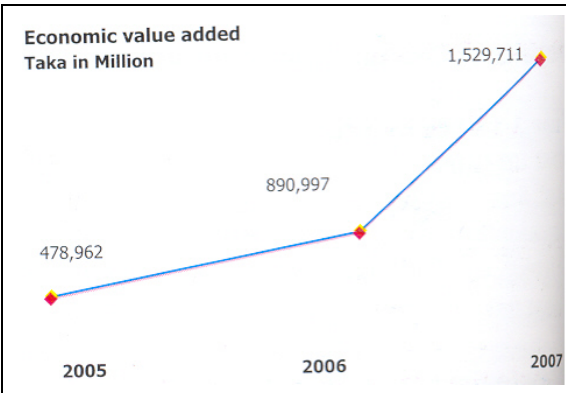
Capital Adequacy Ratio



Economic impact report

Economic Value added

Economic Value added is a measure of profitability which takes into consideration the cost of total invested equity. Shareholders / equity providers are always conscious about their return on capital invested. As a commercial banking company, PBL is deeply concerned for delivery value to all shareholders / equity providers.



Shareholders' equity	2007	2006	2005
Add: Cumulative provision for loans & Off-balance sheet items	5,273,277	3,859,889	2,807,998
Average shareholders' equity	.1,583,200	853,321	491,797
Earnings	—	4,713,210	3,299,795
Profit after taxation	6,856,477		
Add: Provision for loans & Off-balance sheet items	5,784,844	4,006,503	2,972,665
Less: <i>written-off</i> during the year			
	1,400,665	1,051,891	196
	910,000	390,000	319,507
	2,310,665	1,441,891	887,703
Average cost of equity (based on weighted average rate of Shanchay Patra issued by the Government of Bangladesh) plus 2% risk premium.			
Cost of average equity	13.50%	13.75%	13.75%
Economic value added	780,954	550,894	408,741
Growth over last year	1,529,711	890,997	478,962
	71.69%	86.03%	23.03%

Maturity analysis of Balance Sheet

Interest earning assets	Below 1 year	1-5 years	Above 5 years	Total
Non-interest earning assets				
Total assets	44,313,698	17,731,64	10,753,189	72,798,511
	5,982,992	588,969	217,959	6,789,920
	50,296,690	18,320,593	10,971,148	79,588,431
Interest bearing liabilities	47,104,619	12,564,931	10,089,154	69,758,704
	1,854,553	2,701,897	-	4,556,450
Non-interest bearing liabilities	48,959,172	15,266,828	10,089,154	74,315,154
Total liabilities	1,337,518	3,053,765	881,994	5,273,277
Maturity Gap	1,337,518	4,391,283	5,273,277	
Cumulative Gap				

Maintaining liquidity

The liquidity policy of the Bank has always been to carry a positive mismatch in the interest earning assets and interest bearing liabilities in the 1 to 30 days category. Our liquidity remained at optimum levels during the year. The liquid assets ratio stood at 27.14%(required 18% of total demand & time deposits) in December 2007.

The Asset and Liability Committee (ALCO) of the Bank monitors the situation and maintains a satisfactory trade-off between liquidity and profitability.

Payment of dividends

The dividend policy of the Bank has always been to pay a decent dividend to its shareholders while ploughing back sufficient profits to fund growth and capital adequacy requirements. As a result of this prudent dividend policy, the Bank has been able to build up its shareholder fund base to satisfactory levels. in fact the commercial bank has the highest amount of free capital among the banks in the country today.

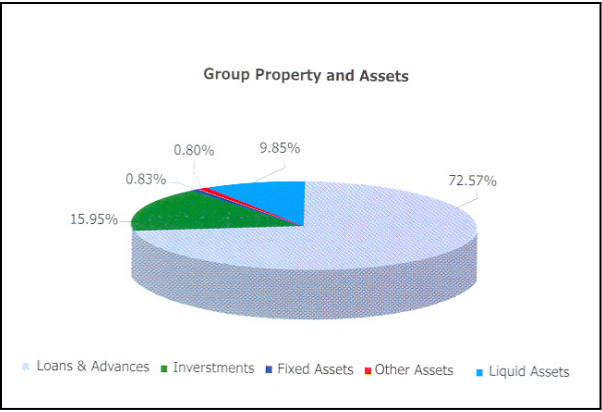
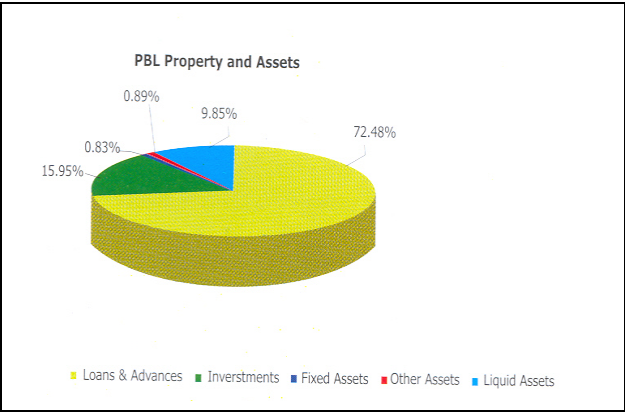
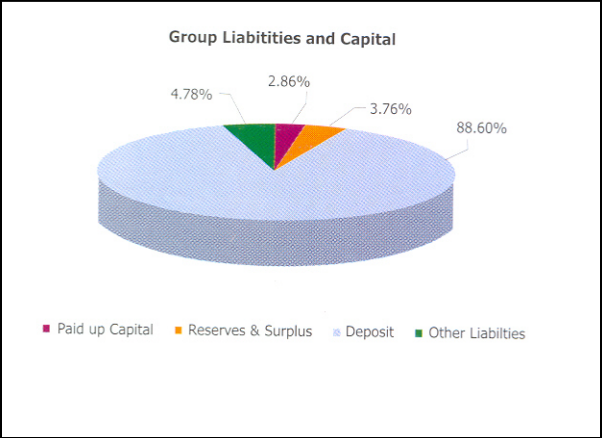
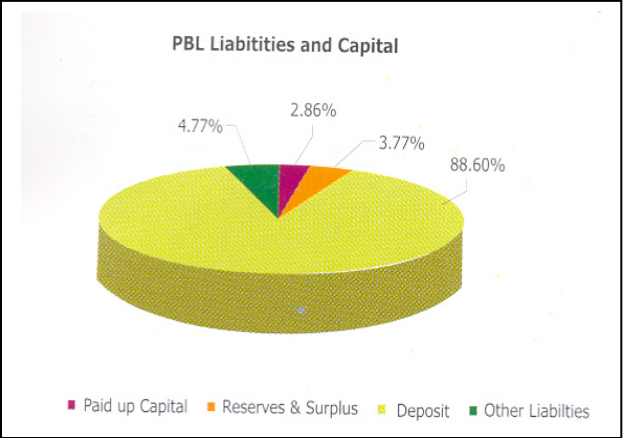
Considering the performance of the Bank over the past year, the board has recommended a dividend of 35 percent for the year 2007 (Note - 44).

Group & PBL

Financial Highlights

	Prime Bank Limited			Group		
	2007 Tk. in Million	2006 Tk. in Million	Change %	2007 Tk. in Million	2006 Tk. in Million	Change %
Performance during the year						
Interest income	7,170.10	5,198.79	37.92%	7,171.33	5,198.81	37.94%
Profit before provision and tax	3,256.86	2,130.96	52.84%	3,254.99	2,126.62	53.06%
Provision for loans and assets	910.00	390.00	133.33%	910.00	390.00	133.33%
Profit after provision before tax	2,346.86	1,740.96	34.80%	2,344.99	1,736.62	35.03%
Tax including deferred tax	946.20	689.07	37.32%	946.20	689.07	37.32%
Profit after tax	1,400.66	1,051.89	33.16%	1,398.79	1,047.54	33.53%
At the end year						
Total shareholders' equity	5,373.28	3,859.89	36.62%	5,267.91	3,855.54	36.63%
Deposits	70,512.37	54,724.08	28.85%	70,544.07	54,724.08	28.91%
Loans and advances	57,683.02	45,010.22	28.16%	57,782.90	45,010.22	28.38%
Investments	12,698.02	7,844.38	61.87%	12,698.02	7,844.38	61.87%
Property, Plant and Equipment	660.49	412.11	60.27%	662.35	414.11	59.95%
Total assets	79,588.43	60,899.48	30.69%	79,618.38	60,897.62	30.74%
Statutory Ratios (%)						
Liquid Assets	27.14	24.91	8.95%	30.90	27.28	13.26%
Capital Adequacy Ratios	11.50	9.95	15.58%	11.47	9.94	15.39%
Share Information						
Earnings per share(Taka)	61.57	46.24	33.15%	61.49	46.24	32.99%
Dividend	35.00	30.00	16.67%	35.00	30.00	16.67%
Net assets Value per share (Taka)	231.51	220.57	4.96%	231.55	220.32	5.10%
Ratios (%)						
Non Performing Loan	1.35	0.82	64.63%	1.35	0.82	64.63%
Return on Average Shareholders' Fund	30.68	31.55	-2.76%	30.55	31.44	-2.83%
Return on Average Assets	1.99	2.05	-2.93%	1.99	2.05	-2.73%

Simplified Balance sheet-2007



Chairman's Review

Economic trends and their impact

Fiscal year 2007 was another year of achievement for Bangladesh and its financial sector. The economy of Bangladesh maintained a strong GDP growth of 6.5 percent resulting from robust performance in services and manufacturing sector. The growth was substantially contributed by increased inflow of remittances from Bangladeshi expatriates and reasonable growth in export. The performance is praiseworthy despite high commodity price specially Petroleum products in international market which influenced the domestic market adversely. Bangladesh Bank increased the capital adequacy requirement of the banks from 9 percent to 10 percent of RWA and also introduced general provision on Off-balance sheet items in an effort to reduce inflation and strengthen lending facilities of Commercial banks for better asset & liability management.

These affected both banks and borrowers. The loss of business confidence and cautionary monetary policy resulted to excess liquidity in the banking sector. The growth of deposits and lending activities slowed down from the level of last fiscal year. Increased provisioning requirement on the off-balance sheet items will improve capital adequacy but reduce the ROA and ROE of the banking sector. The banks are now facing increasingly interest sensitive customers who are demanding higher rate of return against their deposits. Coupled with these rising interest cost and reduced spread, the rise in prices of oil and other importable items have exerted pressure on dollar which have squeezed the exchange and fee earnings of the banks.

However, banking sector particularly the private commercial banks showed its resilience and continued to perform better by diversifying the asset portfolio to Retail, SME and Capital Market. The available statistics indicate that share of business of PCBs are increasing in deposits, lending and other business operations. In this competitive situation, PBL remained focused in all key areas and achieved higher growth in operating profit during 2007.

Financial Performance

PBL closed another solid year of performance despite shocks in the economy. The Bank was able to make a record operating profit of Tk 3.26 billion in 2007, an increase of 52.83 percent from the previous year. Net profit attributable to shareholders reached Tk 1.4 billion mark. The return on average equity remained 30.68 percent and Earning per Share (EPS) stood at Tk 61.57 during 2007. NPL ratio is 1.35 percent which is slightly higher than 2006 but much below the industry average. Capital adequacy ratio of the Bank remained at 11.50 percent, which is above the required rate of 10 percent. Cost income ratio declined to 32 percent from 34 percent of previous year.

The strong performance was attributed to its continuous growth of loans and deposits having a remarkable performance from Merchant Banking Operation. Deposits of the Bank rose by Tk 15.78 billion in 2007 indicating a growth of 28.85 percent. Loans and advances have grown by 28.16 percent during the year. Bank transacted Foreign Trade Business to the extent of 137.84 billion indicating a growth of 26 percent during the year under review.



Business Review

Strategy

PBL has consistently remained focused on efficient customer service by providing wide range of products and services. Our products and services are as diverse as the market segments demand. Our customer group range from individuals, big corporate clients, NGOs to Non residents. Financing to, NGOs were done for extending micro finance to cover less', privileged people who are struggling to fight poverty. PBL will also focus on its delivery platform, its people and its brand to support the growth. PBL will focus more on off balance sheet services for the clients by enhancing the cash management and other advisory services through its state of art IT platform. Improvement in mix of deposits by developing more retail savings products remained in our policy objective and shall continue to remain so in 2008 as well. It will try to remain ahead of the peer group bench mark. PBL's core value to remain socially responsible corporate citizen will remain integral part to its strategy and communicating them to all stakeholders is intrinsic to the plan.

Leveraging on diversification

Loans & Advances

The growth of Loans & Advances was 28.11 percent during the year as against 40 percent of previous year. The Loans and Advances cover following core areas: Corporate, SME, Retail and Credit Card.

Corporate operations

Prime Bank's corporate business provides tailored services to corporate and institutional clients. The financing is based on both conventional and Islamic Shariah mode. While providing large loans to our customer, the policy of Bangladesh Bank is strictly followed. The Customer Relationship Programme has been strengthened and frequent interaction have been ensured to cater the growing needs of our customers. Corporate finance in both modes (Conventional and Islamic Shariah) showed steady growth. PBL has been a dominant player in arranging syndicated loan for its customers. PBL already proved itself as a trusted partner of both syndication participants and large loan borrowers and it is expected that demand for structured loan would increase during 2008 for infrastructure projects. The sectors of financing include pharmaceutical, chemical, cement, ceramic, steel, micro finance, food and allied industry, power station, infrastructure. It raises funds from the market for financing term loans, working capital at the most competitive rates under secured terms & condition.

SME

PBL took a strategic shift towards developing and expanding the SME financing which has received considerable attention of the policy makers. During 2007, Prime Bank's strategy was focused on marketing the Bank's products to wider range of customers and provided working capital and term loan to different manufacturers, traders and service providers including backward and forward linkage industry that fall

working abroad to provide fastest delivery of remitted fund to local beneficiary. Having this objective, we are continuously increasing our rural branches and making arrangements with other local banks to extend fastest delivery service of inward remittances. In addition to the opening of exchange house at Singapore, Prime Bank entered into agreement with various exchange houses in USA, UK, and Middle East and South Asian countries to arrange inward foreign remittances of the Bangladeshi expatriates. This strategy of the Bank allowed the rural people to have modern banking facilities. PBL also participated in various trade fairs organized by trade bodies abroad to bring more customers under its net.

Capital Market Operation

Capital market of the country experienced a very vintage year in 2007. The total market capitalization reached to a level of USD 10 billion mark. New inflow of liquidity and entry of fresh investors pulled the stock market to its record height. Merchant Banking and Investment Unit (MBU) has been reorganized and now actively participating in the secondary market under appropriate risk management policies and guidelines approved by the Board. The Bank launched a scheme titled "Prime Investment Portfolio Management Services" for the individuals and institutional investors to invest in the stock market. Assistance services facilities are also provided to portfolio account holder on the basis of published information and accounts. Merchant Banking Unit contributed record operating profit during 2007. Its share to total operating profit is 14.88 percent. From the 2nd quarter of 2007, SEC issued number of regulations viz Margin Rules, Margin ratio for Merchant Bankers which are far reaching and conducive to investors' safety. MBID had to comply with regulations and took corrective actions.

Off-Shore Banking

The impressive growth of the economy during last couple of years and the facilities provided to the foreign investors through opening of special export zones have attracted lot of foreign investments in the country. Prime Bank has now acquired strength and expertise to support the banking needs of the foreign investors. PBL opened its Off Shore Banking Unit at DEPZ, Savar, Dhaka. Opening of the Offshore Banking Unit will allow the bank to serve the wage earners and the foreign investors better than before. PBL also obtained a license for opening another offshore branch at Patenga, Chittagong.

Performance of Subsidiary

Prime Exchange Co. Pte Ltd. in Singapore finished its one and half year operation and has substantially reduced its operating loss in 2007. Opening of the fully owned subsidiary in Singapore has added a new dimension to the Bank's remittance operation widening its global reach for remittance services. We hope that opening of the subsidiary will help the country in augmenting the flow of inward foreign remittance through banking channel.

(Interest rate risk, Foreign exchange risk and Equity risk) Operational Risk and Reputation Risk particularly arising out of money laundering and terrorist financing. Prime Bank's activities involve analysis, evaluation, acceptance and management of risk. Risk management is emphasized not only for regulatory purpose but also to improve operational and financial performance of the Bank. Audit Committee meeting is convened regularly to review the risk, internal control and compliance issues.

In response to constantly evaluating the risks and operating conditions, PBL took following initiatives during 2007:

- a) Independent review of large loans by Chartered Accountancy firms;
- b) Strengthening of risk based internal audit;
- c) Implementation of Standard Operating Procedure(SOP);
- d) Review and updating of SOP for Treasury Division as per suggestion of Bangladesh Bank;
- e) Implementation of world class CBS T24 in a number of branches which will cover entire operation by 2008. The new CBS will greatly reduce fraud & forgeries and other

Capital Management

Bank continues to manage its capital efficiently in order to support its annual business plan and to ensure adequate return on capital to shareholders. Prime Bank recognizes the impact on shareholders returns of the level of equity and seeks to maintain a prudent balance between Tier-I and Tier II capital. PBL gave due attention to internal generation of capital by improving the ROA & ROE and was successful in doing so during 2007. The capital adequacy of the Bank rose to 11.50 percent from 9.95 percent of 2006. It not only met the enhanced regulatory requirement of 10 percent but also remained over 1 percent to mitigate risks. Bangladesh Bank is contemplating to start implementing Risk based capital accord "Basel II" from the year 2009 and advised the banks for capacity building of its officers. PBL has already imparted training to the officers and also streamlined the risk management process in order to be prepared for implementation of Basel II on time. The Bank has formed an implementation team as per guidelines of Bangladesh Bank.

Human

Capital

Human resource is the most valuable asset for the Bank. Bank plans to hire, develop and retain the human resource base with the right level of skills and talent to meet current and future challenges. The employees of the Bank are given on the job training and sent to different training programme, seminar and workshop at home and abroad. We try to create a mutual trust and dignity and our investment in Human resource development is key to sustainable profit. The deserving employees are rewarded under a performance linked award system with accelerated promotion and other incentives.

World Class Technology Platform

In order to remain the most efficient Bank in terms of service, profitability and technology application, a world class IT infrastructure TEMENOS T24 of Temenos Holdings, NV Netherlands Antilles was chosen as the Core Banking Software (CBS). It is functionally rich thin client scalable integrated modular system. 14 branches including Head Office and Treasury Division have been successfully migrated to new CBS and hopefully entire banking operation would be connected with the new CBS by 2008. It is expected that with the implementation of the new CBS, operational efficiency will increase substantially and a~ the same time

operational risk will be minimized through effective control in operation and information security system. ATM services, SMS banking, e-banking etc. will start soon with the final installation of Temenos T24 software.

Award & Recognition

Prime Bank received many awards during 2007. For the third year in a row, PBL won the prestigious ICAB Award for being the best Bank in Bangladesh for Published Accounts and Reports. It is also a great laurel to receive the prestigious "SAFA Merit Award" consecutively for three years for its published accounts. It is a great honor and pride to be recognized by a mandate so comprehensive and by a body of such experts as the Institute of Chartered Accountants of Bangladesh and South Asian Federation of Accountants. We dedicate this triumph to our Patrons, Customers, Shareholders and Employees. It testifies compliance by the Bank with Bangladesh Accounting Standard as well as International Accounting Standard.

Caring for the Community

PBL's continuous strong performance fulfilled the primary role in helping sustain the stability and sustainability of the financial system of the country. Prime Bank cares for the community at large. Keeping this end in view Prime Bank always committed to operate in an economically, socially and environmentally sustainable manner. The Bank firmly believes that we need to focus in the areas of poverty alleviation, healthcare, games and sports, education and capacity development in the banking sector and last but not the least preservation of Martyrs memoirs. The Bank made significant contribution during 2007 for development in the above mentioned areas. Prime Bank Foundation has been created specifically to provide assistance to education and healthcare. This year Prime Bank Foundation has added following programme in support of the community:

- . Through education support programme stipends provided to economic hardship-hit estimable students to continue their higher education without interruption,
- . Through Drishty Daan Project started supporting the total costs of the sight restoration surgeries (cataract surgeries) of 1200 ultra poor/poor cataract patients who need the surgery but cannot afford to pay for the services they need to be performed;
- . Through Keep the Heart Beating Project PBF supported the total costs of the cardiac surgeries of 12 children with congenital/acquired heart diseases who needed the surgery for their survival but their parents/guardians could not afford just because of their socio-economic conditions.

In addition to this PBL supplemented the national effort in providing emergency relief materials for flood and cyclone 'SIDR' victims of the country.

Corporate Governance

The Bank has given proper importance to the compliance of all the rules, regulations and guidelines of Bangladesh Bank, Securities and Exchange Commission and other regulatory bodies. The Board approves the Bank's budget and review the business plan of the Bank on monthly basis so as to give directions as per changing economic and market environment. The Board reviews the policies and operating procedures of the various segments of businesses in order to establish

effective risk management in credit and other key areas of operations. Board meetings are held regularly at least once in each month. Board/EC reviews the compliance of their directives by the Management. The Board, EC and the Audit Committee are updated on new regulation and statutory requirements. The External Auditors are given absolute freedom to conduct audit and to verify the compliance, risk management and preparation of accounts as per prescribed standard. Audit Committee discusses with the external Auditors regarding the financial statements etc. To improve awareness on corporate governance the members of the Board and the Management are encouraged to join seminar, workshops and other programmes. We have taken steps for rating of the Bank every year in order to give a level playing field for the investors. We have taken steps to give more disclosures to our shareholders and it will be evident from the financial statements and notes to accounts for the year 2007.

Challenge and Reality

Although growth expectation in Bangladesh has been reduced, PBL is well positioned to meet the challenges of 2008 and will continue to strive to innovate and capture opportunity for growth and creation of value. The Bank will focus on its large customer base to generate more business from existing customers. This strategy is supported by continuous improvement in the existing wide spectrum of product and services ensuring of customer service delivery. The Bank will continue to harness the potential of retail, credit card, SME and remittance market. However, continued pressure on interest margins, fee, exchange earnings and increased provision requirement will pose a challenge to the financial institutions in 2008. The most significant risk to the growth relates to political and macro level events on which PBL have no control. In its pursuit for growth, the Bank will always adhere to good corporate governance and practices by adopting sound risk management policies and strict credit evaluation procedure to mini mise the risks.

Acknowledgement

I recall with gratitude the great contribution made by late Maulana Ubaidul Haq as Chairman Shariah Council of Prime Bank Limited who expired on 06.10.2007. I, on behalf of the Board of Directors, like to offer my prayer to the Almighty Allah for resting his soul in eternal peace.

I sincerely thank M/S Rahman Rahman Huq and M/S S F Ahmed & Co, Chartered Accountants for carrying out the external audit professionally and advising us on various compliance issues relating to International Accounting Standard and Bangladesh Accounting Standard. The continuous acclamation of our presented financial statements at home and abroad is the testimony of such compliance. The timely issuance of their report has helped us to present the Annual Report-2007 as per schedule.

In conclusion, I would like to express my deep sense of gratitude to all Regulators, Well-wishers, Shareholders, Stakeholders for their continuous support and guidance in our quest for excellence. The role of our human resources is praiseworthy and it is truly core strength of the Bank. Your loyalty and hard work is what makes us 'a bank with a difference' in the eyes of one and all.



Azam J Chowdhury

Managing Director & CEO's Round up

Banking Scenario

- Global

With the growing international recognition of the importance of a sound banking system in promoting macroeconomic stability, sustainable economic growth and the efficient intermediation between savings and investment, banking today is becoming increasingly challenging. Due to globalization, commercial banks today face challenges in many areas including but not limited to global integration of financial markets, financial liberalization and increased competition, maintenance of asset quality, innovation and technological change, etc. Countries are increasingly subscribing to global standards and moving towards common methods of performance measurement and reporting. Implementation of Basel II accord by 2009 is a clear example in this regard. However, the purpose of all these endeavors is geared towards minimization of operational and portfolio risk as well as promote sound banking practices, all ensuring sustainable economic growth.

-Bangladesh

In our country, the banking sector today is undergoing significant changes with respect to regulations, business risks, modus operandi, and level of services. There has been increasing pressure on the commercial banks today to reduce lending rates. Banks are also being challenged by requiring to create provision at the rate of 1 % (one percent) on non-funded credit portfolio. Furthermore, retail banking and small enterprise segment of credit portfolio require a loan loss provision reserve to the tune of 2% (two percent). Above all, the Bank Management is faced with the most important goal to ensure an acceptable level of return on shareholders' investment.

- PBL

Amidst all these changes during 2007, our business grew across all areas of our operations, despite high commodity and energy prices, intensified competition in the financial service sector and changing socio-economic conditions. The Bank did well as compared to the market in terms of profit and turnover. Superior performance in each operational area was achieved. Gross revenue of the Bank grew by 45 percent to reach Tk. 10,083 million while operating profit increased by 53 percent to arrive at Tk. 3,257 million.

Prime Bank is 'a bank with a difference', and during year 2007, the mission was once again very well reflected both in terms of quantitative as well as qualitative measures by securing superior performance in terms of operational growth, profitability, moving towards implementation of the state-of-the-art banking software solution, and expanding the network by opening a handful of new branches at potential locations. During the immediate past year, the Bank



also secured 'M' rating and bagged a variety of most prestigious awards and recognition by regulators and various agencies. Our bank has been consistently rated as the best local commercial bank in the country.

Dear shareholders, we have achieved our objectives in the past and we would like to keep this performance trend moving. However in coming years, banking is going to be trickier and growth is likely to be lower. Let me explain why.

Changes and Challenges

Although banking businesses (assets, liabilities, operating margin, etc.) have grown, a critical look into the numbers would reveal that the growth has mainly fueled by increasing world wide commodity and energy prices. Due to sharp changes in industrial inputs and food grains prices, the same volume of import resulted in higher bills without bringing in proportionate enhancement in real economic activity. Moreover, during recent past years, there has been considerable slow down in industrial credit because of various socio-political changes. We also note that the country is now receiving over US\$7 billion foreign remittances annually through formal banking channel which is adding to total resource-pool of the country. However, since demand for industrial credit has been slowed down, unless this significant volume of inward remittances are properly utilized, banks will have to remain with idle funds, bear increased cost of funds and accept lower profitability.

Overall, banking business today has become more uncertain and challenging. Traditional concepts have changed and innovative products and channels of delivery such as telephone-and-internet-banking are increasingly gaining popularity and taking away brick-and-mortar branch banking shares. Banks today are also shifting their focus from corporate banking to accommodate retail and SME (small and medium enterprise) banking with a view to minimize risk and diversify portfolio. Moreover, customers' expectations have increased and customers today expect global standard in banking even in a developing country like ours, which is again adding to operating expenses.

PBL Preparedness

Balancing all these constraints while maintaining steady business growth in a compliant manner are clearly at a trade off. Therefore, to succeed in such an ever changing and competitive industry and maintain its superior position, the Bank would have to continually adapt to its surroundings and act ahead of its herd. This would only be possible if the Bank has a motivated pool of competent, talented and trained employees, who has the ability to foresee the changes and devise business directions accordingly. As a result, investing in the human resources will take a priority on the agenda.

In addition to the above, the Board of Directors and the Management of the Bank have already recognized the elements that are going to pose risks in retaining Bank's superior position in days to come. The Bank has devised appropriate strategies and listed priorities that would be implemented during year 2008 so that the Bank continues to perform better. The Bank now has a network of 61 branches, a wholly owned subsidiary styled Prime Exchange Co. Pte. Ltd. in Singapore and an Off-shore Banking Unit in Dhaka Export Processing Zone that was opened during 2007. Moreover, it has a staff-strength of about 1500 who are relentlessly working in pursuit of the achievement of Bank's goals.

It is my firm belief that the Bank would continue to impress its stakeholders by acting as a conduit of economic growth, employment generation, and poverty reduction. To strike a further social balance, it will also continue to act as a responsible corporate citizen like in the past through its charity wing, styled Prime Bank Foundation that is in operation since 2002, which benefits from an annual budget

amounting to three percent of pre-tax profit of the Bank. The specific focus of the Foundation is to support health and education sectors of the country, and it has till today organized various education support programs and provided medical services to numerous disadvantaged people.

Finally, I would like to conclude by expressing my optimism that our beloved Bank would remain as a profit engine with exceptionally skilled employees driving it, a centre of ethical and socially responsible undertakings, and a media for social and economic prosperity, satisfying the regulators, benefiting the shareholders, caring the customers and leaving examples for peer banks.



M. Shahjahan Bhuiyan

Directors' Report- Business Review

The Board of Directors of Prime Bank Limited has the pleasure in presenting to the shareholders the 13th Annual Report and Audited Financial Statements for the year 2007 together with the Report of the Auditors. A brief overview of world market trend with the performance of Bangladesh Economy has also been provided in the Report. A review of this report would reveal continuous growth of the Bank amidst stiff competition and adversities.

Global Economy

In its September 2007 World Economic Outlook, IMF has revised downwards the baseline projections for global growth. Although the global economy sustained strong growth in recent quarter, the global growth is projected to slow down to 5.2 percent in 2007 and 4.8 percent in 2008 due to turbulence in financial sector. The downward pressure stemmed from the ongoing mortgage market difficulties in USA and its spillover effect to other areas. However, China growing by 11.5 percent and for the first time made largest contribution to global growth. India continued to grow at 9 percent and Russia at almost 8 percent. These three countries accounted for one-half of global growth over the past years but other emerging and developing countries also maintained robust expansion. The advanced economies as a group is projected to grow at 2.2 percent, while other emerging market and developing countries as a group is projected to grow by 7.4 percent in 2008.

Inflation has been contained in advanced countries in recent months but rising food prices have contributed to heightened pressure else where. Inflation picked up in number of emerging market and developing countries reflecting strong growth of domestic demand and the greater weight of rising food prices in the consumer price index. The acceleration in food prices reflected pressure from increasing use of corn and other food items for biofuel production as well as poor weather condition. Oil prices also rebounded to record highs, owing to stronger growth in demand than initially projected in the face of lower production by Organization of Petroleum Exporting Countries. Inflation is projected to increase moderately to 2.1 percent in 2007 in advance economies and increase to 5.9 percent in emerging market and other developing countries.

US Dollar showing weakening trend, against background of wide current account deficit, slow growing economy and cut in federal funds rate. Euro has strengthened in recent terms but broadly consistent with medium term fundamentals.

The growth of world trade volume in 2007 is projected to decline to 6.6 percent compared with 9.2 percent in 2006. The export from both developed and other emerging and developing countries are projected to decline to 5.4 percent and 8.2 percent respectively in 2007. The growth of import of emerging and developing markets is projected to decline in 2007.

Looking forward to 2008, the growth of emerging and developing market: will remain strong and China is expected to grow at 10 percent derived by strong domestic demand and rapidly rising current account surplus. South Asia (Bangladesh, India, Maldives, Nepal, Pakistan and Sri Lanka) growth rate is expected to be robust. The world trade volume is projected increase by 6.7 percent in 2008. Non-fuel commodity prices are expected to decline in developed as well as emerging and developing countries. However there are number of downside risks like uncertainty of growth of USA market, another spike in oil prices and larger global imbalances.

Bangladesh Economy

As indicated in the Annual Report of Bangladesh Bank, the fiscal year 2007 (July 2006-June 2007) witnessed a growth mainly by robust growth in service and notable expansion in manufacturing activities. Despite shocks from high and volatile prices of oil and other commodities in international market, Bangladesh achieved a strong growth of 6.5 percent in fiscal year 2007 slightly slower than 6.6 percent of fiscal year 2006. This performance was facilitated by strong remittances of expatriates from abroad and reasonable export growth. Growth rate of agricultural sector was 3.2 percent in fiscal year 2007 mainly due to lower growth in crops and horticulture sub-sector. The industry sector grew modestly at 9.5 percent during the FY 2007. The growth was supported by a continued improved performance in manufacturing sub-sector, facilitated by strong and sustained growth in export oriented manufacturing activity and expansion in domestic demand. Service sector grew by 6.7 percent during FY 2007, which was slightly higher than 6.4 percent of FY 2006. The growth was fairly well spread in different sub-sector. The average rate of inflation had rising trend owing mainly to sharp rise in international prices of oil and some other imported goods and distortion in supply side. The inflation stood at 7.2 percent at the end of June 2007 compared to 7.16 percent at the end of June 2006. However, average rate of inflation went up to 9.11 percent in December 2007. There was a slow rising trend in domestic savings and investment as a percentage of GDP. Domestic savings as a percentage of GDP rose to 20.05 percent during FY 07 compared to 20.3 percent of the previous year. Domestic investment as a percentage of GDP decreased to 24.3 percent from 24.7 percent of the previous year.

Monetary policy was cautioned and restrained with a view to curbing excess demand from inflationary expectations while supporting the highest sustainable real GDP growth. Repo and Reverse Repo rate and yield on Treasury Bills and Bonds sustained upward trend. Growth of Broad Money (M2) was kept consistent with target GDP growth and inflation. The growth of Broad Money stood at 17.1 percent in FY 2007, which was lower than previous year's growth of 19.3 percent. Credit to public sector and private sectors grew by 12.5 percent

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and 15.1 percent respectively as against 13.7 percent and 18.3 percent of previous year. Overall growth of domestic credit was 14.7 percent compared to 20.2 percent in FY06.

The contractionary monetary policy resulted in increase in deposit and lending rates. The declining trend in interest rate that persisted over couple of years was reversed in 2006 and continued in 2007. The weighted average interest on bank credit increased to 12.8 percent compared to 12.1 percent of previous year. The weighted cost of deposits for the same period increased to 6.9 percent from 6.7 percent of previous period. The aggregate asset of the banking sector grew by 17.8 percent over 2005. The share of Nationalized Commercial Banks (NCBs) in the total assets of the industry is declining. It came down to 32.7 percent in 2006 from 37.4 percent in 2005. The Private Commercial Banks share rose to 47.7 percent in 2006 from 45.6 percent in 2005. Aggregate bank credit rose by 14.7 percent during FY 07 compared to 20.2 percent in FY 06. As against the above Bank deposits increased by 16.5 percent in FY 07 compared to 18.5 percent in FY 06. The share in deposits of the NCBs decreased from 40.0 percent in 2006 to 35.2 percent in 2005. The share of Private Commercial Banks rose to 51.3 percent in 2006 from 47.0 percent in 2005.

Export earnings achieved a growth of 15.8 percent and stood at USD 12.0 billion at the end of June 2007. Export of RMG sectors achieved an impressive growth. Specially export of knitwear grew by robust 19.3 percent and constituted 37.4 percent of total export. Frozen shrimps and fish grew strongly by 12.2 percent supported by increases in both volume and unit price. Export of leather also increased during the year. Exports of engineering products, home textiles and ceramic tableware increased over last year's performance and also over target. This indicates a trend towards diversification. Import stood at Tk. 15.5 billion indicating an increase by 16.6 percent. The growth of import was mainly due to higher import payment for petroleum and other imported items due to rise in international prices and increased food grains due to lower growth of crop production. Import of rice, wheat, sugar, pulses and edible oils showed increasing trend. Significant increase also occurred in the imports of POL, textile and articles thereof, yarn and raw cotton reflecting pick up in industrial output and dynamism in activities. Inward remittances from expatriate Bangladesh nationals increased by 24.5 percent and stood at USD 5.98 billion at the end of the fiscal year 2007. As a result overall balance of payment showed a significant surplus of USD 1.49 billion. The gross foreign exchange reserve held by Bangladesh Bank increased by 1.59 billion and stood at USD 5.07 billion, about 3.9 months import cover, at the end of fiscal year 2007. The nominal rate of Taka-US dollar exchange rate appreciated by 1.3 percent from Tk 69.73 per USD to Tk 68.80 per USD at the end of June 2007.

Near outlook for the Bangladesh Economy

In view of the medium term outlook of sustainable growth and low inflation for few world and south Asian economy and the continuation of prudent policies and progress in structural reform, the near and medium term economic prospects of Bangladesh appeared favorable. Considering the resilience of Bangladesh economy in maintaining a strong growth rate above 6 percent, the Medium Term Macro economic Framework's projection of 7 percent GDP growth seemed achievable. Bangladesh Bank took monetary policies to achieve a 7 percent growth but met several key challenges:

Strong inflationary pressure emanating from both domestic and international market that led the CPI inflation to rise above the target of 6.5 percent to 7 percent for FY08;

low level of investment and economic activities resulting from natural disaster and shaken business confidence;

lagged effects of higher monetary programme in FY07 and earlier years;

Emergence of current account deficit despite record remittance from Bangladeshi expatriates;

Disruption in economic activities, especially in agricultural sector and rural economy due to consecutive floods and devastating cyclone.

All these factors have made the policy makers to review the growth targets. IMF projected the growth rate below 6 percent but Bangladesh Bank is hopeful to achieve the GDP growth around 6.2 percent for FY08. The monetary policy is assumed to remain supportive for the development requirement of the economy. Policy support may be directed towards adequate credit flows towards all productive sectors especially in agriculture sector and rural economy. However, to contain inflation, Bangladesh Bank would continue to follow cautionary monetary policy. Banks would be pursued by Bangladesh Bank to reduce interest rates on lending by improving managerial efficiency by reducing the burden for non-performing loan.

History of PBL

Prime Bank started its journey in the year 1995 with the firm commitment of providing superior customer service with a difference. Its vision remained to be the best private commercial bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability. Having recorded progress in all areas PBI has now established itself as the leading and strongest among private commercial banks in Bangladesh.

PBI was formally launched in April 1995 with one branch at Motijheel Commercial Area, Dhaka. It started its Islamic Banking operations in December of the same year. It was listed with both the bourses of Bangladesh viz. Chittagong Stock Exchange and Dhaka Stock Exchange in 1999 and 2000 respectively through initial public offering.

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It was registered as Merchant Banker with the Securities and Exchange Commission, Bangladesh in 2000 for starting its Investment Banking and Advisory services.

In 2003 PBL became primary dealer for buying and selling securities under the license issued by Bangladesh Bank.

The Bank has also expanded its services cross border with a view to providing banking services globally. It has opened its first fully owned subsidiary - Prime Exchange Co. Pte Ltd. in Singapore, which started its operation from 8th July 2006 to offer remittance service to Bangladeshi nationals living in Singapore. This is the first ever fully owned Exchange Company of a Private Sector Bank of Bangladesh established in Singapore with the approval of Bangladesh Bank and the Monetary Authority of Singapore. Opening of a fully owned subsidiary in Singapore has added a new dimension to the Bank's remittance operation widening its global reach for remittance services.

Offshore Banking is a unique solution for Banks across the globe to carry out international banking business involving Non-resident foreign currency denominated assets and liabilities taking the advantages of low or nonexistent taxes/levies and higher return on investment. With the aim to offer innovative banking service to the Non-resident customers, PBL opened its first Offshore Banking unit in 2007 at DEPZ , Savar, a new dimension in its customer friendly business activities. The bank has already received license from Bangladesh Bank for opening of three more OBUs at CEPZ, Chittagong; Comilla EPZ and Adamjee EPZ, Narayanganj, which will be opened in 2008.

Principal Activities

The principal activities of the Bank are banking and related businesses. The banking businesses include deposits taking, cash withdrawal, extending credit to corporate organization, retail and small and medium enterprises, trade financing, project financing, lease and hire purchase financing, issuance of local and international credit cards etc. The mode of banking includes conventional and Islamic Banking. The services are provided through both traditional and modern products. It also provides investment banking and advisory services under the license issued by Securities and Exchange Commission, Bangladesh. Its Subsidiary at Singapore is engaged in providing remittances facilities to expatriate Bangladeshis. Through its Off-shore branch it provides banking business involving Non-resident foreign currency denominated assets and liabilities.

Strategy

Banking sector in Bangladesh made very good performance during 2007. Growth of export and record inward remittances had eased pressure on dollar.

However, occasional pressure on foreign exchange was felt due to rise in international oil prices and repayments

of loan by government and repatriation of profit by mobile operators and power sector. The situation was controlled through contraction in monetary policy. Bangladesh Bank is also asking the banks to reduce their lending rates without adjusting the interest on deposits. Besides, the banking and financial industry experienced further intensification of competitive pressure as the national and international banks operating in Bangladesh strongly pursued the banking and financing needs of the Corporate, Retail, SME and Credit Card sector customers through diversification of products and services and extending automated banking service with ATM, Debit card facilities and Internet Banking.

Rates of interest became very competitive for deposit and lending. Government also raised the interest on savings instrument, which have attracted small savers who have long been the stable depositors of the banks. The banks are now facing increasingly interest sensitive customers who are demanding higher rate of return against their deposits.

Considering the banking and world trade outlook scenario, PBL continues to focus on growing earning over long term at a rate that will place it above its peer group. In doing so, PBL will focus on its delivery channel, technology, people and its brand.

The growth plan of PBL centers on its four customer group; Corporate, Retail, SME, Investment banking and market, Non-resident. Specific strategies are being implemented for each of them. The plan contains following seven strategies:

Improving brand image

PBL gave focus in improving the brand image of the bank during 2007 and would harness it further through advertisement in W, Newspapers, and other printing media. It will make PBL with its symbol as a bank with different care for its customers.

Capacity Building

In order to successfully implement the strategy, the in house capacity development is important. This is done through continuous training of the employees.

Stress on new products

PBL shall continue to provide new services to its customers with support of the superior information technology platform.

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Expansion of network for Retail and SME

PBL has enhanced its activities during 2007. It plans in extending the business to existing clients through more product range and penetrates new markets through expansion of network in rural and semi-urban areas.

Investment/Capital market

Accelerate the growth through offering advisory and security services to its existing investment clients.

More savings products

More savings products with attractive features are in the process of being developed for the small savers which will be rewarding for both the customer and PBL.

Employee motivation

To cultivate, develop and motivate PBL's people, rewarding the excellence and motivating the mediocrity shall continue.

Summary of Financial Performance

Despite the challenges, PBL maintained the progress in many lines of businesses during 2007. Revenue income increased by 49 percent while expenses increased by 41.59 percent. The operating profit before provision & tax registered an impressive growth of 52.84 percent during the year. The operating profit before tax stood at Tk 3.26 billion in 2007, an increase of 52.83 percent from the previous year. Strong profit performance was attributable to its sustained deposits and loan growth, maintaining the good asset quality, enhancing productivity and proactive management of balance sheet and excellent -performance of Merchant Bank and Investment Division in booking capital gain and other interest and fee incomes. Net profit attributable to shareholders reached Tk 1.4 billion marks. The return on average equity remained 30.68 percent during 2007 and Earning per Share (EPS) stood at Tk 61.57. NPL ratio is 1.35 percent which is slightly higher than 2006 but much below the industry average. Capital adequacy of the Bank is 11.50 percent, which is above the stipulated rate of 10 percent. Cost income ratio declined to 32 percent from 34 percent of previous year. Deposits of the Bank increased by Tk 15.78 billion during 2007 indicating a growth rate of 28.85 percent. Loans and advances, which are well diversified, have grown by 28.16 percent during the year. Foreign Trade Business handled was TK. 137.84 billion indicating a growth of 26 percent during the year.

Credit

The credit portfolio of the PBL includes loans and advances provided under conventional terms and Investments provided as per Islamic Shariah of profit sharing basis. The credit portfolio increased by Tk 12.67 billion during 2007. Credit covers following core areas: Corporate, SME, Retail and Credit Card, Investment Banking .



Inside view of a float glass project financed by PBL through syndication

Corporate Credit

PBL's corporate business provides tailored services to corporate, institutional clients. Commercial lending comprises of major type of corporate credit and continued to remain the major segment of the business. Our strategy is to provide comprehensive service to the clients of this segment who are the large & medium size corporate customers. Corporate clients include sole proprietors, partnerships, incorporated businesses and publicly quoted companies. The financing is based on both conventional and Islamic Shariah mode. The products based on Islamic Shariah are disbursed through Islamic Banking Branches. In order to comply with the risk management, exposure in particular sector is closely monitored to remain within the approved limit set by the Board. Concentration of loans is given at note (7.5). Corporate loans include the following:

-Commercial loans: PBL provides a complete range of services to its corporate clients that include trade financing services like traditional documentary credit, and post import finance etc.

-Export financing: A complete range of export financing like back to back documentary credit, packing credit, bills discounting and collection of bills are provided to the corporate clients.

-Industrial financing: Under this product a complete service is provided which includes term loans, working capital, import financing for capital machinery and raw materials and other receivable financing, infrastructure financing, leasing etc.

-Syndication financing: PBL is maintaining a leading role in syndication market. The Bank so far concluded 15 syndicated deals of near to Tk 9,000 million as Lead Arranger and Agent for its corporate clients. The sectors of financing through syndication now include textiles, pharmaceutical, chemical, cement, ceramic, steel, float glass, micro finance, food and allied infrastructure. Besides, to serve its corporate clients and to expand the base of its corporate clients PBL participated in syndication deal arranged by other banks and financial institutions. The Syndication Unit also arranged 27 visits program for participating lenders to observe the operational status and monitor the implementation of the projects.

-Infrastructure Financing: Underdeveloped infrastructure is one of the major obstacles for private sector development in Bangladesh. Lack of efficiency in public sector services has imposed significant cost and

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hindered the growth of country's economy. To encourage private sector in infrastructure financing and development, Government of Bangladesh has already taken up a project namely Investment Promotion and Financing Facility (IPFF). Through this facility funds will be provided by Bangladesh Bank for the infrastructure financing by banks and financial institutions. PBI has already been qualified as an eligible financial institution to participate under IPFF project and is currently in the process of executing Master Facility Agreement with Bangladesh Bank.

During 2007, PBI has played a significant role in infrastructure development. It has financed the implementation of a number of important bridges, namely: Dapdpia bridge on Kirtonkhola river, Barisal, 2nd Shitalakhya bridge, Teesta bridge, 3rd Karnaphuli bridge, among others. Moreover, the Bank also took part in financing of various national roads and highways. The Bank has also provided working capital and extended other financial supports to various power projects and telecommunication companies.

Import & Export Business: The Bank's performance in this area was satisfactory. Total import and export business transacted were Tk 70,616 million and Tk 51,316 million respectively during 2007. The growth rate of the import business was 34 percent and the main items of import were industrial machineries, raw materials, commodities and other consumer products. The growth rate of export business was 23 percent and the items of export were RMG, Shrimp, Jute & Jute goods, leather, Tobacco, Ceramic tiles, Fresh vegetable, Tempered Quoted Glass, Bone crust, Betel-Nut etc. The growth of export gave the Bank an edge in managing required foreign currency for meeting IC commitments. The import and export businesses were contributed by its corporate clients. In export sector there was expansion in non-traditional items also.

-Retail Banking/Consumer Credit: Retail banking has immense potentialities in Bangladesh. In view of the potentials PBI is focusing on expansion of Retail loans /Consumer Credit during last couple of years. PBI achieved a very strong growth of 110 percent during the year 2007. There are 11 products for the customers viz. Home loan (Swapna Neer), Consumer loan (house hold durables), Car loan, Doctor's loan, loan against salary, Education loan, Marriage loan, CNG conversion loan, Hospitalization loan and any purpose loan. Out of these products Car loan, House hold durables and Swapna Neer constituted 41 percent, 32 percent and 17 percent respectively of the total retail portfolio. In view of the growth potentials separate division was created for managing the retail business. To expand the customer base existing products were re-launched with better pricing structure and repayment periods. Road shows, customer meeting, branding and merchandising programme were undertaken. The Bank arranged presentation of the products viz education loans etc at different universities which attracted lot of enthusiasm. The Bank has developed strategic alliance with trade partners with renowned real estate, auto dealers, hospitals, corporate houses and telecommunication companies and took joint marketing drive with them for sale of Bank's products and services across the country. PBI branded selected auto show rooms in city to



Some of the Retail Products of PBL

promote PBI Car loan and merchant point with POP materials for optimum visibility. It took part in MEGA loan Expo Fair 2007 and Furniture Utshob 2007 for popularizing retail banking products and improving its brand image. In order to give easy access to its products and to give best possible services at the doorstep of its existing and potential customers, the Bank introduced Direct Selling Services by recruiting highly trained and customer focused professionals and this facility is going to be expanded further by recruiting more sales executives. Their functions and responsibilities are closely managed and supervised by in-house banking officials. Call center for retail customers have been established for monitoring overdue loan accounts and initiating recovery actions.

-Credit Card : Very stiff competition prevails in credit card market. Many players have entered the market and competition is growing. PBI started its credit card operation in 1999 by introducing Master Card and is now principal member of both worldwide accepted plastic money network i.e Mastercard and VISA, thus positioned itself with strong footing within the industry. It extends various services to the credit card customer viz. issuance of supplementary card, free insurance coverage, longer interest free period, etc.

PBI expanded its merchant activities resources to push the growth of credit card and merchant acquiring business in this challenging environment. PBI is alert to the potential risk of credit card fraud and unauthorized use of card. Procedures and policies to combat credit card fraud are regularly reviewed and updated to minimize the risk of loss to credit card customers. Call center of the Bank provides 24 hours service to the credit card customers.

-SME Lending : Despite growing focus about small and medium enterprises in Bangladesh and consequent policy efforts in this directions, limited access to financing still forms the crux of the problem of this sector. The overriding vision of PBI is to offer congenial lending products and services so that SMEs can aspire to opportunities of growth and wealth creation. Keeping this in view, PBI has formulated a comprehensive policy on SME financing during 2007 and made significant progress in financing this sector. During 2007, PBL's strategy was focused on marketing the products to wider range of customers and provided working capital and term loan to different manufacturers, traders and service providers including backward and forward linkage industry that fall into SME universe. Bank's exposure is thus well diversified among 791 customers to different sectors viz.

light engineering, cottage, handy crafts, CNG station, power loom, CNG, garments accessories, etc.



Meeting of the Focus Group of PBL with Women Entrepreneurs

Outstanding loan of SME is Tk 1,021 million. Out of this 33 percent exposure accounts for manufacturing sector, 54 percent accounts for trading sector while balance 13 percent accounts for service sector. This extension has created employment opportunity for more than 30,000 people directly or indirectly under the scheme. The recovery rate is 97.5 percent which is also a corner stone of the success in management of overall portfolio. Bank revised its SME Product Program Guideline ("PPG") and introduced four customized products tailored to needs of SMEs which are i) Punji (capital loan), ii) Chalti Rin (working capital loan) iii) Moushumi (festival loan), iv) Digun Rin (double loan).

Apart from offering customized financial services, PBL puts its efforts for the development of this sector by participating in various road shows and forums to build awareness among the customers. Moreover, PBL is a party to various refinance programme executed with Bangladesh Bank for making available easy finance to this sector. PBL has been continuing its guarantee agreement with USAID and strengthening its partnership with South Asia Enterprise Development Facility (SEDF) for enhancing support to SME. In order to focus on push marketing, the bank is going for implementation of Direct Sales Team (DST) for marketing SME loan products. This will help PBL to penetrate the market further and make available finance to the door steps of small and medium enterprises.

-Financing women entrepreneurs under SME : Another notable idea in SME financing is the development of women entrepreneurs. Bangladesh Bank has earmarked 10 percent of SME related fund for women entrepreneurs. With the help of R&D, a consultative meeting was arranged with the leaders of women entrepreneurs. In the meeting various suggestions were forwarded for consideration of PBL. In the new framework of SME, PBL will give top priority in developing and harnessing women entrepreneurs.

Asset Quality

Quality of asset is one of the strong areas of operation of PBL. Credit facilities are allowed in a manner so that credit expansion goes on ensuring optimum asset quality i.e. Bank's standard of excellence shall not be compromised. Credit facilities will be extended to customers who will complement such standards. network. At Head Office, there is an Islamic Banking Division to oversee and monitor the activities and provide guidelines for ensuring Shariah compliance and other related issues.

Islamic Banking

PBL started its journey as a Bank with a difference by introducing Islamic Banking from the very inception alongside the conventional banking. At present the Bank has 5(Five) Islamic Banking Branches under its banking network.



Meeting of the Shariah Council of PBL

At Head Office, there is an Islamic Banking Division to oversee and monitor the activities and provide guidelines for ensuring Shariah compliance and other related issues. By the active support and guidance of the Shariah Council and Islamic Banking Division of the Bank, the Islamic Banking Branches are demonstrating excellent performance. 2007 was also a commendable year for the development of Islamic Banking Business. The operating profit grew by 32 percent during the year. The Non-performing loan of Islamic Banking Branches is 0.47 percent of their total investment. Total import and export business generated by the Islamic Banking Branches showed remarkable performance. Total import and export businesses handled were Tk 5.9 billion and Tk 5.3 billion respectively.

The Shariah Council of Prime Bank Limited consists of 10 members who provide guidance in various banking issues as per Shariah. During the year 2007, Shariah Council arranged 3 meetings and reviewed different operational issues. In addition to the usual Audit & Inspection of the branches by Head Office Audit & Inspection Division, the Muraquibs of Shariah Council inspected all the 5 Islamic Banking Branches of the Bank twice during 2007 and submitted report thereon. It has been observed from the report that compliance of Shariah has improved during the year as compared to the preceding years. Shariah Council has also observed that awareness about the compliance of Shariah Principles has increased among both the Officials and Clients as compared to the previous year. According to their advice Islamic Banking operation of the Bank has been separated from the operation of Conventional Banking and shown separately in these financial statements.

In order to strengthen the knowledge and expertise on Shariah based banking, the employees of the Bank are regularly provided with training on Shariah principles, Islamic Banking and Economics at the Training Institute of the Bank, outside Institutions at home and abroad. PBL arranged International Seminar on Islamic Banking Products and Services in collaboration with Red Money Group, Malaysia. This seminar was first of its kind in Bangladesh which was attended by participants from Bangladesh Bank, Other Islamic Banks and conventional banks having Islamic Banking Branches / Windows.

During the year 2007 our Islamic Banking Division has arranged five Iftar Mahfils and discussion meetings through our Islamic Banking Branches and held formal and informal discussions on various Shariah issues, Islamic Banking activities and importance of Holy Ramadan. Members of Shariah Council, eminent thinkers on Islamic Ideology and clients participated in the discussion meeting.

Merchant Banking

Bangladesh Stock Market has been vibrant throughout the year 2007 promising encouraging future ahead. Bull beating bear for excess demand over shortage of supply of good securities was observed in the market. Market capitalization at the end of December 2007 was Tk 10 Billion. PBL's operation in this sector was very limited till early 2006. During 2007 the Merchant Banking and Investment Division (MBID) was reorganized and during last year it penetrated as one of the competitive front liners in the secondary market under appropriate risk management policies and guidelines approved by the Board.

MBID launched non-discretionary portfolio management scheme under the titled "Prime Investment Portfolio Management Services" for the individuals and institutional investors to invest in the secondary market having the option to operate under both margin and nonmargin accounts. The scheme has diversified products with different category of investment ceiling and other value added services for more than 1000 customers. The customers were also provided with assisted services facilities on the basis of published information and accounts. The division managed portfolio value of more than Tk. 4.0 billion under margin accounts. Apart from this activity, the division also provided different depository services to its BO accountholders as a custodian DP (Depository Participants) of CDBL. Besides, the division also actively carried out Underwriting and Banker to the Issue operation in number of Initial Public Offering (IPO) as well as Right Share Offering (RSO). As a result, profitability of MBID shown significant positive trend during 2007. Divisional contribution was 14.88 percent to total operating profit before taxes of the Bank. The Bank has established a well decorated and highly technology based trading facilities for the convenience of the customers. MBID has planned to extend its portfolio management services to different areas in and outside of Dhaka using designated branches of the Bank. PBL has also future plan for developing assets based financial products, managing issues, managing assets of mutual funds etc. However, the bank has planned for building capacities in terms of product development, human capital, managing information and research with a view to provide better services in 2008.

Treasury Function

Treasury Operation concentrated in funding operation and foreign exchange dealings. The maintenance of Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) was one of the major functions of Treasury. The foreign exchange operations were conducted to meet LC commitment and remittance requirement needs of the customers. Treasury Division

actively participated in money market operation. Investments, Cash balances, Balances with other Banks and Money at call & short notice were managed by Treasury Division. Treasury Division was the driving force of ALCO. It executed the strategies of the Asset Liability Management Committee for effective management of the balance sheet. The Bank was a lender in the money market and utilization of surplus funds was a major function of Treasury Division. It took various decisions regarding interest rate structure of deposits, Loan to deposits ratio etc by evaluating the market scenario. The Treasury Department is backed by well equipped back office and mid office for recording of transactions.

During 2007 Treasury Division had to manage the primary dealership functions. Bangladesh Bank devolved treasury bills to the primary dealers for development of the secondary markets. However capital market is still underdeveloped in terms of depth in bond and debenture market. Inspite of the difficulties PBL tried to develop the secondary bills market and supported the devolvement of treasury bills. However, considering the funding difficulties of some primary dealers, a window was opened by Bangladesh Bank to support the funding requirement of the primary dealers.

Deposits

The deposits balance of PBL reached the level of Tk 70.5 billion during 2007 from Tk 54.7 billion of previous year. The growth rate is 28.85 percent. This was possible due to superior customer service delivery at the branch level, expansion of branch network to rural areas where foreign remittance flow is significant. Expansion of our branches at rural areas has provided the lower income group an access to modern banking system and prompt receipt of remittances. PBL is offering 14 types of savings products for the customers. Among the products Fixed deposits, Scheme deposits of different types, Savings deposits, Short term deposits from customer remained the core deposits of the Bank. Some of the deposits also offered free insurance coverage. As a part of Bank's strategy to attract retail customers some new products like 'Prime Millionaire' and 'House Building Deposit Schemes' were introduced. Both the scheme deposits ensure higher return but the latter has the additional feature of being accepted as equity participation for house building loan to be taken up at maturity. In order to provide adequate financial support to the senior citizen, the

Bank has a Senior Citizen Scheme for the depositors. As per the scheme 0.50% more value is provided to the eligible savings and fixed depositors of the Bank. The Bank has many Islamic Products which are provided to the customers through Islamic Banking Branches of the Bank. PBL always tried to give the highest return on the deposits of the customers.



Agreement for speedy transfer of inward foreign remittance through Western Union

Payment and Transaction Product

PBL's firm commitment to excellent customer service delivery has resulted to remarkable progress in all areas of operation during 2007. PBL adopted various payment and transaction products and services for smooth payments and transactions for the customers. These include both traditional and modern products. Traditional products still dominate the lion share of the payment and transaction of the country as the NCBs are still lagging behind modern technology application. As such the traditional products remained main product for semi urban and rural areas where PBL operates.

With the liberalization of banking and financial industry and increasing customer knowledge and sophistication competitive pricing of products is no longer sufficient in capturing large market share. New product development, know your client programme and redesign of the existing products were the strategies adopted by the Bank to serve the customers differently from the competitors. The continuous improvement in delivery of products and services, reduction of turn around time for loan processing, on-line deposits and remittance payment has made the key differentiation for winning the customer satisfaction. The Bank extended the Lead Bank services to the companies for investment of fund collected under Initial Public Offering.

Keeping with the spirit of oneness, customer loyalty programme were arranged at all the locations where the Bank operates. The message of the programme was 'Customer is our focus'. Iftar Mahfil was arranged for the customers and well-wishers who operate under Islamic Shariah Principle. The Bank rewarded the successful entrepreneurs particularly in SME sector and Micro Finance. The Customer Relationship Programme has been strengthened and frequent visits to the clients have been ensured to develop the existing relationship.



Customer Service in Bank Branch

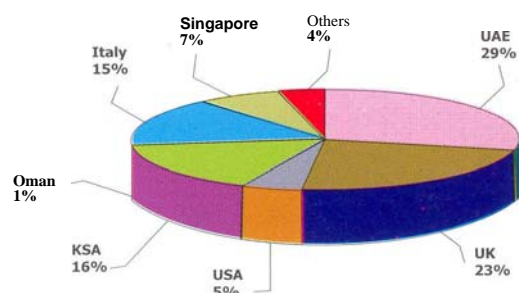
Customer service improvement program and related activities are continuously being developed, reviewed and implemented with the objective of providing excellent service to our customers. In order to give easy access to our products and to give best possible services at the doorstep of our existing and potential customers, the Bank introduced Direct Selling Services by recruiting highly trained and customer focused professionals. Locker service is provided to the customers for keeping their valuables under safe custody. Special counters are usually opened to meet the service demand of customers during heavy customer flow, especially during IPO offering, Bill collection, Eid holidays etc.

Cheque collections and disbursement services are provided to the International Banks operating in Bangladesh. Under this arrangement the cash collections and disbursements facilities are extended to the clients of the banks who are located in remote places of the country. Cash management services are also provided to the corporate clients.

Key to building meaningful customer relationship is to have well managed system to address and respond to all customers queries in timely manner. Customer Desk has been set up at all branches to provide services and information on banking matters. MBID is providing various services and information on capital market operation. Complaint Cell at Head Office maintains all complains and feedback and provide timely resolution of such complain. Advertisement has been given in TV Channels for developing brand image, dissipating information about available consumer products and awareness of the anti money laundering initiatives of the Bank.

Research & Development for Customer Satisfaction

In this competitive business environment, Research & Development (R&D) activities are thought to enrich the banks with new and improved products, process and business avenues. In that pursuit, PBL recruited a small team of research professionals to start R & D activities in the Bank focusing in three core areas: marketing, operation and business policies. R&D has conducted number of market survey and studies on business related issues which have helped the management to take decisions more appropriately and provide services to customer more efficiently. Some of the initiatives which have assisted the Management are highlighted below:

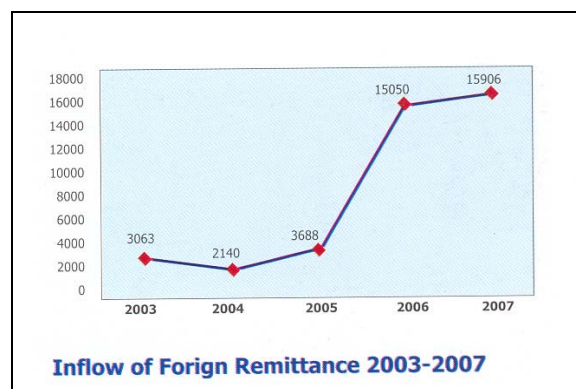


Country Wise Inflow of Foreign Remittance January-December 2007

- Usage and attitude patterns of ATM services
- . Comprehensive business trend analysis
- . Updating sectoral data base of the economy
- . Survey on branch marketing efforts on 50 branches
- . Study on sales and marketing strategy of retail products including credit card
- . Brand Audit
- . Customer need assessment
- . Market share, growth and prospect analysis of house building financing, car market under retail loan
- . Development of customer data base & business analysis on EPZ
- . Branch feasibility study
- . Study on Marketing Plan

Foreign Remittance

As a part of Bank's strategic initiative to handle increased volume of inward foreign remittance, PBL has already added a good number rural and semi urban branches with the existing network to ensure wider reach and coverage. Migration of the branch network to the state-of-the-art IT platform has facilitated prompt delivery of remittance. Meanwhile, Bank has established remittance arrangement with 24 (twenty four) leading exchange companies and banks including the global money transfer giant Western Union, as a principal agent. With the inclusion of Western Union in 2007, The Bank has covered all the Global locations of homebound remittance. Banks existing network of 61 branches at different important locations of the country allows the beneficiaries to receive remittance from all those locations, while the bank is continuously striving to maintain service delivery standard and speed of delivery. The ever-growing branch network, introduction of ATM as the alternate delivery channel, increase in the number of remittance arrangements with leading overseas exchange companies and banks and high growth in business performance of Bank's fully owned Exchange Company in Singapore have ensured sustained inflow of foreign remittance supplementing export receipts for making import payments without depending on the volatile FX market. The regular inflow of foreign remittance has brought stability in the foreign currency administration of the Bank.



Performance of Subsidiary

During the year 2007, Prime Exchange Company, Singapore, a fully owned subsidiary of Prime Bank Limited has shown a robust growth of business capturing about 10 percent of the market share of Bangladesh bound remittance from Singapore. Through efficient and professional handling of remittances collected from its customers and timely delivery of the same to the beneficiaries in Bangladesh, coupled with highest personal care, the company has been able to create a large customer base, which is increasing in numbers everyday. During the year under review Prime Exchange Company has sent US\$ 10.87 million of foreign remittances through Prime Bank Limited, which is about 3 times than the initial half-year figure of 2006. The dedicated team of officials of Prime Exchange Company has been able to set a unique customer service standard which will yield much better result in 2008. Cumulative loss of the company came down to 82 thousand Singapore Dollar.

Correspondent Relationship

At the end of 2007 the number of foreign correspondents increased to 553 from 528 of the year 2006. Our Correspondent relationship covers important international financial centers throughout the world. The expansion of correspondent network has helped the Bank to increase its foreign trade business.

Information and Communication Technology

The vision of the Bank is to be the most efficient Bank in terms of service, profitability and technology application. PBL should be able to deliver technology driven products and services through expanded delivery channels such as . ATM, cash dispenser, Telephone, SMS banking, Internet banking etc. To achieve this goal, the Bank needed among many other things, a world class IT infrastructure.

PBL infused an aggressive change in Bank's IT infrastructure by way of implementing a robust core banking software. PBL has chosen TEMENOS T24 of Temenos Holdings, NV Netherlands Antilles as the Core Banking Software (CBS). It is functionally rich thin client scalable integrated modular system.

A core team has been formed for taking resources from both the user group and Temenos for successful implementation of the system. 14 branches including Head Office and Treasury Division have already been



Opening of Ring Road Branch at Shyamoli, Dhaka

migrated to the new system successfully. It is expected that with the full implementation of the new CBS, operational efficiency will increase substantially and at the same time operational risks will be minimized through control in operation and information security system. The successful implementation of the new CBS has enabled the Bank to gain competitive advantage and be in the forefront as a business enabler. A comprehensive IT policy is already in place as per objectives for the organization as regards to the protection of its information assets.

Network of Branches

During 2007, PBL opened 11 branches at important financial hubs of the country. Out of the 11 branches 4 are rural branches located at places for facilitating inward remittances of the Bangladeshi expatriates. The opening of branches have strengthened the network and opened opportunity for growth. The present status of the branch network is given below:

Classification	2007	2006
Urban	48	40
Rural	13	10
Total	61	50

Off-shore Banking

Offshore Banking is a unique solution for Banks across the globe to carry out international banking business involving Non-resident foreign currency denominated assets and liabilities taking the advantages of low or nonexistent taxes/levies and higher return on investment. Alongside the presence in the commercial hubs of the country, PBL has taken a position to extend its network in the special export processing zone created for foreign investors and local entrepreneur engaged in 100 percent export based industry. Under the license issued by Bangladesh Bank PBL opened its first Offshore Banking unit in 2007 at DEPZ, Savar, a new dimension in its customer friendly business activities. The bank has already received license from the Central Bank for opening of 3 more OBUs at CEPZ, Chittagong; Comilla EPZ and Adamjee EPZ, Narayanganj, which will be opened in 2008.

Future Outlook 2008

Bangladesh economy is expected to grow by 6.2-6.5 percent during the fiscal year 2007-2008. Increased



Opening of Off-shore Banking Unit at DEPZ, Savar, Dhaka

remittance from expatriate Bangladeshi, good performance in export, service and industrial sector is expected to support the growth. The high international prices of crude oil and continuing upward trend in prices of many other commodities, interest rate are on rising trend in global economy with associated increase in inflationary expectation. Bangladesh Bank is alert to contain the inflationary pressure and tightened monetary measures are expected to continue for facilitating smooth credit flow to the productive pursuits only fix, targeted output growth. Policy support may be directed towards adequate credit flows towards all productive sectors especially in agriculture sector and rural economy. Banks would be pursued by Bangladesh Bank to reduce interest rates on lending by improving managerial efficiency by reducing the burden for nonperforming loan.

The financial sector of the country is also expected to show good result during 2008 also. Banking sector is still the most promising and structured sector of the economy. They are also most preferred sectors of the investors of the bourses as increased remittance flow, good export performance and steady industrial growth, accelerated performance in SME and Consumer loan, implement to of risk management and corporate governance are likely to have positive impact in the performance of the banking sector. PBL is well positioned to meet the challenges ~ 2008 and will continue to strive to innovate and capture opportunity for growth and value creation. The Bank will continue to harness the potential of retail, credit card, SME and remittance market. The Bank will focus on its large customer base to generate more business from existing customers. However, continued pressure on interest margins, fee, exchange earnings and increased provision requirement for Retail, Credit Card and SME and Off-balance sheet and implementation of BASEL II by 2009 will pose a challenge to the financial institutions in near future. In its pursuit for growth, PBL will always adhere to good corporate governance and practices and sound risk management policies and strict credit evaluation procedure.

Directors' Report- Risk Management

Risk Management

The Risk of PBL is defined as the possibility of losses, financial or otherwise. In today's challenging financial and economic environment effective risk management is vital for sustainable growth of shareholders value. The major areas of risk in which the activities of the banking operation is exposed to are Credit Risk, Liquidity Risk, Market Risk, Operation Risk and Reputation Risk due to Money Laundering Risk. Market risks include Foreign exchange risk, Interest rate risk and Equity risk.



Risk Management Process

PBL's activities involve analysis, evaluation, acceptance and management of some risk or combination of risks. Risk management is emphasized not only for regulatory purpose but also to improve operational and financial performance of the Bank. The prime objective of the risk management is that the Bank takes well calculative business risks while safeguarding the Bank's capital, its financial resources and profitability from various risks.

The Risk management policy of the Bank operates under 5 broad principles:

- Oversight by the Board /Executive Committee. Board approves policies and processes of risk management recommended by the management and Executive Committee approves the credit proposals submitted by the management;
- Audit Committee of the Board reviews the internal audit reports of the Bank and risk management covering credit risk, operational risk including money laundering risk, market risk and liquidity risk;
- Dedicated independent risk management units viz Credit Risk Management units, Credit Administration Unit, Credit Monitoring and Recovery Unit, Internal Control and Compliance Unit are responsible for implementation of the risk policies and monitoring of compliance with risk policies. They are also responsible for identification of and measuring risks.
- Dedicated committee at management level has been set up to monitor risk viz. credit risk through Credit Review Committee/and Risk Management Division, Operational Risk through Management Committee and Internal Control and Compliance Division, Market and Liquidity risk through Asset Liability Committee (ALCO); Information risk through MRS Committee and Reputation risk arising out of money laundering through Chief Compliance Officer of the Bank and Compliance Officers of the branches;

. In order to streamline risk control features in a more effective manner, PBL has put in places all manuals as suggested in the core risk management guide lines of Bangladesh Bank. Its Standard Operating Procedure (SOP) contains all the guide lines and also includes some of the internationally accepted best practices. SOPs cover all operating departments including corporate banking, SME banking, retail banking, credit card, foreign exchange, treasury, human resources and financial administration. The SOPs include all processes related to the initiation, maintenance, settlement/closure and recording for the entire range of products offered by the Bank. SOPs will help the bank maintain control over its operations, clarify the links with the IT system, act as an effective communication tool that will reduce training time, improve risk management and work consistency.

Credit Risk Management

Credit risk is one of the major risks faced by the Bank. This can be described as potential loss arising from the failure of a counter party to perform according to contractual arrangement with the Bank. The failure may arise due to unwillingness of the counter party or decline in economic condition etc. Hence the Bank's risk management has been designed to address all these issues.

Credit Principles

Following principles are followed in credit disbursement:

Loan-Deposit Ratio: Loans and advances shall normally be financed from customers deposit and sometimes from capital fund of the Bank. Usually loans and advances shall not be extended out of temporary fund or borrowing from money market.

Credit Quality: Credit facilities shall be allowed in a manner so that credit expansion goes on ensuring optimum asset quality i.e. Bank's standard of excellence shall not be compromised. Credit facilities will be extended to customers who will complement such standards.

Compliance: All credit extension must comply with the requirements of Bank's Memorandum and Articles of Association, Banking Companies Act, 1991 as amended from time to time, Bangladesh Bank's instruction circulars, guidelines and other applicable laws, rules and regulations, Bank's Credit Risk Management Policy, Credit Operational Manual and all relevant circulars in force.

Directors' Report - Risk Management

The officer originating a credit proposal shall specifically declare that it complies with all above mentioned rules, regulations, policy etc.

Deviation: Any deviation from the internal policy of the Bank must be justified and well documented. Specially, all credit assessment form shall invariably include the deviations from the policy, if any. However, no external regulations shall be compromised.

Return: Credit operation of the Bank should contribute at optimum level within the defined risk limitation. In other words, credit facilities should be extended in such a manner that each deal becomes a profitable one so that Bank can achieve growth target and superior return on capital. Besides, credit extension shall focus on the development and enhancement of customer's relationship and shall be measured on the basis of the total yield for each relationship with a customer.

Repayment Capacity: Credit facilities will be extended to those customers who can make best use of them thus helping maximize Bank's profit as well as economic growth of the country. To ensure achievement of this objective the Bank bases its lending decision mainly on the borrower's ability to repay.

Diversification: The portfolio shall always be well diversified with respect to sector, industry, geographical region, maturity, size, economic purpose etc. Concentration of credit shall be carefully avoided to minimize risk.

Proper staffing: Proper credit assessment is complex and requires high level of numerical as well as analytical ability of the concerned officer. To ensure effective understanding of the concept and thus to make the overall credit portfolio of the Bank healthy, proper staffing shall be made through placement of qualified officials having appropriate background, right aptitude, formal training in credit risk management, familiarization with Bank's credit culture and required experience as well.

Name Lending: The Bank shall carefully avoid name lending. Credit facility shall be allowed absolutely on business consideration after conducting due diligence. No credit facility shall be allowed simply considering the name and fame of the key person or corporate image of the borrowing company. In all cases, viability of business, credit requirement, security offered, cash flow and risk level will be meticulously analyzed.

Single Customer Exposure Limit: PBL will always comply with the prevailing banking regulation regarding Single Customer Exposure Limit set by Bangladesh Bank from time to time. As per prevailing regulation, Bank will take maximum exposure (outstanding at point of time) on a single customer (Individual, Enterprise, Company, Corporate, Organization, Group) for the amount not exceeding 3S percent of Bank's total capital subject to

condition that the maximum outstanding against funded facilities does not exceed 15 percent of the total capital. However, for single customer of the export sector maximum exposure limit shall be 50 percent of the total capital subject to the condition total funded facility shall not exceed 15 percent of the total Capital of the Bank at any point of time.

Large Loan: Credit facility to a single customer (Individual, Enterprise, Company, Corporate, Organization, Group) shall be treated as Large Loan if total outstanding amount against the limit at a particular point of time equals or exceeds 10 percent of the total capital of the Bank. Prime Bank's total Large Loan Portfolio exposure shall not exceed 56 percent of the total outstanding loans and advances at any point of time.

Credit Risk management process

A thorough credit risk assessment is done before extending loan. The Credit Risk Assessment includes borrower risk analysis, industry risk analysis, historical financial analysis, projected financial performance, the conduct of the account, and security of proposed loan. The assessment originates from relationship manager/account officer and approved by Credit Review Committee at Head Office. The Credit Committee under delegated authority approves the credit proposals. Executive Committee of the Board approves the proposals beyond the authority limit of the Management. The Board of Directors reviews the proposals approved by the Executive Committee.

In determining Single borrower/Large Loan limit, the instructions of Bangladesh Bank are strictly followed. Segregation of duties has been established for Credit Approval, Relationship Management and Credit Administration. Internal audit is conducted on periodical interval to ensure compliance of Bank's and Regulatory polices. Loans are classified as per Bangladesh Bank's guidelines.

Mortgage documents shall be properly vetted by the Bank's Legal Counsel. He/she will also certify that proper documentation, borrower's legal standing and enforcement of securities are in place. Finally, Lawyer's Satisfaction Certificate shall have to be obtained regarding documentation where there are securities / collaterals other than Personal Guarantee and Financial Obligation.

The Bank has segregated duties of the officers/executives involved in credit related activities. Credit approval, administration and monitoring and recovery functions are segregated. For this purpose three separate units have been formed within the credit division. These are i) Credit Risk Management ii) Credit Administration Unit iii) Credit Monitoring and Recovery Unit. Credit Risk Monitoring Unit is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy/strategy for lending operations.

Directors' Report - Risk Management

Risk grading of the accounts have been done as per Bangladesh Bank's guidelines. Any credit approval sanction shall be subject to the banking regulations in force or to be imposed by the regulatory body from time to time and to the changes in the Banks policy. This is to be specifically mentioned in the sanction letter issued to the customer. Data collection check list and limit utilisation format have been prepared for regular assessment. Internal audit division independently reviews the risk grading at the time of auditing the branches.

PBL has a system of tracking Early Alert Account. An Early Alert Account is one that has risks or potential weaknesses of a material nature requiring monitoring, supervision, or close attention of the management. If such weaknesses are left uncorrected, they may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date with a likely prospect of being downgraded. Early identification, prompt reporting and proactive management of Early Alert Accounts are prime responsibilities of all Relationship Managers / Officers and the whole process is a continuous one. An Early Alert Report is completed by the RM and sent to the approving authority in CRM for any account that is showing signs of deterioration. The Risk Grade is changed and referred to CRM department for assistance in recovery.

The Recovery Department (RD) of Credit Division manages accounts with sustained deterioration. The RD's primary functions are:

- . Determine Account Action Plan / Recovery Strategy;
- . Pursue all options to maximize recovery, including placing customers into receivership or liquidation as appropriate;
- . Ensure adequate and timely loan loss provisions are made based on actual and expected losses; .
- . Regular review of non-performing accounts;
- . Management of classified loans and special mention accounts;
- . Writing off B/L loan accounts and related works with the approval of the Board.

The recovery of problem loans is a dynamic process, and the associated strategy together with the adequacy of provisions is regularly reviewed. A process is established to share the lessons learned from the experience of credit losses in order to update the lending guidelines.

NPL Account Management:

NPLs are assigned to Account Manager(s) within the Recovery Department, who is responsible for coordinating and administering the action plan/recovery of the account, and serve as the primary customer contact after the account is downgraded to substandard. The Recovery Department seeks assistance from Corporate Banking/Relationship Management if required to ensure that appropriate recovery strategies are in force. On a quarterly basis, a Classified Loan Review is prepared by the Recovery Department to update the status of the action/recovery plan, review and assess the adequacy of provisions, and modify the Bank's strategy as appropriate.

NPL Provisioning and Write-off:

The guidelines established by Bangladesh Bank for CIB reporting, provisioning and write off of bad and doubtful debts, and suspension of interest are followed in all cases. These requirements are the minimum and Bank maintains more than minimum required provision and follow stringent write off policy. Regardless of the length of time a loan is past due, provision is raised against the actual and expected losses at the time they are estimated.

The RD Account Manager determines the Forced Sale Value (FSV) of NPL accounts. Forced Sale Value is generally the amount that is expected to be realized through the liquidation of collateral held as security or through the available operating cash flows of the business, net of any realization costs. Provision is maintained for any shortfall in the Forced Sale Value to cover total loan outstanding once an account is classified.

This year PBL made adequate provision against NPLS and the maintenance ratio stood at 76.93 percent at the end of December 31, 2007.

Liquidity Risk Management

The object of liquidity risk management is to ensure that all foreseeable funding commitments and deposits withdrawals can be met when due. To this end, PBL maintains diversified and stable funding base comprising of core retail, corporate and institutional deposits. It maintained sufficient liquid assets for meeting the funding requirements. The principle responsibility of the liquidity risk management of the Bank rests with Treasury Division. Treasury Division maintains liquidity based on historical requirements, current liquidity position, anticipated future funding requirement, sources of fund, options for reducing funding needs, present and anticipated asset quality, present and future earning capacity, present and planned capital position. ALCO monitors the liquidity management of Treasury Division by i) setting tolerance limit for cumulative cash flow mismatches ii) setting limit on loan to deposit ratio, iii) setting limits on dependence on institutional deposits which are volatile in nature.

Primary sources of funding is customer deposits viz Savings, FDR and Scheme deposits and as such PBL attaches the stability of the core deposits by maintaining depositors' confidence in PBL's financial strength and liquidity.

From the liquidity statements it can be seen that out of total deposit liabilities of Tk 70,512 million, contractual maturity of liability within 1 year is Tk 46,747 million. It has been seen from historical trend that much of the liability is renewed. In normal course of business a proportion of customer loans are normally renewed. Thus considering the organic growth the inflow and outflow broadly matches.

PBL is a primary dealer and was a consistent net lender in the market. It not only maintained adequate CRR and SLR of the Bank but also managed the huge devolvement of government treasury bills necessitated out of government monetary policy. Due to substantial

Directors' Report - Risk Management

mismatch in profitability, the secondary market for treasury bond did not develop yet. As such PBL had to hold the devolved bills till maturity. This impacted the profitability but the strength in liquidity was never compromised.

Market Risk

Market risk is defined as the potential change in earnings due to changes in rate of interest, foreign exchange rate and equity prices. Treasury Division manages the market risk and ALCO monitors the activities of Treasury division in managing the risk.

Interest Rate risk

Treasury division reviews the trend analysis of market movement particularly peer group analysis and economic outlook closely and prepares the gap position for proper management of interest rate movement. The estimated impact of 1 percent change in interest rate was within the tolerable limit of the Bank. The bills held for maturity had positive PV as such it had favorable affect in Bank's equity position. As per policy of Bangladesh Bank the revaluation gain/loss are shown against changes in equity. The strong liquidity gave positive NII from money market operation due to seasonal fluctuation in inter bank rate.

Foreign Exchange Risk Management

Foreign Exchange risks are measured and monitored by Treasury Department. Foreign exchange risk is defined as the potential change in earnings arising due to change in market prices. Treasury Division monitors the FX price changes. The foreign exchange risk of the Bank is insignificant as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements. No dealing on Banks account was conducted during the period.

Treasury Department independently conducts the transactions and the Mid Office and Back Office of Treasury is responsible for verification of the deals and passing of their entries in books of accounts. All foreign exchange transactions are revalued at Mark-to-Market rate as determined by Bangladesh Bank at the month end. Mid Office has been opened during the year as per instruction of Head Office. PBL remained within the prescribed holding limit set by Bangladesh Bank. The Treasury Manual was reviewed and updated. All nostro accounts are reconciled on monthly basis and outstanding entry beyond 30 days is reviewed by the Management for its settlement. The nostro accounts are verified by the external auditors and reports are submitted to Bangladesh Bank.

Equity Risk

Equity risk is defined as loss due to change in market price of equity held. To measure and identify the risk, mark to market valuations of the share investment portfolios are done. Mark to market valuations is done against a predetermined cut loss limit. As on 31 December 2007 equity risk on Bank's investment was nil as the market value of shares were higher than the cost price.

Investment account (Margin Account) where margin loan is allowed is monitored very closely against predetermined margin requirement and margin ratio. Diversification is enforced as per Bank's own policy. At the time providing margin loan following factors are taken into consideration:

- . Security of investment
- . Fundamentals of the securities .
- Liquidity of the securities
- . Reliability of earnings
- . Capital appreciation
- . Risk factors
- . Implication of taxes

Operational Risk Management

Operational risk is the risk of loss arising from fraud forgery, unauthorized activities, error, omission, inefficiency, system failure from inadequate or failed internal process and external event. It is inherent in every business organization and covers a wide spectrum of issues. Operation risk may be caused based, effect based and event based.

Caused based risks faced by PBL includes

- . People oriented causes on egligence, incompetence, insufficient training, lack of integrity;
- . Process oriented causes (Transaction based) business volume fluctuation, organizational complexity, product complexity and major changes;
- . Process oriented causes (Operational control base) inadequate segregation of duties, lack of management supervision, inadequate procedure;
- . Technology oriented causes-poor technology and telecom, obsolete design, lack of automation, information system complexity, poor design and development and testing;
- . External causes-natural disasters, operational failures of third party, deteriorated social and political context.

Effect based risks faced by PBL includes

Legal liability, Regulatory compliance and penalties, Loss or damage to assets, Restitution, Loss of recourse, Write-downs.

Event based risks faced by PBL includes

- . Internal fraud
- . External fraud
- . Employment practice and workforce safety .
- Clients, products and business practices
- . Damage to physical assets
- . Business disruption and system failures
- . Execution, delivery and process management

In PBL operational risk are identified and measured in the following manner:

- . Risks are identified with reference to the relevant policy manuals, processes, procedures and practices;
- . Functions are evaluated as per Departmental Control Function Check List (DCFCL);
- . Incident reporting and analysis of causes and actions taken on losses from fraud and control lapses;
- . Review of safety and control measures of premises.

Directors' Report - Risk Management

Risk Control and Measurement are taken by PBL as under:

- Manuals and Standard Operating Procedure is in place and its implementation is regularly monitored;
- . Regular review of system and network by Management Committee (MANCOM) and Management Information System Committee (MRS);
 - . Management through Internal Control and Compliance Division controls operational procedure of the Bank. Internal Control and Compliance Division undertakes periodical and special audit of the branches and departments at Head Office for review of the operation and compliance of statutory requirement.
 - . Comprehensive and special audit of branches and business units by internal audit, internal control and compliance division;
 - . Risk based audit by internal audit division;
 - . Segregation of duties and multi-tier approval procedure;
 - . IT Audit is conducted on a regular basis;
 - . Establishing a Data Center for backup of data and information
 - . Regular testing of system's back-up procedure and contingency plan.

Prevention of Money Laundering

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. For mitigating the risks the Bank has a designated Chief Compliance Officer at Head Office and compliance officers at branches, who independently review the transactions of the accounts to detect unusual suspicious transactions. Manuals for prevention of money laundering have been established. Training is continuously given to all the category of officers and executives for developing awareness and skill for identifying suspicious activities / transaction. Suspicious / unusual transactions are reported to Bangladesh Bank as and when detected. Regular inspections are carried out from head office to identify any deficiency and prevention of money laundering and rectified by branch involved.

Capital Management

Capital Management of the Bank is based on the objective to maintain an adequate capital base to support the projected business and regulatory requirement. This is done by drawing an annual planned business growth vis-a-vis capital requirement. Prime Bank recognizes the impact on shareholders returns of the level of equity and seeks to maintain a prudent balance between Tier-I And Tier II capital. As per directives of Bangladesh Bank, the banks are required to maintain capital at 10 percent of RWA from 31 December 2007. Tier I capital should be minimum 5 percent of total capital. As per above definition the capital of the Bank stood as under:

The Bank's Capital fund is divided into two parts. Tier-I and Tier-II capital. Tier-I includes the equity (paid-up capital, reserve and retained earnings) and Tier-II includes General Provision on unclassified loans and advances and exchange equalization account. Total capital fund increased by Tk 1,974 million during 2007. Tier I capital i.e Shareholders' equity grew by Tk 1,413 million and stood at Tk 5,273 million during the year under review. Total capital fund is equivalent to 11.50 percent of Risk Weighted Asset. The details of Capital Fund is given below:

Tier-I Capital:

Figure in Million Taka		
	2007	2006
Paid-up Capital	2,275	1,750
Statutory Reserve	1,873	1,404
Revaluation gain/loss on investment	13	-
Retained earnings	1,112	706
Sub Total:	5,273	3,860

Tier- II Capital

	2007	2006
1 % General Provision on	895	545
Unclassified Loans		
General Provision on	210	
Off-balance sheet items		
Exchange Equalization	4	4
Sub Total	1,109	549

Total Capital	6,382	4,409
Total Risk Weighted Asset	55,485	44,324
Capital Adequacy Ratio	11.50%	9.95%

Preparing for BASEL II

The Basel Committee on Banking Supervision has published a new framework for calculating minimum capital requirement, known as 'Basel II'. The new guideline is structured around three pillars: minimum capital requirement (on credit risk, operation risk and market risk), supervisory review process and market discipline. Implementation of Basel II framework in Bangladesh will integrate the risk management process of the Bank and its capital adequacy requirement. Bangladesh Bank has formed a National Steering Committee and Coordination Committee for implementation of BASEL II in Bangladesh., As per the Committee decision BASEL II would be implemented in Bangladesh from December 2009. They have given a Road map for BASEL II which is attached at Annexure. The National Steering Committee has indicated that following methodology of BASEL II would be followed in Bangladesh:

- 1) Standardized method for credit and market risk 2)

Basic Indicator approach for Operation risk

- 3) IRB for credit risk would be applied from 2012 where prior permission from Bangladesh Bank would be required.

The National Steering Committee has suggested for continuous training of the officers and employees of the banks for capacity building and formation of an Implementation Team. The Implementation team would remain responsible for overall supervision of BASEL II implementation in their banks. They have also suggested that the Board of Directors should also remain updated on the issue.

Accordingly PBL formed Basel-II Implementation Team and gave training to Senior Management, Credit Officers, and Managers of the Bank.

Directors' Report-Financial Review

Total Assets

Consolidated assets of the Bank stood at Tk 79,618 million in 2007 as against Tk 60,898 million in 2006. Total asset of PBL stood at Tk 79,588 million in 2007 from Tk 60,899 million in 2006 registering a growth of 30.68 percent. The increase in asset of PBL was mainly driven by growth of customer deposits. The growth of deposits was used for funding growth in credit and investment (holding of securities for SLR purpose and as primary dealer). The economy witnessed a lower growth scenario in credit and deposits mobilization.

Growth of Balance Sheet Items

	Outstanding in Million Taka		Growth of PBL	Industry Average
	2007	2006	%	0/0
Assets	79,588	60,899	30.69	17.81
Deposits	70,512	54,724	28.85	15.50
Loans	57,683	45,010	28.18	18.34

Cash and Balance with Bangladesh Bank & its Agent

Consolidated position of the Bank is Tk 5,421 million in 2007 as against Tk 4,122 million in 2006. PBL's position increased from Tk 4,115 million to Tk 5,419 million in 2007 depicting a growth of 31.69 percent. The growth in deposits increased the Cash Reserve Requirement of the Bank which was maintained with Bangladesh Bank and its agent. CRR was maintained adequately through out the year.

Balance with other banks and financial institutions

Consolidated position of the Bank is Tk 2,422 million in 2007 as against Tk 1,114 million in 2006. PBL's position increased from Tk 1,114 million to Tk 2,417 million in 2007 depicting a growth of 117.07 percent. The growth in PBL's position was due to placement of surplus fund on term basis with banks and financial institution instead of placement on call basis where return was very low. Adequate funds were also maintained with correspondent banks for payment against LC commitments.

Money at Call & Short Notice

This was the major area of operation of the PBL's Treasury Division. However, PBL as a primary dealer had to buy the Government securities which were devolved. As the rate of interest of money market was low during the year end and Treasury Division opted for short term placements with banks.

Investment

PBL's investment increased during the year by Tk 7,844 million and stood at Tk 12,698 million as at 31 December 2007. The Bank purchased government treasury bills to cover the increased SLR requirement. Besides, as

primary dealer PBL had to buy treasury bills which were devolved by Bangladesh Bank. There was no investment made by subsidiary and Off-shore Banking Unit.

Loans and Advances/Investments

Consolidated Loans and advances/Investments (Credit under Islamic Shariah) of the Bank grew strongly by 28.38 percent and stood at Tk 57,782 million in 2007. Loans and advances of PBL increased by Tk 12,673 million showing a growth of 28.16 percent during 2007. Investment of Islamic Banking Branches increased by 901 million and the growth rate was 18.34 percent during 2007. Outstanding loans and advances of *Offshore* Banking Unit was in the form of bills purchased and discounted of Tk 99 million. MBID also extended margin loan to the investors which was Tk 1,572 million during 2007. Yield on loans and advances of PBL increased to 13.96 percent from the level of 13.52 percent of previous year. Concentration of loans and advances was well managed and details of credit are given at notes no 7.5. Ratio of non performing loan of PBL slightly deteriorated to 1.35 percent from 0.82 percent of previous year. However, ratio is much below the industry average of 13 percent.

Liabilities

Consolidated liabilities (excluding equity) of the Bank stood at Tk. 74,350 million in 2007 as against Tk 57,042 million in 2006. The total Liabilities (excluding equity) of PBL stood at Tk 74,315 million in 2007 from Tk 57,040 million in 2006 registering a growth of 30.29 percent. The increase in liability was mainly due to growth in deposits.

Borrowings from financial institutions and agents

The borrowing represents, PBL's borrowing against refinance from Bangladesh Bank. Refinance was taken for SME financing and against Islamic Investment Bond for financing export bills.

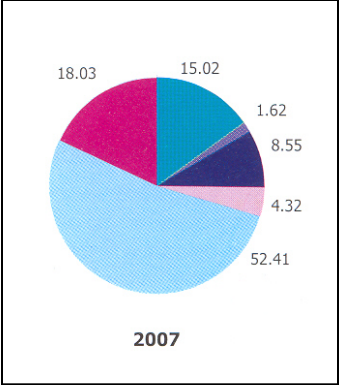
Deposits

The deposits of PBL grew by 28.85 percent in 2007. Customer deposits of the Bank grew by 28.53 percent. The growth was supported by branch network and high standard service provided to customers. The No cost and Low cost deposits comprised of 30 percent of the deposits. Fixed deposits remained the main component of deposits. PBL was sucessful in bringing down share of fixed deposit to 52 percent from 55 percent previous year. Interest cost of deposit increased to 8.45 percent as against 8.15 percent of previous year. However mix of deposits showed improvement during the year where fixed deposits declined and scheme deposits increased. PBL was successful in bringing down the cost of deposits from its peak level of 8.80 percent of December 2007. The effective cost of scheme deposits is lower than fixed deposits receipt. The clientele group of the Bank includes individuals, corporation, NGO, NBFI, government bodies etc. There are as many as 18 deposits products of the Bank.

Directors' Report-Financial Review

Deposits Mix & Growth

Types of Deposits	Outstanding in Million Taka		Growth 0/0	Mix	
	2007	2006		2007	2006
Current & Contingent	10,590	8,261	28.19	15.02	15.10
Bills payable	1,145	528	116.86	1.62	0.96
Savings	6,027	4,126	46.07	8.55	7.54
Short term deposits	3,046	3,419	-10.88	4.32	6.25
FDR	36,961	30,184	22.45	52.41	55.15
Scheme Deposits	12,710	8,203	54.94	18.03	14.99
Other deposits	32	3	966.67	0.05	0.01
Total Deposits	70,512	54,724	28.85		



Shareholders' Fund

Consolidated Shareholders' fund/equity increased by 36.62 percent during the year. PBL's Shareholders' fund increased by 36.60 percent during 2007. Paid-up capital of PBL increased by Tk 525 million (bonus share of 2006) and stood at Tk 2,275 million during 2007. The Statutory reserve increased by Tk 469 million during the year and stood at Tk 1,874 million. Distributable profit also increased by Tk 406 million during the year. The strong growth in shareholders' fund will help the Bank to expand its business.

Analysis of Income Statement of PBL

Taka in Million				
SlNo	Particulars	2007	2006	% Change
1	Net interest income	1,903	1,500	26.86
2	Investment income	1,294	420	208.09
3	Non-interest income	1,619	1,312	23.40
4	Total operating income	4,816	3,232	49.00
5	Other operating expenses	(1,559)	(1,101)	41.59
6	Profit before tax and provision	3,257	2,131	52.83
7	General Provision on loans	(350)	(180)	94.44
8	Provision for classified loans	(350)	(210)	66.67
9	General provision on Off-Balance Sheet items	(210)	-	-
10	Net profit before tax	2,347	1,741	34.81
11	Provision for tax including deferred tax	946	689	37.30
12	Net profit after tax	1,400	1,052	33.17

Net Interest Income

PBL's net interest income grew by 26.86 percent during 2007. Both yield on loans and advances and cost of fund showed upward trend. Interest earned from loan and profit earned on investment remained the principal component of interest income. However interest cost of deposits was the main component of interest expenses. Net interest income was the main contributor to total income, accounting for 39.51 percent of the total revenue.

Investment Income

Investment income consists of interest earned on treasury bills & bonds and dividend received on shares and capital gain from sale of securities of listed companies. Income increased by Tk 874 million during the year registering a growth of 208 percent during the year. Capital gain from sale of listed securities contributed to the growth. PBL had to perform as a primary dealer during 2007 and absorbed the devolved securities by Bangladesh Bank in secondary market was non existent, PBL had to hold the treasury bond till maturity. As a result investment income increased during the year.

Directors' Report-Financial Review

Non-interest Income

The non-interest income of PBL increased by 23.40 percent during the year. Fees and exchange based income of the Bank grew by 20 percent during the year. There was pressure to reduce the rate of commission charges downward. Other charges and recoveries increased during the year registering a growth of 33.75 percent.

Total Operating Expenses

Other Operating expenses increased by 41.59 percent during the year mainly due to increase in personnel and other operating expenses. To keep the salary package comparable in the industry, there was upward revision of the packages, which resulted to increase in personnel expenses. The increase was also partly due to rise in number of human resources. The enhancement of the package will motivate our employees to do even better in future. PBL also made donation amounting to Tk 70.5 million to Prime Bank Foundation to carry on various social activities. The Bank also made donations for landslide, flood and cyclone victims of the country. PBL also made donation for other philanthropic work, talent development etc. PBL also focused on developing brand image which increased promotional and advertisement expenses. This strategy added value to the business. The Bank's cost income ratio improved to 32 percent in 2007 from 34.00 percent of 2006. This indicates that the operating efficiency of the Bank has increased.

The productivity of the employee continued to grow which is evident from the following ratio:

Taka in Million		
Particulars	2007	2006
Income per employee	3.74	2.96
Profit before tax per employee	1.82	1.59
Asset per employee (excluding contingent)	61.88	55.46

Provision for Classified Loans

The provision against classified loans increased during the year. Total provision against classified loan was Tk 350 million as against Tk 210 million of previous year. Ratio of required provision to total provision maintained at 76.93 percent against Industry average of 49.90 percent. Provision against unclassified loans was made to the tune of Tk 350 million during 2007. New general provision requirement on Off-balance sheet outstanding had to be provided equivalent to 0.50 percent of LC and Guarantee outstanding amounting to Tk 210 million. However, the General Provision is regarded as Tier-II capital of the Bank but this has impacted the Return on Asset and Return on Equity of the Bank.

Provision for Maintenance Ratio

Taka in Million		
	2007	2006
Required Provision on Loans & Advances (including general provision)	1,056	759
Provision Maintained	1,373	853
Provision Maintainance Ratio	130.02	1,12.38

Net Profit Before Tax

After making above provisions, net profit before tax grew 34.81 percent and stood at Tk 2,347 million. New provision requirement and higher provision reduced the net operating profit. However, General provisions will be treated as Tier II capital which will support the business growth of the Bank.

Provision for Income Tax

Provision against current year tax was Tk 1,015 million compared to Tk 592 million of preceding year. Current year income tax increased due to discontinuation of depreciation benefits on lease assets from July 2007. Deferred tax was positive by Tk 69 million as against negative Tk 97 million of previous year.

Net Profit after Tax

Net Profit after Tax stood Tk 1,401 million registering a growth of 33 percent during 2007. Earning per Share rose to Tk 61.57 as at December 31, 2007. Average ROA and ROE stood at 1.99 percent and 30.68 percent respectively.

Statutory Reserve

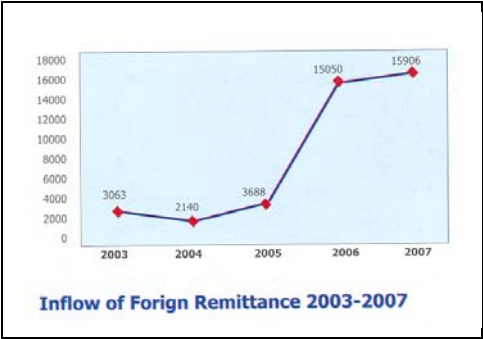
As per Bank Company Act 1991, 20 percent of operating profit before tax is required to be transferred to Statutory Reserve. As such an amount of Tk 469 million has been transferred to Statutory Reserve during the year raising the total reserve to Tk 1,874 million.

Dividends

Thus fund available for distribution was Tk 1,112 million (Tk 931 million from current year profit plus Tk 181 million from previous years retained earnings). In order to maintain a satisfactory capital adequacy ratio of the Bank, the Board declared Dividend 10 percent cash and Bonus Share of 25 percent during the year. Strong Capital Fund will enable the Bank to increase their business activities.

Shareholders' Value

The PBL remains fully committed to delivery of higher shareholder value. The high profitability track record underpins the value the shareholders' derive from investing in the shares of Prime Bank. The earning per share improved and stood at Tk 61.57 and return on average equity stood at 30.68 percent during 2007. Market capitalization stood at Tk 21,021 million as at December 2007 holding the 5th position among the listed companies and 2nd position among the listed banks.



Directors' Report

- Corporate Governance

Corporate Governance

Fairness, Transparency, Accountability and Responsibility are the minimum standard of acceptable corporate behavior today. At Prime Bank corporate governance means increasing the shareholders value by being efficient, transparent, professional and accountable to the society and the environment.

Board of Directors

The number of Directors is 13 in line with Bank Companies Act, 1991. Out of the 13 members one member is Independent Director. Thus the Bank has also complied with the Securities and Exchange Commission's corporate governance guidelines. Board members include persons of high caliber, with academic and professional qualification in the field of business. This gives strength for effective discharge of duties and responsibility by the Board. The Board approves the Bank's budget and review the business plan of the Bank on monthly basis so as to give directions as per changing economic and market environment. The Board reviews the policies and manuals of the various segment of businesses in order to establish effective risk management in credit and other key areas of operations. The Board reviews the policies and guidelines issued by Bangladesh Bank regarding credit and other operations of the banking industry. The management operates within the policies, manuals, SOPs and limits approved by the Board. Regular meeting of the Board is held, at least once in a month. As per Bangladesh Bank's guidelines the Board has two Committees viz. Executive Committee and Audit Committee.

Executive Committee

The Executive Committee operates the policies and guidelines issued by Bangladesh Bank/Board regarding credit and other functional business of the Bank. The Committee ensures the implementation of the policies and guidelines through the management. The Executive Committee approves the credit and other business proposals as per the approved policy of the Board. Management ensures due diligence of the credit policy and risk management at the time of submitting the credit proposals.

Audit Committee

PBL's Audit committee comprises of three Members of the Board nominated by the Board of Directors and operates according to the charter of the committee approved by the Board on the basis of Bangladesh Bank's guide lines.

The objectives of the committee are to ensure that proper and adequate internal controls are in place to

CRISI upgraded the rating of PBI from A+ (Pronounced as A Plus) to "AA" (pronounced as Double A) rating in the long term and confirms ST-2 rating in the short term. The up gradation is done on the basis of PBI's impressive growth rate, improvement in profitability, maintaining very good asset quality, satisfactory financial performance and satisfactory non-funded business as on 31 December 2006.

facilitate smooth functioning of the Bank's operation. The committee ensures that a sound financial reporting system is in place, which is well managed, providing accurate, appropriate and timely information to the Board of Directors, Management. Regulatory bodies, Shareholders and other Shareholders.

During 2007, the committee carried out the following tasks:

- . Review of financial statements and management report - 2006 submitted by the external auditors;
- . Discussion with the external auditors regarding financial statements and management report -2006;
- . Review of internal audit report of Head office/branches;
- . Review of audit plan of internal auditors for 2007 and its progress report;
- . Review of the Half-yearly financial statements of 2007.

Besides, the Bank is consistently following the under mentioned governance principles:

- . The Bank attaches high priority on timely submission of the statutory reports Le Half-yearly Statement of Accounts and Annual Accounts in details enabling the existing and potential shareholders to make a fair assessment on the Bank's overall performance. In order to give more insight to our shareholders the numbers of disclosures in the Annual Report are made regarding risk management, capital adequacy, corporate governance etc. of the Bank;
- . The Bank also strictly adheres to regulatory requirements of submission of financial statements on time. The financial statements are published in two dailies and given in web site of the Bank (www.prime-bank.com);
- . The Board continues to ensure the compliance of Securities and Exchange Commission's rules and regulation and Bangladesh Bank's rules and regulation;
- . The members of the Board are encouraged to attend seminar and symposium regarding the corporate governance and corporate social responsibility;
- . The Board encourages active participation of the shareholders in the Annual General Meeting and Extra Ordinary General Meeting. The suggestions of the shareholders are given due recognition.

Securities and Exchange Commission has issued a Corporate Governance Guidelines (Notification dated 20th February 2006) for the companies listed with Stock Exchanges. The compliance of the guideline is attached at Annexure I, II, III of the report. Bangladesh Bank also issued a guideline for Corporate Governance in Bank Management (BRPD circular no. 16 dated 24.07.2003) the compliance of which is attached at Annexure-IV.

Directors' Report - Corporate Governance

Delegation of power

The Board has delegated appropriate finance and business power to Management as per guidelines of Bangladesh Bank. In order to have proper functioning and quick disposal of credit proposal, Board has delegated authority to Executive Committee of the Board to approve proposal within certain limit. The delegation has supported the operation in positive manner.

Management

The Management team of PBI is headed by Managing Director Mr M Shahjahan Bhuiyan. Several management committees have been formed to handle the banking operation and identifying and managing risk. The committees are MANCOM, AICO, MRS Committee. Managing Director leads the two most important Committee, MANCOM & AICO. As per Bangladesh Bank's instruction "Basel II Implementation Team" has been formed which will be responsible for proper implementation of BASEL II capital adequacy guidelines in the Bank. The guidelines are yet to be issued by Bangladesh Bank but target date for implementation is 31 December 2009.

during 2007. They have also audited our Treasury operation and IT Risk Management processes. They have also exchanged views with our Bank's external auditors regarding the various process of audit. The reports are reviewed by the Board and its Audit Committee, Bangladesh Bank regularly meets with senior executives of the Bank, discusses issues regarding adherence to the standard and guidelines issued by Bangladesh Bank. PBL gives utmost importance to the inspection report and corrective actions are taken regarding the inadequades or lapses mentioned in the report.

-Audit by the External Auditors : External Auditors also audited 16 branches and Head Office so as to cover minimum 80 percent of the risk assets. They have also discussed with the Management and Audit Committee of the Board on various issues including Internal Control and Compliance. Suggestions of the auditors are given due consideration and are implemented by the Management. The reports of the auditors are also discussed in the Board.

Achievement of Business Plan

(Taka in Million)

Particulars	Budget 2007	Actual 2007	Achievement of YTD Budget Dec-2007
Deposit	75,000.00	70,512.37	94.02%
Advance	60,000.00	57,683.02	96.14%
Operating Profit (Before IIP & Other Provisions)	3,000.00	3,256.86	108.56%
Import	70,000.00	70,616.80	100.88%
Export	60,000.00	51,316.40	85.53%
Inward Remittance (Foreign)	23,500.00	15,905.60	67.68%
Bank Guarantee	7,000.00	7,033.70	10D.48%
Inland letter of Credit	13,500.00	11,942.40	88.46%

Regulation and Supervision

The Bank is governed by Bangladesh Bank's rules and regulation on various issues of banking operation. The Bank Companies Act, 1991 and various circulars issued by Bangladesh Bank forms the basis of supervision. Various requirements and controls are imposed covering, inter alia, capital adequacy, depositors' protection, risk management, market and liquidity, anti money laundering compliance, prudential guidelines on lending, reporting standard. Merchant Banking Operation is governed by Securities and Exchange Commission's Rules and Regulations and Listing Rules of Dhaka and Chittagong Stock Exchange.

The Prime Exchange Company Pte Ltd., fully owned subsidiary company are governed by the rules and regulation of Monetary Authority of Singapore.

Audit by Bangladesh Bank

Bangladesh Bank also conducted comprehensive inspection of Head Office and 26 branches of the Bank

Audit & Inspection

To reduce the operational risks of the Bank, PBI conducts regular audit/inspection on the business affairs of the Bank based on different manuals, instructions, rules, procedures laid down by Bangladesh Bank and other regulatory authorities from time to time. Audit also verifies the implementation status of various instructions given by the Board of Directors, Executive Committee of the Board and the Audit Committee of the Board. The general and specific objectives of the audit and inspections are:

General Objective:

- . To find out whether the books of accounts and financial statements are properly drawn in accordance with the Bank Companies Act, 1991, Companies Act, 1994 and IAS & BAS;
- . To detect and prevent error and lapses;
- . To detect and prevent fraud and forgeries; .
- . To detect the operational weaknesses.

Directors' Report - Corporate Governance

Considering the general objectives, specific objectives are:

- . To ensure that operations of the Bank are conducted within the framework of principles, procedures and instructions laid down in different operations manuals;
 - . To keep the Bank, its personnel and customer free from risk as far as possible;
 - . To provide proper guidance to the human resources of the Bank to perform their duties well;
 - . To provide guidance for training the personnel of the Bank on the basis of common errors and lapses committed by them in day to day operations;
- . To suggest adopting new policy to cope with the various situations and efficient business operations;
- . To provide the Board and the Management with detailed information regarding business affairs of the Bank so that the Management can chalk out future business plan;

Information System

Information system is the lifeblood of any large business. Computer systems do not merely record business transactions, but actually drive the key business processes of the enterprise. In such a scenario, senior management and business managers do have concerns about information systems. Primary concern is Information security.

Information Security protects information from a wide range of threats in order to ensure business continuity, minimize business damage and maximize return on investment. Information security system is built on the following needs:

-Availability: The system should be able to provide accurate data and information on time and whenever required. The system should be protected against all types of losses and disaster;

-Confidentiality: To maintain adequate control on the users and uses of the data to maintain secrecy;

A) Audit & Inspection Division undertook following Audit and Inspections of the Bank during 2007:

SI No	Nature of Inspection	Audit & Inspection conducted	
		2007	2006
1	Comprehensive Inspection of Branches	54 Branches	42 Branches
2	Comprehensive Inspection of Head Office	3 Divisions	4 Divisions
3	Verification of Deposit Accounts	2 Branches	2 Branches
4	Investigation and/Special Inspection	23 Branches	9 Branches
5	Surprise Inspection on Assets	1 Branch	5 Branches
6	Risk Based Internal Audit	16 Branches	4 Branches

B) Board Audit Cell undertook following Audit and Inspections of the Bank during 2007:

SI No	Nature of Inspection	Audit & Inspection conducted	
		2007	2006
1	Status of compliance of the decisions of the Board and Executive Committee	8 Branches	6 Branches
2	Review of the business performance of the branches and cash verification	22 Branches	18 Branches
3	Review of Large Loans over Tk 5 crore	22 Branches	18 Branches
4	Special inspection	7 Branches	10 Branches

- . To provide Board and the Management with the information whether there is any deviation from the set principles, policies and objectives.

Following types of audit & inspections are undertaken by the Audit & Inspection Division and Board Audit Cell:

- i) Comprehensive Audit
- ii) Risk Based Internal Audit
- iii) Special Audit! Inspections
- iv) Surprise Inspection

-Integrity: Information provided by the system should be always accurate, reliable and timely. There should be check and balances for stopping any unauthorized modification to the data or software.

Information System Audit:

Information Systems audit is a part of the overall audit process, which is one of the facilitators for good corporate governance. IT audit is basically "the process of collecting and evaluating evidence to determine whether a computer system (information system) safeguards assets, maintains data integrity, achieves organizational goals effectively and consumes resources efficiently."

Directors' Report - Corporate Governance

To comply the ICT Guideline of Bangladesh Bank and to ensure the smooth operation of business, an Independent "IT Audit & Security" Department has been formed in May, 2007. The main aim of the department is to identify the inherent risks and vulnerabilities associated with the use of IT, its operation and operation of core banking system PcBank/T24, to implement controls to mitigate the risks and provides recommendations for improvement in controls for reducing risks.

Internal IT Audit provides an objective means of reviewing the risks faced by the Bank in relation to use of Information Technology and assesses whether they are being controlled/mitigated in an effective and efficient manner; provides an assessment of the Bank's IT control against 'Guideline on ICT for Scheduled Banks and Financial Institutions of Bangladesh Bank. Internal IT Audit has carried out audit of 43 branches during 2007.

Internal Control and Compliance

Internal Control contains self -monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even with effective internal control, no matter how well designed, has inherent limitations including the possibility of the circumvention or overriding of controls and therefore can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control effectiveness may vary over time.

PBL has taken all-out efforts to mitigate all sorts of risk as per guidelines issued by Bangladesh Bank. As a part of robust risk management process, the Bank has formulated a comprehensive Credit Risk Management Policy to address credit risk. To mitigate operational risk, money laundering and terrorist financing risk, circumvention or overriding the internal control procedure, Internal Audit, Board Audit Cell and Central Compliance and Internal Control Divisions are carrying out regular audit and

. inspection of the functions of the Branches. Deficiencies /lapses/irregularities detected by these audit and inspection are rectified/ regularized by the concerned Branches at the earliest and submit compliance report to the Head Office. The Bank has already prepared the Risk Assessment Matrix of various banking functions and incorporated the same in Departmental Control Function Checklist (DCFCL). The Branches and Divisions of Head Office are following the DCFCL attaching due importance to high risk and medium risk functions. The Bank also prepared Internal Control and Compliance Manual to strengthen internal control function. The Bank has already introduced international standard policies and standard operating procedures (SOP) prepared by reputed foreign consultant PricewaterhouseCoopers. This will upgrade operational efficiency, reduce operational and other risks, reduce major mistake, fraud and forgery, and ensure proper internal control, risk mitigation and accurate financial reporting.

To assess the position of internal control and anti-money laundering compliance in various Branches of PBL, Central Compliance and Internal Control Division carried out on site inspection of 44 Branches during 2007.

Supplier Payment Policy

PBL always adheres to well set payment polices for all suppliers and explains them in details about the payment method and system and reviews process before providing work order. Bills are paid according to the payment terms and VAT and other taxes & duties are deducted from bills as per law. As of date there is no legal case filed by the Bank or filed against the Bank by any supplier.

Rating

Prime Bank was rated by Credit Rating and Information Services Limited (CRISL) The summary of their ratings is given below:

i) CRISL

	Long Term	Short Term
Entity Rating (2006)	M	ST-2
Entity Rating (2005)	A+	ST-2
Date of Rating		April 29, 2007

CRISL upgraded the rating of PBL from A+ (Pronounced as A Plus) to "M" (pronounced as Double A) rating in the long term and confirms ST-2 rating in the short term. The up gradation is done on the basis of PBL's impressive growth rate, improvement in profitability, maintaining very good asset quality, satisfactory financial performance and satisfactory non-funded business as on 31 December 2006. This is the highest rating received by any local private commercial bank. Financial institutions rated in this category are adjudged to be high quality, offer higher safety and have high credit quality. This level of rating indicates a banking entity with a sound credit profile and without significant problem. Risks are modest and may vary slightly from time to time because of economic conditions. The short-term rating indicates high certainty with regard to the obligators capacity to meet its financial commitments. Risk factors are very small. The long term rating is valid for only one year and short-term rating is for six months.

Award & Recognition

Prime Bank is the recipient of 1st prize under ICAB National Award 2006 for its published account for the year 2006 in the Banking sub-sector under the financial sector. It is also a great honor of professionalism and reputation for Prime Bank to receive the award consecutively for three years. PBL also received "SAFA Merit Award" for the year 2006 for its published reports. It testifies compliance by the Bank with Bangladesh Accounting Standard and International Accounting Standard and that adequate information are given for the investors and shareholders to make prudent judgment.

Corporate Social Responsible



Prime Bank Relief Team distributing relief among the "SIDR" affected people at Barguna

Corporate Social Responsibility

It is being widely recognized by the corporate sector that augmented Corporate Social Responsibility (CSR) designed to respond to huge unmet needs of the society can be one of the important means in the achievement of long term and persistent business value. The high level of awareness of CSR has also strongly come about as a result of the United Nations Millennium Development Goals (MDG), in which a major goal is the increased contribution of assistance from a range of organizations to help alleviate poverty and hunger, and for businesses to be more aware of their impact on society. In the context of current global and local scenarios, customers and public together with the development players and partners are very much aware of the CSR and its synergistic effects on national development process. There is no "one-size-fits-all" for pursuing a CSR approach. Each company has unique characteristics and circumstances that will affect how it views its operational contexts and its defining social responsibilities. One of the nicest things about CSR as perceived by Prime Bank is the extent to which it takes real social and community problems or issues in the way bank does business and innovates responses to them. PBI supports the concept of "Triple Bottom Line" which focuses on:

- . Good economic performance .
- Good social practice
- . Good environmental practice

In respect of CSR, PBI has focused on following specific key areas of:

- . Nation building
- . Enhancement of market place
- . Promotion of the work place
- . Support to the community
- . Protection of environment

Nation Building

The best way to support the country is to do some thing better in the area of operation. PBI constantly showed strong performance which has helped the stability of the banking sector. The local and international recognition of the published accounts has helped to establish integrity of the country's financial system. PBI will continue to play the pivotal role in this regard. Retail and SME financing have become key to economic growth of the country and without opening up of the financial sector to semi urban and rural areas, the projected growth of 7 percent as per MTMF will not be achievable. PBI has given strong focus in these areas which are evident from the growth rate achieved during the year. Public service is still inefficient and as such emphasis is also given in infrastructure development which

includes financing for communication, telecommunication, bridge, roads & highways etc. This will have positive impact on national growth. Economic impact report is given at pages through 12 to 14 of this Annual Report.

Contribution to National Exchequer

Prime Bank has contributed significantly to the government effort in collection of revenue. As per law Bank deducts at source income taxes, VAT and excise duty from various payments and services and deposits the same to government exchequer. Besides, Bank also pays income tax on its earnings. Total payment to government exchequer during 2007 is depicted below:

Particulars	In Million Taka	
	2007	2006
Payment of income tax on bank's earnings	644.0	590.1
Income tax, Vat and Excise deducted at source from the various payment and services by the Bank	514.0	399.4
Total payment	1,158.0	989.5

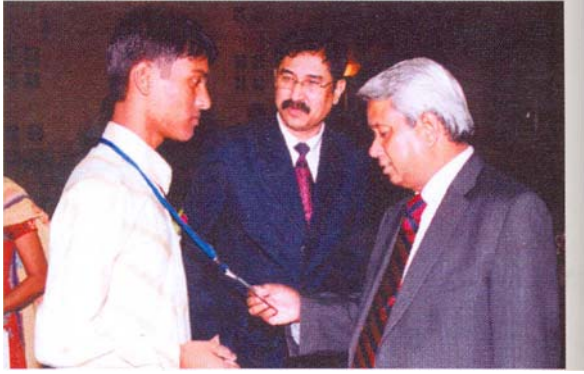
Support to the Community

PBI has always laid emphasis on its commitment to the society and reinvested part of its profit for community welfare. In discharging its responsibilities the Bank formed a foundation styled as 'Prime Bank Foundation' in 2002.

Meanwhile, PBI has strengthened the management capacity of its Foundation, the corporate responsibility wing, having staffed with right kind of human resources required to reinforce its commitment to the society. Aligning with its long term goal, the Prime Bank Foundation has chalked out a number of long and short terms projects focusing more on health and education to be rolled out over a period of next 3-5 years. The highlights of some of the projects initiated/implemented during the reporting period are as follows:

Education Support Programme

Having considered education as a tool for social change, Prime Bank Foundation has made an ignition required to remove the access barrier of some of many economic hardship-hit estimable students to their desired level of education. Under this programme the underprivileged but meritorious students are being provided with financial support in the form of monthly stipends for the persuasion of their graduation/post-graduation level studies in the country's public sector universities and medical/engineering/agriculture colleges.



Chairman, Prime Bank United Mr. Azam J Chowdhury is talking to a student

For awarding stipends, the applications from the potential poor but meritorious students were invited through country's leading newspaper advertisement which enabled vast majority of underprivileged but meritorious students, no matter what the institutions they come from and what the remote areas they live in to apply. The response to the ad from the potential students across the country was amazing. One of the most unique parts of the whole processes was to pick up the most deserving students maintaining highest level of neutrality from such a huge number of applications. It was made possible constituting a three-member Advisory Committee for the Education Support Programme of Prime Bank Foundation with highly credible and respectable members of our society. The composition of the Advisory Committee as follows:

Professor M Q K Talukder, Chairman, Centre for Women and Child Health & Chairperson, Bangladesh Breastfeeding Foundation: Chairman

Professor Jamilur Reza Choudhury, Vice Chancellor, BRAC University: Member

Fr. Benjamin Costa, Principal, Notre Dame College: Member

The Prime Bank Foundation is honoured to have them in the Advisory Committee for its Education Support Programme. The Advisory Committee using their long, diverse experience and expertise developed an inimitable set of selection criteria to pick up the most deserving students without being biased. In 2007, a total of 170 poor but meritorious students studying in country's 32 educational institutions including all renowned public universities and medical/engineering/ agriculture colleges

were selected for Prime Bank Foundation stipends who would continue to receive an amount of Tk. 1500 per month starting from October 2007 on an ongoing basis for persuasion of the study they had applied for. Of these 107 are males and 63 are female students. By distribution of streams, 91 are from science, 43 are from humanities and 36 are from commerce groups. With regard to distribution of educational institutions 51% are general university, 31% are medical, 8% are engineering, 5% are agriculture and 5% are other institutions going students.

The first instalment of stipends of all those students was handed over during the formal launching of the project that took place on September 11, 2007 at Bangladesh China Friendship Conference Centre. Dr. Saleh uddin Ahmed, Governor, Bangladesh Bank graced the launching ceremony as chief guest and gave away the cheques of the first instalment of stipends to the students lauding the Education Support Programme initiated by PBF. He also urged the commercial banks to diversify their social activities focusing more on education and healthcare.

Similarly, the heads of institutions/departments of the recipients of stipends are echoing the usefulness and impact of this kind of financial support on their education to the Foundation's programme staff assigned for the project while visiting them as part of programme monitoring and seeking onsite advice.

From the next year onwards the number of poor but meritorious students will continue to be added with the inclusion of at least 50 students in the same way as happened in 2007.



Drishy Daan Project

Through this project, the PBF has started supporting the total costs of the sight restoration surgeries (cataract surgeries) of 1200 ultra poor/poor cataract patients who need the surgery but cannot afford to pay for the services they need to be performed at the Eye Care Hospital(s) well known for their quality high volume cataract surgery done per year. The cataract patients of different geographic locations of the country are being identified, screened, transported and operated by Foundation's eyecare hospital partners based on Memorandum of Understanding (MOU) signed with them.

The highly skilled eye surgical teams of the well equipped eye hospitals are performing the cataract surgeries using a very simple but high tech modern method known as 'Small Incision Cataract Surgery' and implanting an Intra-Ocular Lens, the outcomes of which are rated to be quite good. As agreed between us, the eyecare hospital partners shoulder the total responsibility of organising the eye camps at different rural locations undertaking necessary publicity/promotional activities,

Keep the Heart Beating Project

Through this project, PBF during the reporting period supported the total costs of the cardiac surgeries of **12** children with congenital/acquired heart diseases who needed the surgery for their survival but their

Eye surgeon is doing cataract surgery of a poor patient supported by PBF identifying/screening the cataract patients, their transportation to and from the hospital, performing surgery, providing food and accommodation during hospital stay, dispensing all medicine/dark glass and post-operative follow up. As such, the targeted poor cataract patients do not have to pay any money for anything related to cataract surgery. Starting in April through to end of the reporting year, a total of six eye camps were organised at different locations of the country. The total number of turnout of patients at those eye camps was 8603. A total of 686 poor/ultra poor cataract patients were identified and operated. In addition, 560 persons with Refractive Error were prescribed spectacles after relevant examinations done at eye camp. As revealed by many anecdotal data, the sight restoration surgeries performed on those reversibly blind cataract

patients have significantly impacted on their personal and family lives. Their increased mobility and ability have now made them independent and productive rather than dependent or burden on others. The project target of 1200 cataract surgeries is expected to be achieved within the stipulated time.

parents/guardians could not afford just because of their socio-economic status. The identification of the paediatric cardiac patients, assessment of their socioeconomic status against the agreed preset criteria and finally their operations were done by the National Heart Foundation (NHF), Mirpur, Dhaka as spelled out in the

MOU signed between PBF and NHF. The patient's parents/guardian did not have to pay any money at any stage of the total process starting from pre-operation investigation/medication through to operation and post-operative medicine and follow up.

The outcomes of the surgeries are as good as expected. In addition, the cost of an open surgery of a very poor adult cardiac patient (rickshaw puller) was also borne by PBF at the request of National Heart Foundation Hospital. May be the number of cardiac surgeries supported by Foundation is not that big but the impact of surgeries on

Donation to Rangpur Diabetic Association Hospital

The Diabetic Association of Bangladesh was established in February 1956 in Dhaka at the initiative of late National Professor M Ibrahim and a group of social workers, philanthropists, physicians and civil servants. It started an outpatient in 1957 in a small semi permanent structure at Segun Bagicha, Dhaka. Over the years, the clinic turned into a diabetes care and research complex at Shah bag in 1989.

The prevalence of diabetes amongst Bangladeshi adults is 5.6% and its trend continues to be upward. Against this huge disease loads, the comprehensive diabetic healthcare delivery in this part of the world is well recognised as a unique programme of the Diabetic Association of Bangladesh (DAB). The Association executes this programme primarily through its central institute in Dhaka and the DAB Affiliated Associations

the individuals as well as their family levels is incredible and not easy to quantify. The reactions expressed by some of the parents and children echo the said statement.

The National Heart Foundation having seen the success of the project (in terms of accessibility of the poor paediatric cardiac patients to hospital for necessary but expensive surgical interventions and positive outcome of the interventions on the patients as well as their families) has expressed their interest to the PBF to turn this short-term project into an ongoing one and PBF has also started to rethink if it could be continued as approached.

located in different districts of the country. However, Rangpur Diabetic Association hospital being one of the oldest DAB affiliated associations could not establish any hospital like many other districts needed to provide diabetic healthcare for the poverty stricken people of that area. It is providing limited healthcare services for the diabetic patients from an old building located on their own piece of land in Rangpur. Prime Bank Foundation made a significant contribution to Rangpur Diabetic Association for the construction of their hospital building. The Foundation believes that the newly constructed hospital of Rangpur Diabetic Association will cater to the increased diabetic healthcare needs of the people of that locality in the days to come.

The Foundation has a number of long term education and healthcare projects in its pipeline to be implemented on a priority basis over the next 1-3 years time.



Meritorious students of Prime Bank Family were rewarded on 12th Anniversary

CSR in Market Place

The best published accounts award of ICAB for consecutively for 3 years and receiving merit award from SAFA for the published reports and accounts are the testimony of good governance, compliance with IAS, BAS and other regulatory requirements. Market discipline is gradually being established as more banks are now encouraged to give adequate information to the shareholders and their compliance status is also improving.

Capacity Development in the Banking and Financial Sector

PBL believes that professional development of the people working in the banking and financial sector will immensely help to redress various risk elements involved in banking transactions. To that aim in view PBL took some unique initiatives which were appreciated by the participants. Some of the initiatives are given below:

In order to strengthen the knowledge and expertise on Shariah based banking PBL arranged International Seminar on Islamic Banking Products and Services in collaboration with Red Money Group, Malaysia. This seminar was first of its kind in Bangladesh which was attended by participants from Bangladesh Bank, other Islamic Banks and conventional banks having Islamic Banking Branchesj Windows.

During the year 2007 our Islamic Banking Division has arranged five Ifter Mahfils and discussion meetings through our Islamic Banking Branches and held formal and informal discussions on various Shariah issues, Islamic Banking activities and importance of Holy Ramadan. Members of Shariah Council, eminent thinkers on Islamic Ideology and clients participated in the discussion meeting.

The Bank as per agreement with Bangladesh Institute of Bank Management-the apex body of the training institute for the Bankers sponsored the prize money given to the students securing first, second and third position in the Masters of Bank Management examination of the institute.

PBL encourages the participation of graduates in the business processes of the Bank through its internship programme. This initiative of the Bank allows fresh and meritorious graduates from Business Schools and Universities to get on hand experience about the different processes in banking. These experiences help them to plan their career path more effectively.

PBL sponsored couple of learning events like workshops /conferences organised by renowned educational institutions of the country.



Successful youths of Khude Shilpir Khoje Programme

Preservation of Memory of Martyr

To pay respect to the Martyr, Prime Bank took a joint initiative with Beer Shreshtra Motiur Rahman Foundation to develop a film titled 'Ashtittea Bangladesh' to keep uphold the memory of Martry Matiur Rahman Beer Shreshthra. Prime Bank believes that this film will exist as a document of Independence of Bangladesh and remembrance of Beer Shreshtra Motiur Rahman. The film made its debut in 2007.

Talent Development

Khude Shilpir Khoje- an invitation to innovation programme for the younger generation was undertaken with the objective to nurture and promote untapped talents within the youth in the school level and in order to open up the horizon of creative faculty in them. The theme of the programme was 'Express your dream in colour'. The participants were students from class six to ten across the country. The successful youths were awarded prize money of different amounts. The calendar of the Bank which is given to customers, well-wishers are made up of these arts along with photograph of the successful candidates.

Sponsoring nation wide Childrens' Art Competition & exhibition organized by Zainul Abedin Art School

Other Activities

Moreover, the highlights of our responses to the devastating natural calamities that the country experienced one after another in 2007 and other financial supports made available for the areas/avenues of our concerns can be portrayed as under:

- . Donation of very handsome amount of money for the landslide victims in Chittagong, the flood affected areas/people of the country and lastly for emergency relief and rehabilitation of the Cyclone (Sidr) victims.
- . Donation to the "Society for Education of the Intellectually Disabled, Bangladesh".
- . Donation for refurbishment of Dhaka Press Club VIP lounge
- . Donation for the construction of Road-Side Complementary Sheds for the workers at Dhaka EPZ, Savar
- . Sponsored Inter-School English & Bengali Debate Festival organised by St. Joseph Debate Club
- . Sponsored the 19th National Debate Competition organised by Notre Dame Debate Club
- . Financial support was given to various magazines and souvenir for encouraging the participation of the eminent writers of the country.

vi) Games & Sports

- The Bank participating in major sponsorship programs in the area of sports such as Golf, Chess, Tennis etc. to popularize the same among the public.

Promotion of Environment

Prime Bank is always committed to discharging its due social commitment and is especially concerned about the impact of Bank's financed projects on surrounding environment. An Environmental policy is formulated in accordance with guidelines issued by the Government. As per the policy environmental impact will be considered at the time of credit and lending risks analysis.

PBL has financed three CNG conversion projects and over thirty CNG refueling stations which are environment friendly and directly reducing the environment pollution of the country. This is also helping the country in saving scarce foreign resources otherwise required for financing import of oil.

Prime Bank has taken up projects with Dhaka Municipal Corporation to build foot over bridges in busy urban areas of Dhaka city.



Governor, Bangladesh Bank is inaugurating an International Training Program



Traning session at PBTI

Development of Work Place
Human Resource Development

Human resources are the real capital of PBL. The Bank always acknowledged the valuable contribution made by its employees for the continuous superb achievement. every year. The improvement in cost income ratio all! better per employee performance indicate the efficiency, productivity of the employee. The Bank created a sense of community among our employees by encouraging communication with each other in the Management Committee Meeting and across the department and divisions. This discussion helped the employee to learn each other jobs and roles and develop an understanding about the Bank as a whole.

The environment is continuously changing and employees are required to meet the new challenges. The central function of personnel management for achieving lasting success is to ensure that our employees systematically and consistently gain experience and qualification. Training Academy of the Bank had " undertaken various training programme, workshops! seminars during 2007 for developing the skill, efficiency, knowledge and competence to undertake business in this fairly competitive moment. The training will make them into revenue driven force.

Besides, a number of employees of the Bank were sent to attend various training, workshops, seminars arranged by different trade bodies and training academy at home and abroad on different aspect of bank management.

Details of Foreign Training/Seminar and workshops attended by the employees

51 No	Subjects	Number	Number of participants
a.	Institutional Banking Seminar at Kunming, China	1	1
b.	Trade Seminar at Thailand	1	2
c.	Trade Services Seminar at Kolkata, India	1	2
d.	Strategy & Management in Banking in Dublin/London	1	1
e.	Asia Pacific Financial Institutions Bank Conference, Malaysia	1	1
f.	Seminar on D&B Knowledge Forum, Nepal	1	1
g.	SME Banking & Financing, India	1	2
h.	International Trade, India	1	1
i.	International Banking & SWIFT, India	1	1
j.	Introduction to Islamic Banking and Finance, Malaysia	1	1
k.	International Banking in Kolkata, India	1	2
	Total	11	15

The Bank believes in the development of professionalism as well as personal commitments of the employees. Credit facilities are granted under various staff loan policies of the Bank. The Bank arranges annual picnics, family nights where the employees participate along with their family members and a feeling of oneness is generated. The Bank has entered into agreement with some reputed medical centre for providing services to the Ban~'s employees and family members at concession rate. Staff welfare fund has been created for securing the employees from accidental loss. Various attractive retirement benefits are in place. The promotions and increments are given on regular basis to deserving candidates. To promote entrepreneurial skill and actions, encourage people to assume responsibility and to encourage compliance culture, some of the remuneration which was paid indiscriminately earlier has been made performance based and result oriented. As such the annual assessment process has gone through major changes. It is hoped that this new system will provide sustained support for Bank's continuous success. Awards were given to individuals who could achieve various business targets given from time to time.

Performance Awards

The branches of the Bank play the most important role for growth of business. The performances are appreciated and recognized by giving annual Branch Performance Award. These encourage the branch and motivate the employees for doing even better in future.

Meeting of the Board

During the year 2007, 27 Board meetings were held. Details are at Annexure - I.

Retirement and Re-election of Directors

As per Companies Act, 1994 and Articles of Association of the Bank, following Directors will retire in the 13th Annual General Meeting and they are eligible for re-election:
Mr. Azam J Chowdhury
Capt. Imam Anwar Hossain
Mrs. Shahnaz Quashem
Mrs. Razia Rahman
Ms. Saheda Pervin Trisha

Appointment of Auditors

M/s. Rahman Rahman Huq and *Mis.* S. F. Ahmed and Co. Chartered Accountants have served as Auditors of the Bank for consecutively three years. As per Bangladesh Bank's guidelines they are not eligible for re-appointment. Accordingly, notice has been served for appointment of Auditors.

Annual General Meeting

13th Annual General Meeting will be held on 30th March 2008 at the Plenary Hall of Bangladesh China Friendship Conference Centre, at 10 a.m. The Directors' Report and Financial Statements were approved in the 292nd Board Meeting held on 24-02-2008 for presentation to the Shareholders.

On behalf of the Board of Directors



Chairman

Compliance Report on SEC's Notification

The Securities and Exchange Commission (SEC) requires all listed companies to report on the compliance of the conditions described in SEC's notification dated 20 February 2006 on "Comply or Explain" basis. The Board of Directors of the Company has taken appropriate steps to comply with the conditions as detailed in Annexure-I, II & III below:

Annexure-I

Number of Board Meetings and the attendance of Directors:

Name of Directors	Position	Meeting Held	Attended	Remarks
Mr. Azam J Chowdhury	Chairman	27	23	As Chairman -17 As Director - 06
Mrs. Shahnaz Quashem	Vice Chairperson	27	15	
Mrs. Hasina Khan	Vice Chairperson	27	9	
Mr. Mohammad Aminul Haque	Director	22	21	Elected on 29.03.07
Quazi Sirazul Islam	Director	22	17	Elected on 29.03.07
Capt. Imam Anwar Hossain	Director	27	25	
Qazi Saleemul Huq	Director	27	07	
Mrs. Razia Rahman	Director	27	08	
Mrs. Ferdousi Islam	Director	27	27	
Ms. Saheda Pervin Trisha	Director	27	26	
Mr. Nafis Sikder	Director	27	03	
Mr. Mohammad Delwar Hossain	Director	14	14	Nominated on 01.07.07
Mr. Maksudur Rahman Sarkar	Director	27	26	
Mr. M. Shahjahan Bhuiyan	Managing Director	27	26	

The Pattern of Shareholding along with name wise details of :

i)Parent/Subsidiary/Associated Companies and other related parties: Nil

ii) Shareholding of Directors :

Name of Directors	Designation	Percentage of Shares as on 31.12.2007	Remarks
Mr. Azam J Chowdhury	Chairman	0.23	Share holding of East Coast Shipping Lines Ltd.
Mrs. Shahnaz Quashem	Vice Chairperson	0.30	
Mrs. Hasina Khan	Vice Chairperson	1.01	
Mr. Mohammad Aminul Haque	Director	2.38	
Quazi Sirazul Islam	Director	1.59	
Capt. Imam Anwar Hossain	Director	1.00	
Qazi Saleemul Huq	Director	0.28	
Mrs. Razia Rahman	Director	0.83	
Mrs. Ferdousi Islam	Director	1.38	
Mr. Nafis Sikder	Director	0.90	
Ms. Saheda Pervin Trisha	Director	0.13	
Mr. Mohammad Delwar Hossain	Director	1.54	
	(Representative of East Coast Shipping Lines Limited)		
Mr. Maksudur Rahman Sarkar	Independent Director	0.00044	
Mr. M. Shahjahan Bhuiyan	Managing Director	-	

iii) Shareholding of CFO, Company Secretary & Head of Internal Audit

Chief Financial Officer and his spouse and minor children	-	-
Company Secretary and his spouse and minor children	-	-
Head of Internal Audit and his spouse and minor children	-	-

iv) Shareholding of Senior Executives (Top five salaried persons other than CEO, CFO, CS, HIA)

1. Mr. Nasiruddin Ahmed, AMD	-	-
2. Mr. Mahbubul Alam, DMD	-	-
3. Mr. R.Q.M. Forkan, DMD	-	-
4. Mr. Md. Mukhter Hossain, SEVP	-	-
5. Mr. Md. Reazul Karim, SEVP	-	-

v) Shareholder(s) holding 10% or more voting interest in the company as at 31.12.2007.
Nil

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Annexure-III

Status of Compliance with the conditions Imposed by the Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated 20th February 2006:

Conditions	Compliance Status
1.0 Board of Directors & its reports	
1.1 The members of the Board should not be less than 5 (five) and more than 20 (twenty)	Complied
1.2 Appointment of Independent Non-shareholder Director	
(i) Independent Director: at least 1/10th i.e. minimum one	Complied
(ii) Appointment of Independent Director by elected Directors	Complied
1.3 Chairman of the Board and Chief Executive Officer be different person with different roles and responsibilities	Complied
1.4 Directors' Report to include declarations on:	
a. Fairness of Financial Statements	Complied
b. Maintenance of proper books of accounts	Complied
c. Consistent application of Accounting Policies in preparation of Financial Statements	Complied
d. Observance of Bangladesh Accounting Standards (BAS)	Complied
e. Soundness and efficiency of Internal Control	Complied
f. Ability to continue as a going concern	Complied
g. Significant deviations in operating results from last year	Complied
h. Presentation of key operating and financial data for at least last three years	Complied
i. Declaration of Dividend	Complied
j. Number of Board Meeting held during the year and attendance by each Director	Complied
k. Shareholding pattern	Complied
2.0 Appointment of CFO, Company Secretary etc.	
2.1 Appointment of CFO, Company Secretary and Head of Internal Audit and defining their responsibilities	Complied
2.2 Attendance of CFO and Company Secretary in the Board of Directors meeting	Complied (CFO attends the Board Meeting as and when required)

Conditions		Compliance Status
3.0 Formation of Audit Committee & its reporting		
3.1	i. Number of members of Audit Committee	Complied
	ii. Inclusion of Independent Director in the Audit Committee	Complied
	iii. Fill the casual vacancy in Audit Committee	Complied
3.2	i. Chairman of the Board Audit Committee	Complied
	ii. Qualification and experience of Audit Committee Chairman	Complied
3.3.1	i. Reporting by Audit Committee on its activities to the Board	Complied
	ii. Report to the Board by the Audit Committee on conflict of interest etc.	No such matters to report on
3.3.2 Report by Audit Committee on the qualified point to the SEC		No such matters to report on
3.4	Report to the shareholders in the event of findings of certain occurrences under condition 3.3.1(ii) above.	There was no such event
4.0 Statutory Auditors not to engage in:		
	i. Appraisal or valuation services	Complied
	ii. Financial information systems design and implementation	Complied
	iii. Book keeping or other services related to financial statements	Complied
	iv. Broker-dealer services	Complied
	v. Actuarial services	Complied
	vi. Internal audit services	Complied
	vii. Any other services that the Audit Committee determines	Complied

Annexure-IV

Status of Compliance of Bangladesh Bank's guideline for Corporate Governance (BRPD circular no 16 dated 24.07.2003)

SINo	Particulars	Compliance Status
1	<p>Responsibilities and authorities of the Board of Directors</p> <p>(a) Work-planning and strategic management:</p> <p>(i) The board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rests the development of implementation of the work-plans.</p> <p>(ii) The board shall have its analytical review incorporated in the Annual Report as regard the success/failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies. It shall set the Key Performance Indicators (KPIs) for the CEO and other senior executives and have it evaluated at times.</p>	<p>Complied</p> <p>Complied</p>
	<p>(b) Lending and risk management:</p> <p>(i) The policies, strategies, procedures etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, reschedulement and write-off thereof shall be made with the board's approval under the purview of the existing laws, rules and regulations. The board shall specifically distribute the power of sanction of loan/investment and such distribution should desirably be made among the CEO and his subordinate executives as much as possible. No director, however, shall interfere, directly or indirectly, into the process of loan approval.</p> <p>(ii) The board shall frame policies for risk management and get them complied with and shall monitor at quarterly rests the compliance thereof.</p>	<p>Complied</p> <p>Complied</p>
	<p>(c) Internal control management:</p> <p>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 compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.</p>	<p>Complied</p>
	<p>(d) Human resources management and development:</p> <p>i) Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules shall be framed and approved by the board. The chairman or the directors shall in no way involve themselves or 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 Le., policies for recruitment and promotion.</p> <p>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.</p>	<p>Complied</p> <p>Complied</p>
	<p>(e) Financial management:</p> <p>(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 asset, capital base and adequacy, maintenance of loan loss provision and steps taken for recovery of defaulted loans including legal measures.</p>	<p>Complied</p>

Annual Report of Shariah Council, 2007

Bismillahir Rahmanir Rahim

All Praise is for Allah subhanahu-wa-tayala. Who is the One and Second to none, salat and salam is on the Prophet who is the last and the best.

During the year ended 31st December 2007, the Shariah Council arranged 3 meetings and reviewed different operational issues, including those referred to by the Board of Directors and the Management of the Bank, gave necessary guidelines and counseling. Respected members of the Shariah Council addressed different seminars, symposia, Iftar mahfil and get together of the clients, elite, well-wishers arranged by the 5 Islamic Banking Branches of Prime Bank Limited and held formal and informal discussions on Shariah issues and inspired all concerned for compliance of Shariah. Apart from this, the Muraqibs of the Shariah Council inspected all the 5 Islamic Banking Branches of Prime Bank Limited twice in the year 2007 and submitted reports thereon.

Shariah Council, after reviewing the Shariah Inspection reports has opined as under:

- a) It has been observed from the inspection reports of the Muraqibs that compliance of Shariah has improved during the current year as compared to the preceding years.
- b) Shariah Council observes that awareness about the compliance of Shariah has increased during the year under report among the officials related to investment and also among the investment clients as compared to the previous year.
- c) Efforts regarding engagement of buying agents at branch level, their eagerness to attain the expected level in discharging their duties and responsibilities regarding compliance of Shariah has been strengthened
- d) It has also been observed that in compliance to the instruction of Shariah Council, the frequency of Shariah inspection of the branches has been increased to twice instead of once in the year under report.


Shariah Council has given the following suggestions:

- 1) The training of all manpower of the Bank regarding Shariah principles should be strengthened more.
- 2) To appoint manpower having sufficient knowledge on Islamic Shariah at all the Islamic Banking Branches to ensure proper buying and selling in the investment operations .
- 3) The officers should be more cautious in implementation of Shariah principles in buying and selling of the goods, while making investment.
- 4) The attention of the management has been drawn for not transferring the officials of Islamic Banking Branches to conventional Banking Branches and vice versa in order to retain of officials having Islamic Banking exposure in Islamic Banking branches to facilitate Islamic Banking operation and to enhance the knowledge of the officers on Islamic Banking.

May Allah give us tawfiq to achieve His satisfaction through implementation of Shariah in every sphere of our life.

Ameen.


Moulana Salahuddin
Chairman


Nasiruddin Ahmed
Member Secretary

Auditors' Report to the Shareholders of Prime Bank Limited

We have audited the accompanying balance sheet of Prime Bank Limited ("the Bank") as of 31 December 2007 and the related profit and loss account, cash flow statement and statement of changes in equity for the year then ended together with the notes 1-44 thereto. The preparation of these financial statements is the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BAS). 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 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 of 31 December 2007 and of the results of its operations and 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 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 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, and the financial statements have been prepared in accordance with 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) adequate provisions have been made for advances 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;
- x) the information and explanations required by us have been received and found satisfactory; and
- xi) 80% of the risk-weighted assets have been reviewed spending over 3,800 hours.


Rahman Rahman Huq
Chartered Accountants


S. F. Ahmed & Co.
Chartered Accountants

Dhaka, 24 February 2008


Consolidated Balance Sheet as at 31 December 2007

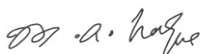
	<u>Notes</u>	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
Interest income / profit on investments	19(a)	7,171,330,400	5,198,810,250
Interest / profit paid on deposits, borrowings, etc.	20(a)	(5,267,378,873)	(3,698,441,036)
Net interest / net profit on investments		1,903,951,527	1,500,369,214
Investment income	21	1,294,205,056	419,496,059
Commission, exchange and brokerage	22(a)	1,211,484,211	1,001,296,559
Other operating income	23(a)	419,564,914	314,073,525
Total operating income (A)		<u>4,829,205,709</u>	<u>3,235,235,357</u>
Salaries and allowances	24(a)	733,884,990	565,301,328
Rent, taxes, insurance, electricity, etc.	25(a)	161,718,612	113,987,335
Legal expenses	26(a)	25,212,970	4,951,307
Postage, stamp, telecommunication, etc.	27(a)	61,360,677	47,690,052
Stationery, printing, advertisements, etc.	28(a)	121,848,451	63,382,686
Managing Director's salary and fees	29	9,131,448	6,400,000
Directors' fees	30	2,224,444	2,734,300
Auditors' fees	30(a)	1,128,308	570,900
Charges on loan losses	31	-	-
Depreciation and repair of Bank's assets	32(a)	103,560,149	72,658,690
Other expenses	33(a)	354,142,661	230,942,402
Total operating expenses (B)		<u>1,574,212,710</u>	<u>1,108,619,000</u>
Profit / (loss) before provision (C=A-B)		<u>3,254,992,999</u>	<u>2,126,616,357</u>
<i>Provision for loans / investments</i>	34		
Specific provision		(350,000,000)	(210,000,000)
General provision		(350,000,000)	(180,000,000)
Provision for off-balance sheet items		(210,000,000)	-
		(910,000,000)	(390,000,000)
Provision for diminution in value of investments		-	-
<i>Other provisions</i>		-	-
Total provision (D)		<u>(910,000,000)</u>	<u>(390,000,000)</u>
Total profit / (loss) before taxes (C-D)		<u>2,344,992,999</u>	<u>1,736,616,357</u>
Provision for taxation:			
Current tax	13.1	(1,015,000,000)	(592,362,815)
Deferred tax	13.2	68,800,000	(96,709,995)
		<u>(946,200,000)</u>	<u>(689,072,810)</u>
Net profit after taxation		<u>1,398,792,999</u>	<u>1,047,543,547</u>
Retained earnings brought forward from previous year		<u>176,371,093</u>	<u>2,020,213</u>
		<u>1,575,164,092</u>	<u>1,049,563,760</u>

Consolidated Balance Sheet as at 31 December 2007

	Notes	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
OFF - BALANCE SHEET ITEMS			
Contingent liabilities	17(a)		
Acceptances and endorsements		-	-
Letters of guarantee		10,486,963,939	9,476,314,713
Irrevocable letters of credit		21,193,628,862	17,392,748,116
Bills for collection		1,422,556,441	1,060,486,687
Other contingent liabilities		-	-
		33,103,149,242	27,929,549,516
Other commitments			
Documentary credits and short term trade -related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities , credit lines and other commitments		-	-
Liabilities against forward purchase and sale		-	-
Others		-	-
		33,103,149,242	27,929,549,516
Other memorandum items			
Value of travellers' cheques in hand		141,383,952	14,284,764
Value of Bangladesh sanchaya patras in hand		1,348,897,500	346,193,975
		1,490,281,452	360,478,739
Total Off-Balance Sheet items including contingent liabilities		34,593,430,694	28,290,028,255

These financial statements should be read in conjunction with the annexed notes 1 to 44.



Chairman



Director


Director


Managing Director

See annexed auditors' report to the Shareholders of date.


Rahman Rahman Huq
Chartered Accountants


S. F. Ahmed & Co
Chartered Accountants

Dhaka, 24 February 2008

Consolidated Profit and Loss Account for the year ended 31 December 2007

	<u>Notes</u>	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
Interest income / profit on investments	19(a)	7,171,330,400	5,198,810,250
Interest / profit paid on deposits, borrowings, etc.	20(a)	(5,267,378,873)	(3,698,441,036)
Net interest / net profit on investments		1,903,951,527	1,500,369,214
Investment income	21	1,294,205,056	419,496,059
Commission, exchange and brokerage	22(a)	1,211,484,211	1,001,296,559
Other operating income	23(a)	419,564,914	314,073,525
Total operating income (A)		4,829,205,709	3,235,235,357
Salaries and allowances	24(a)	733,884,990	565,301,328
Rent, taxes, insurance, electricity, etc.	25(a)	161,718,612	113,987,335
Legal expenses	26(a)	25,212,970	4,951,307
Postage, stamp, telecommunication, etc.	27(a)	61,360,677	47,690,052
Stationery, printing, advertisements, etc.	28(a)	121,848,451	63,382,686
Managing Director's salary and fees	29	9,131,448	6,400,000
Directors' fees	30	2,224,444	2,734,300
Auditors' fees	30(a)	1,128,308	570,900
Charges on loan losses	31	-	-
Depreciation and repair of Bank's assets	32(a)	103,560,149	72,658,690
Other expenses	33(a)	354,142,661	230,942,402
Total operating expenses (B)		1,574,212,710	1,108,619,000
Profit / (loss) before provision (C=A-B)		3,254,992,999	2,126,616,357
<i>Provision for loans / investments</i>	34		
Specific provision		(350,000,000)	(210,000,000)
General provision		(350,000,000)	(180,000,000)
Provision for off-balance sheet items		(210,000,000)	-
		(910,000,000)	(390,000,000)
Provision for diminution in value of investments		-	-
<i>Other provisions</i>		-	-
Total provision (D)		(910,000,000)	(390,000,000)
Total profit / (loss) before taxes (C-D)		2,344,992,999	1,736,616,357
Provision for taxation:			
Current tax	13.1	(1,015,000,000)	(592,362,815)
Deferred tax	13.2	68,800,000	(96,709,995)
		(946,200,000)	(689,072,810)
Net profit after taxation		1,398,792,999	1,047,543,547
Retained earnings brought forward from previous year		176,371,093	2,020,213
		1,575,164,092	1,049,563,760

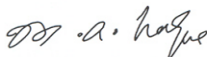
Consolidated Profit and Loss Account for the year ended 31 December 2007

	<u>Notes</u>	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
Appropriations			
Statutory reserve		469,372,945	348,192,667
General reserve		-	-
		469,372,945	348,192,667
Retained surplus	16(a)	1,105,791,147	701,371,093
Earnings per share (EPS)	39(a)	61.49	46.05

These financial statements should be read in conjunction with the annexed notes 1 to 44.



Chairman



Director



Director



Managing Director

See annexed auditors' report to the Shareholders of date



Rahman Rahman Huq
Chartered Accountants



S. F. Ahmed & Co
Chartered Accountants

Dhaka, 24 February 2008


Consolidated Cash Flow Statement for the year ended 31 December 2007

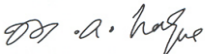
	Notes	2007 Taka	2006 Taka
A) Cash flows from operating activities			
Interest receipts in cash		7,077,830,838	5,616,529,244
Interest payments		(5,267,378,873)	(3,698,441,036)
Dividend receipts		7,976,958	1,777,066
Fees and commission receipts in cash		1,199,811,891	998,661,950
Recoveries of loans previously written off		415,867	-
Cash payments to employees		(738,134,763)	(600,201,328)
Cash payments to suppliers		(286,744,012)	(175,315,699)
Income taxes paid		(476,148,788)	(590,139,079)
Receipts from other operating activities	35(a)	431,468,655	316,701,991
Payments for other operating activities	36(a)	(474,852,940)	(299,495,576)
Cash generated from operating activities before changes in operating assets and liabilities		1,474,244,833	1,570,077,533
Increase / (decrease) in operating assets and liabilities			
Statutory deposits		-	-
Purchase of trading securities (Treasury bills)		(1,197,259,262)	(1,161,365,969)
Loans and advances to other banks		-	-
Loans and advances to customers		(12,771,779,069)	(13,094,105,540)
Other assets	37(a)	(3,797,288,263)	(2,485,472,375)
Deposits from other banks / borrowings		130,899,198	(490,439,000)
Deposits from customers		15,203,681,491	18,833,626,261
Other liabilities account of customers		616,309,220	(138,457,390)
Trading liabilities		-	-
Other liabilities	38(a)	1,438,491,743	(175,635,881)
		(376,944,942)	1,288,150,106
Net cash from operating activities		1,097,299,891	2,858,227,639
B) Cash flows from investing activities			
Debentures		4,932,282	5,000,000
Proceeds from sale of securities		-	-
Payments for purchases of securities		(430,320,723)	(58,856,689)
Purchase of property, plant and equipment		(334,673,423)	(101,477,140)
Payment against lease obligation		(2,785,500)	(1,995,468)
Proceeds from sale of property, plant and equipment		277,045	325,900
Net cash used in investing activities		(762,570,319)	(157,003,397)


Consolidated Cash Flow Statement for the year ended 31 December 2007


	Notes	2007 Taka	2006 Taka
C) Cash flows from financing activities			
Dividend paid		-	-
Net Cash from financing activities		-	-
D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)		334,729,572	2,701,224,242
E) Effects of exchange rate changes on cash and cash equivalents		-	-
F) Cash and cash equivalents at beginning of the year		7,474,876,057	4,773,651,815
G) Cash and cash equivalents at end of the year (D+E+F)		7,809,605,629	7,474,876,057
Cash and cash equivalents at end of the year			
Cash in hand (including foreign currencies)		663,028,189	452,560,474
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		4,757,734,177	3,669,063,444
Balance with other banks and financial institutions - Note - 4(c)		2,387,185,963	1,061,064,639
Money at call and short notice		-	1,490,000,000
Reverse repo		-	800,000,000
Prize bonds		1,657,300	2,187,500
		7,809,605,629	7,474,876,057

These financial statements should be read in conjunction with the annexed notes 1 to 44.


Chairman


Director



Director


Managing Director

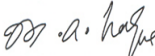
Dhaka, 24 February 2008

Consolidated Statement of Changes in Equity for the year ended 31 December 2007


Particulars	Paid up capital	Statutory reserve	Share premium	Revaluation gain / loss on investments	Retained earnings	Total
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Balance as at 1 January 2007	1,750,000,000	1,404,170,652	-	-	701,371,093	3,855,541,745
Changes in accounting policy	-	-	-	-	-	-
Restated balance	1,750,000,000	1,404,170,652	-	-	701,371,093	3,855,541,745
Surplus / (deficit) on account of revaluation of properties	-	-	-	-	-	-
Surplus / (deficit) on account of revaluation of investments	-	-	-	13,578,020	-	13,578,020
Currency translation differences	-	-	-	-	-	-
Net gains and losses not recognized in the income statement	-	-	-	13,578,020	-	-
Net profit for the year	-	-	-	-	1,398,792,999	1,398,792,999
Dividends (Bonus shares)	525,000,000	-	-	-	(525,000,000)	-
Issue of share capital	-	-	-	-	-	-
Appropriation made during the year	-	469,372,945	-	-	(469,372,945)	-
Balance as at 31 December 2007	2,275,000,000	1,873,543,597	-	13,578,020	1,105,791,147	5,267,912,764
Balance as at 31 December 2006	1,750,000,000	1,404,170,652	-	-	701,371,093	3,855,541,745



Chairman



Director



Director



Managing Director

Balance Sheet as at 31 December 2007

	<u>Notes</u>	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
PROPERTY AND ASSETS			
Cash	3		
In hand (including foreign currencies)		663,028,189	452,560,474
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		4,755,788,872	3,662,426,602
		5,418,817,061	4,114,987,076
Balance with other banks and financial institutions	4		
In Bangladesh		1,625,581,391	627,964,960
Outside Bangladesh		791,887,088	485,749,435
		2,417,468,479	1,113,714,395
Money at call and short notice	5	-	1,490,000,000
Investments	6		
Government		12,090,285,095	7,673,700,299
Others		607,735,533	170,682,648
		12,698,020,628	7,844,382,947
Loans and advances/investments			
Loans, cash credits, overdrafts, etc./ investments	7	53,814,967,656	41,307,504,065
Bills purchased and discounted	8	3,868,053,856	3,702,713,983
		57,683,021,512	45,010,218,048
Fixed assets including premises, furniture and fixtures	9	660,490,066	412,107,309
Other assets	10	710,613,052	914,066,018
Non - banking assets		-	-
Total assets		<u>79,588,430,798</u>	<u>60,899,475,793</u>
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11	390,869,490	345,944,757
Deposits and other accounts	12.1.c		
Current / Al-wadeeah current deposits		10,590,463,357	8,261,264,165
Bills payable		1,144,540,968	528,231,748
Savings bank / Mudaraba savings deposits		6,027,260,878	4,125,622,204
Term deposits / Mudaraba term deposits		52,750,109,722	41,808,962,467
Bearer certificate of deposit		-	-
Other deposits		-	-
		70,512,374,925	54,724,080,584
Other liabilities	13	3,411,909,021	1,969,561,728
Total liabilities		<u>74,315,153,436</u>	<u>57,039,587,069</u>
Capital / Shareholders' equity			
Paid up capital	14.2	2,275,000,000	1,750,000,000
Statutory reserve	15	1,873,543,597	1,404,170,652
Revaluation gain / loss on investments	15(a)	12,723,913	-
Other reserve		-	-
Surplus in profit and loss account / Retained earnings	16	1,112,009,852	705,718,072
Total Shareholders' equity		<u>5,273,277,362</u>	<u>3,859,888,724</u>
Total liabilities and Shareholders' equity		<u>79,588,430,798</u>	<u>60,899,475,793</u>

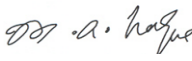
Balance Sheet as at 31 December 2007

	Notes	2007 Taka	2006 Taka
OFF- BALANCE SHEET ITEMS			
Contingent liabilities	17		
Acceptances and endorsements		-	-
Letters of guarantee	17.1	10,480,381,241	9,476,314,713
Irrevocable letters of credit	17.2	21,193,628,862	17,392,748,116
Bills for collection	17.3	1,414,716,406	1,060,486,687
Other contingent liabilities		-	-
		33,088,726,509	27,929,549,516
Other commitments			
Documentary credits and short term trade -related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities , credit lines and other commitments		-	-
Liabilities against forward purchase and sale		-	-
Others		-	-
		33,088,726,509	27,929,549,516
Other memorandum items			
Value of travellers' cheques in hand		141,383,952	14,284,764
Value of Bangladesh sanchay patras in hand		1,348,897,500	346,193,975
		1,490,281,452	360,478,739
Total Off-Balance Sheet items including contingent liabilities		34,579,007,961	28,290,028,255

These financial statements should be read in conjunction with the annexed notes 1 to 44.



Chairman



Director



Director



Managing Director

See annexed auditors' report to the Shareholders of date.



Rahman Rahman Huq
Chartered Accountants



S. F. Ahmed & Co
Chartered Accountants

Dhaka, 24 February 2008

Profit and Loss Account for the year ended 31 December 2007

	<u>Notes</u>	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
Interest income / profit on investments	19	7,170,099,616	5,198,790,368
Interest / profit paid on deposits, borrowings, etc.	20	(5,266,592,564)	(3,698,441,036)
Net interest / net profit on investments		1,903,507,052	1,500,349,332
Investment income	21	1,294,205,056	419,496,059
Commission, exchange and brokerage	22	1,198,942,404	998,117,247
Other operating income	23	419,555,862	314,073,525
Total operating income (A)		4,816,210,375	3,232,036,163
Salaries and allowances	24	725,285,435	561,930,122
Rent, taxes, insurance, electricity, etc.	25	159,529,399	113,987,335
Legal expenses	26	24,728,362	4,951,307
Postage, stamp, telecommunication, etc.	27	60,999,650	47,690,052
Stationery, printing, advertisements, etc.	28	121,691,050	63,382,686
Managing Director's salary and fees	29	9,131,448	6,400,000
Directors' fees	30	2,224,444	2,734,300
Auditors' fees		791,725	570,900
Charges on loan losses	31	-	-
Depreciation and repair of Bank's assets	32	102,185,026	71,657,509
Other expenses	33	352,779,110	227,768,616
Total operating expenses (B)		1,559,345,650	1,101,072,827
Profit / (loss) before provision (C=A-B)		3,256,864,725	2,130,963,336
<i>Provision for loans / investments</i>	34		
Specific provision		(350,000,000)	(210,000,000)
General provision		(350,000,000)	(180,000,000)
Provision for off-balance sheet items		(210,000,000)	-
		(910,000,000)	(390,000,000)
Provision for diminution in value of investments		-	-
<i>Other provisions</i>		-	-
Total provision (D)		(910,000,000)	(390,000,000)
Total profit / (loss) before taxes (C-D)		2,346,864,725	1,740,963,336
Provision for taxation			
Current tax	13.1	(1,015,000,000)	(592,362,815)
Deferred tax	13.2	68,800,000	(96,709,995)
		(946,200,000)	(689,072,810)
Net profit after taxation		1,400,664,725	1,051,890,526
Retained earnings brought forward from previous years		180,718,073	2,020,213
		1,581,382,798	1,053,910,739

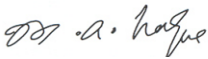
Profit and Loss Account for the year ended 31 December 2007

	<u>Notes</u>	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
Appropriations			
Statutory reserve		469,372,945	348,192,667
General reserve		-	-
		469,372,945	348,192,667
Retained surplus	16	1,112,009,852	705,718,072
Earnings per share (EPS)	39	61.57	46.24

These financial statements should be read in conjunction with the annexed notes 1 to 44.



Chairman



Director



Director



Managing Director

See annexed auditors' report to the Shareholders of date



Rahman Rahman Huq
Chartered Accountants



S. F. Ahmed & Co
Chartered Accountants

Dhaka, 24 February 2008


Cash Flow Statement for the year ended 31 December 2007

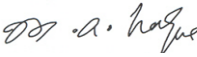
	<u>Notes</u>	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
A) Cash flows from operating activities			
Interest receipts in cash		7,076,601,586	5,616,509,362
Interest payments		(5,266,592,564)	(3,698,441,036)
Dividend receipts		7,976,958	1,777,066
Fees and commission receipts in cash		1,198,942,404	998,117,247
Recoveries of loans previously written off		415,867	-
Cash payments to employees		(729,416,883)	(596,830,122)
Cash payments to suppliers		(286,567,522)	(175,315,699)
Income taxes paid		(476,148,788)	(590,139,079)
Receipts from other operating activities	35	419,555,862	314,067,381
Payments for other operating activities	36	(470,041,003)	(296,680,802)
Cash generated from operating activities before changes in operating assets and liabilities		1,474,725,917	1,573,064,318
Increase / (decrease) in operating assets and liabilities			
Statutory deposits		-	-
Purchase of trading securities (Treasury bills)		(1,197,259,262)	(1,161,365,969)
Loans and advances to other banks		-	-
Loans and advances to customers		(12,672,803,463)	(13,094,105,540)
Other assets	37	(3,796,358,897)	(2,494,489,750)
Deposits from other banks / borrowings		62,890,500	(490,439,000)
Deposits from customers		15,171,985,121	18,833,626,261
Other liabilities account of customers		616,309,220	(140,262,287)
Trading liabilities		-	-
Other liabilities	38	1,437,147,293	(177,440,778)
		(378,089,488)	1,275,522,937
Net cash from operating activities		1,096,636,429	2,848,587,255
B) Cash flows from investing activities			
Debentures		4,932,282	5,000,000
Proceeds from sale of securities		-	-
Payments for purchases of securities		(430,320,723)	(58,856,689)
Purchase of property, plant and equipment		(333,719,898)	(98,473,598)
Payment against lease obligation		(2,785,500)	(1,995,468)
Proceeds from sale of property, plant and equipment		277,045	325,900
Net cash used in investing activities		(761,616,794)	(153,999,855)

Cash Flow Statement for the year ended 31 December 2007


	Notes	2007 Taka	2006 Taka
C) Cash flows from financing activities			
Dividend paid		-	-
Net Cash from financing activities		-	-
D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)		335,019,635	2,694,587,400
E) Effects of exchange rate changes on cash and cash equivalents		-	-
F) Cash and cash equivalents at beginning of the year		7,468,239,215	4,773,651,815
G) Cash and cash equivalents at end of the year (D+E+F)		7,803,258,850	7,468,239,215
Cash and cash equivalents at end of the year			
Cash in hand (including foreign currencies)		663,028,189	452,560,474
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		4,755,788,872	3,662,426,602
Balance with other banks and financial institutions (notes 4 (b))		2,382,784,489	1,061,064,639
Money at call and short notice		-	1,490,000,000
Reverse repo		-	800,000,000
Prize bonds		1,657,300	2,187,500
		7,803,258,850	7,468,239,215

These financial statements should be read in conjunction with the annexed notes 1 to 44.


Chairman


Director


Director



Managing Director

Dhaka, 24 February 2008


Statement of Changes in Equity for the year ended 31 December 2007

Particulars	Paid-up capital	Statutory reserve	Share premium	Revaluation gain / loss on investments	Retained earnings	Total
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Balance as at 1 January 2007	1,750,000,000	1,404,170,652	-	-	705,718,072	3,859,888,724
Changes in accounting policy	-	-	-	-	-	-
Restated balance	1,750,000,000	1,404,170,652	-	-	705,718,072	3,859,888,724
Surplus / deficit on account of revaluation of properties	-	-	-	-	-	-
Surplus / deficit on account of revaluation of investments	-	-	-	12,723,913	-	12,723,913
Currency translation differences	-	-	-	-	-	-
Net gains and losses not recognized in the income statement	-	-	-	12,723,913	-	-
Net profit for the year	-	-	-	-	1,400,664,725	1,400,664,725
Dividends (Bonus shares)	525,000,000	-	-	-	(525,000,000)	-
Issue of share capital	-	-	-	-	-	-
Appropriation made during the year	-	469,372,945	-	-	(469,372,945)	-
Balance as at 31 December 2007	2,275,000,000	1,873,543,597	-	12,723,913	1,112,009,852	5,273,277,362
Balance as at 31 December 2006	1,750,000,000	1,404,170,652	-	-	705,718,072	3,859,888,724


These financial statements should be read in conjunction with the annexed notes 1 to 44.



Chairman



Director



Director



Managing Director

Notes to the Financial Statements for the year ended 31 December 2007

1.1 Status of the Bank

The Prime Bank Limited ("the Bank") was incorporated as a public limited company in Bangladesh under Companies Act, 1994. It commenced its banking business with one branch from April 17, 1995 under the license issued by Bangladesh Bank. Presently the bank has 61 branches all over Bangladesh and a booth located at Dhaka Club, Dhaka. The Bank had no overseas branches as at 31 December 2007. Out of the above 61 branches, 05 (five) branches are designated as Islamic Banking Branch complying with the rules of Islamic Shariah, the modus operandi of which is substantially different from other branches run on conventional basis. The Bank went for Initial Public Offering in 1991 and its share is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded company for its general class of shares.

The registered office of the company is located at 119-120 Motijheel C/A, Dhaka-1000.

1.1.1 Principal activities

The principal activities of the Bank are to provide all kinds of commercial banking services to its customers through its branches in Bangladesh.

1.1.2 Merchant banking activities

The Bank also carries out merchant banking activities under the license issued by the Securities & Exchange Commission (SEC), Dhaka, Bangladesh.

The Bank is engaged in buying and selling of securities for its customers through brokerage firm. It also extends margin loan to its customers against their margin for investment in the listed companies. The required margin level is monitored daily and pursuant to established guidelines, customers are required to deposit additional margin to reduce the position, where necessary. It also undertakes investments of its bank's fund in the share investment. A separate balance sheet and income statement of our Merchant Banking and Investment Division are shown in **Annexures-H and H(1)**.

1.1.3 Prime Exchange Co. Pte. Ltd.

Prime Exchange Co. Pte. Ltd., a fully owned subsidiary company of Prime Bank Limited was incorporated in Singapore on January 06, 2006 and commenced its remittance business with effect from July 08, 2006 under the remittance licence issued by the Monetary Authority of Singapore (MAS) under section 7A(3) of the Money Changing and Remittance Business Act (Chapter 187), Singapore.

1.1.4 Off-shore Banking Unit

The Bank obtained the Off-shore Banking Unit permission vide letter no. BRPD(P)744(84)/2001-868 dated 19 March 2001. The Bank commenced operation of this unit from March 15, 2007 and its office is located at Room # 75, Zone Service Building, Dhaka Export Processing Zone, Savar, Dhaka-1349. The Off-shore Banking Unit is governed under the rules and guidelines of Bangladesh Bank. A separate Financial Statements of Off -shore Banking Unit are shown in **Annexure-I**.

Notes to the Financial Statements for the year ended 31 December 2007

b) Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Taka terms at the rates of exchange ruling on the balance date.

c) Translation gains and losses

The resulting exchange transaction gains and losses are included in the profit and loss account, except those arising on the translation of net investment in foreign subsidiary.

1.2.5 Cash flow statement

Cash flow statement has been prepared in accordance with the Bangladesh Accounting Standard-7 " Cash Flow Statement" under direct method as recommended in the BRPD Circular No. 14, dated June 25 2003 issued by the Banking Regulation & Policy Department of Bangladesh Bank

1.2.6 Liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following bases (**Annexure-J**).

- i) Balance with other Banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term
- ii) Investments are on the basis of their respective maturity
- iii) Loans and advances / investments are on the basis of their repayment schedule
- iv) Fixed assets are on the basis of their useful lives
- v) Other assets are on the basis of their realization / amortization
- vi) Borrowing from other Banks, financial institutions and agents, etc are as per their maturity / repayment terms
- vii) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors
- viii) Provisions and other liabilities are on the basis of their payment / adjustments schedule.

1.2.7 Reporting period

These financial statements cover one calendar year from 1 January to 31 December 2007.

1.3 Assets and basis of their valuation

1.3.1 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bangladesh Bank and highly liquid financial assets which are subject to insignificant risk of changes in their fair value, and are used by the Bank management for its short-term commitments.

1.3.2 Loans and advances / investments

- a) Loans and advances of conventional Banking / investments of Islamic Banking branches are stated in the balance sheet on gross basis.
- b) Interest / profit is calculated on a daily product basis but charged and accounted for on accrual basis. Interest / profit on classified loans and advances / investments is kept in suspense account as per Bangladesh Bank instructions and such interest / profit is not accounted for as income until realised from borrowers [**please refer Note - 7.10 (x)**]. Interest / profit is not charged on bad and loss loans / investments as per guidelines of Bangladesh Bank. Records of such interest amounts are kept in separate memorandum accounts.
- c) Commission and discounts on bills purchased and discounted are recognized at the time of realization.

Notes to the Financial Statements for the year ended 31 December 2007

- d) Provision for loans and advances / investments is made on the basis of year-end review by the management following instructions contained in Bangladesh Bank BCD Circular no. 34 dated 16 November 1989, BCD Circular no. 20 dated 27 December 1994, 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 of February 2005, BRPD Circular no. 09 of August 2005 and BRPD Circular no. 17 dated 06 December 2005. The classification rates are given below:
- | | |
|-------------------------------------------------------------------------------------------------------------|------|
| General provision on unclassified general loans and advances / investments | 1% |
| General provision on unclassified small enterprise financing | 2% |
| General provision on unclassified loans / investments for housing finance and on loans for professionals | 2% |
| General provision on unclassified consumer financing other than housing finance and loans for professionals | 5% |
| General provision on special mention account | 5% |
| Specific provision on substandard loans and advances / investments | 20% |
| Specific provision on doubtful loans and advances / investments | 50% |
| Specific provision on bad / loss loans and advances / investments | 100% |
- e) Loans and advances / investments are written off to the extent that (i) there is no realistic prospect of recovery, (ii) and against which legal cases are pending for more than five years as per guidelines of Bangladesh Bank. These write off however will not undermine / affect the claim amount against the borrower. Detailed memorandum records for all such write off accounts are meticulously maintained and followed up.

1.3.3 Investments

All investment securities are initially recognised at cost, being fair value of the consideration given, including acquisition charges associated with the investment. Premiums are amortized and discounts accredited, using the effective yield method and are taken to discount income. The valuation method of investments used are:

Held to maturity

Investments which have 'fixed or determinable payments', and are intended to be 'held to maturity', other than those that meet the definition of 'held at amortised cost-others' are classified as held to maturity. These investments are subsequently measured at present value as per Bangladesh Bank Guideline. Investments in securities have been revalued as mark to market as at December 31, 2007, the gain of revaluation from the held to maturity securities has been shown in the statement in changes in equity of December 31, 2007.

Held for trading

Investments classified in this category are acquired principally for the purpose of selling or repurchasing -in short-trading or if designated as such by the management. After initial recognition, investments are measured at fair value and any change in the fair value is recognised in the statement of income for the period in which it arises.

Value of investments has been enumerated as follows :

<u>Items</u>	<u>Applicable accounting value</u>
Government treasury bills	Present value
T & T bonds and Bangladesh treasury bonds	Present value
Prize bond	At cost
BHBFCs-debenture	Present value

Investment in listed securities

These securities are bought and held primarily for the purpose of selling them in future or held for dividend income. These are reported at cost. Unrealized gains or losses are not recognized in the profit and loss account.

Notes to the Financial Statements for the year ended 31 December 2007

Investment in unlisted securities

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

1.3.4 Property, plant and equipment

- a) All fixed assets are stated at cost less accumulated depreciation as per BAS-16 " Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.
- b) The Bank recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred.
- c) Depreciation is charged for the year at the following rates on reducing balance method on all fixed assets other than vehicles and software on which straight line depreciation method is followed and no depreciation on land is charged:

<u>Category of fixed assets</u>	<u>Rate</u>
Land	Nil
Building	2.50%
Furniture and fixtures	10%
Office equipment	20%
Software (straight line)	10%
Library books	20%
Vehicles (straight line)	20%

- d) For additions during the year, depreciation is charged for the remaining days of the year and for disposal depreciation is charged up to the date of disposal.
- e) On disposal of fixed assets, the cost and accumulated depreciation are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the assets and net sale proceeds.

Non-banking assets:

There are no assets acquired in exchange for loan during the period of financial statements.

1.3.5 Leasing

Leases are classified as finance leases whenever the 'terms of the lease' transfer substantially all the risks and rewards of ownership to the lessee as per BAS-17 " Leases". All other leases are classified as operating leases as per BAS-17 "Leases".

The Bank as lessor

Amount due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases (note-7.3). Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the bank's net investment outstanding in respect of the leases.

Notes to the Financial Statements for the year ended 31 December 2007

The Bank as lessee

Assets held under finance leases are recognised as assets of the Bank at their fair value at the date of acquisition or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation (**note-13.8**). Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

1.4 Basis for valuation of liabilities and provisions

1.4.1 Provision for taxation

Provision for current income tax has been made @ 45% as prescribed in the Finance Act, 2007 on the accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per income tax laws in compliance with BAS-12 "Income Taxes".

1.4.2 Deferred taxation

Deferred tax liabilities are the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amount of income taxes recoverable in future periods in respect of deductible temporary differences. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences arising between the carrying values of assets, liabilities, income and expenditure and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date. The impact on the account of changes in the deferred tax assets and liabilities has also been recognised in the profit and loss account as per BAS-12 "Income Taxes".

1.4.3 Dividend payments

Interim dividends are recognised when they are paid to shareholders. Final dividend is recognized when it is approved by the shareholders.

The proposed dividend for the year 2007 has not been recognized as a liability in the balance sheet in accordance with the BAS-10 : Events After the Balance Sheet Date.

Dividend payable to the Bank's shareholders are recognized as a liability and deducted from the shareholders' equity in the period in which the shareholders' right to receive payment is established.

1.4.4 Statutory reserve

Bank Companies Act 1991 requires the Bank to transfer 20% of its current year's profit before tax to reserve until such reserve equals to its paid up capital.

Notes to the Financial Statements for the year ended 31 December 2007

1.4.5 Benefits to the employees

The retirement benefits accrued for the employees of the Bank as on reporting date have been accounted for in accordance with the provisions of Bangladesh Accounting Standard-19, "Employee Benefit". Bases of enumerating the retirement benefit schemes operated by the Bank are outlined below:

a) Provident fund

Provident fund benefits are given to the permanent employees' of the Bank in accordance with Bank's service rules. Accordingly a trust of deed and provident fund rules were prepared. The Commissioner of Income Tax, Taxes Zone - 5, Dhaka has approved the Provident Fund as a recognized provident fund within the meaning of section 2(52), read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984. The recognition took effect from 07 July 1997. The Fund is operated by a Board of Trustees consisting six members (03 members from management and other 03 members from the Board of Directors) of the Bank. All confirmed employees of the Bank are contributing 10% of their basic salary as subscription to the Fund. The Bank also contributes equal amount of the employees' contribution. Interest earned from the investments is credited to the members' account on yearly basis.

b) Gratuity fund

The Bank operates an unfunded gratuity scheme, provision in respect of which is made annually covering all its permanent eligible employees. Actuarial valuation of gratuity scheme had been made to assess the adequacy of the liabilities provided for the scheme as per BAS-19 " Employee Benefits"

c) Welfare fund

Prime Bank's employees' welfare fund is subscribed by monthly contribution of the employees. The Bank also contributes to the Fund from time to time. The Fund has been established to provide coverage in the event of accidental death or permanent disabilities of the employees. Disbursement from the fund is done as per rules for employees' welfare fund.

d) Incentive bonus

Prime Bank started a incentive bonus scheme for its employees. 10% of net profit after tax is given to the employees in every year as incentive bonus. This bonus amount is being distributed among the employees based on their performance. The bonus amount is paid annually, normally first quarter of every following year and the cost are accounted for the period to which it relates.

1.4.6 Provision for liabilities

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with the BAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

1.5 Revenue recognition

1.5.1 Interest income

In terms of the provisions of the BAS-18 "Revenue", the interest income is recognised on accrual basis. Interest on loans and advances ceases to be taken into income when such advances are classified. It is then kept in interest suspense in a memorandum account. Interest on classified advances is accounted for on a cash receipt basis.

1.5.2 Profit on investment (Islamic Banking Branches)

Mark-up on investment is taken into income account proportionately from profit receivable account. Overdue charge / compensation on classified investments is transferred to profit suspense account instead of income account.

Notes to the Financial Statements for the year ended 31 December 2007

1.5.3 Investment income

Interest income on investments is recognised on accrual basis. Capital gain on investments in shares is also included in investment income. Capital gain is recognised when it is realised.

1.5.4 Fees and commission income

Fees and commission income arises on services provided by the Bank are recognised on a cash receipt basis. Commission charged to customers on letters of credit and letters of guarantee is credited to income at the time of effecting the transactions.

1.5.5 Dividend income on shares

Dividend income on shares is recognised during the period in which it is declared and ascertained.

1.5.6 Interest paid and other expenses (Conventional Banking Branches)

In terms of the provisions of BAS-1 "Presentation of Financial Statements" interest and other expenses are recognised on accrual basis.

1.5.7 Profit paid on deposits (Islamic Banking Branches)

Profit paid to mudaraba depositors is recognised on accrual basis as per provisional rate. However, the final profit is determined and to be paid to the depositors as per **Annexure-F**.

1.6 Reconciliation of inter-bank and inter-branch account

Accounts with regard to inter-bank (in Bangladesh and outside Bangladesh) are reconciled regularly and there are no material differences which may affect the financial statements significantly.

Un-reconciled entries / balances in case of inter-branch transactions as on the reporting date are not material (**note - 10.2**).

1.7 Risk management

The risk of Prime Bank Limited is defined as the possibility of losses, financial or otherwise. The risk management of the Bank covers core risk areas of banking viz, credit risk, liquidity risk, market risk that includes foreign exchange risk, interest rate risk, equity risk, operational risk and reputation risk arising from money laundering incidences. The prime objective of the risk management is that the Bank evaluates and takes well calculative business risks and thereby safeguarding the Bank's capital, its financial resources and profitability from various business risks through its own measures and through implementing Bangladesh Bank's guidelines and following some of the best practices as under:

1.7.1 Credit risk

It arises mainly from lending, trade finance, leasing and treasury businesses. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the Bank. The failure may result from unwillingness of the counter party or decline in his / her financial condition. Therefore, the Bank's credit risk management activities have been designed to address all these issues.

The Bank has segregated duties of the officers / executives involved in credit related activities. A separate Corporate Division has been formed at Head Office which is entrusted with the duties of maintaining effective relationship with the customers, marketing of credit products, exploring new business opportunities, etc. Moreover, credit approval, administration, monitoring and recovery functions have been segregated. For this purpose, three separate units have been formed within the credit division. These are (a) Credit Risk Management Unit (b) Credit Administration Unit and (c) Credit Monitoring and Recovery Unit. Credit Risk Management Unit is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy / strategy for lending operation, etc. Adequate provision has been made on classified loans / investments is shown in **note-13.3**.

Notes to the Financial Statements for the year ended 31 December 2007

A thorough assessment is done before sanction of any credit facility at Credit Risk Management Unit. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the proposed credit facility, etc. The assessment process starts at Corporate Division by the Relationship Manager / Officer and ends at Credit Risk Management Unit when it is approved / declined by the competent authority. Credit approval authority has been delegated to the individual executives. Proposals beyond their delegation are approved / declined by the Executive Committee and / or the Management of the Bank. Concentration of credit risk is shown in **note -7. 5.**

In determining Single borrower / Large loan limit, the instructions of Bangladesh Bank are strictly followed. Internal audit is conducted at periodical intervals to ensure compliance of Bank's and Regulatory polices. Loans are classified as per Bangladesh Bank's guidelines. Concentration of single borrower / large loan limit is shown in **note-7.9.**

1.7.2 Liquidity risk

The object of liquidity risk management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. To this end, the Bank is maintaining a diversified and stable funding base comprising of core retail and corporate deposits and institutional balance (**note - 12**). Management of liquidity and funding is carried out by Treasury Department under approved policy guidelines. Treasury front office is supported by a very structured Mid office and Back office. The Liquidity management is monitored by Asset Liability Committee (ALCO) on a regular basis. A written contingency plan is in place to manage extreme situation.

1.7.3 Market risk

The exposure of market risk of the Bank is restricted to foreign exchange risk, interest rate risk and equity risk.

Foreign exchange risk

Foreign exchange risk is defined as the potential change in earnings due to change in market prices. The foreign exchange risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements. No foreign exchange dealing on Bank's account was conducted during the year.

Treasury Department independently conducts the transactions and the back office of treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Mark-to-Market rate as determined by Bangladesh Bank at the month-end. All Nostro accounts are reconciled on a monthly basis and outstanding entry beyond 30 days is reviewed by the management for its settlement. The position maintained by the bank at the end of day was within the stipulated limit prescribed by the Bangladesh Bank.

Interest rate risk

Interest rate risk may arise either from trading portfolio and non-trading portfolio. The trading portfolio of the Bank consists of Government treasury bills of 28 days maturity. The short-term movement in interest rate is negligible or nil. Interest rate risk of non-trading business arises from mismatches between the future yield of an asset and its funding cost. Asset Liability Committee (ALCO) monitors the interest rate movement on a regular basis.

Equity risk

Equity risk arises from movement in market value of equities held. The risks are monitored by Merchant Banking and Investment Division under a well designed policy framework. The market value of equities held was however higher than the cost price at the balance sheet date. (**Annexure-B**)

1.7.4 Reputation risk arising from money laundering incidences

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. For mitigating the risks, the Bank has a designated Chief Compliance Officer at Head Office and Compliance Officers at branches, who independently review the transactions of the accounts to verify suspicious transactions. Manuals for prevention of money laundering have been established and Transaction profile has been introduced. Training is continuously given to all the category of Officers and Executives for developing awareness and skill for identifying suspicious activities / transactions.

Notes to the Financial Statements for the year ended 31 December 2007

1.7.5 Operational risk

Operational risk may arise from error and fraud due to lack of internal control and compliance. Management through Internal Control and Compliance Division controls operational procedure of the Bank. Internal Control and Compliance Division undertakes periodical and special audit of the branches and departments at the Head Office for review of the operation and compliance of statutory requirements. The Audit Committee of the Board subsequently reviews the reports of the Internal Control and Compliance Division.

1.8 Earnings per share

Basic earnings per share

Basic earnings per share has been calculated in accordance with BAS 33 "Earnings per Share" which has been shown on the face of the profit and loss account. This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

The bonus shares issued during the year 2007 were treated as if they had been in issue in previous year also (declared for 2006 result). Hence, in computing the basic earnings per share of 2006, the total number of shares including the said bonus shares has been considered as the weighted average no. of shares outstanding during the year 2006 as per BAS 33 "Earnings per Share".

Diluted earnings per share

No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during the year under review.

1.9 Off-balance sheet items & provisions

Off-balance sheet items have been disclosed under contingent liabilities and other commitments as per Bangladesh Bank guidelines. As per BRPD Circular # 10, dated September 18, 2007, Banks are advised to maintain provision @1% against off-balance sheet exposures (L/C and Guarantee) in addition to the existing provisioning arrangement in following manner:

- i) @ 0.50 % provision effective from December 2007
- ii) @ 1.00% provision effective from December 2008

1.10 Memorandum items

Memorandum items are maintained to have control over all items of importance and for such transactions where the Bank has only a business responsibility and no legal commitment. Stock of travellers cheques, savings certificates, wage earners bonds and other fall under the memorandum items.

1.11 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. (**Note-9, 13.1, 22.1**)

Notes to the Financial Statements for the year ended 31 December 2007

1.12 Information about business and geographical segments

The Bank reports its operations under the following business segments:

- a) Commercial banking comprising the retail, SME and corporate banking, treasury operations of the Bank.
- b) Inter-segment transactions are generally based on inter-branch fund transfer measures as determined by the management. Income, expenses, assets and liabilities are specifically identified with individual segments. Based on such allocation, segmental balance sheet as on 31 December 2007 and segmental profit and loss account for the year ended 31 December 2007 have been prepared.
- c) Segmental report by geographical location (consolidated)

Particulars	Geographical location		Total
	* Bangladesh	Singapore	
Income	4,817,530,178	11,675,531	4,829,205,709
Less: Inter segment income	-	-	-
Total Income	4,817,530,178	11,675,531	4,829,205,709
Operating profit (Profit before unallocated expenses and tax)	-	-	-
Allocated expenses	4,817,530,178	11,675,531	4,829,205,709
Provision against loans and advances	(1,561,702,208)	(12,510,502)	(1,574,212,710)
Profit / (loss) before tax	(910,000,000)	-	(910,000,000)
Income tax expenses including deferred tax	2,345,827,970	(834,971)	2,344,992,999
Net profit	(946,200,000)	-	(946,200,000)
Segment assets	1,399,627,970	(834,971)	1,398,792,999
Segment liabilities	79,609,474,380	8,898,248	79,618,372,628
	79,609,474,380	8,898,248	79,618,372,628

* Bangladesh including Off-shore Banking Unit and Prime Bank Limited.

- d) Segmental report by nature of business

Particulars	Prime Bank Limited			Total
	Conventional	Islamic	MBID	
Income	4,592,042,710	442,321,507	506,138,169	5,034,364,218
Less: Inter-segment income	(218,153,843)	-	-	(218,153,843)
Total Income	4,373,888,867	442,321,507	506,138,169	4,816,210,375
Operating Profit (Profit before unallocated expenses and tax)	4,373,888,867	442,321,507	506,138,169	4,816,210,375
Allocated expenses	(1,477,846,059)	(60,152,600)	(21,346,991)	(1,559,345,650)
Provision against loans and advances	-	-	-	(910,000,000)
Profit before tax	-	-	-	2,346,864,725
Income tax expenses including deferred tax	-	-	-	946,200,000
Net profit	-	-	-	1,400,664,725
Segment assets	69,402,978,866	8,178,114,104	2,007,337,828	79,588,430,798
Segment liabilities	69,402,978,866	8,178,114,104	2,007,337,828	79,588,430,798

Notes to the Financial Statements for the year ended 31 December 2007

1.13 Compliance report on Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS)

The Institute of Chartered Accountants of Bangladesh (ICAB) is the sole authority for adoption of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). While preparing the financial statements, Prime Bank applied most of IAS and IFRS as adopted by ICAB. Details are given below:

Name of the BAS	BAS no	Status
Presentation of Financial Statements	1	Applied
Inventories	2	Applied
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 Equipment	16	Applied
Leases	17	Applied
Revenue	18	Applied
Employee Benefits	19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	20	N/A
The Effects of Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Accounting for Investments	25	Applied
Accounting and Reporting by Retirement Benefit Plans	26	Applied
Consolidated and Separate Financial Statements	27	Applied
Investment in Associates	28	N/A
Disclosures in the Financial Statements of Banks and similar Financial Institutions	30	Applied
Interests in Joint Ventures	31	N/A
Earnings 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	N/A
Investment Property	40	Applied
Agriculture	41	N/A

Name of the BFRS	BFRS no.	Status
Share Based Payment	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

1.14 Approval of financial statements

The financial statements were approved by the Board of directors on February 24, 2008.

2 General

- a) These financial statements are presented in Taka, which is the Bank's functional currency. Figures appearing in these financial statements have been rounded off to the nearest Taka.
- b) The expenses, irrespective of capital or revenue nature, accrued / due but not paid have been provided for in the books of the Bank.
- c) Figures of previous year have been rearranged whenever necessary to conform to current years presentation.

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
3 Cash		
3.1 Cash in hand		
In local currency	613,621,647	354,412,791
In foreign currency	49,406,542	98,147,683
	<u>663,028,189</u>	<u>452,560,474</u>
3.2 Balance with Bangladesh Bank and its agent bank(s)		
In local currency	3,285,962,170	2,423,275,855
In foreign currency	1,383,165,325	1,199,084,914
	4,669,127,495	3,622,360,769
Sonali Bank as agent of Bangladesh Bank (Local currency)	86,661,377	40,065,833
	<u>4,755,788,872</u>	<u>3,662,426,602</u>
	<u>5,418,817,061</u>	<u>4,114,987,076</u>
3.3 Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR)		
Cash Reserve Requirement and Statutory Liquidity Ratio have been calculated and maintained in accordance with section 33 of Bank Companies Act, 1991 and BRPD circular nos.11 and 12, dated August 25, 2005.		
The Cash Reserve Requirement on the Bank's time and demand liabilities at the rate of 5% has been calculated and maintained with Bangladesh Bank in current account and 18% Statutory Liquidity Ratio, including CRR, on the same liabilities has also been maintained in the form of treasury bills, bonds and debentures including FC balance with Bangladesh Bank. Both the reserves maintained by the Bank are in excess of the statutory requirements, as shown below:		
a) Cash Reserve Requirement		
Required reserve	3,224,602,780	2,365,869,000
Actual reserve maintained	3,285,962,170	2,423,275,855
Surplus / (deficit)	61,359,390	57,406,855
b) Statutory Liquidity Ratio		
Required reserve (including CRR)	11,608,570,000	8,517,127,000
Actual reserve maintained (including CRR) - note-3.4	17,509,102,156	11,788,687,375
Surplus / (deficit)	5,900,532,156	3,271,560,375
Total required reserve	11,608,570,000	8,517,127,000
Actual reserve held	17,509,102,156	11,788,687,375
Total surplus	<u>5,900,532,156</u>	<u>3,271,560,375</u>
3.4 Held for Statutory Liquidity Ratio		
Cash in hand (note -3.1)	663,028,189	452,560,474
Balance with Bangladesh Bank and its agent bank(s) (note-3.2)	4,755,788,872	3,662,426,602
Government securities (note-6. ii)	5,598,625,231	5,201,365,969
Government bonds (note-6.ii)	6,491,659,864	2,472,334,330
	<u>17,509,102,156</u>	<u>11,788,687,375</u>

Notes to the Financial Statements for the year ended 31 December 2007

3(a)	Consolidated cash	2007 Taka	2006 Taka
i	Cash in hand		
	Prime Bank Limited (note-3.1)	663,028,189	452,560,474
	Prime Exchange Co. Pte. Ltd.	-	-
	Off-shore Banking Unit	-	-
		663,028,189	452,560,474
ii	Balance with Bangladesh Bank and its agent bank(s)		
	Prime Bank Limited (note-3.2)	4,755,788,872	3,662,426,602
	Prime Exchange Co. Pte. Ltd.	1,945,305	6,636,842
	Off-shore Banking Unit	-	-
		4,757,734,177	3,669,063,444
		5,420,762,366	4,121,623,918
4	Balance with other banks and financial institutions		
	In Bangladesh (note-4.1)	1,625,581,391	627,964,960
	Outside Bangladesh (note-4.2)	791,887,088	485,749,435
		2,417,468,479	1,113,714,395
4.1	In Bangladesh		
	Current account		
	Agrani Bank Ltd., Principal Branch, Dhaka	6,073,019	26,691,183
	Agrani Bank Ltd., Purana Paltan Branch, Dhaka	141,462	141,822
	AB Bank Ltd. Principal Branch, Dhaka	3,005,411	1,547,898
	The City Bank Limited, Dhaka	8,337,182	-
	Dutch-Bangla Bank Limited, Head office, Dhaka	1,000,000	-
	Dhaka Bank Limited, Cox's Bazar	1,000	-
	Exim Bank Ltd. Joydevpur Branch, Gazipur.	8,700	1,673,185
	Islami Bank BD Ltd. Principal Branch, Dhaka	103,273,556	7,230,187
	Janata Bank Ltd., Local Office, Dhaka	70,632,123	22,009,169
	Pubali Bank Ltd. Dhaka Stadium Branch, Dhaka	8,420,034	10,190,027
	Rupali Bank Ltd. Motijheel Branch, Dhaka	5,357,102	9,855,430
	Sonali Bank Ltd., Local Office, Dhaka	71,273,459	(195,804)
	Sonali Bank Ltd., Fakirapool Branch, Dhaka	25,289,752	10,172,773
	Standard Chartered Bank, Bangladesh	6,555,994	14,717,912
	United Commercial Bank Ltd, Principal Branch, Dhaka	6,149,136	5,625,361
	Uttara Bank Ltd, Local Office, Dhaka	181,896	181,896
		315,699,826	109,841,039
	Short-term deposit accounts		
	Agrani Bank Ltd., Principal Branch, Dhaka	251,999	246,037
	AB Bank Ltd., Madhabdi, Narsingdi	72,432	66,384
	Janata Bank Ltd., Local Office, Dhaka	4,256,945	4,126,496
	Janata Bank Ltd., Fatikchari Branch, Chittagong	3,000,292	907
	Janata Bank Ltd., Bogra Branch, Bogra	1,292	1,292
	The Oriental Bank Ltd, Sylhet Branch, Sylhet	19,211	18,275
	National Bank Ltd, Narayanganj Branch, Dhaka	2,117,740	13,510,765
		9,719,911	17,970,156
	Savings accounts		
	Al Arafah Islami Bank Ltd. Dhaka	48,626	46,250
	Bank Al Falah Ltd. Dhaka	30,931	29,924
	Social Investment Bank Ltd. Dhaka	65,758	62,023
	The Oriental Bank Ltd. Dhaka	16,339	15,568
		161,654	153,765

Notes to the Financial Statements for the year ended 31 December 2007

	2007 Taka	2006 Taka
<u>Fixed deposits</u>		
AB Bank Ltd.	-	250,000,000
First Security Bank Ltd.	150,000,000	100,000,000
Eastern Bank Limited	450,000,000	-
Dhaka Bank Ltd.	50,000,000	-
One Bank Limited	100,000,000	-
Mercantile Bank Limited	150,000,000	-
Prime Finance & Investment Limited	100,000,000	-
Lanka Bangla Finance Limited	50,000,000	-
International Leasing and Financial Services Ltd.	-	100,000,000
Industrial & Infrastructural Development Finance Company Ltd.	-	50,000,000
National Bank of Pakistan	250,000,000	-
	<u>1,300,000,000</u>	<u>500,000,000</u>
	<u>1,625,581,391</u>	<u>627,964,960</u>

4.2 Outside Bangladesh (NOSTRO Accounts)

<u>Current account</u>		
American Express Bank Ltd., Frankfurt, Germany	-	12,638,391
American Express Bank Ltd., New York, USA	70,450,675	-
American Express Bank Ltd., Kolkata, India	21,634,991	17,863,870
AB Bank Ltd., Mumbai, India	309,811	484,215
Bank of Nova Scotia, Toronto, Canada	6,208,526	11,182,201
Banca Nazionale del Lavoro, Rome, Italy	8,424	138,130
Banca Nazionale del Lavoro, Rome, Italy	1,072,983	6,980,029
Bank of Bhutan, Bhutan	815,251	3,077,461
Bank of Tokyo Mitsubishi Ltd., Japan	5,159,493	-
Citibank N.A., India	8,567	-
Citibank N.A., London, UK	15,616,558	7,004,548
Citibank N.A., New York, USA	175,507,338	57,129,576
Commerzbank AG, Frankfurt, Germany	-	11,609,827
Commonwealth Bank of Australia	12,727,320	5,462,794
Credit Suisse (First Boston), Switzerland	88,443	2,832,838
Habib American Bank , New York, USA	3,428,640	7,799,361
HSBC, New York, USA	23,978,007	135,370,020
HSBC, London, UK	4,906,527	20,938,907
HSBC, Karachi,Pakistan	-	22,604,191
Mashreq Bank, New York, USA	707,972	112,552,552
National Westminster Bank Plc, London, UK	2,081,730	5,314,334
Nepal Bangladesh Bank Ltd., Nepal	-	7,588,071
Peoples Bank, Sri Lanka	1,519,398	219,883
Rupali Bank Ltd, Karachi, Pakistan	-	2,894,111
Skandinaviska Enskilda, Banken, Sweden	2,696,558	426,618
Standard Chartered Bank, Singapore	8,252,555	-
Sonali Bank Ltd, Kolkata, India	345,737	348,219
Standard Chartered Bank, Kolkata, India	356,404	4,286,067
Standard Chartered Bank, New York, USA	23,733,013	2,153,069
Sanpaolo IMI S.P.A	1,096,340	-
State Bank of India, Kolkata	248,857	250,643
SMBC,Tokyo, Japan	8,709,810	2,830,945
Unicredito Italiano, Spain	564,938	209,541
Wachovia Bank N.A, New York, USA	399,652,222	23,559,024
(Annexure -A may kindly be seen for details)	<u>791,887,088</u>	<u>485,749,435</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
4.3 Maturity grouping of balance with other banks and financial institutions		
Payable on demand	1,107,586,913	595,605,850
Up to 1 month	404,861,812	250,000,000
Over 1 month but not more than 3 months	819,608,474	100,138,390
Over 3 months but not more than 6 months	35,411,280	167,970,155
Over 6 months but not more than 1 year	50,000,000	-
Over 1 year but not more than 5 years	-	-
Over 5 years	-	-
	<u>2,417,468,479</u>	<u>1,113,714,395</u>
4 (a) Consolidated balance with other banks and financial institutions		
In Bangladesh		
Prime Bank Limited (note-4.1)	1,625,581,391	627,964,960
Prime Exchange Co. Pte. Ltd.	-	-
Off-shore Banking Unit	-	-
	<u>1,625,581,391</u>	<u>627,964,960</u>
Outside Bangladesh		
Prime Bank Limited (note-4.2)	791,887,088	485,749,435
Prime Exchange Co. Pte. Ltd.	4,391,076	-
Off-shore Banking Unit	10,398	-
	<u>796,288,562</u>	<u>485,749,435</u>
	<u>2,421,869,953</u>	<u>1,113,714,395</u>
4(b) Net balance with other banks and financial institutions		
Balance with other banks and financial institutions (note-4)	2,417,468,479	1,113,714,395
Less: Borrowings from other banks, financial institutions and agents (note-11.2)	34,683,990	52,649,757
	<u>2,382,784,489</u>	<u>1,061,064,639</u>
4(c) Consolidated net balance with other banks and financial institutions		
Balance with other banks and financial institutions (note-4 (a))	2,421,869,953	1,113,714,395
Less: Borrowings from other banks, financial institutions and agents (note-11.2)	34,683,990	52,649,757
	<u>2,387,185,963</u>	<u>1,061,064,639</u>
5 Money at call and short notice		
Banking company		
Sonali Bank Ltd.	-	1,100,000,000
Dhaka Bank Limited	-	50,000,000
Bank Asia Ltd.	-	150,000,000
National Credit and Commerce Bank Ltd.	-	30,000,000
	-	<u>1,330,000,000</u>
Non-banking financial institutions		
Industrial Promotion and Development Company of Bangladesh Ltd.	-	160,000,000
	-	<u>1,490,000,000</u>

Notes to the Financial Statements for the year ended 31 December 2007

6 Investments

	2007 Taka	2006 Taka
i) Investment classified as per Bangladesh Bank Circular:		
Held for trading (HFT)	4,687,045,409	498,501,169
Held to maturity (HTM)	7,248,177,909	6,089,826,210
Other securities	762,797,310	1,256,055,568
	<u>12,698,020,628</u>	<u>7,844,382,947</u>
ii) Investment classified as per nature:		
a) Government securities:		
28 days treasury bills	1,489,121,015	1,745,747,436
30 days treasury bills	-	139,662,320
91 days treasury bills	2,064,446,243	-
182 days treasury bills	835,784,724	-
364 days treasury bills	760,126,304	-
Reverse repo with Bangladesh Bank	-	800,000,000
2 years treasury bills	-	849,100,687
5 years treasury bills	449,146,945	1,666,855,526
	<u>5,598,625,231</u>	<u>5,201,365,969</u>
Government bonds:		
Prize bonds	1,657,300	2,187,500
Government bonds - (note-6.2)	6,490,002,564	2,470,146,830
	<u>6,491,659,864</u>	<u>2,472,334,330</u>
	12,090,285,095	7,673,700,299
b) Other investments:		
Debentures of HBFC-bearing interest rate @ 5.5% (note-6.4)	40,067,718	45,000,000
DBBL bond (bearing interest rate @10%)	40,664,444	29,000,000
Shares (note-6.3)	527,003,371	96,682,648
	<u>607,735,533</u>	<u>170,682,648</u>
	<u>12,698,020,628</u>	<u>7,844,382,947</u>

6.1 Maturity grouping of investments

On demand	1,657,300	2,187,500
Up to 1 month	2,382,751,673	2,683,212,500
Over 1 month but not more than 3 months	1,811,896,031	-
Over 3 months but not more than 6 months	659,754,972	-
Over 6 months but not more than 1 year	1,040,242,914	2,101,463,759
Over 1 year but not more than 5 years	1,611,264,955	1,041,088,903
Over 5 years	5,190,452,783	2,016,430,285
	<u>12,698,020,628</u>	<u>7,844,382,947</u>

Notes to the Financial Statements for the year ended 31 December 2007

	2007	2006
	Taka	Taka
6.2 Government bonds		
<u>Name of the bonds</u>		
3 years T & T bonds	100,391,627	91,477,100
2 years Bangladesh Government Islami Investment Bonds	50,881,600	50,000,000
5 years Bangladesh Government treasury bonds	1,493,540,211	330,193,445
10 years Bangladesh Government treasury bonds	4,625,084,247	1,996,430,285
15 years Bangladesh Government treasury bonds	170,014,848	-
20 years Bangladesh Government treasury bonds	50,090,032	-
5 years Bangladesh Government treasury bonds (RMG)	-	2,046,000
	6,490,002,564	2,470,146,830
6.3 Investment in shares		
Investment by Head Office		
Quoted		
Mutual Trust Bank Ltd.	6,249,672	6,249,672
One Bank Ltd.	1,704,901	1,704,901
Bank Asia Ltd.	3,244,739	3,244,739
Mercantile Bank Ltd.	6,394,480	6,394,480
Grameen Mutual Fund-1	5,000,000	5,000,000
Aftab Automobiles Ltd.	900	900
Unquoted		
Central Depository Bangladesh Limited (CDBL)	10,000,000	10,000,000
9% preference share of BRAC Bank	100,200,000	-
	132,794,692	32,594,692
Investment by Merchant Banking and Investment Division		
Quoted		
Dhaka Electric Supply Co Ltd.	49,863,215	19,570,149
AB Bank Ltd.	60,244,153	-
BD Finance & Investment Co Ltd.	11,865,406	-
ICB AMCL Islamic Mutul Fund	649,698	-
Lafarge Surma Cement Limited	1,402,601	-
Popular Life Insurance Co. Ltd	4,890,575	-
Export Import Bank Ltd.	3,938	2,121,400
Fareast Islami Life Insurance Co. Ltd.	-	1,681,243
Mercantile Bank Ltd.	-	5,360,207
MIDAS Financing Ltd.	-	2,725,081
Mutual Trust Bank Ltd.	-	5,093,205
One Bank Ltd.	-	849,462
Power Grid Company of Bangladesh Ltd.	195,929,499	10,414,790
Square Pharmaceuticals Ltd.	69,359,594	4,483,988
Square Textiles Ltd.	-	11,788,431
(Annexure -B may kindly be seen for details)	394,208,679	64,087,956
	527,003,371	96,682,648

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
6.4 Debentures of Bangladesh House Building Finance Corporation - at redeemable value		
Principal	100,000,000	100,000,000
Add: Accrued Interest	67,718	-
Less: Redeemed up to 31 December 2007	(60,000,000)	(55,000,000)
Redeemable value	<u>40,067,718</u>	<u>45,000,000</u>
7 Loans and advances / investments		
i) Loans, cash credits, overdrafts, etc.		
<i>Inside Bangladesh</i>		
Secured overdraft / Quard against TDR	10,509,698,603	5,954,238,827
Cash credit / Murabaha	9,192,114,263	7,881,014,269
Loans (General)	10,733,262,128	8,394,962,434
House building loans	1,415,647,557	977,754,455
Loans against trust receipt	7,699,277,911	8,114,755,245
Payment against document	117,631,610	949,859,151
Consumer credit scheme	2,747,043,780	1,355,753,267
Lease finance / Izara (note - 7.3)	4,560,639,697	2,584,988,849
Hire purchase	3,404,500,649	2,813,507,149
Loan to portfolio account holder (Merchant banking)	-	39,224,269
Other loans and advances (including Bai-muajjal)	3,435,151,458	2,241,446,149
	53,814,967,656	41,307,504,065
<i>Outside Bangladesh</i>	-	-
	<u>53,814,967,656</u>	<u>41,307,504,065</u>
ii) Bills purchased and discounted (note-8)		
<i>Payable Inside Bangladesh</i>		
Inland bills purchased	2,364,017,166	681,689,184
<i>Payable Outside Bangladesh</i>		
Foreign bills purchased and discounted	1,504,036,690	3,021,024,799
	3,868,053,856	3,702,713,983
	<u>57,683,021,512</u>	<u>45,010,218,048</u>
7.1 Net loans and advances / investments		
Gross performing loans and advances / investments (note-7)	57,683,021,512	45,010,218,048
Less:		
Non-performing loans and advances / investments (note-7.11)	777,216,000	367,151,000
Interest suspense (note-13.5)	139,581,765	59,655,428
Provision for loans and advances / investments (note-13.3)	1,373,199,925	853,321,095
	2,289,997,690	1,280,127,523
	<u>55,393,023,822</u>	<u>43,730,090,524</u>
7.2 Residual maturity grouping of loans and advances / investments including bills purchased and discounted		
Repayable on demand	3,908,530,037	4,033,440,025
Up to 1 month	4,139,876,315	2,272,359,975
Over 1 month but not more than 3 months	9,096,457,132	8,509,621,878
Over 3 months but not more than 1 year	18,855,063,005	18,459,150,595
Over 1 year but not more than 5 years	16,120,359,010	9,677,172,500
Over 5 years	5,562,736,013	2,058,473,075
	<u>57,683,021,512</u>	<u>45,010,218,048</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
7.3 Lease finance / Izara		
Lease rental receivable within 1 year	1,360,823,225	948,300,540
Lease rental receivable within 5 years	4,157,862,663	2,404,568,500
Lease rental receivable after 5 years	85,852,826	40,155,809
Total lease / Izara rental receivable	5,604,538,714	3,393,024,849
Less: Unearned interest receivable	1,043,899,017	808,036,000
Net lease / Izara finance	<u>4,560,639,697</u>	<u>2,584,988,849</u>
7.4 Loans and advances / investments under the following broad categories		
Loans	34,113,154,790	27,472,250,969
Cash credits	9,192,114,263	7,881,014,269
Overdrafts	10,509,698,603	5,954,238,827
	53,814,967,656	41,307,504,065
Bills purchased and discounted (Note-8)	3,868,053,856	3,702,713,983
	<u>57,683,021,512</u>	<u>45,010,218,048</u>
7.5 Loans and advances / investments on the basis of significant concentration including bills purchased and discounted.		
a) Loans and advances / investments to Directors of the Bank	-	-
b) Loans and advances / investments to Chief Executive and other senior executives	426,360,000	70,873,000
c) Loans and advances / investments to customer groups:		
i) Commercial lending	12,475,528,703	12,102,326,000
ii) Export financing	3,699,198,000	3,061,637,000
iii) House building loan	1,415,647,557	977,754,455
iv) Consumers credit scheme	2,747,043,780	1,355,753,267
v) Small and medium enterprises	1,021,798,000	437,449,000
vi) Special program loan	135,150,000	174,114,000
vii) Staff loan	1,879,000	253,719,000
viii) Other loans and advances	7,356,722,472	7,450,984,325
	28,852,967,512	25,813,737,048
d) Industrial loans / investments		
i) Agricultural industries	3,564,183,000	1,988,435,000
ii) Textile industries	6,237,583,000	4,513,975,000
iii) Food and allied industries	878,759,000	1,038,948,000
iv) Pharmaceutical industries	2,108,816,000	1,672,549,000
v) Leather, chemical, cosmetics, etc.	498,594,000	562,500,000
vi) Tobacco industries	481,090,000	17,769,000
vii) Cement and ceramic industries	1,660,907,000	1,947,893,000
viii) Service Industries	2,285,314,000	750,361,000
ix) Transport and communication industries	2,465,515,000	1,381,206,000
x) Other industries	8,222,933,000	5,251,972,000
	28,403,694,000	19,125,608,000
	<u>57,683,021,512</u>	<u>45,010,218,048</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u>	<u>2006</u>
	<u>Taka</u>	<u>Taka</u>
7.6 Loans and advances / investments -geographical location-wise		
Inside Bangladesh		
Urban		
Dhaka Division	43,640,561,967	32,651,417,269
Chittagong Division	7,905,066,425	7,682,800,018
Khulna Division	1,316,369,050	1,151,900,060
Rajshahi Division	2,193,672,010	1,893,500,150
Barisal Division	579,343,015	401,100,170
Sylhet Division	846,109,025	736,000,230
	56,481,121,492	44,516,717,897
Rural		
Dhaka Division	970,093,010	422,800,050
Chittagong Division	89,668,005	20,700,075
Sylhet Division	142,139,005	50,000,025
	1,201,900,020	493,500,150
Outside Bangladesh	-	-
	<u>57,683,021,512</u>	<u>45,010,218,048</u>
7.7 Sector-wise loans / investments including bills purchased and discounted		
Public sector	224,479,000	232,389,000
Co-operative sector	-	24,766,710
Private sector	57,458,542,512	44,753,062,338
	<u>57,683,021,512</u>	<u>45,010,218,048</u>
7.8 Details of pledged collaterals		
Collateral of movable / immovable assets	37,592,930,580	32,464,484,068
Local banks and financial institutions guarantee	597,015,988	179,375,290
Government guarantee	37,505,900	-
Foreign banks guarantee	273,433,800	-
Export documents	3,462,604,950	2,565,744,750
Fixed deposit receipts (FDR)	2,137,262,970	3,536,564,090
FDR of other banks	1,032,480,980	224,448,210
Government bonds	182,684,930	9,457,050
Personal guarantee	4,367,394,333	1,774,174,330
Other securities	7,999,707,081	4,255,970,259
	<u>57,683,021,512</u>	<u>45,010,218,048</u>

Notes to the Financial Statements for the year ended 31 December 2007

7.9 Details of large loan / investments

Number of clients with outstanding amount and classified loans / investments exceeding 10% of total capital of the Bank. Total capital of the Bank was Taka 6,382.60 million as at 31 December 2007 (Tk 4,409.21 million in 2006).

Number of clients	20	38
Amount of outstanding advances / investments	16,887,960,000	24,868,790,000
Amount of classified advances / investments	Nil	Nil
Measures taken for recovery	Not applicable	Not applicable

Name of clients	Outstanding (Taka in million)		Total (Taka in million)	Total (Taka in million)
	Funded	Non-funded		
Bay Fishing Corporation Ltd.	493.67	719.90	1,213.57	643.66
Meghna Group	457.05	616.07	1,073.12	-
KDS Group	-	-	-	563.55
China National Electric Wrie & Cable Import & Export Corporation	-	643.72	643.72	-
Essential Drugs Co. Ltd.	-	-	-	522.43
Reza Construction Ltd.	-	-	-	584.67
Roshawa Group	303.02	417.93	720.95	1,059.53
Ripon Motors & Allied Concern	674.23	-	674.23	717.55
Moon Readywears Ltd. & Allied Concern	-	-	-	1,431.70
City Group	237.81	776.97	1,014.78	557.82
City Seeds Crushing Industry Ltd.	-	-	-	555.05
China National Complete Plant Corporation	-	-	-	655.40
Annata Group	-	-	-	549.33
Biswas Group	470.03	213.12	683.15	756.06
Hafizur Rahman Babu	227.75	549.87	777.62	540.66
S R Shipping Limited	-	-	-	510.97
Jumuna Denims Ltd.	509.30	196.51	705.81	507.59
United Edible Oil Mills Ltd.	-	-	-	485.92
Color Master Limited	-	-	-	703.36
Talha Spinning Mills Ltd.	-	-	-	479.39
Nassa Group	564.64	287.49	852.13	1,156.90
Mahbub Brothers (Pvt) Ltd.	388.14	575.85	963.99	-
Electra International	-	-	-	469.24
Ayman Group	347.81	310.99	658.80	649.89
That's It Sports Wear Ltd.	-	-	-	734.52
Anwar Trading	369.46	296.70	666.16	610.64
Unique Hotel & Resorts Ltd.	610.02	214.68	824.70	-
DAF Ctg. Accessories Ltd.	-	-	-	475.05
Abdul Monem Ltd.	311.39	361.82	673.21	455.65
PHP NOF Galvg. Mills Ltd.	-	-	-	777.99
Abul Khair Group	-	-	-	473.02
Square Group	-	-	-	783.33
S.F Group	-	-	-	596.63
Mondol Group	470.75	267.51	738.26	599.03
Purbani Group	402.97	266.82	669.79	684.10
Popular Diagnostic Group	-	-	-	459.39
HP Group	-	-	-	444.52
Evince Group	599.41	712.72	1,312.13	936.05
Babylon Group	201.47	678.64	880.11	733.08
Popular Jute Group	-	-	-	558.63
Project Builders Ltd.	631.73	510.00	1,141.73	842.27
Aman Group	-	-	-	604.27
	8,270.65	8,617.31	16,887.96	24,868.79

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
7.10 Particulars of loans and advances / investments		
i) Loans / investments considered good in respect of which the Bank is fully secured	35,873,655,616	29,131,857,270
ii) Loans / investments considered good against which the Bank holds no security other than the debtors' personal guarantee	6,963,322,480	3,416,545,500
iii) Loans / investments considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	14,846,043,416	12,461,815,278
iv) Loans / investments adversely classified; provision not maintained there against	-	-
	<u>57,683,021,512</u>	<u>45,010,218,048</u>
v) Loans / investments due by directors or officers of the banking company or any of them either separately or jointly with any other persons	<u>428,239,000</u>	<u>324,592,000</u>
vi) Loans / investments due from companies or firms in which the directors of the Bank have interest as directors, partners or managing agents or in case of private companies, as members	<u>-</u>	<u>-</u>
vii) Maximum total amount of advances / investments, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either separately or jointly with any other person.	<u>428,239,000</u>	<u>324,592,000</u>
viii) Maximum total amount of advances / investments, including temporary advances / investments granted during the year to the companies or firms in which the directors of the banking company have interest as directors, partners or managing agents or in the case of private companies, as members	<u>-</u>	<u>-</u>
ix) Due from banking companies	<u>-</u>	<u>-</u>
x) Classified loans and advances / investments		
a) Classified loans and advances / investments on which interest has not been charged (note-7.11)	<u>777,216,000</u>	<u>367,151,000</u>
b) Provision on classified loans and advances / investments (for details see note-13.3)	<u>478,399,925</u>	<u>308,521,095</u>
c) Provision kept against loans / investments classified as bad debts	<u>223,037,000</u>	<u>194,738,000</u>
d) Interest credited to Interest Suspense Account (Note-13.5)	<u>139,581,765</u>	<u>59,655,428</u>
xi) Cumulative amount of written off loans / investments		
Opening Balance	566,504,081	542,543,081
Amount written off during the year	<u>207,437,445</u>	<u>23,961,000</u>
	<u>773,941,526</u>	<u>566,504,081</u>
Amount realised against loans / investments previously written off	<u>415,867</u>	<u>6,183,000</u>
The amount of written off / classified loans / investments for which law suits have been filed	<u>773,941,526</u>	<u>678,749,987</u>

Notes to the Financial Statements for the year ended 31 December 2007

	2007 Taka	2006 Taka
7.11 Classification of loans and advances / investments		
Unclassified		
Standard including staff loan	55,676,994,512	44,011,723,048
Special mention account (SMA)	1,228,811,000	631,344,000
	56,905,805,512	44,643,067,048
Classified		
Sub-standard	386,369,000	109,357,000
Doubtful	121,879,000	32,183,000
Bad / Loss	268,968,000	225,611,000
	777,216,000	367,151,000
	57,683,021,512	45,010,218,048

7.12 Particulars of required provision for loans and advances / investments

Status	Base for provision	Rate (%)		
General Provision				
Loans/investments (Excluding SMA)	55,676,994,444	*Various	653,337,000	500,889,500
Special mention account (SMA)	1,202,325,000	5	60,116,250	31,172,500
			713,453,250	532,062,000

*General provision is kept @ 1% on general loans and advances / investments and 2% on small enterprise financing and 5% on consumer financing.

Status	Base for provision	Rate (%)		
Specific provision				
Sub-standard	355,385,000	20	71,077,000	19,779,600
Doubtful	97,682,000	50	48,841,000	11,934,000
Bad / Loss	223,037,000	100	223,037,000	194,738,000
			342,955,000	226,451,600
Required provision for loans and advances / investments			1,056,408,250	758,513,600
Total provision maintained (note - 13.3)			1,373,199,925	853,321,095
Excess / (short) provision at 31 December 2007			316,791,675	94,807,495

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u>	<u>2006</u>
	<u>Taka</u>	<u>Taka</u>
7.13 Suits filed by the Bank (Branch wise details)		
Head Office	2,812,962	3,967,954
Motijheel Branch	246,556,517	67,068,764
Elephant Road Branch	1,119,493	1,151,041
Mouchak Branch	61,270	1,046,420
Khatunganj Branch	12,493,047	9,724,135
Agrabad Branch	1,815,299	1,815,299
Khulna Branch	201,434,088	272,703,116
IBB, Dilkusha Branch	28,885,454	27,041,899
Moulvibazar Branch	98,404,149	98,404,149
Kawran Bazar Branch	52,649,873	52,649,873
Uttara Branch	14,663,098	15,495,724
Jublee Road Branch	5,102,289	2,610,674
IBB, Amberkhana Branch	50,079	50,079
Sylhet Branch	686,890	849,376
Gulshan Branch	90,122,708	90,122,708
Sat Masjid Road Branch	59,706	59,706
Narayanganj Branch	199,494	199,494
Barishal Branch	752,269	713,869
Jessore Branch	12,074,961	13,318,795
New Eskatan Branch	8,916,183	9,001,632
Banani Branch	97,000	97,000
Court Road Branch	155,032	743,985
IBB, O.R. Nizam Road Branch	15,410,725	8,550,743
Madhabdi Branch	298,624	461,550
Ganakbari Branch	840,800	902,000
IBB, Mirpur	370,000	-
Rajshahi Branch	202,535	-
	<u>796,234,548</u>	<u>678,749,987</u>

7(a) Consolidated loans and advances / Investments

Prime Bank Limited (note-7)	53,814,967,656	41,307,504,065
Prime Exchange Co. Pte. Ltd.	-	-
Off-shore Banking Unit	-	-
	53,814,967,656	41,307,504,065
Consolidated bills purchased and discounted:		
Prime Bank Limited (note-8)	3,868,053,856	3,702,713,983
Prime Exchange Co. Pte. Ltd.	-	-
Off-shore Banking Unit	98,975,606	-
	<u>3,967,029,462</u>	<u>3,702,713,983</u>
	<u>57,781,997,118</u>	<u>45,010,218,048</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
8 Bills purchased and discounted		
Payable in Bangladesh	2,364,017,166	681,689,184
Payable outside Bangladesh	<u>1,504,036,690</u>	<u>3,021,024,799</u>
	<u><u>3,868,053,856</u></u>	<u><u>3,702,713,983</u></u>
8.1 Maturity grouping of bills purchased and discounted		
Payable within one month	1,406,359,637	1,404,284,398
Over one month but less than three months	1,368,686,818	1,827,873,906
Over three months but less than six months	753,853,106	454,475,520
Six months or more	<u>339,154,295</u>	<u>16,080,158</u>
	<u><u>3,868,053,856</u></u>	<u><u>3,702,713,983</u></u>
9 Fixed assets including premises, furniture and fixtures		
Cost		
Land	63,621,492	49,058,380
Building	11,386,067	10,225,831
Furniture and fixtures	335,562,504	269,714,909
Office equipment and machinery	422,511,874	301,511,038
Software	125,250,545	-
Vehicles	53,048,370	42,314,346
Library books	<u>979,682</u>	<u>889,046</u>
	1,012,360,534	673,713,551
Less: Accumulated depreciation	<u>351,870,468</u>	<u>261,606,242</u>
Net book value at the end of the year (See annexure-C for detail)	<u><u>660,490,066</u></u>	<u><u>412,107,309</u></u>
9 (a) Consolidated fixed assets including premises, furniture and fixtures		
Prime Bank Limited (note-9)	660,490,066	412,107,309
Prime Exchange Co. Pte. Ltd.	1,112,903	2,002,361
Off-shore Banking Unit	<u>747,367</u>	<u>-</u>
	<u><u>662,350,336</u></u>	<u><u>414,109,670</u></u>
10 Other assets		
Stationery and stamps	12,499,606	14,500,671
Investment in subsidiary	10,993,235	10,993,235
Loan to Off shore Banking Unit	64,588,720	-
Due from Off-shore Banking Unit	3,111,885	-
Prepaid expenses	3,909,935	152,132,706
Income receivable (note-10.1)	72,163,817	2,160,370
Advance deposits and advance rent	90,420,559	72,339,511
Branch adjustments account (note-10.2)	288,798,937	239,390,078
Suspense account (note -10.3)	10,802,511	139,003,168
Encashment of PSP / BSP	46,355,809	54,983,521
Interest on Reverse repo / Interest accrued on treasury bills, bond, etc.	-	280,000
Credit card	85,519,631	137,351,873
Deferred tax	208,356	208,356
Sundry assets (note -10.4)	21,240,051	87,714,011
Leased assets -net off accumulated depreciation	<u>-</u>	<u>3,008,518</u>
	<u><u>710,613,052</u></u>	<u><u>914,066,018</u></u>

Notes to the Financial Statements for the year ended 31 December 2007

- 10.1 Income receivable: Amount represents interest / profit receivable on loans and advances / investments, interest on term placement & foreign currency balance, etc.
- 10.2 Branch adjustment account represents outstanding Inter-branch and Head Office transactions (Net) originated but yet to be responded at the balance sheet date. However, the status of unresponded entries of 31.12.2007 as of 04.02.2008 are given below:

	Number of Unresponded entries		Unresponded entries (Amount-Taka)	
	Dr	Cr	Dr	Cr
Up to 3 months	731	504	593,908,504	512,851,083
Over 3 months but within 6 months	-	-	-	-
Over 6 months but within 1 year	-	-	-	-
Over 1 year but within 5 years	-	-	-	-
	731	504	593,908,504	512,851,083

- 10.3 Suspense account includes amount paid against opening of proposed new branches, advance against TA/ DA, printing and stationery, postage, suspense- others, etc.
- 10.4 Sundry assets including demand draft paid without advice, clearing adjustments account, etc.

	2007 Taka	2006 Taka
10(a) Consolidated other assets		
Prime Bank Limited (note-10)	710,613,052	914,066,018
Less: Loan to Off-shore Banking Unit	(64,588,720)	-
Less: Due from Off-shore Banking Unit	(3,111,885)	-
Less: Investment in subsidiary, Singapore	(10,993,235)	(10,993,235)
	631,919,212	903,072,783
Prime Exchange Co. Pte. Ltd.	1,449,014	500,229
Off-shore Banking Unit	4,001	-
	1,453,015	500,229
	633,372,227	903,573,012
11 Borrowings from other banks, financial institutions and agents		
In Bangladesh (note-11.1)	356,185,500	293,295,000
Outside Bangladesh (note-11.2)	34,683,990	52,649,757
	390,869,490	345,944,757
11.1 In Bangladesh		
Bangladesh Bank (Islami investment bond's fund)	210,000,000	250,000,000
Refinance against SME loan from Bangladesh Bank	146,185,500	43,295,000
	356,185,500	293,295,000

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
11.2 Outside Bangladesh		
American Express Bank Ltd., New York, USA	-	9,066,785
AEBL, Frankfrut, Germany	4,520,169	
Bank of Tokyo Mitsubishi Ltd. Japan	-	461,953
Commerzbank, Frankfurt, Germany	6,562,882	-
Citibank N.A., New York, USA	-	42,020,959
Citibank N.A., Mumbai, India	-	1,100,059
ICICI Bank, India	875,410	-
HSBC Bank, Karachi, Pakistan	11,989,661	-
Nepal (BD) Bank Ltd, Nepal	10,735,868	-
(Annexure A-1 may kindly be seen for detail)	<u>34,683,990</u>	<u>52,649,757</u>
11.3 Security against borrowings from other banks, financial institutions and agents		
Secured (Bill of Exchange and DP note)	210,000,000	250,000,000
Unsecured	180,869,490	95,944,757
	<u>390,869,490</u>	<u>345,944,757</u>
11.4 Maturity grouping of borrowings from other banks, financial institutions and agents		
Payable on demand	34,683,990	52,649,757
Up to 1 month	210,000,000	60,000,000
Over 1 month but within 3 months	28,162,000	190,000,000
Over 3 months but within 1 year	84,486,000	17,318,000
Over 1 year but within 5 years	33,537,500	25,977,000
Over 5 years	-	-
	<u>390,869,490</u>	<u>345,944,757</u>
11 (a) Consolidated borrowings from other banks, financial institutions and agents		
Prime Bank Limited (note-11)	390,869,490	345,944,757
Prime Exchange Co. Pte. Ltd.	-	-
Off-shore Banking Unit	-	-
	<u>390,869,490</u>	<u>345,944,757</u>
12 Deposits and other accounts		
Deposits from banks (note -12.1.a)	1,754,065,000	1,227,787,000
Deposits from customers (note-12.1.b)	68,758,309,925	53,496,293,584
	<u>70,512,374,925</u>	<u>54,724,080,584</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
12.1 a) Deposits from Banks		
Current deposits and other accounts	13,016,000	8,067,000
Bills payable	-	-
Savings bank / Mudaraba savings deposits	740,899,000	69,596,000
Fixed deposits	1,000,150,000	1,150,124,000
	1,754,065,000	1,227,787,000
b) Customer Deposits		
i) Current deposits and other accounts		
Current / Al-wadeeah current deposits	3,607,529,183	2,609,334,826
Foreign currency deposits	1,112,600,340	1,060,569,642
Security deposits	160,486,144	117,917,853
Sundry deposits (note - 12.2)	5,696,831,690	4,465,374,844
	10,577,447,357	8,253,197,165
ii) Bills payable		
Pay orders issued	1,077,503,734	485,390,513
Pay slips issued	16,002,446	13,698,127
Demand draft	50,205,218	28,829,515
Foreign demand draft	313,592	313,592
T. T. payable	515,978	-
	1,144,540,968	528,231,748
iii) Savings bank / Mudaraba savings deposits	5,286,361,878	4,056,026,204
iv) Fixed deposits		
Fixed deposits / Mudaraba fixed deposits	35,961,081,991	29,033,692,131
Short term deposits	3,046,840,906	3,418,911,107
Non resident Taka deposits	32,335,953	3,024,212
Scheme deposits	12,709,700,872	8,203,211,017
	51,749,959,722	40,658,838,467
	68,758,309,925	53,496,293,584
	70,512,374,925	54,724,080,584
c) Deposits and other accounts		
Current deposits and other accounts		
Deposits from banks (note -12.1.a)	13,016,000	8,067,000
Deposits from customers (note-12.1.b.i)	10,577,447,357	8,253,197,165
	10,590,463,357	8,261,264,165
Bills payable		
Deposits from banks (note -12.1.a)	-	-
Deposits from customers (note-12.1.b.ii)	1,144,540,968	528,231,748
	1,144,540,968	528,231,748
Savings bank / mudaraba savings deposits		
Deposits from banks (note -12.1.a)	740,899,000	69,596,000
Deposits from customers (note-12.1.b.iii)	5,286,361,878	4,056,026,204
	6,027,260,878	4,125,622,204
Fixed deposits		
Deposits from banks (note -12.1.a)	1,000,150,000	1,150,124,000
Deposits from customers (note-12.1.b.iv)	51,749,959,722	40,658,838,467
	52,750,109,722	41,808,962,467
	70,512,374,925	54,724,080,584

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
12.2 Sundry deposits		
F.C. held against back to back L/C	2,382,140,801	1,602,966,759
Sundry creditors	142,756,852	89,838,989
Risk fund and service charges (CCS and lease finance)	49,912,549	6,051,743
Sale proceeds of PSP / BSP	22,083,900	64,058,900
Margin on letters of guarantee	400,708,373	336,808,371
Margin on letters of credit	982,861,512	930,960,402
Margin on FDBP / IDBP, export bills, etc	70,966,086	95,131,332
Lease deposits	85,691,641	78,190,408
Interest on EDF loan	-	9,629,511
Interest / profit payable on deposits	1,271,438,312	1,051,719,795
Dues to government agencies	99,979,861	81,321,013
Others	188,291,803	118,697,621
	<u>5,696,831,690</u>	<u>4,465,374,844</u>
12.3 Payable on demand and time deposits		
a) Demand deposits		
Current deposits	3,620,545,183	2,617,401,826
Savings deposits (10%)	602,726,088	412,562,220
Foreign currency deposits (Non interest bearing)	1,112,600,340	1,060,569,642
Sundry deposits	5,696,831,690	4,465,374,844
Security deposits	160,486,144	117,917,853
Bills payable	1,144,540,968	528,231,748
	12,337,730,413	9,202,058,133
b) Time deposits		
Savings deposits (90%)	5,424,534,789	3,713,059,984
Fixed deposits	36,961,231,991	30,183,816,131
Short-term deposits	3,046,840,906	3,418,911,107
Deposits under schemes	12,709,700,872	8,203,211,017
Non resident Taka deposits	32,335,954	3,024,212
	<u>58,174,644,512</u>	<u>45,522,022,451</u>
	<u>70,512,374,925</u>	<u>54,724,080,584</u>
12.4 Sector-wise break-up of deposits and other accounts		
Government	1,544,303,000	1,030,855,000
Deposit money banks	1,739,710,000	1,237,710,000
Other public	4,561,164,000	3,756,426,000
Foreign currency	1,152,027,000	1,060,569,642
Private	61,515,170,925	47,638,519,942
	<u>70,512,374,925</u>	<u>54,724,080,584</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
12.5 Maturity analysis of deposits		
a) Maturity analysis of deposits from Banks		
Payable on demand	101,132,000	8,067,000
Up to 1 month	463,491,000	356,542,000
Over 1 month but within 3 months	1,150,000,000	848,700,000
Over 3 months but within 1 year	39,442,000	14,478,000
Over 1 year but within 5 years	-	-
Over 5 years but within 10 years	-	-
Over 10 years	-	-
	1,754,065,000	1,227,787,000
b) Maturity analysis of customer deposits excluding bills payable		
Payable on demand	8,074,820,229	7,613,256,744
Up to 1 month	5,938,761,302	5,993,458,000
Over 1 month but within 3 months	10,349,991,944	8,451,768,600
Over 3 months but within 1 year	20,629,647,580	15,535,228,400
Over 1 year but within 5 years	12,531,393,496	8,244,170,800
Over 5 years but within 10 years	10,089,154,406	7,130,179,292
Over 10 years	-	-
	67,613,768,957	52,968,061,836
c) Maturity analysis of bills payable		
Payable on demand	1,144,540,968	528,231,748
Up to 1 month	-	-
Over 1 month but within 3 months	-	-
Over 3 months but within 1 year	-	-
Over 1 year but within 5 years	-	-
Over 5 years but within 10 years	-	-
Over 10 years	-	-
	1,144,540,968	528,231,748
	<u>70,512,374,925</u>	<u>54,724,080,584</u>
12(a) Consolidated deposits and other accounts		
Current deposits and other accounts		
Prime Bank Limited (note-12.1.c)	10,590,463,357	8,261,264,165
Prime Exchange Co. Pte. Ltd.	-	-
Off-shore Banking Unit	31,696,370	-
	10,622,159,727	8,261,264,165
Bills payable		
Prime Bank Limited (note-12.1.c)	1,144,540,968	528,231,748
Prime Exchange Co. Pte. Ltd.	-	-
Off-shore Banking Unit	-	-
	1,144,540,968	528,231,748
Savings bank / Mudaraba savings deposits		
Prime Bank Limited (note-12.1.c)	6,027,260,878	4,125,622,204
Prime Exchange Co. Pte. Ltd.	-	-
Off-shore Banking Unit	-	-
	6,027,260,878	4,125,622,204
Fixed deposits		
Prime Bank Limited (note-12.1.c)	52,750,109,722	41,808,962,467
Prime Exchange Co. Pte. Ltd.	-	-
Off-shore Banking Unit	-	-
	52,750,109,722	41,808,962,467
	<u>70,544,071,295</u>	<u>54,724,080,584</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
13 Other liabilities		
Foreign currency held against L/Cs	86,599,947	127,376,478
Exchange equalization account (note - 13.6)	4,523,326	4,523,326
Expenditure and other payables	101,861,577	30,907,891
Profit receivable-Islamic Banking Branches	270,859,408	-
Provision for bonus	140,079,295	105,063,117
Exigency fund	5,645,100	5,645,100
Provision for income tax (note - 13.1)	791,680,030	420,533,988
Deferred tax liability (note-13.2)	103,047,995	171,847,995
Credit card	7,642,780	54,725,737
Unearned commission on bank guarantee	3,061,423	735,478
Provision for gratuity	93,426,450	70,348,800
Provision on off-balance sheet items (note-13.4)	210,000,000	-
Fund for PBF and WF	75,200,000	56,800,000
Provision for loans and advances / investments (note - 13.3)	1,373,199,925	853,321,095
Interest suspense account (note - 13.5)	139,581,765	59,655,428
Other provision (note - 13.7)	5,500,000	5,500,000
Obligation under finance lease (note - 13.8)	-	2,577,295
	<u>3,411,909,021</u>	<u>1,969,561,728</u>

13.1 Provision for income tax

Advance tax

Balance of advance income tax on 1 January	2,269,153,429	1,679,014,350
Tax for previous year	128,145,692	-
Paid during the year	643,853,958	590,139,079
Settlement of previous year's tax liability	(295,850,862)	-
	<u>2,745,302,217</u>	<u>2,269,153,429</u>

Provision

Balance of provision on 1 January	2,689,687,417	2,097,324,602
Provision of previous year	128,145,692	-
Provision made during the year		
Current tax (note-13.1.1)	1,015,000,000	592,362,815
Settlement of previous year's tax liability	(295,850,862)	-
	<u>3,536,982,247</u>	<u>2,689,687,417</u>
Net balance at 31 December	<u>791,680,030</u>	<u>420,533,988</u>

* Corporate tax position of the bank has been shown in annexure-D

13.1.1. Provision for current tax of Tk 1,015,000,000 has been made @ 45% as prescribed by Finance Act, 2007 on the accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per Income Tax Ordinance and Rules, 1984.

13.2 Deferred tax liability

Deferred tax liability

Balance as on 1 January	171,847,995	75,138,000
Adjustment during the year	(68,800,000)	96,709,995
Balance as on 31 December	<u>103,047,995</u>	<u>171,847,995</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
13.3 Provision for loans and advances / investments		
Movement in specific provision on classified loans / investments:		
Provision held as on 1 January	308,521,095	126,997,334
Less: Fully provided debts written off during the year	(180,537,037)	(20,735,209)
Add: Recoveries of amounts previously written off	415,867	6,183,000
Add: Specific provision made during the year for other accounts	-	-
Less: Provision no longer required	-	(13,924,030)
Add: Net charge to profit and loss account (note-34)	350,000,000	210,000,000
Provision held as on 31 December	478,399,925	308,521,095
Movement in general provision on unclassified loans / investments		
Provision held as on 1 January	544,800,000	364,800,000
Add: General provision made during the year (note-34)	350,000,000	180,000,000
Provision held as on 31 December	894,800,000	544,800,000
	<u>1,373,199,925</u>	<u>853,321,095</u>
13.4 Provision on off-balance sheet items		
Provision held as on 1 January	-	-
Add: provision made during the year (note-34)	210,000,000	-
Provision held as on 31 December	<u>210,000,000</u>	<u>-</u>
13.5 Interest suspense account		
Balance as on 1 January	59,655,428	39,304,671
Add: Amount transferred to "interest suspense" account during the year	144,553,881	60,154,030
Less: Amount recovered from "interest suspense" account during the year	(37,727,136)	(32,190,969)
Less: Amount written-off during the year	(26,900,408)	(7,612,303)
Balance as on 31 December	<u>139,581,765</u>	<u>59,655,428</u>
13.6 Exchange equalization account		
Balance as on 1 January	4,523,326	4,523,326
Add: Addition during the year	-	-
Balance as on 31 December	<u>4,523,326</u>	<u>4,523,326</u>
13.7 Other provision for classified assets		
Balance as on 1 January	5,500,000	5,500,000
Add: Addition during the year	-	-
Balance as on 31 December	<u>5,500,000</u>	<u>5,500,000</u>
13.8 Obligation under finance lease		
Minimum lease rental payable		
Within 1 year	-	2,749,182
Above 1 year but within 5 years	-	-
	-	2,749,182
Less: Finance charges payable	-	171,887
Obligation under finance lease	<u>-</u>	<u>2,577,295</u>

Notes to the Financial Statements for the year ended 31 December 2007

13.9 Provision for nostro accounts

As per instructions contained in the circular letter no.FEPD (FEMO) / 01 / 2005-677 dated 13 September 2005 issued by Foreign Exchange Policy Department of Bangladesh Bank, Bank is not required to make provision regarding the un-reconciled debit balance of nostro account as on the reporting date in these financials. There is since no unreconciled entries which are outstanding more than 3 months.

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
13(a) Consolidated other liabilities		
Prime Bank Limited (note-13)	3,411,909,021	1,969,561,728
Prime Exchange Co. Pte. Ltd.	2,228,746	2,493,176
Off-shore Banking Unit	1,381,312	-
	<u>3,415,519,079</u>	<u>1,972,054,904</u>

14 Share capital

14.1 Authorized capital

40,000,000 ordinary shares of Taka 100 each	<u>4,000,000,000</u>	<u>4,000,000,000</u>
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The Bank increased its authorized capital from Taka 1,000 million to Taka 4,000 million by passing a special resolution in the Bank's 5th Extra Ordinary General Meeting held on 7th February, 2005 at Hotel Purbani International, Dhaka, Bangladesh. All corporate formalities were duly complied by the Bank as required.

14.2 Issued, subscribed and fully paid up capital

3,000,000 ordinary shares of Taka 100 each issued for cash	300,000,000	300,000,000
19,750,000 ordinary shares of Taka 100 each issued as bonus shares	<u>1,975,000,000</u>	<u>1,450,000,000</u>
	<u>2,275,000,000</u>	<u>1,750,000,000</u>

14.3 Raising of share capital

Given below the history of raising of share capital of Prime Bank Limited

Accounting year	Declaration	No of share	Value in capital	Cumulative
1995	Opening capital	1,000,000	100,000,000	100,000,000
1996	60% Bonus share	600,000	60,000,000	160,000,000
1997	25% Bonus share	400,000	40,000,000	200,000,000
1999	Initial Public Offer (IPO)	2,000,000	200,000,000	400,000,000
2000	25% Bonus share	1,000,000	100,000,000	500,000,000
2001	20% Bonus share	1,000,000	100,000,000	600,000,000
2002	16.67% Bonus share	1,000,000	100,000,000	700,000,000
2003	42.86% Bonus share	3,000,000	300,000,000	1,000,000,000
2004	40% Bonus share	4,000,000	400,000,000	1,400,000,000
2005	25% Bonus share	3,500,000	350,000,000	1,750,000,000
2006	30% Bonus share	5,250,000	525,000,000	2,275,000,000
		<u>22,750,000</u>	<u>2,275,000,000</u>	

Notes to the Financial Statements for the year ended 31 December 2007

14.4 Capital adequacy ratio

In terms of section 13 (2) of the Bank Companies Act, 1991 and Bangladesh Bank BRPD circulars nos. 01,14 ,10 and 05 dated January 08, 1996, November 16,1996, November 25, 2002 and May 14,2007 respectively, required capital of the Bank at the close of business on 31 December 2007 was Taka 5,548,468,800 as against available core capital of Taka 5,273,277,362 and supplementary capital of Taka 1,109,323,326 making a total capital of Taka 6,382,600,688 thereby showing a surplus capital / equity of Taka 834,131,889 at that date. Details are shown below:

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>		
Core capital (Tier-I)				
Paid up capital (note-14.2)	2,275,000,000	1,750,000,000		
Revaluation gain / loss on investments (note-15a)	12,723,913	-		
Statutory reserve (note-15)	1,873,543,597	1,404,170,652		
Surplus in profit and loss account / Retained earnings (note-16)	1,112,009,852	705,718,072		
	5,273,277,362	3,859,888,724		
Supplementary capital (Tier-II)				
General provision maintained against unclassified loan / investments (note-13.3)	894,800,000	544,800,000		
General provision on off-balance sheet items (note-13.4)	210,000,000	-		
Exchange equalization account (note-13.6)	4,523,326	4,523,326		
	1,109,323,326	549,323,326		
	6,382,600,688	4,409,212,050		
A) Total capital	114,167,438,759	89,189,504,048		
Total assets including off-balance sheet items	55,484,688,000	44,323,656,000		
B) Total risk weighted assets	5,548,468,800	3,989,129,040		
C) Required capital based on risk weighted assets (10% on B)	834,131,889	420,083,010		
D) Surplus (A-C)	11.50%	9.95%		
Capital adequacy ratio				
Capital requirement	Required	Held	Required	Held
Tier - I	5.00%	9.50%	4.50%	8.71%
Tier - II	5.00%	2.00%	4.50%	1.24%
Total	10.00%	11.50%	9.00%	9.95%

14.5 Percentage of shareholdings at the closing date

<u>Particulars</u>	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>	<u>2007</u> <u>%</u>	<u>2006</u> <u>%</u>
Sponsors	981,178,600	759,737,600	43.13%	43.41%
Financial institutions	242,269,700	235,270,200	10.65%	13.44%
Foreign investors	263,598,500	12,715,000	11.59%	0.73%
Non- resident Bangladeshi	380,900	387,300	0.01%	0.02%
General public	787,572,300	741,889,900	34.62%	42.40%
	2,275,000,000	1,750,000,000	100.00%	100.00%

Notes to the Financial Statements for the year ended 31 December 2007

14.6 Shareholding range on the basis of shareholdings as at 31 December 2007		2007	2006
		Taka	Taka
Shareholding range	Number of share holders	Shares	Percentage
01 - 500	6,283	612,551	2.69%
501 - 5,000	855	1,081,511	4.75%
5,001 - 10,000	55	400,521	1.76%
10,001 - 20,000	41	579,713	2.55%
20,001 - 30,000	21	542,806	2.39%
30,001 - 40,000	17	583,648	2.57%
40,001 - 50,000	12	544,359	2.39%
50,001 - 100,000	30	2,135,856	9.39%
100,001 - 1,000,000	53	14,820,141	65.14%
1,000,000 and over	1	1,448,894	6.37%
	7,368	22,750,000	100.00%

14.7 Name of the Directors and their shareholdings as at 31 December 2007

Sl	Name of the directors	Status	Opening position	Closing position
1	Mr. Azam J. Chowdhury	Chairman	40,671	52,872
2	Mrs. Shahnaz Quashem	Vice chairman	52,946	68,829
3	Mrs. Hasina Khan	Vice chairman	79,678	229,831
4	Mr. Mohammad Aminul Haque	Director	-	541,788
5	Quazi Sirazul Islam	Director	-	362,047
6	Capt. Imam Anwar Hossain	Director	134,921	226,697
7	Qazi Saleemul Huq	Director	48,918	63,593
8	Mrs. Razia Rahman	Director	145,387	189,003
9	Mrs. Ferdousi Islam	Director	240,876	313,138
10	Mr. Nafis Sikder	Director	157,121	204,257
11	Ms. Saheda Pervin Trisha	Director	21,250	30,482
12	Mr. Mohammad Delwar Hossain (Representative of East Coast Shipping Lines Ltd.)	Director	-	351,261
13	Mr. Maksudur Rahman Sarkar	Independent Director	-	100
			921,768	2,633,898

15 Statutory reserve

Balance on 1 January	1,404,170,652	1,055,977,985
Addition during the year (20% of pre-tax profit)	469,372,945	348,192,667
Balance at 31 December	1,873,543,597	1,404,170,652

15 (a) Revaluation gain / loss on investments

Gain / loss on investments (HTM)		
Gain from revaluation of investment as per Bangladesh Bank Guidelines	16,807,301	-
Loss on revaluation of investment as per Bangladesh Bank Guidelines	(4,083,388)	-
	12,723,913	-

15 (b) Consolidated revaluation gain / loss on investments

Prime Bank Limited (note-15a)	12,723,913	-
Loss on revaluation of investment in Off-shore Banking Unit	(4,159)	-
Gain on revaluation of Investment at Prime Exchange Co. Pte. Ltd.	858,266	-
	13,578,020	-

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
16 Retained earnings / movement of profit and loss account		
Balance on 1 January	705,718,072	352,020,213
Addition during the year	1,400,664,725	1,051,890,526
Transfer to statutory reserve	(469,372,945)	(348,192,667)
Issue of bonus shares	(525,000,000)	(350,000,000)
Balance at 31 December	<u>1,112,009,852</u>	<u>705,718,072</u>
16(a) Consolidated retained earnings / movement of profit and loss account		
Prime Bank Limited (note-16)	1,112,009,852	705,718,072
Prime Exchange Co. Pte. Ltd.	(5,181,950)	(4,346,979)
Off-shore Banking Unit	(1,036,756)	-
	<u>1,105,791,147</u>	<u>701,371,093</u>
17 Contingent liabilities		
17.1 Letters of guarantee		
Letters of guarantee (Local)	7,435,030,978	6,501,845,730
Letters of guarantee (Foreign)	1,391,911,689	1,305,324,186
Foreign counter guarantees	2,054,146,948	2,005,953,168
	<u>10,881,089,615</u>	<u>9,813,123,084</u>
Less: Margin	(400,708,373)	(336,808,371)
	<u>10,480,381,241</u>	<u>9,476,314,713</u>
Money for which the Bank is contingently liable in respect of guarantees given favoring:		
Directors or officers	-	-
Government	1,339,381,000	3,134,689,000
Banks and other financial institutions	925,000	14,707,000
Others	9,540,783,615	6,663,727,084
	<u>10,881,089,615</u>	<u>9,813,123,084</u>
Less: Margin	(400,708,373)	(336,808,371)
	<u>10,480,381,241</u>	<u>9,476,314,713</u>
17.2 Irrevocable Letters of Credit		
Letters of credit (Inland)	192,818,695	370,521,500
Letters of credit (General)	10,280,982,198	8,701,722,052
Back to back L/C	2,556,794,826	2,026,946,000
Back to back bills	6,905,831,656	4,755,959,000
Back to back bills (EDF)	-	8,065,000
Bank's liabilities PAD (DEF)	2,240,063,000	2,460,494,965
	<u>22,176,490,374</u>	<u>18,323,708,517</u>
Less: Margin	(982,861,512)	(930,960,402)
	<u>21,193,628,862</u>	<u>17,392,748,116</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
17.3 Bills for collection		
Outward local bills for collection	222,152,492	70,689,106
Outward foreign bills for collection	1,148,492,000	988,986,000
Inward local bills for collection	115,038,000	95,942,913
Inward foreign bills for collection	-	-
	<u>1,485,682,492</u>	<u>1,155,618,019</u>
Less: Margin	<u>(70,966,086)</u>	<u>(95,131,332)</u>
	<u><u>1,414,716,406</u></u>	<u><u>1,060,486,687</u></u>
17(a) Consolidated contingent liabilities		
Letters of guarantee		
Prime Bank Limited (note-17.1)	10,480,381,241	9,476,314,713
Prime Exchange Co. Pte. Ltd.	-	-
Off-shore Banking Unit	6,582,698	-
	<u>10,486,963,939</u>	<u>9,476,314,713</u>
Irrevocable Letters of Credit		
Prime Bank Limited (note-17.2)	21,193,628,862	17,392,748,116
Prime Exchange Co. Pte. Ltd.	-	-
Off-shore Banking Unit	-	-
	<u>21,193,628,862</u>	<u>17,392,748,116</u>
Bills for collection		
Prime Bank Limited (note-17.3)	1,414,716,406	1,060,486,687
Prime Exchange Co. Pte. Ltd.	-	-
Off-shore Banking Unit	7,840,035	-
	<u>1,422,556,441</u>	<u>1,060,486,687</u>
18 Income statement		
Income:		
Interest, discount and similar income (note-18.1)	8,456,327,714	5,616,509,362
Dividend income (note-21)	7,976,958	1,777,066
Fees, commission and brokerage (note-18.2)	577,408,654	437,009,233
Gains <u>less</u> losses arising from dealing in securities	-	-
Gains <u>less</u> losses arising from investment securities	-	-
Gains <u>less</u> losses arising from dealing in foreign currencies (note-22.1)	621,533,750	561,108,014
Income from non-banking assets	-	-
Other operating income (note-23)	419,555,862	314,073,525
Profit <u>less</u> losses on interest rate changes	-	-
	<u>10,082,802,938</u>	<u>6,930,477,199</u>
Expenses:		
Interest / profit paid on deposits, borrowings, etc. (note-20)	5,266,592,564	3,698,441,036
Losses on loans and advances	-	-
Administrative expenses (note-18.3)	1,121,646,298	814,639,746
Other operating expenses (note-33)	352,779,110	227,768,616
Depreciation on banking assets (note-32)	84,920,241	58,664,465
	<u>6,825,938,213</u>	<u>4,799,513,863</u>
	<u><u>3,256,864,725</u></u>	<u><u>2,130,963,336</u></u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
18.1 Interest, discount and similar income		
Interest income / Profit on investments (note-19)	7,170,099,616	5,198,790,368
Interest income on treasury bills / reverse repo / bonds (note-21)	875,183,474	414,831,494
Gain on sale of shares (note-21)	405,944,406	-
Interest on debentures (note-21)	5,100,218	2,887,500
	<u>8,456,327,714</u>	<u>5,616,509,362</u>
18.2 Fees, commission and brokerage		
Commission (note-22)	516,472,022	436,637,849
Brokerage (note-22)	60,936,632	371,384
	<u>577,408,654</u>	<u>437,009,233</u>
18.3 Administrative expenses		
Salary and allowances (note-24)	725,285,435	561,930,122
Rent, taxes, insurance, electricity, etc. (note-25)	159,529,399	113,987,335
Legal expenses (note-26)	24,728,362	4,951,307
Postage, stamp, telecommunication, etc. (note-27)	60,999,650	47,690,052
Stationery, printing, advertisement, etc. (note-28)	121,691,050	63,382,686
Managing Director's salary and fees (note-29)	9,131,448	6,400,000
Directors' fees (note-30)	2,224,444	2,734,300
Auditors' fees	791,725	570,900
Repair of Bank's assets (note-32)	17,264,785	12,993,044
	<u>1,121,646,298</u>	<u>814,639,746</u>
19 Interest income / profit on investment		
Loans (General) / Musharaka	1,167,519,870	926,079,145
Loans against imported merchandise / Murabaha	233,142,757	192,527,720
Loans against trust receipts	1,157,447,570	861,510,549
Packing credit	24,853,858	19,308,094
Interest on EDF	52,599	23,696,947
House building loan	172,721,983	105,764,670
Lease finance / Izara	518,613,737	299,256,252
Hire purchase	424,826,630	337,035,094
Payment against documents	138,566,623	126,178,750
Cash credit / Bai-Muajjal	1,128,683,718	880,783,002
Secured overdraft	968,944,100	644,395,815
Consumer credit scheme / Hire purchase	266,550,825	175,756,740
Staff loan	15,006,568	12,328,816
Documentary bills purchased	463,680,415	377,290,644
Interest income from credit card	43,985,655	43,594,795
Other loans and advances / Investments	130,001,667	968,129
Total interest / profit on loans and advances / investments	6,854,598,573	5,026,475,162
Interest / profit on balance with other banks and financial institutions	99,269,553	31,936,044
Interest on call loans	91,711,924	34,095,264
Interest / profit received from foreign banks	124,519,565	106,283,897
	<u>7,170,099,616</u>	<u>5,198,790,368</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
19 (a) Consolidated interest income / profit on investment		
Prime Bank Limited (note-19)	7,170,099,616	5,198,790,368
Prime Exchange Co. Pte. Ltd.	3,211	19,882
Off-shore Banking Unit	1,227,573	-
	<u>7,171,330,400</u>	<u>5,198,810,250</u>
20 Interest / profit paid on deposits, borrowings, etc.		
a) Interest / profit paid on deposits:		
Savings bank / Mudaraba savings deposits	214,922,218	149,626,199
Short term deposits	155,218,513	89,876,721
Term deposits / Mudaraba term deposits	3,776,816,281	2,707,597,977
Bearer certificate of deposits	-	2,725
Deposits under scheme	1,069,066,615	677,749,141
Call deposits	5,057,569	43,771,424
Repurchase agreement (repo)	-	-
Others (Note-20.1)	20,533,219	16,993,272
b) Interest / profit paid on local bank accounts	11,689,548	6,141,310
c) Interest / profit paid on foreign bank accounts	13,288,601	6,682,267
	<u>5,266,592,564</u>	<u>3,698,441,036</u>
20.1 Others		
Interest / profit paid on F.C	9,259,495	6,723,396
Interest / profit paid on N.F.C.D	9,307,791	7,077,974
Interest / profit paid on R. F.C.D	1,965,933	3,191,903
	<u>20,533,219</u>	<u>16,993,272</u>
20(a) Consolidated interest / profit paid on deposits, borrowings, etc.		
Prime Bank Limited (note-20)	5,266,592,564	3,698,441,036
Prime Exchange Co. Pte. Ltd.	-	-
Off-shore Banking Unit	786,309	-
	<u>5,267,378,873</u>	<u>3,698,441,036</u>
21 Investment income		
Interest on treasury bills / Reverse repo / bonds	875,183,474	414,831,494
Interest on debentures	5,100,218	2,887,500
Gain on sale of shares	405,944,406	-
Dividend on shares	7,976,958	1,777,066
	<u>1,294,205,056</u>	<u>419,496,059</u>

Notes to the Financial Statements for the year ended 31 December 2007

	2007 <u>Taka</u>	2006 <u>Taka</u>
22 Commission, exchange and brokerage		
Commission on L/Cs	319,050,706	263,509,666
Commission on L/Gs	104,664,448	101,397,138
Commission on export bills	1,895,998	10,170,489
Commission on bills purchased	12,493,290	2,637,038
Commission on accepted bills	25,449,932	17,029,389
Commission on OBC, IBC, etc.	4,398,888	3,681,463
Commission on PO, DD, TT, TC, etc.	15,579,256	11,350,820
Commission for services rendered to issue of shares	2,125,204	1,740,050
Other commission	30,814,300	25,121,795
	516,472,022	436,637,849
Exchange gain (note - 22.1) - including gain from FC dealings	621,533,750	561,108,014
Brokerage	60,936,632	371,384
	<u>1,198,942,404</u>	<u>998,117,247</u>
22.1 Exchange gain		
Exchange gain	625,056,313	582,115,609
Less: Exchange loss	(3,522,563)	(21,007,595)
	<u>621,533,750</u>	<u>561,108,014</u>
22 (a) Consolidated commission, exchange and brokerage		
Prime Bank Limited (note-22)	1,198,942,404	998,117,247
Prime Exchange Co. Pte. Ltd.	11,672,320	3,179,312
Off-shore Banking Unit	869,487	-
	<u>1,211,484,211</u>	<u>1,001,296,559</u>
23 Other operating income		
Income from merchant banking	-	20,627
Rent recovered	1,539,053	1,281,504
Service and other charges	51,645,723	13,576,409
Credit card income (Note-23.2)	59,336,784	60,944,335
Postage / telex / SWIFT/ fax recoveries	76,383,434	55,160,278
Incidental charges	63,691,547	58,723,051
Foreign correspondent charges	7,767,656	38,919
Gain on sale/ revaluation investments (HFT) / shares	7,168,357	5,693,127
Profit on sale of fixed assets	-	6,145
Miscellaneous earnings (Note-23.1)	152,023,308	118,629,131
	<u>419,555,862</u>	<u>314,073,525</u>
23.1 Miscellaneous earnings include syndication fee, service charges, recovery of bank charges, etc.		
23.2 Credit card income		
Annual fees	20,633,172	18,233,918
Late payment fees	7,973,588	7,718,387
Inter-change, mark-up, excess limit, cash advance fees, etc.	8,224,886	14,534,615
Others	22,505,138	20,457,415
	<u>59,336,784</u>	<u>60,944,335</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
23(a) Consolidated other operating income		
Prime Bank Limited (note-23)	419,555,862	314,073,525
Prime Exchange Co. Pte. Ltd.	-	-
Off-shore Banking Unit	9,052	-
	<u>419,564,914</u>	<u>314,073,525</u>
24 Salaries and allowances		
Basic pay	267,733,644	209,025,221
Allowances	219,191,523	167,167,133
Bonus	186,926,000	137,675,495
Bank's contribution to provident fund	21,408,381	17,917,273
Retirement benefits and gratuity	30,025,887	30,145,000
	<u>725,285,435</u>	<u>561,930,122</u>
24(a) Consolidated salaries and allowances		
Prime Bank Limited (note-24)	725,285,435	561,930,122
Prime Exchange Co. Pte. Ltd.	6,912,127	3,371,206
Off-shore Banking Unit	1,687,428	-
	<u>733,884,990</u>	<u>565,301,328</u>
25 Rent, taxes, insurance, electricity, etc.		
Rent, rate and taxes	83,095,987	64,210,289
Insurance	48,547,832	26,655,332
Power and electricity	27,885,580	23,121,714
	<u>159,529,399</u>	<u>113,987,335</u>
25(a) Consolidated rent, taxes, insurance, electricity, etc.		
Prime Bank Limited (note-25)	159,529,399	113,987,335
Prime Exchange Co. Pte. Ltd.	2,064,140	-
Off-shore Banking Unit	125,073	-
	<u>161,718,612</u>	<u>113,987,335</u>
26 Legal expenses		
Legal expenses	24,011,362	2,170,332
Other professional charges	717,000	2,780,975
	<u>24,728,362</u>	<u>4,951,307</u>
26(a) Consolidated legal expenses		
Prime Bank Limited (note-26)	24,728,362	4,951,307
Prime Exchange Co. Pte. Ltd.	484,608	-
Off-shore Banking Unit	-	-
	<u>25,212,970</u>	<u>4,951,307</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
27 Postage, stamp, telecommunication, etc.		
Postage	9,265,943	8,402,005
Telegram, telex, fax and e-mail	30,189,105	19,839,827
Telephone - office	20,178,902	18,225,317
Telephone - residence	<u>1,365,700</u>	<u>1,222,903</u>
	<u>60,999,650</u>	<u>47,690,052</u>
27(a) Consolidated postage, stamp, telecommunication, etc.		
Prime Bank Limited (note-27)	60,999,650	47,690,052
Prime Exchange Co. Pte. Ltd.	303,529	-
Off-shore Banking Unit	<u>57,498</u>	<u>-</u>
	<u>61,360,677</u>	<u>47,690,052</u>
28 Stationery, printing and advertisements, etc.		
Office and security stationery	23,532,697	17,519,771
Computer consumable stationery	16,308,348	12,342,206
Publicity and advertisement	<u>81,850,005</u>	<u>33,520,709</u>
	<u>121,691,050</u>	<u>63,382,686</u>
28(a) Consolidated stationery, printing and advertisements, etc.		
Prime Bank Limited (note-28)	121,691,050	63,382,686
Prime Exchange Co. Pte. Ltd.	127,535	-
Off-shore Banking Unit	<u>29,866</u>	<u>-</u>
	<u>121,848,451</u>	<u>63,382,686</u>
29 Managing Director's salary and fees		
Basic salary	3,951,612	2,640,000
Bonus	2,505,000	1,960,000
House rent allowance	1,205,484	840,000
Utility allowance	627,740	480,000
House maintenance allowance	<u>841,612</u>	<u>480,000</u>
	<u>9,131,448</u>	<u>6,400,000</u>
30 Directors' fees		
Meeting fees	1,580,000	1,602,000
Other benefits	<u>644,444</u>	<u>1,132,300</u>
	<u>2,224,444</u>	<u>2,734,300</u>
Each Director is paid Tk.4,000/- per meeting per attendance.		
30(a) Consolidated Auditors' fees		
Prime Bank Limited	791,725	570,900
Prime Exchange Co. Pte. Ltd.	<u>336,583</u>	<u>-</u>
	<u>1,128,308</u>	<u>570,900</u>
31 Charges on loan losses		
Loan -written off	-	-
Interest waived	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
32 Depreciation and repair of Bank's assets		
Depreciation - (see annexure-C for detail)		
Fixed assets	84,920,241	57,160,206
Leased assets	-	1,504,259
	84,920,241	58,664,465
Repairs		
Building	1,787,892	1,260,338
Furniture and fixtures	1,432,024	918,338
Office equipment	9,276,535	6,923,844
Bank's vehicles	3,450,353	2,517,665
Maintenance	1,317,981	1,372,859
	17,264,785	12,993,044
	102,185,026	71,657,509
32 (a) Consolidated depreciation and repair of Bank's assets		
Prime Bank Limited (note-32)	102,185,026	71,657,509
Prime Exchange Co. Pte. Ltd.	1,237,057	1,001,181
Off-shore Banking Unit	138,066	-
	103,560,149	72,658,690
33 Other expenses		
Security and cleaning	32,526,270	25,237,483
Entertainment	23,139,187	16,842,684
Car expenses	52,137,797	33,471,306
Books, magazines and newspapers, etc.	1,051,570	831,460
Liveries and uniforms	183,498	81,600
Medical expenses	70,041	172,673
Bank charges and commission paid	5,491,081	2,948,761
Loss on sale of fixed assets	1,073,430	2,081,740
Loss on sale of security trading (HFT)	7,890,536	-
Loss on revaluation of investment (HFT)	926,702	-
Finance charge for lease assets	263,350	468,204
Subscription to institutions	10,084,194	8,585,501
Donations	26,832,960	2,456,200
Travelling expenses	9,304,516	7,987,958
Expenses for merchant banking	13,802,833	2,289,412
Local conveyance, labour, etc.	5,538,544	4,480,437
Business development	1,114,238	8,356,904
Training and internship	6,780,250	4,023,437
Remittance charges	3,620,180	2,557,775
Laundry, cleaning and photographs, etc.	2,925,618	2,479,855
Credit card expenses	31,582,109	22,377,319
Exgratia	5,662,500	3,415,000
Welfare fund	4,700,000	4,200,000
Prime Bank Foundation Fund	70,500,000	52,600,000
Miscellaneous expenses	35,577,706	19,822,907
	352,779,110	227,768,616

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
33(a) Consolidated other expenses		
Prime Bank Limited (note-33)	352,779,110	227,768,616
Prime Exchange Co. Pte. Ltd.	1,044,923	3,173,785
Off-shore Banking Unit	318,628	-
	<u>354,142,661</u>	<u>230,942,402</u>
34 Provision for loans / investments & off balance sheet items		
Provision for bad and doubtful loans and advances / investments	350,000,000	210,000,000
Provision for unclassified loans and advances / investments	350,000,000	180,000,000
Provision for off-balance sheet items	210,000,000	-
	<u>910,000,000</u>	<u>390,000,000</u>
35 Receipts from other operating activities		
Income from merchant banking operation	-	20,627
Rent recovered	1,539,053	1,281,504
Service and other charges	59,336,784	13,576,409
Credit card income	51,645,723	60,944,335
Postage / Telex / Fax / SWIFT charge recoveries	76,383,434	55,160,278
Incidental charges	63,691,547	58,723,051
Foreign correspondent charges	7,767,656	38,919
Gain from sale of treasury bond / shares	7,168,357	5,693,127
Miscellaneous earnings	152,023,308	118,629,131
	<u>419,555,862</u>	<u>314,067,381</u>
35(a) Consolidated receipts from other operating activities		
Prime Bank Limited (note-35)	419,555,862	314,067,381
Prime Exchange Co. Pte. Ltd.	11,903,741	2,634,610
Off-shore Banking Unit	9,052	-
	<u>431,468,655</u>	<u>316,701,991</u>
36 Payments for other operating activities		
Rent, rates and taxes	159,529,399	113,987,335
Legal expenses	24,728,362	4,951,307
Postage and communication charges, etc.	60,999,650	47,690,052
Directors' fees	2,224,444	2,734,300
Finance charge for leased assets	263,350	468,204
Donations and subscriptions	36,917,154	11,041,701
Conveyance and travelling expenses, etc.	5,538,544	12,468,395
Business development expenses	1,114,238	8,256,904
Training, internship expenses	6,780,250	4,023,437
Remittance charges	3,620,180	2,557,775
Miscellaneous expenses	168,325,432	88,501,392
	<u>470,041,003</u>	<u>296,680,802</u>
36 (a) Consolidated payments for other operating activities		
Prime Bank Limited (note-36)	470,041,003	296,680,802
Prime Exchange Co. Pte. Ltd.	4,451,044	2,814,774
Off-shore Banking Unit	360,893	-
	<u>474,852,940</u>	<u>299,495,576</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u>	<u>2006</u>
	<u>Taka</u>	<u>Taka</u>
37 Increase / (decrease) of other assets		
T & T bonds	6,490,002,564	2,472,334,330
DBBL bonds	40,664,444	29,000,000
Stationery and stamps	12,499,606	14,500,671
Income receivable	72,163,817	2,160,370
Advance deposits and advance rent	90,420,559	72,339,511
Branch adjustment account	288,798,937	239,390,078
Suspense account	10,802,511	139,003,168
Encashment of PSP / BSP	46,355,809	54,983,521
Accrued interest on investment	-	280,000
Credit card	85,519,631	137,351,873
Sundry assets	104,052,183	283,577,642
	<u>7,241,280,061</u>	<u>3,444,921,164</u>
	<u>(3,796,358,897)</u>	<u>(2,494,489,750)</u>
37(a) Increase / (decrease) of consolidated other assets		
Prime Bank Limited (note-37)	(3,796,358,897)	(2,494,489,750)
Prime Exchange Co. Pte. Ltd.	(925,365)	9,017,375
Off-shore Banking Unit	(4,001)	-
	<u>(3,797,288,263)</u>	<u>(2,485,472,375)</u>
38 Increase / (decrease) of other liabilities		
F.C. held against EDF L/C	86,599,947	127,376,479
Exchange equalization fund	4,523,326	4,523,326
Expenditure and other payables	101,861,577	30,907,891
Provision for bonus	140,079,295	105,063,117
Exigency fund	5,645,100	5,645,100
Credit card	7,642,780	54,725,737
Unearned commission on bank guarantee	3,061,423	735,478
Other provision	2,917,713,808	1,580,929,172
Interest suspense account	139,581,765	59,655,428
	<u>3,406,709,021</u>	<u>1,969,561,728</u>
	<u>1,437,147,293</u>	<u>(177,440,778)</u>
38(a) Increase / (decrease) of consolidated other liabilities		
Prime Bank Limited (note-38)	1,437,147,293	(177,440,778)
Prime Exchange Co. Pte. Ltd.	(36,266)	1,804,897
Off-shore Banking Unit	1,380,716	-
	<u>1,438,491,743</u>	<u>(175,635,881)</u>

Notes to the Financial Statements for the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
39 Earnings per share (EPS)		
Net profit after tax (Numerator)	1,400,664,725	1,051,890,526
Number of ordinary shares outstanding (Denominator)	22,750,000	22,750,000
Earnings per share (EPS)	61.57	46.24

Earnings per share has been calculated in accordance with BAS - 33: "Earnings Per Share (EPS)". Previous year's figures have been adjusted for the issue of 5,250,000 bonus shares (for 2006) during the year.

39(a) Consolidated earnings per share (CEPS)

Net profit after tax (Numerator)	1,398,792,999	1,047,543,547
Number of ordinary shares outstanding (Denominator)	22,750,000	22,750,000
Consolidated earnings per share (CEPS)	61.49	46.05

Earnings per share has been calculated in accordance with BAS - 33: "Earnings Per Share (EPS)". Previous year's figures have been adjusted for the issue of 5,250,000 bonus shares (for 2006) during the year.

40 Number of employees

The number of employees engaged for the whole year or part thereof who received a total remuneration of Tk. 36,000 p.a or above were 1,400.

41 Assets pledged as security for liabilities

Foreign bill to Bangladesh Bank	210,350,000	251,050,000
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Notes to the Financial Statements for the year ended 31 December 2007

42 Disclosure on Audit committee

a. Particulars of audit committee

The audit committee of the board was duly constituted by the Board of Directors of the Bank in accordance with the BRPD Circular no. 12 dated December 23, 2002 of Bangladesh Bank. The Board of Directors in its 268th meeting held on April 26, 2007 reconstituted the Committee as under:

Pursuant to the BRPD Circular no. 12 dated 23.12.2002, the Audit Committee of the Board of Directors consisted of the following 3 (three) members of the Board:

<u>Name</u>	<u>Status with bank</u>	<u>Status with committee</u>	<u>Educational Qualification</u>
Capt. Imam Anwar Hossain	Director	Chairman	Graduation from Jaldia Marine Academy
Ms. Saheda Pervin Trisha (Induction in 2007)	Director	Member	MBA from Dhaka University
Mrs. Nazma Haque (Retired in 2007)	Director	Member	Graduation from Rajshahi University
Mr. Maksudur Rahman Sarkar	Independent	Member	B. Sc.Eng.(Mech), MBA from IBA

b) Meetings held by the committee during the year by date:

<u>Meeting No</u>	<u>Held on</u>
34th	16.01.2007
35th	01.02.2007
36th	07.02.2007
37th	20.02.2007
38th	14.06.2007
39th	18.07.2007
40th	25.09.2007
41st	20.11.2007

c) The audit committee has discussed the following issues during the year 2007

i) The committee reviewed inspection reports of 34 Branches conducted and submitted by the Bank's Internal Audit & Inspection Division and gave necessary instructions to the management for proper and prompt compliance of the irregularities / objections stated therein. The committee also reviewed audit and inspection plan of the Bank.

ii) The committee reviewed the annual financial statements for the year 2006 including the annual report.

iii) The committee also reviewed the half-yearly financial statements of the Bank as of June 30, 2007.

d) Steps taken for implementation of an effective internal control procedure of the Bank :

Through circular the committee placed its report regularly to the Board of Directors of the Bank mentioning its review results and recommendations on internal control system, compliance of rules and regulations and establishment of good governance within the organization.

Notes to the Financial Statements for the year ended 31 December 2007

43 Related Party Disclosures

i) Particulars of Directors of the Bank as at 31 December 2007

Sl. no.	Name of the persons	Designation	Present Address	% of shares as at 31.12.07
1	Mr. Azam J. Chowdhury	Chairman	East Coast Centre SW (G)-8 Gulshan Avenue Dhaka-1212	0.23
2	Mrs. Shahnaz Quashem	Vice Chairperson	House no. 14/3, Road no. 3 Nasirabad Housing Society Chittagong	0.30
3	Mrs. Hasina Khan	Vice Chairperson	"Shahana" 1042, Zakir Hossain Road Chittagong	1.01
4	Mr. Mohammad Aminul Haque	Director	House No. CEN (F)-13 Road No. 104 Gulshan, Dhaka	2.38
5	Quazi Sirazul Islam	Director	House # 129/ E Road # 13, Banani Dhaka-1213	1.59
6	Capt. Imam Anwar Hossain	Director	House no. 83, Road no. 3 Banani, Dhaka-1213	1.00
7	Qazi Saleemul Huq	Director	GQ Building 331/2 Tajuddin Ahmed Road Bara Moghbazar, Dhaka	0.28
8	Mrs. Razia Rahman	Director	52, Park Road Block-K, Baridhara, Dhaka	0.83
9	Mrs. Ferdousi Islam	Director	299 New DOHS Road no. 19/B, Mohakhali, Dhaka	1.38
10	Mr. Nafis Sikder	Director	Managing Director Palmal Group House no. 2/B, Road no. 29 Gulshan-1, Dhaka-1212	0.90
11	Ms. Saheda Pervin Trisha	Director	Station Road, Rangpur	0.13
12	Mr. Mohammad Delwar Hossain (Representative of East Coast Shipping Lines Limited)	Director	East Coast Centre SW (G)-8, Gulshan Avenue Dhaka-1212	1.54
13	Mr. Maksudur Rahman Sarkar	Independent Director	7/16, Salimullah Road Mohammadpur, Dhaka	Share holding of East Coast Shipping Lines Ltd. 0.00044
14	Mr. M. Shahjahan Bhuiyan	Managing- Director	Prime Bank Limited 119-120 Motijheel CA, Dhaka-1000	-

Notes to the Financial Statements for the year ended 31 December 2007

ii) Significant contracts where Bank is a party and wherein Directors have interest

Nature of contract	Branch Name	Name of Director and related by	Remarks
Lease agreement with Mr. Md. Nader Khan (Ex-Director of the Bank)	Jubilee Road	Mrs. Hasina Khan (wife of Mr. Md. Nader Khan)	The Lease agreement was approved by Bangladesh Bank vide its Letter Ref.# BRPD (P) 745 (21) 2003-2640 dated 02.07.2003

iii) Related party transactions

(Figure in Taka)			
Name of party	Relationship	Nature of transaction	Amount
Prime Insurance Company Ltd	Common Director	Insurance coverage for vehicle, FDR & cash	9,320,927
Delta Soft Limited	Common Director	Internet Connection fee	390,300
News Today	Common Director	Advertisement	3,000,000
Green Delta Insurance Company Ltd	Common Director	Insurance coverage for vehicle	77,575
Prime Finance and Investment Ltd.	Common Director	Share buy/sale	11,277,274,927
Trusty Associates Company Ltd	Common Director	Share buy/sale	715,361,667

iv) Shares issued to Directors and Executives without consideration or exercisable at a discount Nil

v) Lending policies to related parties

Lending to related parties is effected as per requirements of Section 27 (1) of the Bank Companies Act, 1991.

vi) Loans and advances to Directors and their related concern Nil

vii) Business other than banking business with any related concern of the Directors as per Section 18(2) of the Bank Companies Act, 1991. Nil

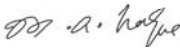
viii) Investment in the Securities of Directors and their related concern Nil

44 Events after the Balance Sheet date

The Board of Directors in its 292nd Meeting decided to recommend payment of 35% (Thirty five percent) dividend out of which 10% (Ten percent) cash dividend and 25% (Twenty five percent) stock dividend i.e. 1 (one) bonus share against 4 (four) shares for the year 2007. The total amount of dividend is Tk 796,250,000.



Chairman



Director



Director



Managing Director

Balance with other Banks-Outside Bangladesh (Nostro Accounts) as at 31 December 2007

Annexure-A

Name of the Bank	Account type	2007				2006		
		Currency type	FC amount	Exchange rate	Equivalent Taka	FC amount	Exchange rate	Equivalent Taka
American Express Bank Ltd., Kolkata, India	CD	ACU\$	315,503.97	68.5728	21,634,991	258,652.63	69.0651	17,863,870
American Express Bank Ltd., New York, USA	CD	US\$	1,027,385.13	68.5728	70,450,675	-	-	-
American Express Bank Ltd., Frankfurt, Germany	CD	EURO	-	-	-	138,630.68	91.1659	12,638,391
AB Bank Ltd., Mumbai, India	CD	ACU\$	4,517.99	68.5728	309,811	7,010.99	69.0651	484,215
Banca Nazio, del Lavoro, Rome, Italy	CD	EURO	10,634.33	100.8980	1,072,983	76,564.03	91.1659	6,980,029
Banca Nazio, del Lavoro, Rome, Italy	CD	US\$	122.85	68.5728	8,424	2,000.00	69.0651	138,130
Bank of Bhutan, Bhutan	CD	ACU\$	11,888.84	68.5728	815,251	44,558.84	69.0651	3,077,461
Bank of Tokyo Mitsubishi, Japan	CD	JP¥	8,467,902.00	0.6093	5,159,493	-	-	-
SMBC, Tokyo, Japan	CD	JP¥	14,294,781.00	0.6093	8,709,810	4,879,257.00	0.5802	2,830,945
Citibank N.A., India	CD	ACU\$	124.93	68.5728	8,567	-	-	-
Citibank N.A., London , UK	CD	EURO	154,775.69	100.8980	15,616,558	76,832.98	91.1659	7,004,548
Citibank N.A., New York, USA	CD	US\$	2,559,430.83	68.5728	175,507,338	827,184.44	69.0651	57,129,576
Commerz Bank, Frankfurt , Germany	CD	EURO	-	-	-	127,348.35	91.1659	11,609,827
Commonwealth Bank of Australia, Australia	CD	AUD	212,239.09	59.9669	12,727,320	100,248.73	54.4924	5,462,794
Credit Suisse (First Boston), Switzerland	CD	CHF	1,454.47	60.8077	88,443	49,987.35	56.6711	2,832,838
Habib American Bank, New York, USA	CD	US\$	50,000.00	68.5728	3,428,640	112,927.67	69.0651	7,799,361
HSBC, New York, USA	CD	US\$	349,672.28	68.5728	23,978,007	1,960,035.10	69.0651	135,370,020
HSBC, Karachi, Pakistan	CD	US\$	-	-	-	327,288.18	69.0651	22,604,191
HSBC, London, UK	CD	GBP	35,892.69	136.6999	4,906,527	154,745.04	135.3123	20,938,907
Mashreq Bank, New York, USA	CD	US\$	10,324.39	68.5728	707,972	1,629,658.86	69.0651	112,552,552
National Westminster Bank, London, UK	CD	GBP	15,228.47	136.700	2,081,730	39,274.58	135.312	5,314,334
Nepal Bangladesh Bank, Nepal	CD	US\$	-	-	-	109,868.39	69.0651	7,588,071

Annexure-A Continued

Name of the Bank	Account type	2007				2006		
		Currency type	FC amount	Exchange rate	Equivalent Taka	FC amount	Exchange rate	Equivalent Taka
Peoples Bank, Sri Lanka	CD	ACU\$	22,157.44	68.5728	1,519,398	3,183.70	69.0651	219,883
Rupali Bank, Karachi, Pakistan	CD	US\$	-	-	-	41,904.10	69.0651	2,894,111
Skandinaviska Enskilda, Banken, Sweden	CD	SEK	237,913.39	11.3342	2,696,558	42,313.94	10.0822	426,618
Sonali Bank, Kolkata, India	CD	ACU\$	5,041.90	68.5728	345,737	5,041.90	69.0651	348,219
Standard Chartered Bank, Kolkata, India	CD	ACU\$	5,197.45	68.5728	356,404	62,058.36	69.0651	4,286,067
Standard Chartered Bank, New York, USA	CD	US\$	346,099.52	68.5728	23,733,013	31,174.49	69.0651	2,153,069
Standard Chartered Bank, Singapore	CD	SGD	174,082.49	47.4060	8,252,555	-	-	-
State Bank of India, Kolkata	CD	ACU\$	3,629.09	68.5728	248,857	3,629.09	69.0651	250,643
Sanpaolo INI S.P.A	CD	EURO	10,865.82	100.8980	1,096,340	-	-	-
The Bank of Nova Scotia, Canada	CD	CAD	88,818.97	69.9009	6,208,526	188,736.45	59.2477	11,182,201
Unicredito Italiano, Italy	CD	EURO	5,599.10	100.8980	564,938	2,298.46	91.1659	209,541
Wachovia Bank N.A , New York, USA	CD	US\$	5,828,145.01	68.5728	399,652,222	341,113.30	69.0651	23,559,024
					791,887,088			485,749,435

Borrowing from Foreign Banks-Outside Bangladesh (Nostro Accounts) as at 31 December 2007

Annexure A-1

Name of the Bank	Account type	2007				2006		
		Currency type	FC amount	Exchange rate	Equivalent Taka	FC amount	Exchange rate	Equivalent Taka
American Express Bank Ltd., New York, USA	CD	USD	-	-	-	131,278.82	69.0651	9,066,785
American Express Bank Ltd., Frankfurt, Germany	CD	EURO	44,799.39	100.8980	4,520,169	-	-	-
Bank of Tokyo Mitsubishi Ltd. Japan	CD	JPY	-	-	-	796,197.00	0.5802	461,953
Citibank N.A., Mumbai, India	CD	USD	-	-	-	15,927.86	69.0651	1,100,059
Commerzbank, Frankfurt, Germany	CD	EURO	65,044.72	100.8980	6,562,882	-	-	-
ICICI Bank, India	CD	USD	12,766.14	68.5728	875,410	608,425.37	69.0651	42,020,959
HSBC, Karachi, Pakistan	CD	ACU	174,845.72	68.5728	11,989,661	-	-	-
Nepal Bangladesh Bank, Nepal	CD	ACU	156,561.61	68.5728	10,735,868	-	-	-
					34,683,990			52,649,757

Investment in shares as at 31 December 2007

i) Investment by Head Office

Sl. no.	Name of the company	Type of shares	Face value	Number of shares	Cost / present value of holdings	Average cost	Quoted rate per share as on 31.12.07	Total market value as at 31.12.07
			Taka		Taka	Taka	Taka	Taka
	Quoted							
1	Mutual Trust Bank Ltd.	A	100	83,160	6,249,672	75.15	596.50	49,604,940
2	One Bank Ltd.	A	100	29,522	1,704,901	57.75	572.50	16,901,345
3	Bank Asia Ltd.	A	100	75,444	3,244,739	43.01	521.75	39,362,907
4	Mercantile Bank Ltd.	A	100	149,880	6,394,480	42.66	419.00	62,799,720
5	Grameen Mutual Fund-1	A	10	500,000	5,000,000	10.00	70.10	35,050,000
6	Aftab Automobiles	A	100	3	900	-	-	-
	Unquoted							
1	Central Depository Bangladesh Limited (CDBL)		1,000,000	10	10,000,000	1,000,000	-	10,000,000
2	9% preference share of BRAC Bank Ltd.		100,200,000	1	100,200,000	-	-	100,200,000
Sub Total				838,020	132,794,692			313,918,912

ii) Investment by Merchant Banking and Investment Division

Sl. no.	Name of the company	Type of shares	Face value	Number of shares	Cost of holding	Average cost	Quoted rate per share as at 31.12.07	Total market value as at 31.12.07
			Taka		Taka	Taka	Taka	Taka
	Quoted							
1	AB Bank Ltd.	A	100	24,000	60,244,153	2,510.17	2,561.25	61,470,000
2	BD Finance & Investment Co. Ltd.	N	100	38,450	11,865,406	308.59	307.25	11,813,763
3	DESCO Ltd.	A	100	108,000	49,863,215	461.70	1,069.25	115,479,000
4	EXIM Bank Ltd.	A	100	50	3,938	78.76	391.00	19,550
5	ICB AMCL Islamic MF	A	100	2,000	649,698	324.85	328.00	656,000
6	Lafarge Surma Cement Ltd.	N	100	3,000	1,402,601	467.53	480.75	1,442,250
7	Popular Life Insurance Co. Ltd.	A	100	3,000	4,890,575	1,630.19	2,230.00	6,690,000
8	Powergrid Co. Ltd.	A	100	290,000	195,929,499	675.62	682.50	197,925,000
9	Square Pharmaceuticals Ltd.	A	100	27,000	69,359,594	2,568.87	3,682.00	99,414,000
Sub Total				495,500	394,208,679			494,909,563
Grand Total (i+ii)				1,333,520	527,003,371			808,828,475

Total market value of investment being higher than cost, no provision has been made in these Financial Statements.

Schedule of fixed and leased assets as at 31 December 2007

Particulars	COST				DEPRECIATION				Net book value as at 31.12.07
	Opening balance as on 01.01.07	Additions during the year	Disposals/ adjustments during the year	Total balance as at 31.12.07	Opening balance as on 01.01.07	Charge for the year	Disposals/ adjustments during the year	Total balance as at 31.12.07	
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Land	49,058,380	14,895,000	(331,888)	63,621,492	-	-	-	-	63,621,492
Building	10,225,831	1,160,236	-	11,386,067	812,727	247,193	-	1,059,920	10,326,147
Furniture and fixtures	269,714,909	67,140,538	(1,292,943)	335,562,504	76,816,005	24,204,461	(413,360)	100,607,106	234,955,399
Office equipment and machinery	301,511,038	123,821,177	(2,820,341)	422,511,874	155,937,510	43,859,747	(606,396)	199,190,861	223,321,013
Software	-	125,250,545	-	125,250,545	-	9,436,685	-	9,436,685	115,813,860
Vehicles	42,314,346	10,734,024	-	53,048,370	33,918,863	7,081,025	-	40,999,888	12,048,482
Library books	889,046	90,636	-	979,682	484,878	91,130	-	576,008	403,674
As at 31 December 2007	673,713,551	343,092,156	(4,445,172)	1,012,360,534	267,969,983	84,920,241	(1,019,756)	351,870,468	660,490,066
As at 31 December 2006	579,552,493	98,473,598	(4,312,542)	673,713,551	207,434,176	57,160,206	(2,988,139)	261,606,242	412,107,309
Leased assets									
As at 31 December 2006	9,372,258	-	-	9,372,258	4,859,481	1,504,259	-	6,363,740	3,008,518

* Details of addition during the year

Cash purchase	333,719,898
Leased assets (Ownership transfer)	9,372,258
	<u>343,092,156</u>

Statement of tax position as at 31 December 2007

Accounting year	Assessment year	Tax provision as per accounts	Tax as per assessment order	Tax paid	Excess/ (shortage) of provision	Excess/ (shortage) of tax paid	Present status
		Taka	Taka	Taka	Taka	Taka	
1995-2000	-	24,561,782	-	-	-	13,277,337	Assessment year 1999-2000 (Accounting year 1998) is final. However, the Dept. referred to High Court.
2001	2002-2003	222,102,650	274,050,049	247,455,962	(51,947,399)	(26,594,087)	Final
2002	2003-2004	278,700,000	312,590,120	337,138,495	(33,890,120)	24,548,375	DCT level final. However, Bank has appealed against some disallowances made by the DCT to Appellate Tribunal.
2003	2004-2005	394,455,000	322,124,551	341,341,907	72,330,449	19,217,356	DCT level final. However, Bank has appealed against some disallowances made by the DCT to Appellate Tribunal.
2004	2005-2006	452,300,000	443,070,783	393,773,820	9,229,217	(49,296,963)	DCT level final. However, Bank has appealed against some disallowances made by the DCT to Appellate Tribunal.
2005	2006-2007	557,500,000	-	469,785,763	-	-	Return filed but not yet assessed
2006	2007-2008	592,362,815	-	669,318,127	-	-	Return filed but not yet assessed
	Total	2,521,982,247	1,351,835,503	2,458,814,074	(4,277,853)	(18,847,982)	

Name of the Directors and their interest in different entities

Annexure-E

SI no.	Name of Directors	Status with PBL	Entities where they have interest	% of Interest
1	Mr. Azam J. Chowdhury	Chairman	East Coast Shipping Lines Limited East Coast Trading (Pvt.) Limited EC Securities Limited EC Distribution Limited EC Engineering Company Limited Surma Summit Tanks Terminal Limited EC Powertech Limited Delta Soft Limited Green Delta Insurance Company Limited	25.00 20.00 89.20 40.00 20.00 10.00 25.00 24.50 0.83
2	Mrs. Shahnaz Quashem	Vice Chairperson	Associated Oxygen Limited	12.50
2	Mrs. Hasina Khan	Vice Chairperson	Khan Traders Polyexprint Limited Pedrollo nk Ltd. Polyexlamine Limited Polytape Limited Pedrollo Dairy & Horticulture Limited Prime Insurance Company Limited Halda Valley Tea Company Limited	100.00 15.00 20.00 20.00 20.00 30.00 2.67 10.00
4	Mr. Mohammad Aminul Haque	Director	Acorn Limited Asian Gate Limited News Crops Limited Greenland Engineers & Tractors Co. Machinery & Equipment Trading Co.	25.00 30.00 12.50 22.50 22.50
5	Quazi Sirazul Islam	Director	Amin Jewelers Limited Ducati Apparels Limited City Hospital Limited	75.00 33.33 28.00
6	Capt. Imam Anwar Hossain	Director	Pragati Insurance Limited Ben Ocean Lines Limited Ben Marine Lines Bengal Tiger Cement Industries Limited Ben Lloyd Lines Limited Ocean Wave Shipping Limited Commodity & Carriage Jamuna Resort Limited Prime Cement Limited	5.00 25.00 40.00 8.50 10.00 50.00 100.00 2.50 30.00
7	Qazi Saleemul Huq	Director	GQ Ball Pen Industries Limited GQ Industries Limited Maladesh International (Pvt.) Limited GQ Properties Limited GQ Foods Limited GQ Enterprise Limited Delta Soft Limited Newscorp Limited	26.25 20.00 0.13 28.57 13.34 25.00 24.77 25.00
8	Mrs. Razia Rahman	Director	Transworld Bicycle Company Limited Uniglory Home Appliances Limited Uniglory Steel Products Limited Concept Cycling	36.00 25.00 35.00 100.00

Name of the Directors and their interest in different entities

Sl no.	Name of Directors	Status with PBL	Entities where they have interest	% of Interest
9	Mrs. Ferdousi Islam	Director	Trusty Associates Company Limited Preema Construction Limited Prime Sanctury Limited Northern General Insurance Company Limited	25.00 25.00 25.00 7.30
10	Mr. Nafis Sikder	Director	Marina Apparels Limited Nafa Apparels Limited Palmal Packaging Limited The Dacca Dyeing Garments Limited Ayesha Clothing Company Limited Ayesha Fashion Limited Ayesha Washing Limited	50.00 50.00 10.00 2.94 80.00 80.00 80.00
11	Ms. Saheda Pervin Trisha	Director	VIP Shahadat Cold Storage VIP Shahadat Poultry & Hatchery Prime Insurance Company Limited	25.00 15.00 0.35
12	Mr. Mohammad Delwar Hossain (Representative of East Coast Shipping Lines Limited)	Director	Surma Summit Tanks Terminal Limited Prime Finance & Investment Limited	10.00 12.62
13	Mr. Maksudur Rahman Sarkar	Independent Director	N/A	N/A

Distribution of Profit under Islamic banking operation

Annexure-F

Distribution of profit under Islamic Banking operation

Prime Bank is operating 05 (five) Islamic Banking branches based on Islamic Shariah, which absolutely prohibits receipts and payments of interest in any form. The operation of these 05 (five) branches are totally different from other conventional banking branches as they operate on the basis of profit sharing arrangement.

Fixation of final profit rate for the year 2007 and provisional profit rate for the year 2008

Normally profit and loss is calculated annually as at 31 December in every year. For the year ended 31 December 2007, 70% of total investment income shall be distributed to the different types of Mudaraba depositors (except no cost fund) according to the weightage. The remaining 30% of the investment income will be retained by the Bank to meet establishment, administrative expenses and investment loss off-setting reserve.

Provisional profit are applied to the different types of depositors at the rates to be decided by the Bank from time to time taking into consideration of the industry trend and that of the rates of other Islamic Banks in Bangladesh. Final rates of profit are declared annually on the basis of income earned from different investments and other business by individual branches and distributed as per weightage of the different deposit products.

Profit to the depositors for the year 2007 has been paid as per following weightage and rates:

Deposit types	Weightage	Final rate of profit for the year 2007(%)
Mudaraba saving deposits	0.75	6.15
Mudaraba short term deposits	0.52	5.00 - 6.00
Mudaraba term deposits		
36 Months	1.00	11.00 - 11.75
24 Months	0.98	11.00 - 11.75
12 Months	0.96	11.00 - 11.75
06 Months	0.92	11.00 - 11.50
03 Months	0.88	11.00 - 11.50
01 Month	0.84	7.50
Mudaraba contributory savings scheme	1.05	9.50 - 11.00
Mudaraba monthly profit deposits scheme	1.02	10.00 - 12.00
Mudaraba education savings scheme	1.20	11.00 - 11.25
Mudaraba Hajj savings scheme	1.20	11.50
Special deposit scheme	1.02	9.00 - 10.25
Millionaire deposit scheme	1.05	11.00
Lakhpoti deposit scheme	1.05	9.00 - 10.00

Balance Sheet of Islamic Banking Branches as at 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
PROPERTY AND ASSETS		
Cash:		
Cash in hand (including foreign currencies)	32,655,110	29,649,716
Balance with Bangladesh Bank and its agent bank (s) (Including foreign currencies)	- 32,655,110	- 29,649,716
Balance with other banks and financial institutions		
In Bangladesh	180,865	172,042
Outside Bangladesh	-	-
	180,865	172,042
Money at call and short notice	-	-
Investments (including bills):		
General investments	5,320,229,314	4,351,191,532
Bills purchased and discounted	485,965,532	554,503,527
	5,806,194,846	4,905,695,059
Fixed assets including premises, furniture and fixtures	33,408,220	35,726,250
Other assets	2,305,675,063	2,392,523,899
Non - banking assets	-	-
Total assets	<u>8,178,114,104</u>	<u>7,363,766,966</u>
LIABILITIES AND CAPITAL		
Liabilities:		
Borrowings from other banks, financial institutions and agents	210,000,000	250,000,000
Deposits and other Accounts :		
Al-wadeeah current deposits	1,061,619,370	725,436,491
Bills payable	74,690,838	28,394,903
Mudaraba savings deposits	1,366,649,721	576,696,837
Mudaraba term deposits	5,104,600,657	5,745,960,817
	7,607,560,587	7,076,489,048
Other liabilities	360,553,517	37,277,918
Total liabilities	<u>8,178,114,104</u>	<u>7,363,766,966</u>
OFF-BALANCE SHEET ITEMS		
Contingent liabilities		
Letters of guarantee	352,993,571	315,084,880
Irrevocable letters of credit	878,573,409	2,006,223,600
Bills for collection	2,401,430	3,476,754
Other contingent liabilities	816,270,241	34,409,253
	2,050,238,651	2,359,194,487
Other commitments:	-	-
Total Off-Balance Sheet items including contingent liabilities	<u>2,050,238,651</u>	<u>2,359,194,487</u>

Profit and Loss Account of Islamic Banking For the year ended 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
Investment income	946,642,154	638,783,136
Profit paid on deposits, borrowings, etc.	(594,422,698)	(394,029,612)
Net investment income	352,219,456	244,753,524
Commission, exchange and brokerage	58,069,495	68,724,017
Other operating income	32,032,556	28,288,866
Total operating income	442,321,507	341,766,407
Salaries and allowances	36,121,614	30,799,085
Rent, taxes, insurance, electricity, etc.	6,119,722	5,743,023
Legal expenses	266,890	276,558
Postage, stamp, telecommunication, etc.	2,933,697	3,453,348
Stationery, printing, advertisements, etc.	2,314,648	1,774,341
Depreciation and repair of Bank's assets	6,049,915	5,618,762
Other expenses	6,346,113	5,224,201
Total operating expenses	60,152,600	52,889,317
Profit / (loss) before provision	382,168,907	288,877,089
Provision for loans and advances / investments		
Specific provision	9,410,000	2,771,200
General provision	71,571,000	58,821,800
	80,981,000	61,593,000
Provision for diminution in value of investments	-	-
Other provisions	-	-
Total provision	80,981,000	61,593,000
Total profit/(loss) before taxes	301,187,907	227,284,089

Balance Sheet of Merchant Banking and Investment Division as at 31 December 2007

	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
PROPERTY AND ASSETS		
Cash:		
Cash in hand (including foreign currencies)	-	-
Balance with Bangladesh Bank and its agent bank (s) (Including foreign currencies)	-	-
Balance with other banks and financial institutions		
In Bangladesh	28,787,635	-
Outside Bangladesh	-	-
	28,787,635	-
Money at call and short notice	-	-
Investments		
Government	-	-
Others	394,208,679	103,312,225
	394,208,679	103,312,225
Loan and advances		
Loans, cash credits, overdrafts, etc.	1,571,993,018	-
Bills purchased and discounted	-	-
	1,571,993,018	-
Fixed assets including premises, furniture and fixtures	7,585,319	-
Other assets	4,763,177	2,861,615
Non - banking assets	-	-
Total assets	<u>2,007,337,828</u>	<u>106,173,840</u>
LIABILITIES AND CAPITAL		
Liabilities:		
Borrowings from Prime Bank General Account	1,519,885,733	106,173,840
Deposits and other accounts :		
Current deposits	-	-
Bills payable	-	-
Savings bank deposits	-	-
Term deposits	-	-
	-	-
Other liabilities	18,380,917	-
Total profit/(loss) before taxes	469,071,178	3,207,806
Total liabilities	<u>2,007,337,828</u>	<u>106,173,840</u>

Profit and Loss Account of Merchant Banking and Investment Division for the year ended 31 December 2007

	Annexure-H(I)	
	2007	2006
	Taka	Taka
Interest income	129,403,422	1,868,985
Interest paid on deposits, borrowings,etc.	(116,770,694)	(206,425)
Net interest income	12,632,728	1,662,560
Investment income	410,433,606	2,582,342
Commission, exchange and brokerage	61,360,935	385,689
Other operating income	21,710,900	205,583
Total operating income	506,138,169	4,836,174
Salaries and allowances	4,721,067	1,596,880
Rent, taxes, insurance, electricity, etc.	1,544,508	-
Legal expenses	9,600	-
Postage, stamp, telecommunication, etc.	224,695	3,561
Stationery, printing, advertisements, etc.	337,554	23,826
Depreciation and repair of Bank's assets	121,259	-
Other expenses	14,388,308	4,102
Total operating expenses	21,346,991	1,628,368
Profit / (loss) before provision	484,791,178	3,207,806
Provision for loans		
Specific provision	-	-
General provision	15,720,000	-
	15,720,000	-
Provision for diminution in value of investments	-	-
Other provisions	-	-
Total provision	15,720,000	-
Total profit/(loss) before taxes	469,071,178	3,207,806

Off-shore Banking Unit Balance Sheet as at 31 December 2007

PROPERTY AND ASSETS	Notes	2007 USD	2007 Taka	2006 Taka
Cash				
In hand (including foreign currencies)		-	-	-
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		-	-	-
			-	-
Balance with other banks and financial institutions				
In Bangladesh	3	-	-	-
Outside Bangladesh		152	10,398	-
		152	10,398	-
Loans and advances				
Loans, cash credits, overdrafts, etc.	4	-	-	-
Bills purchased and discounted	5	1,443,365	98,975,606	-
		1,443,365	98,975,606	-
Fixed assets including premises, furniture and fixtures	6	10,899	747,367	-
Other assets	7	81	5,575	-
Non - banking assets		-	-	-
Total assets		1,454,497	99,738,946	-
LIABILITIES AND CAPITAL				
Liabilities				
Borrowings from other banks, financial institutions and agents		-	-	-
Deposits and other accounts				
Current deposits	8	462,229	31,696,370	-
Bills payable		-	-	-
Savings bank deposits		-	-	-
Term deposits		-	-	-
Bearer certificate of deposit		-	-	-
		462,229	31,696,370	-
Other liabilities	9	1,007,387	69,079,332	-
Total liabilities		1,469,616	100,775,702	-
Capital / Shareholders' equity				
Paid up capital		-	-	-
Statutory reserve		-	-	-
Other reserve		-	-	-
Deficit in profit and loss account / Retained earnings		(15,119)	(1,036,756)	-
Total Shareholders' equity		(15,119)	(1,036,756)	-
Total liabilities and Shareholders' equity		1,454,497	99,738,946	-

Off-shore Banking Unit Balance Sheet as at 31 December 2007

	<u>2007</u> <u>USD</u>	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
OFF- BALANCE SHEET ITEMS			
Contingent liabilities	10		
Acceptances and endorsements	-	-	-
Letters of guarantee	95,996	6,582,698	-
Irrevocable letters of credit	-	-	-
Bills for collection	114,332	7,840,035	-
Other contingent liabilities	-	-	-
	210,327	14,422,733	-
Other commitments			
Documentary credits and short term trade -related transactions	-	-	-
Forward assets purchased and forward deposits placed	-	-	-
Undrawn note issuance and revolving underwriting facilities	-	-	-
Undrawn formal standby facilities , credit lines and other commitments	-	-	-
Liabilities against forward purchase and sale	-	-	-
Other commitments	-	-	-
	210,327	14,422,733	-
Other memorandum items			
Value of travellers' cheques in hand	-	-	-
Value of Bangladesh sanchay patras in hand	-	-	-
	-	-	-
Total Off-Balance Sheet items including contingent liabilities	210,327	14,422,733	-

Off-shore Banking Unit Profit and Loss Account for the period ended 31 December 2007

	Notes	<u>2007</u> USD	<u>2007</u> Taka	<u>2006</u> Taka
Interest income	11	17,902	1,227,573	-
Interest paid on deposits, borrowings, etc.	12	(11,467)	(786,309)	-
Net interest		6,435	441,264	-
Commission, exchange, brokerage, etc.	13	12,680	869,487	-
Other operating income	14	132	9,052	-
Total operating income (A)		19,247	1,319,803	-
Salaries and allowances	15	24,608	1,687,428	-
Rent, taxes, insurance, electricity, etc.	16	1,824	125,073	-
Postage, stamp, telecommunication, etc.	17	839	57,498	-
Stationery, printing, advertisements, etc.	18	436	29,866	-
Auditors' fees		-	-	-
Depreciation and repair of Bank's assets	19	2,013	138,066	-
Other expenses	20	4,647	318,628	-
Total operating expenses (B)		34,366	2,356,559	-
Profit / (loss) before provision (C=A-B)		(15,119)	(1,036,756)	-
<i>Provision for loans and advances / investments</i>				
Specific provision		-	-	-
General provision		-	-	-
			-	-
Provision for diminution in value of investments		-	-	-
<i>Other provision</i>		-	-	-
Total provision (D)		-	-	-
Total profit / (loss) before taxes (C-D)		(15,119)	(1,036,756)	-
Provision for taxation				
Current tax		-	-	-
Deferred tax		-	-	-
		-	-	-
Net profit / (loss) after taxation		(15,119)	(1,036,756)	-

Off-shore Banking Unit Cash Flow Statement for the period ended 31 December 2007

	<u>2007</u> <u>USD</u>	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
A) Cash flows from operating activities			
Interest receipts in cash	17,902	1,227,573	-
Interest payments	(11,467)	(786,309)	-
Fees and commission receipts in cash	12,680	869,487	-
Cash payments to employees	(24,608)	(1,687,428)	-
Cash payments to suppliers	(2,574)	(176,489)	-
Receipts from other operating activities	132	9,052	-
Payments for other operating activities	(5,263)	(360,893)	-
Cash generated from operating activities before changes in operating assets and liabilities	(13,198)	(905,007)	
Increase / (decrease) in operating assets and liabilities			
Loans and advances to other banks	-	-	-
Loans and advances to customers	(1,443,365)	(98,975,606)	-
Other assets	(81)	(5,575)	-
Deposits from other banks / borrowings	-	-	-
Deposits from customers	462,229	31,696,370	-
Other liabilities	1,007,387	69,079,332	-
	26,170	1,794,521	-
Net cash from operating activities	12,972	889,514	-
B) Cash flows from investing activities			
Purchase / sale of property, plant and equipment	(12,820)	(879,116)	-
Proceeds from sale of property, plant and equipment	-	-	-
Net cash used in investing activities	(12,820)	(879,116)	-
C) Cash flows from financing activities			
Borrowing from Prime Bank Limited	-	-	-
Net Cash from financing activities	-	-	-
D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)	152	10,398	-
E) Effects of exchange rate changes on cash and cash equivalents	-	-	-
F) Cash and cash equivalents at beginning of the year	-	-	-
G) Cash and cash equivalents at end of the year (D+E+F)	152	10,398	-
Cash and cash equivalents at end of the year			
Cash in hand (including foreign currencies)	-	-	
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)	-	-	
Balance with other banks and financial institutions	152	10,398	
	152	10,398	-

Off-shore Banking Unit notes to the Financial Statements as at and for the period ended 31 December 2007

1.1 Status of the unit

Off-shore Banking Unit of Prime Bank Limited, governed under the rules and guidelines of Bangladesh Bank. The Bank obtained the Off-shore Banking Unit permission vide letter no. BRPD (P) 744 (84)/2001-868 dated 19 March 2001. The Bank commenced the operation of its Off-shore Banking Unit from March 15, 2007 and its office is located at Room # 75, Zone Service Building, Dhaka Export Processing Zone, Savar, Dhaka-1349.

1.1.1 Principal activities

The principal activities of the unit is to provide all kinds of commercial banking services to its customers through its branch in Bangladesh.

1.2 Significant accounting policies and basis of preparation of financial statements

1.2.1 Basis of accounting

The Off-shore Banking 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.

1.2.2 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1.2.3 Foreign currency transaction

a) Foreign currencies translation

Foreign currency transactions are converted into equivalent Taka using the ruling exchange rates on the dates of respective transactions as per BAS-21" The Effects of Changes in Foreign Exchange Rates". Foreign currency balances held in US Dollar are converted into Taka at weighted average rate of inter-bank market as determined by Bangladesh Bank on the closing date of every month. Balances held in foreign currencies other than US Dollar are converted into equivalent US Dollar at buying rates of New York closing of the previous day and converted into Taka equivalent.

b) Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in thses financial statements are translated at contracted rates. Contingent liabilities / commitments for letter of credit and letter of gurantee denominated in foreign currencies are expressed in Taka terms at the rates of exchange ruling on the balance date.

c) Translation gains and losses

The resulting exchange transaction gains and losses are included in the profit and loss account, except those arising on the translation of net investment in foreign subsidiary.

Off-shore Banking Unit notes to the Financial Statements as at and for the period ended 31 December 2007

1.2.4 Cash flow statement

Cash flow statement has been prepared in accordance with the Bangladesh Accounting Standard-7 " Cash Flow Statement" under direct method as recommended in the BRPD Circular No. 14, dated June 25, 2003 issued by the Banking Regulation & Policy Department of Bangladesh Bank.

1.2.5 Reporting period

These financial statements cover from March 15 to December 31, 2007.

1.3 Assets and basis of their valuation

1.3.1 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bangladesh Bank and highly liquid financial assets which are subject to insignificant risk of changes in their fair value, and are used by the unit management for its short-term commitments.

1.3.2 Loans and advances / investments

- a) Loans and advances of Off-shore Banking Unit are stated in the balance sheet on gross basis.
- b) Interest is calculated on a daily product basis but charged and accounted for on accrual basis. Interest is not charged on bad and loss loans as per guidelines of Bangladesh Bank. Records of such interest amounts are kept in separate memorandum accounts.

1.3.3 Fixed assets and depreciation

- a) All fixed assets are stated at cost less accumulated depreciation as per BAS-16 " Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.
- b) Depreciation is charged for the year at the following rates on reducing balance method on all fixed assets.

<u>Category of fixed assets</u>	<u>Rate</u>
Furniture and fixtures	10%
Office equipment	20%
c) For additions during the year, depreciation is charged for the remaining days of the year and for disposal depreciation is charged up to the date of disposal.	

1.4 Basis for valuation of liabilities and provisions

1.4.1 Benefits to the employees

The retirement benefits accrued for the employees of the unit as on reporting date have been accounted for in accordance with the provisions of Bangladesh Accounting Standard-19, "Employee Benefit". Bases of enumerating the retirement benefit schemes operated by the Bank are outlined below:

a) Provident fund

Provident fund benefits are given to the permanent staffs of the unit in accordance with the locally registered Provident Fund Rules. The Commissioner of Income Tax, Taxes Zone - 5, Dhaka has approved the Provident Fund as a recognized provident fund within the meaning of section 2(52) read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984. The recognition took effect from 07 July 1997. The Fund is operated by a Board of Trustees consisting six members (03 members from management and other 03 members from the Board of Directors) of the Bank. All confirmed employees of the Bank are contributing 10% of their basic salary as subscription to the Fund. The unit also contributes equal amount of the employees' contribution. Interest earned from the investments is credited to the members' account on yearly basis.

Off-shore Banking Unit notes to the Financial Statements as at and for the period ended 31 December 2007

b) Gratuity fund

Prime Bank operates an unfunded gratuity scheme, provision in respect of which is made annually covering all its permanent eligible employees. Actuarial valuation of gratuity scheme had been made to assess the adequacy of the liabilities provided for the scheme as per BAS-19 "Employee Benefits". Gratuity fund for Off-shore Banking Unit is maintaining with Head Office, Prime Bank Limited.

c) Welfare fund

Prime Bank's employees' welfare fund is subscribed by monthly contribution of the employees. The Bank also contributes to the Fund from time to time. The Fund has been established to provide coverage in the event of accidental death or permanent disabilities of the employees. Disbursement from the fund is done as per rules for employees' welfare fund. Welfare fund for Off-shore Banking Unit is maintaining with Head Office, Prime Bank Limited.

d) Incentive bonus

Prime Bank started a incentive bonus scheme for its employees. 10% of net profit after tax is given by the Board of directors in every year for its employees. These bonus amount distributed among the employees as per performance. The bonus amount are paid annually, normally first quarter of every following year and the cost are accounted for the period to which it relates. Provision for incentive bonus for Off-shore Banking Unit was kept in Head Office' accounts, Prime Bank Limited.

1.4.2 Provision for liabilities

A provision is recognised in the balance sheet when the unit has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with the BAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

1.5 Revenue recognition

1.5.1 Interest income

In terms of the provisions of the BAS-18 "Revenue", the interest income is recognized on accrual basis.

1.5.2 Fees and commission income

Fees and commission income arises on services provided by the unit are recognized on a cash receipt basis. Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of effecting the transactions.

1.5.3 Interest paid and other expenses

In terms of the provisions of the BAS - 1 "Presentation of Financial Statements" interest and other expenses are recognized on accrual basis.

2 General

- a) These financial statements are presented in Taka, which is the Bank's functional currency. Figures appearing in these financial statements have been rounded off to the nearest Taka.
- b) Assets and liabilities have been converted into Taka currency @ US\$1 = Taka 68.5728 which represents the year end and mid rate of exchange as at 31 December 2007.

Off-shore Banking Unit notes to the Financial Statements as at and for the period ended 31 December 2007

	<u>2007</u> <u>USD</u>	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
3	Balance with other banks and financial institutions		
In Bangladesh	-	-	-
Outside Bangladesh (note-3.1)	<u>152</u>	<u>10,398</u>	<u>-</u>
	<u><u>152</u></u>	<u><u>10,398</u></u>	<u><u>-</u></u>
3.1	Outside Bangladesh (Nostro accounts)		
	<u>Current account</u>		
Citibank N.A., New York, USA	<u>152</u>	<u>10,398</u>	<u>-</u>
4	Loans and advances		
i) Loans, cash credits, overdrafts, etc.			
	<div><div>-</div><div>-</div><div>-</div></div>	<div><div>-</div><div>-</div><div>-</div></div>	<div><div>-</div><div>-</div><div>-</div></div>
ii) Bills purchased and discounted (note-5)			
<i>Payable Inside Bangladesh</i>			
Inland bills purchased	<div><div>-</div></div>	<div><div>-</div></div>	<div><div>-</div></div>
<i>Payable Outside Bangladesh</i>			
Foreign bills purchased and discounted	<div><div>1,443,365</div><div>1,443,365</div><div>1,443,365</div></div>	<div><div>98,975,606</div><div>98,975,606</div><div>98,975,606</div></div>	<div><div>-</div><div>-</div><div>-</div></div>
5	Bills purchased and discounted		
Payable in Bangladesh	-	-	-
Payable outside Bangladesh	<u>1,443,365</u>	<u>98,975,606</u>	<u>-</u>
	<u><u>1,443,365</u></u>	<u><u>98,975,606</u></u>	<u><u>-</u></u>
6	Fixed assets including premises, furniture and fixtures		
Cost			
Furniture and fixtures	<div><div>6,427</div></div>	<div><div>440,744</div></div>	<div><div>-</div></div>
Office equipment and machinery	<div><div>6,393</div><div>12,820</div></div>	<div><div>438,372</div><div>879,116</div></div>	<div><div>-</div><div>-</div></div>
Less: Accumulated depreciation	<div><div>(1,921)</div><div>10,899</div></div>	<div><div>(131,749)</div><div>747,367</div></div>	<div><div>-</div><div>-</div></div>
7	Other assets		
Advance deposits and advance rent	58	4,001	-
Due from Head Office	<u>23</u>	<u>1,574</u>	<u>-</u>
	<u><u>81</u></u>	<u><u>5,575</u></u>	<u><u>-</u></u>

**Off-shore Banking Unit notes to the Financial Statements as at
and for the period ended 31 December 2007**

	<u>2007</u> <u>USD</u>	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
8 Deposits and other accounts			
Bank deposits	-	-	-
Customer deposits and other accounts (note-8.1)	<u>462,229</u>	<u>31,696,370</u>	<u>-</u>
	<u><u>462,229</u></u>	<u><u>31,696,370</u></u>	<u><u>-</u></u>
8.1 Customer deposits and other accounts			
Current deposits	414,229	28,404,875	-
Foreign currency deposits	-	-	-
Security deposits receipts	-	-	-
Sundry deposits	<u>48,000</u>	<u>3,291,495</u>	<u>-</u>
	<u><u>462,229</u></u>	<u><u>31,696,370</u></u>	<u><u>-</u></u>
9 Other liabilities			
Interest on bills discount	14,250	977,156	-
Interest on borrowing	5,917	405,730	-
Due to Head Office	<u>987,220</u>	<u>67,696,446</u>	<u>-</u>
	<u><u>1,007,387</u></u>	<u><u>69,079,332</u></u>	<u><u>-</u></u>
10 Contingent liabilities			
10.1 Letters of guarantee			
Letters of guarantee (Local)	<div>95,996</div>	<div>6,582,698</div>	<div>-</div>
Letters of guarantee (Foreign)	<div>-</div>	<div>-</div>	<div>-</div>
Foreign counter guarantees	<div>-</div>	<div>-</div>	<div>-</div>
	<div>95,996</div>	<div>6,582,698</div>	<div>-</div>
Less: Margin	<div>-</div>	<div>-</div>	<div>-</div>
	<u><u>95,996</u></u>	<u><u>6,582,698</u></u>	<u><u>-</u></u>
10.2 Bills for collection			
Outward local bills for collection	<div>-</div>	<div>-</div>	<div>-</div>
Outward foreign bills for collection	<div>114,332</div>	<div>7,840,035</div>	<div>-</div>
Inward local bills for collection	<div>-</div>	<div>-</div>	<div>-</div>
Inward foreign bills for collection	<div>-</div>	<div>-</div>	<div>-</div>
	<div>114,332</div>	<div>7,840,035</div>	<div>-</div>
Less: Margin	<div>-</div>	<div>-</div>	<div>-</div>
	<u><u>114,332</u></u>	<u><u>7,840,035</u></u>	<u><u>-</u></u>
11 Interest income			
Documentary bills purchased	<u>17,902</u>	<u>1,227,573</u>	<u>-</u>
Total interest on loans and advances	<u><u>17,902</u></u>	<u><u>1,227,573</u></u>	<u><u>-</u></u>
12 Interest on deposits, borrowings, etc.			
a) Interest paid on deposits	<div>-</div>	<div>-</div>	<div>-</div>
b) Interest paid on local bank accounts	<div>11,467</div>	<div>786,309</div>	<div>-</div>
c) Interest paid on foreign bank accounts	<div>-</div>	<div>-</div>	<div>-</div>
	<u><u>11,467</u></u>	<u><u>786,309</u></u>	<u><u>-</u></u>

**Off-shore Banking Unit notes to the Financial Statements as at
and for the period ended 31 December 2007**


	<u>2007</u> <u>USD</u>	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
13 Commission, exchange and brokerage			
Commission on L/Cs	-	-	-
Commission on L/Gs	4,800	329,149	-
Commission on export bills	4,450	305,133	-
Commission on bills purchased	-	-	-
Commission on accepted bills	-	-	-
Commission on OBC, IBC, etc.	-	-	-
Commission on PO, DD, TT, TC, etc.	1,050	72,001	-
Commission for services rendered to issue of shares	-	-	-
Other commission	2,380	163,203	-
	12,680	869,487	-
Exchange gain including gain from FC dealings	-	-	-
Brokerage	-	-	-
	<u>12,680</u>	<u>869,487</u>	<u>-</u>
14 Other operating income			
Miscellaneous earnings	132	9,052	-
	<u>132</u>	<u>9,052</u>	<u>-</u>
15 Salaries and allowances			
Basic pay	9,693	664,681	-
Allowances	12,140	832,481	-
Bonus	2,331	159,809	-
Unit's contribution to provident fund	444	30,457	-
Retirement benefits and gratuity	-	-	-
	<u>24,608</u>	<u>1,687,428</u>	<u>-</u>
16 Rent, taxes, insurance, electricity, etc.			
Rent, rate and taxes	1,481	101,570	-
Insurance	-	-	-
Power and electricity	343	23,503	-
	<u>1,824</u>	<u>125,073</u>	<u>-</u>
17 Postage, stamp, telecommunication, etc.			
Postage	-	-	-
Telegram, telex, fax and e-mail	255	17,465	-
Telephone - office	480	32,918	-
Telephone - residence	104	7,116	-
	<u>839</u>	<u>57,498</u>	<u>-</u>
18 Stationery, printing and advertisements, etc.			
Office and security stationery	436	29,866	-
Computer consumable stationery	-	-	-
Publicity and advertisement	-	-	-
	<u>436</u>	<u>29,866</u>	<u>-</u>

Off-shore Banking Unit notes to the Financial Statements as at
and for the period ended 31 December 2007


	<u>2007</u> <u>USD</u>	<u>2007</u> <u>Taka</u>	<u>2006</u> <u>Taka</u>
19 Depreciation and repair of Bank's assets			
Depreciation			
Fixed assets	1,921	131,749	-
Leased assets	-	-	-
	1,921	131,749	-
Repairs			
Building	-	-	-
Furniture and fixtures	-	-	-
Office equipment	92	6,317	-
Bank's vehicles	-	-	-
Maintenance	-	-	-
	92	6,317	-
	<u>2,013</u>	<u>138,066</u>	<u>-</u>
20 Other expenses			
Security and cleaning	2,046	140,306	-
Entertainment	1,533	105,103	-
Car expenses	563	38,587	-
Books, magazines and newspapers, etc.	44	3,026	-
Local conveyance, labour, etc.	157	10,778	-
Remittance charges	3	202	-
Exgratia	87	5,956	-
Miscellaneous expenses	214	14,670	-
	<u>4,647</u>	<u>318,628</u>	<u>-</u>

Liquidity Statement (Analysis of maturity of assets and liabilities) as at 31 December 2007

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets:						
Cash in hand	5,418,817,061	-	-	-	-	5,418,817,061
Balance with other banks and financial institutions	1,512,448,725	819,608,474	85,411,280	-	-	2,417,468,479
Money at call and short notice	-	-	-	-	-	-
Investments	2,384,408,973	1,811,896,031	1,699,997,886	1,611,264,955	5,190,452,783	12,698,020,628
Loans and advances / investments	8,048,406,352	9,096,457,132	18,855,063,005	16,120,359,010	5,562,736,013	57,683,021,512
Fixed assets including premises, furniture and fixtures	7,550,400	15,100,800	67,953,600	362,419,200	207,466,066	660,490,066
Other assets	88,882,787	205,256,838	179,430,560	226,549,633	10,493,234	710,613,052
Non banking assets	-	-	-	-	-	-
Total assets (A):	17,460,514,298	11,948,319,275	20,887,856,331	18,320,592,798	10,971,148,096	79,588,430,798
Liabilities:						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	244,683,990	28,162,000	84,486,000	33,537,500	-	390,869,490
Deposits	14,578,204,531	11,499,991,944	20,669,089,580	12,531,393,496	10,089,154,406	69,367,833,957
Other accounts	1,144,540,968	-	-	-	-	1,144,540,968
Provision and other liabilities	491,940,872	118,411,177	99,660,461	2,701,896,511	-	3,411,909,021
Total liabilities (B):	16,459,370,361	11,646,565,121	20,853,236,041	15,266,827,507	10,089,154,406	74,315,153,436
Net liquidity gap (A - B):	1,001,143,937	301,754,154	34,620,290	3,053,765,291	881,993,690	5,273,277,362



Chairman



Director



Director



Managing Director

Highlights

Annexure-K
(Taka in million)

Sl no.	Particulars	2008	2007
1	Paid-up capital	2,275.00	1,750.00
2	Total capital	6,382.60	4,409.21
3	Capital surplus / (deficit)	834.13	420.08
4	Total assets	79,588.43	60,899.48
5	Total deposits	70,512.37	54,724.08
6	Total loans and advances / investments	57,683.02	45,010.22
7	Total contingent liabilities and commitments	33,088.73	27,929.55
8	Credit deposit ratio	82%	82%
9	Percentage of classified loans / investments against total loans and advances / investments	1.35%	0.82%
10	Profit after tax and provision	1,400.66	1,051.89
11	Amount of classified loans / investments during the year	777.22	367.15
12	Provisions kept against classified loans / investments	478.40	308.52
13	Provision surplus / (deficit) against classified loans / investments	316.79	94.81
14	Cost of fund	8.41%	8.15%
15	Interest earning assets	72,798.53	55,458.31
16	Non-interest earning assets	6,789.90	5,441.16
17	Return on investment (ROI)	12.60%	7.12%
18	Return on assets (ROA)	1.99%	2.05%
19	Income from investment	1,294.21	419.50
20	Earnings per share (Taka)	61.57	46.24
21	Net income per share (Taka)	61.57	46.24
22	Price earning ratio (times)	15.00	8.80

PRIME EXCHANGE CO. PTE. LTD.

(Incorporated in the Republic of Singapore)

Co. Reg. No. 200600315K

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS FINANCIAL YEAR ENDED 31ST DECEMBER 2007



Signing of Financial Statements

Report of The Directors Prime Exchange Co. Pte. Ltd.

REPORT OF THE DIRECTORS

The directors present their report to the members together with the audited financial statements of the Company for the financial year ended 31st December 2007.

The directors of the Company in office at the date of this report are as follows:

Qazi Saleemul Huq
Mohammad Shahjahan Bhuiyan
Sharmila Gunasingham

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISMON OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES

According to the register kept by the Company for the purposes of section 164 of the Singapore Companies Act, Cap.50, the interests of the directors who held office at the end of the financial year in the shares of the Company and the related corporation were as follows:

	Direct interest		Deemed interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
Name of directors				
The Company (Ordinary shares)				
Qazi Saleemul Huq				
Mohammad Shahjahan Bhuiyan				
Sharmila Gunasingham				
The Holding Company				
PRIME BANK LIMITED (Incorporated in Bangladesh)				
(Ordinary shares of Taka 100 each)				
Qazi Saleemul Huq	48,918	63,593	915,081	1,084,947

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

SHARE OPTIONS

During the financial year, there were:

- . no options granted by the Company to any person to take up unissued shares of the Company; and .
- . no shares issued by virtue of any exercise of option to take up unissued shares of the Company.


At the end of the financial year, there were no unissued shares of the Company under option.

AUDITORS

The auditors, C. C. Yang & Co., have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors


Mohammad Shahjahan Bhuiyan


Sharmila Gunasingham

12th February 2008

Statement By Directors

Prime Exchange Co. Pte. Ltd.

In the opinion of the directors,

(a) the accompanying financial statements set out in the following sections of the financial statements:

- . Income Statement
- . Balance Sheet
- . Statement of Changes in Equity
- . Cash Flow Statement
- . Notes, comprising a summary of significant accounting policies and other explanatory notes

are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31st December 2007 and the results, changes in equity and cash flows of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors



Mohammad Shahjahan Bhuiyan



Sharmila Gunasingham

12th February 2008

Independent Auditors Report To The Members of Prime Exchange Co. Pte. Ltd.

We have audited the accompanying financial statements of Prime Exchange Co. Pte. Ltd., which comprise the balance sheet as at 31st December 2007, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap 50. (the "Act") Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

the financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap 50. (the "Act") and Singapore Financial Reporting Standards and so as to give a true and fair view of the state of affairs of the Company as at 31st December 2007 and the results, changes in equity and cash flows of the Company for the financial year ended on that date; and

the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

SINGAPORE
12th February 2008

Income Statement For The Year Ended 31st December 2007

(Expressed in Singapore Dollars)

	Note	2007 \$	Period from 6.1.2006 to 31.12.2006 \$
Commission income	3		
Other interest income	6	74,750	12,027
Employee benefits	4	68	439
expenses Depreciation		(148,303)	(74,436)
Foreign currency gains		(22,305)	(22,106)
Other expenses		176,352	58,172
Loss before income tax		(93,892)	(70,077)
Income tax expense	5		
Net loss for the year		(13,330)	(95,981)

The accompanying notes form an integral part of and should be read in conjunction with these financial statements

Balance Sheet as at 31st December 2007

(Expressed in Singapore Dollars)

	Note	2007 \$	2006 \$
ASSETS			
Non-Current Assets			
Plant and equipment	6	23,476	44,212
Total non-current assets		23,476	44,212
Current Assets			
Other receivables	7	30,565	11,045
Cash and bank balances	8	133,662	146,541
Total current assets		164,227	157,586
Total Assets		\$ 187,703	\$ 201,798
EQUITY AND LIABILITES			
Capital and Reserves			
Share capital	9	250,000	250,000
Accumulated losses		(109,311)	(95,981)
Total equity		140,689	154,019
Current Liabilities			
Trade and other payables	10	47,014	47,779
Total current liabilities		47,014	47,779
Total Equity and Liabilities		\$ 187,703	\$ 201,798

The accompanying notes form an integral part of and should be read in conjunction with these financial statements

Statement of Changes In Equity For The Year Ended 31st December 2007

(Expressed in Singapore Dollars)

	Share Capital	Accumulated Losses	Total
	\$	\$	\$
Balance at 6.1.2006	1	-	1
Net loss for the financial year - 2006		(95,981)	(95,981)
Issue of share capital	249,999	-	249,999
Balance at 31.12.2006	250,000	(95,981)	154,019
Net loss for the year - 2007	-	(13,330)	(13,330)
Balance at 31.12.2007	\$ 250,000	\$(109,311)	\$ 140,689

The accompanying notes form an integral part of and should be read in conjunction with these

Cash Flow Statement For The Year Ended 31st December 2007

(Expressed in Singapore Dollars)

	2007	Period from 6.1.2006 to 31.12.2006
	\$	\$
Cash flows from operating activities	(13,330)	(95,981)
Loss before income tax		
Adjustments for:	22,305	22,106
Depreciation	(68)	(439)
Interest income		
Operating profit/ (loss) before working capital changes	8,907	(74,314)
Increase in	(19,520)	(11,045)
Other receivables	(765)	47,779
Increase/(Decrease) in		
Trade and other payables	(11,378)	(37,580)
Cash used in operations	68	439
Interest received Net cash used in operating activities	(11,310)	(37,141)
Cash flows from investing activities	(1,569)	(66,318)
Purchase of plant and equipment Net cash used in investing activities	(1,569)	(66,318)
Cash flows from financing activities		250,000
Proceeds from issue of share capital		250,000
Net cash from financing activities		250,000
	(12,879)	146,541
Net increase(decrease) in cash and cash equivalents	146,541	
Cash and cash equivalents at beginning of year	\$	\$ 146,541
Cash and cash equivalents at end of year	2(e) 133,662	

The accompanying notes form an integral part of and should be read in conjunction with these financial

Notes to The Financial Statements 31 st December 2007

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL CORPORATE INFORMATION

Prime Exchange Co. Pte. Ltd. is a limited liability company incorporated and domiciled in the Republic of Singapore. The registered office is located at 63 Market Street #10-02 Singapore 048942. The address of its principal place of business is at 5 Roberts Lane Singapore 218286.

The Company is a wholly-owned subsidiary of PRIME BANK LIMITED, incorporated in Bangladesh, which is also the Company's ultimate holding company.

The principal activities of the Company are to carry on the remittance business and to undertake and participate in transactions, activities and operations commonly carried on or undertaken by remittance and exchange house.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POUICIES

(a) Basis of Presentation of Financial Statements

The financial statements, which are expressed in Singapore dollars, are prepared under the historical cost convention except as disclosed in the accounting policies below and are in accordance with the Singapore Financial Reporting Standards (FRS) and the applicable requirements of the Singapore Companies Act.

The functional currency of the Company is the Singapore dollars. As revenues and costs are denominated primarily in Singapore dollars and receipts from operations are usually retained in Singapore dollars, the directors are of the opinion that the Singapore dollars reflect the economic substance of the underlying events and circumstances relevant to the Company.

During the year, the Company adopted the new or revised FRS that are mandatory for application in the current year. Changes to the Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS. The adoption of the revised FRS did not result in any substantial changes to the Company's accounting policies

The preparation of financial statements in conformity with FRS requires management to exercise judgment in the process of applying the Company's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis.

(b) Plant and Equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of plant and equipment includes its purchase price and any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The carrying values of plant & equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amounts, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodies in the items of plant and equipment.

All items of plant and equipment is derecognized upon disposal or when no

Notes to The Financial Statements 31st December 2007

economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

Depreciation is computed on the straight line method to write off the cost of plant and equipment over the estimated useful lives. The estimated useful lives of the plant and equipment are as follows:

Furniture & fittings	3 years
Office equipment	3 years
Office renovation	3 years

(c) Financial Assets

Financial assets are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial statements.

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognised at fair value, plus directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

(d) Other Receivables

Other receivables are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2(c).

An allowance for impairment of other receivables is established when there is objective evidence that the Company will not

be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the receivable, probability that the receivable will enter into bankruptcy or financial reorganization, and default and delinquency are considered indicators that the receivable is impaired. The amount of the allowance is recognised in the income statement.

(e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances that are readily convertible to known amounts of cash and which is subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and bank balances.

(f) Impairment

Impairment of Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Notes to The Financial Statements 31st December 2007

amount are those that are enacted or substantively enacted by the balance sheet date.

Impairment of Non-Financial Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement.

Reversal of an impairment loss recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in income statement. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

(g) Foreign Currency Transactions

Transactions in foreign currency are measured and recorded in Singapore dollars by use of the exchange rate in *effect* at the date of transaction. At each balance sheet date, recorded monetary balances that are denominated in a foreign currency are adjusted to reflect the rate at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are taken to the income statement currently.

(h) Financial Liabilities

Financial liabilities include trade payables and other payables. Financial liabilities are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are recognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

(i) Leases

Operating Leases

Leases under which significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Operating lease payments are charged to the income statement on a straight-line basis over the period of the lease.

(j) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured and the following specific recognition criteria must also be met before revenue can be recognised:

Revenue from rendering of services is recognised upon completion and delivery of services to the customer.

Interest income is recorded on the time proportion basis taking into account the effective yield.

(k) Employee Benefits

Defined contribution plan

As required by law, the Company in Singapore make contributions to the Central Provident Fund (CPF) scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as compensation expenses in the same period as the employment that gives rise to these contributions.

Notes to The Financial Statements 31 st December 2007

(ii) Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income taxes assets are recognised for all deductible temporary differences (other than those mentioned above), carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3. EMPLOYEE BENEFITS EXPENSES

	2007	2006
	\$	\$
Salaries, bonuses and other related costs	145,717	73,302
Employer's contribution to Central Provident Fund	2,586	1,134
	\$ 148,303	\$ 74,436

4. OTHER EXPENSES

	2007	2006
	\$	\$
Other expenses include:		
Incorporation fee written off		2,500

5. INCOME TAX EXPENSE

The income tax benefit varies from the amount of income tax determined by applying the Singapore income tax rate to loss before income tax as a result of the following:

	2007	2006
	\$	\$
Loss before income tax	\$(13,330)	\$(95,981)
Tax benefit calculated at tax rate of 18% (2006-20%)	(2,399)	(19,196)
Expenses not deductible for tax purposes	1,802	2,979
Utilisation of deferred tax benefits not previously recognised		
- Tax loss	(1,679)	
Deferred tax benefits arising in current year not recognised		
- Tax loss	-	13,727
- Others	2,276	2,490
	\$ -	\$ -

The Company has tax loss carry-forward available for offsetting against future taxable income as follows:

	2007	2006
	\$	\$
Amount at beginning of year	68,633	
Amount in current year	-	68,633
Amount utilised in current year	(9,330)	
Amount at end of year	\$ 59,303	\$ 68,633
Deferred tax benefits on above unrecorded	\$ 10,675	\$ 13,727

6.The realisation of the future tax benefits from tax loss carry-forward is available. for an unlimited future period subject to there being no substantial change in the shareholders and compliance with other terms and conditions as stipulated by the Income Tax Act.

Notes to The Financial Statements 31st December 2007

7. OTHER RECEIVABLES

	2007 \$	2006 \$
Deposits	24,920	5,400
Prepayments	5,645	5,645
	\$ 30,565	\$ 11,045

8. CASH AND BANK BALANCES

The cash and bank balances include an amount of \$40,085 (2006 - \$39,852) (Note 10) received from customers for outward remittance at year end date. The amount was subsequently remitted on 2nd January 2008 (2006 3rd January 2007).

9. SHARE CAPITAL

Issued and fully paid	\$	\$
250,000 ordinary shares	250,000	250,000

10. TRADE AND OTHER PAYABLES

	6,929	7,927
Accruals	40,085	39,852
Funds received from customers (Note 8)	\$47,014	\$47,779

11. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Company was committed to making the following payments in respect of rental commitments under non-cancellable operating leases as follows:

Leases which expire:		
Within one year Later	53,200	28,700
than one year		
but within five years	186,600	5,300
	\$239,800	\$34,000

Operating lease payments charged to income statement during the year amounted to \$37,272 (2006 - \$33,235).

12. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identity of Related Parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making the financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Notes to The Financial Statements - 31st December 2007

	2007 \$	2006 \$
(b) Transactions with Directors and Key Executive Officer		
(i) Key Executive Officer's Remuneration		
Salaries, wages and other related costs	84,000	42,000
(ii) Significant transactions on terms agreed by the parties between the Company and a firm in which one of the directors of the Company has an interest (related party):		
Professional fee	3,500	2,180
Incorporation fee	-	2,500
Secretarial fee	3,000	1,500
13. FINANCIAL INSTRUMENTS		
(a) Financial Risk Management Objectives and Policies		
The Company is exposed to various common financial risks arising in the normal course of business.		
The Company does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations in interest and foreign exchange rates.		
The Company's management policies and guidelines are summarised below:		
(i) Foreign Currency Exchange Risk		
The Company's operational activities are carried out in Singapore dollars which is its functional currency. All transactions are paid mainly in local currency. Exposure to any risk arising from movements in foreign currencies exchange rates is minimal.		
(ii) Interest Rate Risk		
The Company has no exposure to movements in market interest rates.		
(iii) Credit Risk		
The Company has no significant concentration of credit risk. The Company has policies in place to ensure that transactions are entered into only with counter parties that are of acceptable credit quality.		
The maximum exposure to credit risk is represented by the net carrying amount of financial assets recorded in the financial statements.		
(iv) Liquidity Risk		
The Company ensures that there are adequate funds and availability of funding through committed credit facilities to meet all its operational requirements.		
(v) Cash Flow Risk		
The Company maintains sufficient level of cash to meet its working capital requirements.		

Notes to The Financial Statements - 31st December 2007

(b) Fair Values

The carrying amounts of financial assets and liabilities approximate their fair values at the balance sheet date due to their short-term nature.

14. NEW ACCOUNTING STANDARDS AND FRS INTERPRETATION

The Company has not yet adopted the following FRS and INT FRS that have been issued but not yet effective:

Reference	Description	Effective for annual periods beginning on or after
FRS 1	Amendments to FRS 1 (revised) Presentation of financial statements (Capital Disclosures)	
FRS 23	Amendment to FRS 23, Borrowing	1 January 2008
FRS 107	Costs Financial Instruments:	1 January 2009
INT FRS	Disclosures Group and Treasury	1 January 2008
111 INT	Share Transactions Service	1 March 2007
FRS 112	Concession Arrangements	1 January 2008

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS 1 as indicated below.

FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. The Company will apply FRS 107 and the amendment to FRS 1 from annual period beginning 1 January 2008.

15. COMPARATIVE FIGURES

The financial statements for 2007 cover the period from 1st January 2007 to 31st December 2007. The financial statements for 2006 cover the period since incorporation on 6th January 2006 to 31st December 2006. As a result, the comparative amounts for the income statement, changes in equity, cash flows and the related notes to the financial statements are not comparable.

16. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31st December 2007 were authorised for issue in accordance with a resolution of the directors on 12th February 2008.



Partial view of the Shareholders in the twelfth AGM



Members of the Board of Directors in the twelfth AGM

Shareholders I information

Financial Calendar	29 March 2007
Twelfth Annual General Meeting	15 April 2007
Transfer of stock dividend 2006	30 July 2007
Half Yearly Financial statements (Un-audited) Announcement of Price Sensitive	24 February 2008 24
Decision 2007 Approval of financial statements	February 2008 12 March 2008
Record date	

Annual General Meeting

The 13th Annual General Meeting will be held on 30 March 2008 in the Plenary Hall of Bangladesh-China Friendship Conference Centre, Agargaon, Dhaka at 10 a.m

Other Information

Exchange controls and other limitations affecting equity security holders
Non-resident can buy and sale PBUs share and transfer the dividends after complying with the Foreign Exchange Transaction Guidelines 1996 an SEC rules.

Taxation on shares and dividends

Following is the current deduction at tax at source on dividend income as per current fiscal act :
- Incase of non-resident, if the shareholder is a company, at the rate applicable to a company, if the shareholder is a person other than company 25 percent;
- Incase of resident, if the shareholder is a company, at the rate applicable to the company, if the shareholder is a person other than company at the rate 10 percent
- Capital gain arising from transfer of Government Securities and stocks and shares of publicly listed companies listed with stock exchanges are tax exempted. For non-resident the tax exemption on capital gain shall be allowed if the similar exemption is allowed in the country of residence of the non-resident.

Stock Details

Particulars	I Dhaka Stock Exchange	Chittagong Stock Exchange
Stock symbol	PRIMEBANK	PBBANK
Company Code	11116	22013
Listing year	2000	1999
Market category	A	A
Electronic share	Yes	Yes
Market Lot	50	50
Total number of securities	22750000	22750000

Availability of information about PBL

Annual Report 2007, and other information about PBL may be viewed on PBL's web site www.prime-bank.com

PBL provides copies of Annual Reports to Securities and Exchange Commission, Bangladesh Bank, Dhaka Stock Exchange and Chittagong Stock Exchange for their reference. Investors may read them at their public reference room or library.

Investors' Inquiries

Share Department
Adamjee Court Annexe Building-2 (11th Floor) 119-120 Motijheel CIA, Dhaka-IOOO
Phone: 9567265/261
Email: info@primebank.com.bd

Company Secretary
Manash Kumar Ghosh
Corporate website & e-mail
www.prime-bank.com
Email: info@primebank.com.bd

Month	Dhaka Stock Exchange (DSE)			Chittagong Stock Exchange (CSE)			Total volume on DSE and CSE
	High Taka	Low Taka	Volume	High Taka	Low Taka	Volume	
January-07	639.00	497.00	1,054,626	606.00	507.25	122,824	1,177,450
February-07	610.00	500.00	682,575	597.50	515.00	54,238	736,813
March-07	595.00	385.00	286,476	547.50	381.00	47,446	333,922
April-07	495.00	403.00	642,785	483.00	429.00	28,440	671,225
May-07	890.00	465.00	2,792,274	900.00	490.00	349,586	3,141,860
June-07	889.00	705.00	1,881,552	900.00	755.00	325,165	2,206,717
July-07	840.00	690.00	1,560,584	820.00	720.00	250,839	1,811,423
August-07	799.00	670.00	767,062	789.00	703.00	147,117	914,179
September-07	856.00	685.00	1,409,805	848.00	700.00	174,150	1,583,955
October-07	930.00	711.00	1,196,931	949.00	765.00	141,987	1,338,918
November-07	910.00	775.00	811,571	865.00	808.00	65,474	877,045
December-07	979.00	740.00	987,710	936.00	790.25	89,007	1,076,717

Source: DSE & CSE

Branch Network

Motijheel Branch, Dhaka date of opening: 17-04-1995 Adamjee Court Annexe Building-2 119-120, Motijheel CIA, Dhaka-IOOO Tel: (02) 7175491, 7176424, 9567225, 7175492, 7175492,01711-595792, 01714-014890, Fax: (02) 9567223	Kawran Bazar Branch, Dhaka date of opening: 14-10-1996 54, Kawran Bazar C/A., Dhaka-1215 Tel: (02) 9124296ii7, 8157288, 9145394, 9145397,01711-612437,01711-628188, Fax: (02) 9129004	Jubilee Road Branch, Chittagong date of opening: 30-07-1998 Pedrollo Plaza, 5, Jubilee Road Chittagong-4000 Tel: (031) 614649, 613939, 2850319, 01711-796635, 01714-080989 Fax: (031) 618982
Khatungonj Branch, Chittagong date of opening: 25-06-1995 142, Chand Mia Lane Katungonj, Chittagong-4000 Tel: (02) 7311017, 7313407, 627297 Fax: (031) 610848	Elephant Road Branch, Dhaka date of opening : 19-03-1997 Ananta Plaza, 136,Elephant Road Dhaka-1205 Tel: (02) 9662776-7, 9673783, 9673786, 8622592, 01713-037359, 01711-628190, Fax :(02) 8622591	BangshalBranch,Dhaka date of opening : 23-03-1999 43/44, Malitola, Northsouth Road, Bangshal, Dhaka-1100 Tel: (02) 7175185, 9561501, 7123480, 01819-22873 01711-628483 Fax: (02) 7175185
Moulvi Bazar Branch, Dhaka date of opening: 18-07-1995 77/4, Moulvi Bazar, Dhaka-1100 Tel: (02) 7311017, 7313407, 7318305 Fax: (02) 7318305	IBB Amberkhana, Sylhet date of opening: 17-12-1997 Nabiba Complex, Amberkhana Airport Road, Sylhet-3100 Tel: (0821) 717332, 717337, 01711-824365, Fax: (0821) 717337	Jessore Branch, Jessore date of opening: 02-05-1999 47, Netaji Subhas Chandra Road Jessore Town, Jessore-7400 Tel: (0421) 68814-5, 01711-824628, 01714-036224, Fax: (0421) 68816
Khulna Banch, Khulna date of opening : 20-11-1995 7, Old Jessore Road, Khulna-9100 Tel: (041) 725100, 720071 Fax: (041) 731195	Court Road Branch, MoulviBazar date of opening : 18-12-1997 Court Road, Moulvi Bazar- 3200 Tel: (0861) 53877, 53878, 54940, 01711-824364, Fax: (0861) 53878	Gonakbari Branch, Sayar, Dhaka 28-09-2000 50msher Plaza (1st floor), (Opposite Dhaka EPZ), Balibhadra Bazar Bas stand, Dhamsona, Ganakbari, Savar, Dhaka-1340 Tel: (02) 7701378-9, 01714-071123, 01711-628192, Fax: (02) 7701378
Islamic Banking Branch, Dilkusha, Dhaka date of opening: 18-12-1995 19, Dilkusha Commercial Area Dhaka-IOOO Tel: (02) 9567227, 7169071, 7169401 Fax: (02) 9567228	Mouchak Branch, Dhaka date of opening: 28-12-1997 Manhattan Tower (1st Floor) 83, Siddaswari Circular Road, Malibagh, Dhaka-1217 Tel: (02) 8352831, 8352832, 9347757, 01714-015533 Fax: (02) 9338883	Uttara Branch, Dhaka date of opening: 28-01-2001 House # 2A(1st Floor), Road # 13, Sector # 4, Uttara Model Town, Dhaka-1230. Tel: (02) 8916233, 8950341-2, 8924248 01711-612438 Fax: (02) 8924248
Sylhet Branch, Sylhet date of opening: 10-01-1996 Laldighirpar, 5ylhet-3100 Tel: (0821) 710208, 721127, 01711-824366, Fax: (0821) 710673	Gulshan Branch, Dhaka date of opening : 14-03-1998 Plot # 01, Block-CEN(H), Road # 109 Gulshan Avenue (Near Wonder Land) Dhaka-1212 Tel: (02) 8829975, 9890898, 9886171 8815885, 9862937, 01711-628187, 01713-004939 Fax: (02) 8820276	Foreign Exchange Branch, Dhaka date of opening: 31-01-2001 Al-Haj Mansion, 82, Motijheel CIA Dhaka-IOOO Tel: (02) 9551682,9564976, 7161146, 01713-038734,01711-836618, 01711-809295 Fax: (02) 9553078 Dhaka Club Booth Tel: (02) 8627138, 8619180-4/129, 01711-882230
Mohakhali Branch, Dhaka date of opening: 20-05-1996 69, Mohakhali C/A. Dhaka-1212 Tel: (02) 9882291,8826483, 8850302, 8817210, 01711-628189, 01711-590416, Fax: (02) 9886052	Narayanganj Branch, Narayanganj date of opening: 15-03-1998 Modern Model Complex, 56,5.M.Maleh Road, Narayanganj-1400 Tel: (02) 7630150, 7616894, 7615782, 01713-069926, 01711-628191 Fax: (02) 7630140	Sat Masjid Road Branch, Dhaka date of opening: 02-05-2001
Barisal Branch, Barisal date of opening: 08-07-1996 37, Hemayet Uddin Road, Barisal-8200 Tel: (0431) 64011, 64012, 01711-824362 Fax: (0431) 63712		
Rajshahi Branch, Rajshahi date of opening: 25-08-1996 138/144, 5haheb Bazar, Rajshahi-6100 Tel: (0721) 773980-81,771874, 01711-824363, Fax: (0721) 773980	Agrabad Branch, Chittagong date of opening: 25-06-1998 Chittagong Chamber House 38, Agrabad C/A., Chittagong-4100 Tel: (031) 716724-5, 727018, 811659, 816396-7,01711-796636,01711-748400 Fax: (031) 718971	 House # 99, Road # 11/A Dhanmondi RIA, Dhaka-1209 Tel: (02) 9122374, 9130466, 8153556, 01711-425208 Fax: (02) 8121652

Branch Network

New Eskaton Branch, Dhaka

date of opening: 24-12-2001
133, New Eskaton Road, Dhaka-1000 Tel: (02) 9354044, 9354738, 9359683, 01714-071124, 01714-016957
Fax: (02) 9354826

Bogra Branch, Bogra

date of opening: 26-12-2001
331/364, Rangpur Road, Borogola Bogra-5800
Tel: (051) 73203, 67172, 61142, 06445190191,01711-439004
Fax: (051) 61142

Madhabdi Branch, Narsingdi

date of opening: 29-10-2002
Plot # 17, Madhabdi Bazar Narsingdi-1604
Tel: (06257) 682, 01711-593583, 01711-431364, Fax: (06257) 683

Banani Branch, Dhaka

date of opening: 27-08-2003
House # 62, Block # E, Kemal Ataturk Avenue Banani, Dhaka-1212 Tel: (02) 8815754, 9889868, 8852899, 8853616,01713-008289,01711-824242, Fax: (02) 8853616

IBB Mirpur, Dhaka

date of opening: 13.11.2003
Mamoni Tower, 1244 East Monipur Begum Royeya Sarani, Mirpur, Dhaka Tel: (02) 8057681-2, 8058371, 01711-401248,01714-098072,
Fax: (02) 8057441

IBB OR Nizam Road, Chittagong

date of opening: 24.12.2003
O. R. Nizam Road Hazrat Garibullah City Corporation Bhaban 739/804 CDA Avenue, Bagmoniram, Chittagong
Tel: (031) 639855, 841437, 841434, 0189-31190501714-020266,
Fax: (031) 841434

pragati Sarani Branch, Dhaka

date of opening: 17.02.2004
Facilities Tower, Kha-199/2 Maddhya Badda, Dhaka
Tel: (02) 8860689, 8816938, 8860685 01714-015481, 01714-039719
Fax: (02) 8860685

IBB Pahartali, Chittagong

date of opening: 04.10.2004
B S Plaza, Plot # 305/1390 Abdul Ali Hat Mouza- Sorai Para, Alanker Morr P. S. Pahartali, Chittagong
Tel: (031) 753143, 753144 01714-025275 Fax: (031) 753144

Shimrail Branch, Narayanganj

date of opening: 15.12.2004
Haji A. Rahman Super Market and Shopping Tower, Holding No. 96, Shimrail Morr, P.O.-Shanarpar, P.s.-Siddirganj, Dist. Narayanganj Tel: (02) 7607013, 7691670, 7691671, 01714-039543 Fax: (02) 7691671

Asad Gate Branch, Dhaka

date of opening: 20.12.2004
2/6, Sir Sayed Road, Mohammadpur (Mirpur Road), Dhaka.
Tel: (02) 9144646, 9125400, 8142106, 8142134, 01714-039546, 01714-039547 Fax: (02) 9125400

Fatickchori Branch, Chittagong

date of opening: 23.12.2004 Haji Hossain Plaza (1st floor) College Road, Bibirhat, Fatickchari, Chittagong
Tel: (031) 637001, 630389, 01713-103661

Tongi Branch, Gazipur

date of opening: 27.12.2004
Sena Kalyan Commercial Complex Plot # 09, Block-F, Tongi, Gazipur. Tel: (02) 9813811, 9813874, 01714-033300 Fax: (02) 9813835

Panthapath Branch, Dhaka

date of opening: 25.04.2005
Firoz Tower (ground & 1st floor) 152/3B, Green Road, Dhaka-1205. Tel: (02) 9142879, 8152852, 8128100, 01713-043239, 01714-026650
Fax: (02) 9137887

Tajpur Branch, Sylhet

date of opening: 04.12.2005
Maya View Super Market (1st floor) P.O. Tajpur, P.S. Osmaninagar, Upozilla- Balaganj, District- Sylhet Tel (08242) 56610, 56611, 01714-100498 Fax: (08242) 56612

Beanibazar Branch, Sylhet

date of opening: 05.12.2005
Zaman Plaza(1st floor)
P.O.Beanibazar, P.s. Beanibazar, Sylhet Tel: (08223) 88645, 87864, 01714-100497 Fax: (08223) 88772

Upashahar Branch, Sylhet

date of opening: 05.12.2005 Alif Center (1st floor)
Subhanighat, Upashahar, Sylhet (0821) 811366, 723524, 01714-100499 Fax: (0821) 710094

Laldighi East Branch, Chittagong

date of opening: 27.12.2005
8, Laldighi East, Chittagong
Tel: (031) 2850771, 2850773, 2850774 01711-400380 Fax: (031) 2850772

Dhanmondi (Mirpur Road) Branch,

date of opening: 27.02.2006
Momtaz Plaza (1st floor)
House # 7, Road # 4, Dhanmondi RIA, Dhaka Te: (02) 8622304, 8621556, 9662704, 8621557,01711-439003, Fax: (02) 9662705

Biswanath Branch, Sylhet

date of opening: 30-07-2006
Al-Baraka Shopping Center (1st floor) P.O. + P.S.: Biswanath, Upazilla: Biswanath, Dist.: Sylhet
Tel: (08224) 56017, 01714-073330
Fax: (08224) 88480

SBC Tower Branch

date of opening: 03-08-2006
SBC Tower (Ground floor), 37/A Dilkisha CIA, Dhaka
Tel: (02) 9559943, 9561221, 01711-628186 01714-014890 Fax: (02) 9564189

Hathazari Branch, Chittagong

date of opening: 08-11-2006
N. Zahur Shopping Center (1st floor)
Kachari Road, Hathazari, Chittagong Tel: (031) 2601524, (031) 2601525, 01711- 809292, Fax: (031) 2601526

Sreemangal Branch, Moulvibazar

date of opening: 17-12-2006
Saptadinga Complex (1st floor)
Holding # 154, Word # 9, Moulvibazar Road, Moulvibazar
Tel: (08626) 71181, 71183, 01714-011578 Fax: (08626) 71182

Branch Network

Jaydevpur Chowrasta Branch

date of opening: 18-12-2006
Shapla Mension (1st floor)
Jaydevpur Chowrasta, P.O. Chandana Gazipur
Tel: (02) 9264103,9264135,9264142, 9264097, 01713-068094, Fax: (02) 9264097

Mirpur-I Branch, Dhaka

date of opening: 19-12-2006 Rabiul Plaza (1st floor)
Plot # Shee-I/Kha, Section # 1 Mirpur, Dhaka.
Tel: 0189-216966, Fax: (02) 8034591

Naogaon Branch, Naogaon

date of opening: 24-12-2006
Jagannath Bhaban (1st floor)
Holding # 320, Ward # 4, Main Road Naogaon
Tel: (0741) 62150, 62151, 62152, 01713-068095, Fax: (0741) 62152

Coxis Bazar Branch, Coxis Bazar

date of opening: 27-12-2006
Hajera Shopping Center (1st floor)
Holding # 256, Ward # 2, Main Road, COXIS Bazar
Tel: 01713-129263, Fax: (0341) 51084

Tangail Branch, Tangail

date of opening: 17.04.2007
Main Building (1st Floor)
Ward No: 6, Holding No.: 414 - 417, Main Road, P.s. + P. O. - Tangail, Dist. - Tangail
Tel: (0921) 61248, 61271, 61322, 61330, Tel: 01713-082745, Fax: (0921) 61322

Feni Branch, Feni

date of opening: 03.05.2007
Kazi Center (1st floor), Beside Mercantile Bank
Ward No: 10, Holding No.: 106, S. S. K. Road, P.S. + P. O. - Feni, Dist.: Feni
Tel: (0331) 63091, 63092, Fax: (0331) 63092 Mobile: 01713-069623

Ashulia Branch, Dhaka

date of opening: 29.07.2007
Sharif Mansion (1st floor)
Jamgora Bazar, P.s.: Ashulia, Dist. Dhaka Tel: (02) 7788290-1
Mobile: 01713-409183

Comilla Branch, Comilla

date of opening : 08.08.2007
Holding # 10/8 (1312) & 9/7 (1311) (1st floor), Word # 12, Mohalla: Chatipatty (Gangagonj), Pawrasava: Comilla, P.s.: Kotwali, Dist. Comilla
Tel: (081) 72612
Mobile: 01713-082803

Subid Bazar Branch, Sylhet

date of opening: 25.10.2007
Corner View (1st floor, west side)
Plot No.: 488 (SA), 2155 (RS), Mouza: Municipality, JL No.: 91 (SA), 69 (RS) Thana+Distrc: Sylhet
Tel: 0821-2830941, Fax: 0821-2830942

Bijoy Nagar Branch, Dhaka

date of opening: 06.11.2007
Akaram Tower (1st floof)
15/5 Bijoy Nagar (Sayed Nazrul Islam Saroni) Dhaka-1000
Tel: 02-9335732, 9335762
Fax: 02-9332639

Rangpur Branch, Rangpur

date of opening: 02.12.2007
Shah Amanat Super Market (1st floor) Holding # 268, Ward # 10
Station Road, lahaj Company More Rangpur
Tel: 0521-64119, Fax: 0521-64118

Ring Road, Dhaka

date of opening: 10.12.2007
Baitul Aman Tower (1st floor)
Holding # 840-841, Ring Road, Adabar, Dhaka-1207
Tel: 02-8117010, Fax: 02-8158866

Raozan, Chittagong

date of opening : 17.12.2007
Fazal Tower (1st floor)
Raozan Bus Stand, Mader Mohal Chittagong
Tel: 030265-6214, 6215

Pallabi, Dhaka

date of opening: 26.12.2007
Setarals Dream (1st floor)
Holding # 1/11 & 1/12, Ward # 6, Dhaka City Corporation, Pallabi, Dhaka Tel: 02-9013629

Bashundhara Branch, Dhaka

date of opening: 27.12.2007
Bashundhara Project, Block # B, Plot # 236, P.s.: Badda, Dist. Dhaka Tel: 02-8849962

AEPZ Branch, Narayangonj

Adamjee Export Processing Zone Narayangonj
Tel:

Corporate Information

. Memorandum and Articles of Association signed by the sponsors	05.02.1995
. Incorporation of the Company	12.02.1995
. Certificate of Commencement of Business	12.02.1995
. License issued by Bangladesh Bank	20.02.1995
. License issued for opening the first Branch, Motijheel	08.04.1995
. Formal launching of the Bank	17.04.1995
. Commencement of Business from the Motijheel Branch	17.04.1995
. Commencement of Islamic Banking Business from IBB, Dilkusha	18.12.1995
. Initial Public Offerings (IPO)	
- Publication of Prospectus	29.08.1999
- Subscription opened	09.09.1999
- Subscription closed	22.09.1999
. Listed with Dhaka Stock Exchange Limited	27.03.2000
. Listed with Chittagong Stock Exchange Limited	15.11.1999
. Trading of Shares on Dhaka Stock exchange Limited	29.03.2000
. Trading of Shares on Chitta gong Stock exchange Limited	29.03.2000
. Dividend declared in the 5th AGM (First after the IPO)	14.03.2000
. Registered as Merchant Banker with Securities and Exchange Commission	29.03.2001
. License issued from Bangladesh Bank as Primary Dealer	11.12.2003
. Registered as Depository Participant of CDBL	29.03.2004
. Trading of Shares started in Demat form in Stock Exchanges	15.06.2004
. Completion of 10 years of service	17.04.2005
. Agreement with Temenos for Core Banking Software T24	30.06.2005
. Incorporation of Prime Exchange Co. Pte. Ltd. a fully owned subsidiary of Prime Bank Ltd	06.01.2006
. Prime Exchange Co. Pte. Ltd. formally started business	08.07.2006
. Opening of Off-shore Banking Unit at DEPZ, Savar, Dhaka	15.03.2007

Auditors

Rahman Rahman Huq
Chartered Accountants
9 Mohakhali CfA (11th Floor)
Dhaka-1212
Bangladesh

S.F. Ahmed & Co.
Chartered Accountants
House 25, Road 13A
Block D, Banani
Dhaka-1213
Bangladesh

Glossary

ALCO	Asset Liability Committee
ATM	Automated Teller Machine
BB	Bangladesh Bank (Central Bank of Bangladesh)
Bank	Prime Bank Limited
B/L	Bad/Loss
BAS	Bangladesh Accounting Standard
CRR	Cash Reserve Requirement
CRG	Credit Risk Grading
CSR	Corporate Social Responsibility
CPI	Consumer Price Index
CDBL	Central Depository Bangladesh Limited
CBS	Core Banking Software
CRISL	Credit Rating and Information Services Ltd.
DCFCL	Departmental Control Function Check List
DEPZ	Dhaka Export Processing Zone
DP	Depository Participants
EPS	Earning per share
EPZ	Export Processing Zone
FY	Fiscal Year (July to June)
GDP	Gross Domestic Product
IT	Information Technology
IMF	International Monetary Fund
IAS	International Accounting Standard
ICAB	Institute of Chartered Accountants of Bangladesh
IPO	Initial public offering
LC	Letter of Credit
MBID	Merchant Banking and Investment Division
MTMF	Medium Term Macro Economic Framework
MANCOM	Management Committee
NII	Net interest income
NPL	Non-performing loan
NCBs	National Commercial Banks
.OBU	Offshore Banking Unit
PCBs	Private Commercial Banks
PBL	Prime Bank Limited
POS	Point of Sale terminal
PV	Present Value
RWA	Risk Weighted Assets
RMG	Readymade garments
ROA	Return on assets (excluding contingent items)
ROE	Return on equity
R&D	Research and Development
RD	Recovery Division
RSO	Right Share Offering
SME	Small and Medium Enterprise
SOP	Standard Operating Procedure
SLR	Statutory Liquidity Requirement
USA	United States of America

Eventful Year



Prime Bank Family Members on a River Cruise



Inaugural Ceremony of Prime Bank Asian Under 14 Tennis Tournament '07



MOU Signing Ceremony with Warid Telecom



Inauguration of VIP lounge of National Press Club sponsored by PBL



An entertaining moment of Annual Picnic 2007



Blood Donation Camp organized by PBL on 12th Anniversary

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