

Bangladesh Bank's Accounts for 2011-2012

13.1 The financial result of operations of Bangladesh Bank for the FY12 has been prepared in accordance with International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board (IASB). During the year, the accounts of Security Printing Corporation (Bangladesh) Ltd. (SPCL), a 100 percent owned subsidiary of Bangladesh Bank has been consolidated with the accounts of Bangladesh Bank. The executive summary of Accounts of Bangladesh Bank (excluding SPCL) is represented below:

Income

13.2 The total income of the Bank (excluding other comprehensive income) for the FY12 decreased by Taka 12.2 billion (12.4 percent) to Taka 86.8 billion compared to Taka 99.1 billion in FY11. This was mainly due to decrease in income from foreign currency revaluation. The sources of income are set out in the Table 13.1.

Income from Foreign Currency Financial Assets

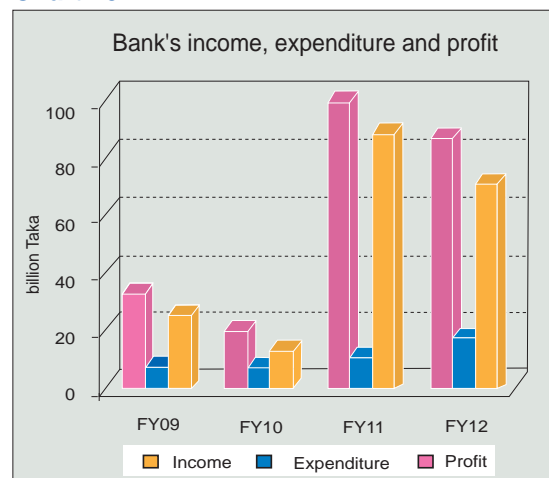
13.3 During FY12 Bank's income from the foreign currency financial assets increased by Taka 1.3 billion (13.5 percent) to Taka 10.9 billion compared to Taka 9.6 billion in FY11 due to higher interest rate and increase in investment of foreign currency.

Income from Local Currency Financial Assets

13.4 Bank's income from local currency financial assets increased by Taka 24.3 billion

	FY12	FY11
A. Income from foreign		
currency financial assets	10.9	9.6
Interest income	10.8	9.5
Commission and discounts	0.1	0.1
B. Income from local currency		
financial assets	44.2	19.9
Interest income	43.1	19.0
Commission & discounts	0.7	0.4
Dividend income & misc.	0.1	0.1
Write back of impairment	0.3	0.4
C. Foreign exchange		
revaluation gain	31.7	69.6
Realised gain	5.4	6.3
Unrealised gain	26.3	63.3
Total : (A+B+C)	86.8	99.1

Chart 13.1



(122.1 percent) to Taka 44.2 billion in FY12 compared to Taka 19.9 billion in FY11. This was due to increase in income from Government securities and repo operation.

Income from Realised Foreign Currency Revaluation Gain

13.5 During FY12 Bank's income from realised foreign currency revaluation gain decreased by Taka 0.9 billion (14.3 percent) to Taka 5.4 billion in FY12 compared to Taka 6.3 billion in FY11 and income from unrealised foreign exchange revaluation gain decreased by Taka 37.0 billion (58.5 percent) to Taka 26.3 billion in FY12 compared to Taka 63.3 billion in FY11. Foreign currency revaluation gain/loss (realised & unrealised) was included in the total income of the Bank.

Expenditure

13.6 Total expenditure of the Bank increased by Taka 5.9 billion (55.6 percent) to Taka 16.6 billion in FY12 compared to Taka 10.6 billion in FY11. The increase in expenditure was mainly due to increase in both financial and administrative cost. The details of expenditure are shown in the Table 13.2.

Financial Cost

13.7 Financial cost increased by Taka 1.8 billion (52.9 percent) to Taka 5.2 billion in FY12 compared to Taka 3.4 billion in FY11. This was mainly due to increase in payment of agency charges to Sonali Bank and loss on bond revaluation.

Administrative Cost

13.8 Administrative cost increased by Taka 4.2 billion (58.3 percent) to Taka 11.4 billion in FY12 compared to Taka 7.2 billion in FY11. The increase was mainly due to increase in staff cost and depreciation charged on property, plant & equipment of the Bank.

Operating Profit for the Year

13.9 Operating profit of the bank decreased

Table 13.2 Bank's expenditure (billion Taka)

Particulars	FY12	FY11
A. Financial cost	5.2	3.4
Interest paid on deposit	0.1	0.1
Interest paid on ACU	0.01	0.1
Interest and commission paid to IMF	0.3	0.5
Interest paid on BB bill	-	0.1
Agency charges	2.9	1.6
Revaluation loss on bonds	1.6	0.8
Others	0.3	0.2
B. Administrative cost	11.4	7.2
Staff cost	6.6	3.8
Note printing	2.1	2.1
Depreciation	1.2	0.3
Other related expenses	1.5	1.02
Total Expenditure (A+B)	16.6	10.6

by Taka 18.10 billion (20.5 percent) to Taka 70.3 billion in FY12 compared to Taka 88.4 billion in FY11. This was mainly due to inclusion of unrealised foreign exchange revaluation gain in the operating profit, which is lower than that of the previous financial year.

Other Comprehensive Income

13.10 During the year the Bank earned an amount of Taka 8.2 billion as revaluation gain on gold and silver. This revaluation gain was taken into comprehensive income and subsequently transferred to the reserve account. Revaluation gain/loss arose due to increase or decrease in value of gold and silver in the international market.

Profit Appropriation

13.11 Out of the total profit (70.3 billion) an amount of Taka 1.9 billion was transferred to statutory funds, interest reserve account and other funds. Profit amounting to Taka 31.7 billion arose from revaluation on foreign

currency was transferred to currency fluctuation & foreign currency revaluation reserve. The remaining profit amount of Taka 36.7 billion was payable to Government. Out of this amount an amount of Taka 1.9 billion was adjusted against dues from Government and the remaining amount of Taka 34.8 billion was transferred to the Govt. account, which is Taka 18.2 billion higher compared to Taka 16.6 billion of the previous year.

Combined Balance Sheet of Banking and Issue Department

Assets

13.12 Foreign currency financial assets increased by Taka 33.5 billion (4.0 percent) to Taka 875.0 billion in FY12 compared to Taka 841.5 billion in FY11 due to increase in foreign reserves.

13.13 Local currency financial assets increased by Taka 139.2 billion (27.5 percent) to Taka 645.1 billion in FY12 compared to Taka 505.9 billion in FY11. The result was mainly due to increase in loans to Government (Taka 373.1 billion in FY12 and Taka 313.5 billion in FY11), investment in repo and loans to banks, financial institutions and employees (total Taka 271.6 billion in FY12 and Taka 192.1 billion in FY11).

13.14 Non financial assets of the Bank increased from Taka 64.8 billion in FY11 to Taka 75.3 billion in FY12 due to revaluation of gold and silver.

Liabilities

13.15 On the liabilities side, foreign currency financial liabilities increased by Taka 23.2 billion (7.5 percent) to Taka 333.0 billion in FY12 from Taka 309.8 billion in FY11. The increase was due to increase in liabilities with

IMF and increase in deposits from banks and financial institutions in foreign currency clearing account.

13.16 Local currency financial liabilities increased by Taka 80.0 billion (9.0 percent) to Taka 971.0 billion in FY12 compared to Taka 891.1 billion in FY11 due to increase in Notes in Circulation and deposits from banks and financial institution in local currency.

13.17 Non financial liabilities increased by Taka 0.9 billion (1.9 percent) to Taka 49.0 billion in FY12 compared to Taka 48.1 billion in FY11. Profit payable to the Government increased by Taka 20.0 billion (119.8 percent) to Taka 36.7 billion in FY12 compared to Taka 16.7 billion in FY11.

Equity

13.18 Total equity of the Bank increased by Taka 79.3 billion to Taka 242.4 billion in FY12 compared to Taka 163.1 billion the previous year. The equity of the bank is enumerated below:

- i. Capital of the bank remained unchanged at Taka 0.03 billion;
- ii. Revaluation reserve increased by Taka 34.6 billion to Taka 139.9 billion in FY12 compared to Taka 105.3 billion in FY11.
- iii. Currency fluctuation reserve increased from Taka 17.1 billion to Taka 22.6 billion;
- iv. Balance of statutory fund increased from Taka 13.6 billion to Taka 13.9 billion;
- v. Non statutory fund increased from Taka 13.6 billion to Taka 14.3 billion;
- vi. Other reserves increased from Taka 9.5 billion to Taka 10.8 billion;

vii. General reserve remained unchanged at Taka 4.3 billion.

Foreign Currency Reserve

13.19 Foreign currency reserve increased by Taka 226.1 billion (27.9 percent) to Taka 1036.1 billion in FY12 compared to Taka 810.0 billion in FY11.

Notes in Circulation

13.20 Notes in circulation increased by Taka 42.8 billion to Taka 642.0 billion in FY12 compared to Taka 599.2 billion in FY11. The liabilities for Notes in Circulation amounting to Taka 642.0 billion were backed by Gold and Silver Taka 8.2 billion, foreign currencies Taka 500.0 billion, Government Securities

Taka 101.7 billion, Bangladesh Coins Taka 0.5 billion and other Domestic assets Taka 31.6 billion.

Auditors

13.21 The financial statements of Bangladesh Bank for the FY12 were audited as per International Standards on Auditing (ISA) by Hoda Vasi Chowdhury & Co. Chartered Accountants, an independent correspondent firm to Deloitte Touche Tohmatsu with their partner international audit firm BRS Neupane & Co. Nepal and Syful Shamsul Alam & Co. Chartered Accountants, a member of UHY international with their partner international audit firm UHY Hassan Naeem & Co. Pakistan.

BANGLADESH BANK

REPORT AND FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 30 JUNE 2012

Auditors' Report to the Government of the Peoples' Republic of Bangladesh

We have audited the accompanying consolidated financial statements of Bangladesh Bank and its subsidiary (the "Group") as well as the financial statements of Bangladesh Bank ("the Bank") which comprise the Statement of Financial Position as at 30 June 2012 and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the subsidiary, the Security Printing Corporation (Bangladesh) Ltd., were audited by Ahmad & Akhtar, Chartered Accountants.

The financial statements of the Bank for the year ended 30 June 2011 were jointly audited by ACNABIN, Chartered Accountants and Syful Shamsul Alam & Co., Chartered Accountants who issued unqualified opinion on 24 August 2011.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements of the Group and also the financial statements of the Bank in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of these consolidated financial statements of the Group and financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements of the Group and the financial statements of the Bank, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements of the Group and the financial statements of the Bank 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 management, as well as evaluating the overall presentation of the consolidated financial statements of the Group and the financial statements of the Bank.

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 consolidated financial statements of the Group and the financial statements of the Bank present fairly, in all material respects, the financial position of the Group as well as the Bank as at 30 June 2012 and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

Syful Shamsul Alam & Co.

Chartered Accountants, Bangladesh

Hoda Vasi Chowdhury & Co.

Chartered Accountants, Bangladesh

UHY Hassan Naeem & Co.

Chartered Accountants

Pakistan

BRS Neupane & Co.

Chartered Accountants

Nepal

Dhaka, 28 August 2012

Bangladesh Bank
Consolidated Statement of Financial Position as at 30 June 2012

Assets	Notes	2012 Taka '000	2011 Taka '000
Foreign currency financial assets			
Foreign currency accounts	4	249,373,436	176,508,754
Foreign investments	5	458,697,777	488,303,762
Assets held with IMF	6	121,641,294	111,318,324
Other foreign assets	7	45,307,301	65,398,404
Total foreign currency financial assets		875,019,808	841,529,244
Local currency financial assets			
Cash and cash equivalents	8a	924,638	582,900
Loans to the government	9	373,067,868	313,529,793
Investments	10a	161,434,458	91,984,998
Loans to banks, financial institutions and employees	11a	111,496,070	101,162,902
Total local currency financial assets		646,923,034	507,260,593
Total financial assets		1,521,942,842	1,348,789,837
Non financial assets			
Gold & silver	12	43,237,048	34,558,891
Property, plant and equipment	13a	27,951,460	28,513,824
Intangible assets	15	582,880	-
Capital work in progress	16a	991,660	723,096
Other domestic assets	17a	8,260,720	6,797,696
Total non financial assets		81,023,768	70,593,507
Total assets		1,602,966,610	1,419,383,344
Liabilities & equity			
Liabilities			
Foreign currency financial liabilities			
Liabilities with IMF	6	173,905,427	168,554,204
Deposits from banks and financial institutions	18	157,626,977	139,817,884
Other foreign liabilities	19	1,481,036	1,465,192
Total foreign currency financial liabilities		333,013,440	309,837,280
Local currency financial liabilities			
Notes in circulation	20	642,007,492	599,157,730
Deposits from banks and financial institutions	21	329,012,078	291,958,033
Total local currency financial liabilities		971,019,570	891,115,763
Total financial liabilities		1,304,033,010	1,200,953,043
Non financial liabilities			
Other domestic liabilities	22a	49,923,074	49,495,375
Total non financial liabilities		49,923,074	49,495,375
Total liabilities		1,353,956,084	1,250,448,418
Equity			
Capital	23	30,000	30,000
Revaluation reserve	24a	141,248,856	106,681,389
Currency fluctuation reserve	25	22,562,353	17,124,310
Statutory funds	26	13,917,046	13,367,046
Non statutory funds	27	14,266,067	13,570,000
Other reserve	28	10,775,652	9,455,569
General reserve	28	4,500,500	4,450,500
Retained earnings	29a	41,710,052	4,256,112
Total equity		249,010,526	168,934,926
Total liabilities and equity		1,602,966,610	1,419,383,344

The accompanying notes from 1 to 52 form an integral part of these financial statements.

A. K. M. Rahmat Ullah
General Manager
Accounts & Budgeting Department

Md. Abul Quasem
Deputy Governor

Dr. Atiur Rahman
Governor

Bangladesh Bank
Statement of Financial Position as at 30 June 2012

Assets	Notes	2012 Taka '000	2011 Taka '000
Foreign currency financial assets			
Foreign currency accounts	4	249,373,436	176,508,754
Foreign investments	5	458,697,777	488,303,762
Assets held with IMF	6	121,641,294	111,318,324
Other foreign assets	7	45,307,301	65,398,404
Total foreign currency financial assets		875,019,808	841,529,244
Local currency financial assets			
Cash and cash equivalents	8	459,960	306,339
Loans to the Government	9	373,067,868	313,529,793
Investments	10	160,843,153	91,333,576
Loans to banks, financial institutions and employees	11	110,768,301	100,693,039
Total local currency financial assets		645,139,282	505,862,747
Total financial assets		1,520,159,090	1,347,391,991
Non financial assets			
Gold & silver	12	43,237,048	34,558,891
Property, plant and equipment	13	24,861,664	25,277,155
Intangible asset	15	582,880	-
Capital work in progress	16	990,678	715,353
Other domestic assets	17	5,594,924	4,241,528
Total non financial assets		75,267,194	64,792,927
Total assets		1,595,426,284	1,412,184,918
Liabilities & equity			
Liabilities			
Foreign currency financial liabilities			
Liabilities with IMF	6	173,905,427	168,554,204
Deposits from banks and financial institutions	18	157,626,977	139,817,884
Other foreign liabilities	19	1,481,036	1,465,192
Total foreign currency financial liabilities		333,013,440	309,837,280
Local currency financial liabilities			
Notes in circulation	20	642,007,492	599,157,730
Deposits from banks and financial institutions	21	329,012,078	291,958,033
Total local currency financial liabilities		971,019,570	891,115,763
Total financial liabilities		1,304,033,010	1,200,953,043
Non financial liabilities			
Other domestic liabilities	22	48,948,277	48,100,858
Total non financial liabilities		48,948,277	48,100,858
Total liabilities		1,352,981,287	1,249,053,901
Equity			
Capital	23	30,000	30,000
Revaluation reserve	24	139,901,059	105,333,592
Currency fluctuation reserve	25	22,562,353	17,124,310
Statutory funds	26	13,917,046	13,367,046
Non statutory funds	26	14,266,067	13,570,000
Other reserve	27	10,775,652	9,455,569
General reserve	28	4,250,500	4,250,500
Retained earnings	29	36,742,320	-
Total equity		242,444,997	163,131,017
Total liabilities and equity		1,595,426,284	1,412,184,918

The accompanying notes from 1 to 52 form an integral part of these financial statements.

A. K. M. Rahmat Ullah
General Manager
Accounts & Budgeting Department

Md. Abul Quasem
Deputy Governor

Dr. Atiur Rahman
Governor

Bangladesh Bank
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2012

Income	Notes	2012 Taka '000	2011 Taka '000
Income from foreign currency financial assets			
Interest income	30	10,805,285	9,537,443
Commission and discounts	31	113,872	104,433
Total income from foreign currency financial assets		10,919,157	9,641,876
Income from local currency financial assets			
Interest income	34a	43,253,308	19,156,880
Commission and discounts	35	639,862	377,055
Sales to other parties by subsidiary		2,045,557	1,468,926
Miscellaneous income		10,117	8,904
Total income from local currency financial assets		45,948,844	21,011,765
Realised foreign exchange revaluation gain		5,438,043	6,313,680
Unrealised foreign exchange revaluation gain		26,293,033	63,257,814
Total income		88,599,077	100,225,135
Expenses			
Expenses on foreign currency financial liabilities			
Interest expense	32	(300,347)	(448,689)
Commission and other expenses	33	(1,702,226)	(1,102,955)
Total expenses on foreign currency financial liabilities		(2,002,573)	(1,551,644)
Expenses on local currency financial liabilities			
Interest expense	36	-	(57,401)
Commission and other expenses	37	(3,133,898)	(1,841,800)
Total expenses on local currency financial liabilities		(3,133,898)	(1,899,201)
Other expenses			
Provision for impairment		335,569	417,250
General and administrative expenses	38a	(12,719,087)	(8,077,947)
Total other expenses		(12,383,518)	(7,660,697)
Total expenses		(17,519,989)	(11,111,542)
Profit for the year		71,079,088	89,113,593
Other comprehensive income			
Gold revaluation gain		8,271,574	10,894,718
Silver revaluation gain/(loss)		(49,875)	226,686
Total other comprehensive income		8,221,699	11,121,404
Total comprehensive income for the year		79,300,787	100,234,997

The accompanying notes from 1 to 52 form an integral part of these financial statements.

A. K. M. Rahmat Ullah
General Manager
Accounts & Budgeting Department

Md. Abul Quasem
Deputy Governor

Dr. Atiur Rahman
Governor

Bangladesh Bank
Statement of Comprehensive Income
For the year ended 30 June 2012

Income	Notes	2012 Taka '000	2011 Taka '000
Income from foreign currency financial assets			
Interest income	30	10,805,285	9,537,443
Commission and discounts	31	113,872	104,433
Total income from foreign currency financial assets		10,919,157	9,641,876
Income from local currency financial assets			
Interest income	34	43,076,818	18,983,961
Commission and discounts	35	639,862	377,055
Dividend income		75,000	50,000
Miscellaneous income		2,982	971
Total income from local currency financial assets		43,794,662	19,411,987
Realised foreign exchange revaluation gain		5,438,043	6,313,680
Unrealised foreign exchange revaluation gain		26,293,033	63,257,814
Total income		86,444,895	98,625,357
Expenses			
Expenses on foreign currency financial liabilities			
Interest expense	32	(300,347)	(448,689)
Commission and other expenses	33	(1,702,226)	(1,102,955)
Total expenses on foreign currency financial liabilities		(2,002,573)	(1,551,644)
Expenses on local currency financial liabilities			
Interest expense	36	-	(57,401)
Commission and other expenses	37	(3,133,898)	(1,841,800)
Total expenses on local currency financial liabilities		(3,133,898)	(1,899,201)
Other expenses			
Provision for impairment		335,569	417,250
General and administrative expenses	38	(11,326,525)	(7,165,846)
Total other expenses		(10,990,956)	(6,748,596)
Total expenses		(16,127,427)	(10,199,441)
Profit for the year		70,317,468	88,425,916
Other comprehensive income			
Gold revaluation gain		8,271,574	10,894,718
Silver revaluation gain/(loss)		(49,875)	226,686
Total other comprehensive income		8,221,699	11,121,404
Total comprehensive income for the year		78,539,167	99,547,320

The accompanying notes from 1 to 52 form an integral part of these financial statements.

A. K. M. Rahmat Ullah
General Manager
Accounts & Budgeting Department

Md. Abul Quasem
Deputy Governor

Dr. Atiur Rahman
Governor

Bangladesh Bank
Consolidated Statement of Changes in Equity
For the year ended 30 June 2012

Taka '000

Particulars	Capital	Revaluation reserve			Currency fluctuation reserve	Statutory fund	Non statutory funds	Asset renewal & replacement teserve	Interest reserve	General reserve	Retained earnings	Total
		Gold and silver	Foreign currency accounts	Property, plant & equipment								
Balance as at 1 July 2010	30,000	8,798,020	-	23,541,687	10,810,630	12,817,046	13,000,000	-	6,883,328	4,400,500	3,618,436	83,899,647
Transferred to general reserve	-	-	-	-	-	-	-	-	-	50,000	(50,000)	-
Total comprehensive income for the year	-	11,121,404	63,257,814	-	6,313,680	550,000	570,000	226,449	698,300	-	17,497,349	100,234,996
Adjustment against revaluation	-	-	-	(37,536)	-	-	-	37,536	-	-	-	-
Dividend payable for FY11	-	-	-	-	-	-	-	-	-	-	(16,809,673)	(16,809,673)
Balance as at 30 June 2011	30,000	19,919,424	63,257,814	23,504,151	17,124,310	13,367,046	13,570,000	263,985	7,581,628	4,450,500	4,256,112	167,324,970
Transferred to general reserve	-	-	-	-	-	-	-	-	-	50,000	(50,000)	-
Transfer to other funds	-	-	-	-	-	-	696,067	-	-	-	-	696,067
Total comprehensive income for the year	-	8,221,699	-	-	-	-	-	-	-	-	71,079,088	79,300,787
Appropriation of profit to other funds	-	-	26,293,033	-	5,438,043	550,000	-	617,372	676,700	-	(33,575,148)	-
Adjustment against revaluation	-	-	-	52,735	-	-	-	26,011	-	-	-	78,746
Balance as at 30 June 2012	30,000	28,141,123	89,550,847	23,556,886	22,562,353	13,917,046	14,266,067	907,368	8,258,328	4,500,500	41,710,052	247,400,570

Bangladesh Bank
Statement of Changes in Equity
For the year ended 30 June 2012

Taka '000

Particulars	Capital	Revaluation reserve			Currency fluctuation reserve	Statutory fund	Non statutory fund	Asset renewal & replacement reserve	Interest reserve	General reserve	Retained earnings	Total
		Gold and silver	foreign currency accounts	Property, plant & equipment								
Balance as at 1 July 2010	30,000	8,798,020	-	22,193,890	10,810,630	12,817,046	13,000,000	1,609,956	6,883,328	4,250,500	-	80,393,370
Total comprehensive income for the year	-	11,121,404	63,257,814	-	6,313,680	550,000	570,000	226,449	698,300	-	16,809,673	99,547,320
Adjustment against revaluation	-	-	-	(37,536)	-	-	-	37,536	-	-	-	-
Dividend payable for 2010-2011	-	-	-	-	-	-	-	-	-	-	(16,809,673)	(16,809,673)
Balance as at 30 June 2011	30,000	19,919,424	63,257,814	22,156,354	17,124,310	13,367,046	13,570,000	1,873,941	7,581,628	4,250,500	-	163,131,017
Transfer to other funds	-	-	-	-	-	-	696,067	-	-	-	-	696,067
Total comprehensive income for the year	-	8,221,699	-	-	-	-	-	-	-	-	70,317,468	78,539,167
Appropriation of profit to other funds	-	-	26,293,033	-	5,438,043	550,000	-	617,372	676,700	-	(33,575,148)	-
Adjustment against revaluation	-	-	-	52,735	-	-	-	26,011	-	-	-	78,746
Balance as at 30 June 2012	30,000	28,141,123	89,550,847	22,209,089	22,562,353	13,917,046	14,266,067	2,517,324	8,258,328	4,250,500	36,742,320	242,444,997

Revaluation reserve of PPE is the net amount of (a) adjustment to rectify prior year errors arising from some missing items in valuation report by valuer and incorrect entry into the SAP and (b) transfer of amount from revaluation reserve to equity (Asset renewal & replacement reserve) on account of disposal of Assets.

After authorizing the consolidated financial statements by Board of directors the balance of distributable profit in retained earnings would be paid to the Government as per Article-64 of the Bangladesh Bank Order, 1972.

Bangladesh Bank		
Consolidated Statement of Cash Flows		
For the year ended 30 June 2012		
	2012	2011
	Taka '000	Taka '000
A) Cash flows from operative activities		
Interest received	38,843,181	19,091,999
Interest paid	(250,662)	(534,784)
Receipts from customers	2,045,557	1,468,926
Fees, commission and other income received	763,851	524,096
Commission and discounts paid	(3,685,068)	(2,619,554)
Income tax paid	(453,950)	(357,582)
Payments to employees and suppliers	(12,346,136)	(6,243,590)
Increase / (Decrease) in operating assets :		
Funds advanced to customers	(10,034,278)	(9,751,883)
Other assets	(837,988)	(2,494,990)
Increase / (Decrease) in operating liabilities :		
Deposits from commercial banks	54,878,982	89,693,014
Other liabilities	17,879,447	(22,642,285)
Net cash provided by operating activities	86,802,936	66,133,367
B) Cash flows from investing activities		
Investments income	14,154,714	8,335,833
Investments in foreign treasury bills and bonds	22,640,553	11,730,999
Other investments	(48,993,586)	(154,606,572)
Investment in Govt. securities	(59,538,075)	(95,647,759)
Short term investments	6,513,252	(17,154,961)
Investments in foreign currencies	(41,133,606)	97,239,592
Investments in debentures	103,334	553,333
Additions of property, plant & equipment	(1,440,178)	(2,878,662)
IMF outstanding	(4,971,747)	14,464,667
Net cash used in investing activities	(112,665,339)	(137,963,530)
C) Cash flows from financing activities		
Payments of surplus to the Government	(16,645,621)	(6,120,804)
Notes in circulation	42,849,762	99,678,073
Short term borrowings	-	(21,387,466)
Net cash provided by financing activities	26,204,141	72,169,803
Net changes in cash and cash equivalents	341,738	339,640
Opening cash & cash equivalents	582,900	243,260
Closing cash & cash equivalents	924,638	582,900

Bangladesh Bank
Statement of Cash Flows
For the year ended 30 June 2012

	2012 Taka '000	2011 Taka '000
A) Cash flows from operative activities		
Interest received	38,706,521	18,917,210
Interest paid	(250,662)	(534,784)
Fees, commission and other income received	809,451	480,802
Commission and discounts paid	(4,836,124)	(2,944,755)
Payments to employees and suppliers	(9,919,563)	(6,424,186)
Increase / (Decrease) in operating assets :		
Funds advanced to customers	(9,776,372)	(9,509,109)
Other assets	(768,190)	(1,897,485)
Increase / (Decrease) in operating liabilities :		
Deposits from commercial banks	54,878,982	89,693,014
Other liabilities	17,743,692	(22,369,811)
Net cash provided by operating activities	86,587,735	65,410,896
B) Cash flows from investing activities		
Dividends received	50,000	-
Investments income	14,179,714	8,385,833
Investments in foreign treasury bills and bonds	22,640,553	11,730,999
Other investments	(49,053,703)	(155,672,031)
Investments in Govt. securities	(59,538,075)	(95,647,759)
Short term investments	6,513,252	(17,154,961)
Investments in foreign currencies	(41,133,606)	97,239,592
Investments in debentures	103,334	553,333
Additions of property, plant & equipment	(1,427,977)	(1,416,270)
IMF outstanding	(4,971,747)	14,464,667
Net cash used in investing activities	(112,638,255)	(137,516,597)
C) Cash flows from financing activities		
Payments of surplus to the Government	(16,645,621)	(6,120,804)
Notes in circulation	42,849,762	99,678,073
Short term borrowings	-	(21,387,466)
Net cash provided by financing activities	26,204,141	72,169,803
Net changes in cash and cash equivalents	153,621	64,102
Opening cash & cash equivalents	306,339	242,237
Closing cash & cash equivalents	459,960	306,339

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

1 Reporting entity

Bangladesh Bank (the "Bank"), a body corporate, is the central bank of Bangladesh, established on the 16th day of December, 1971 under the Bangladesh Bank Order 1972 and is domiciled in Bangladesh. The Head Office of the Bank is situated at Motijheel Commercial Area, Dhaka. The Bank's activities mainly include formulating and implementing monetary policy and credit system of Bangladesh with a view to stabilising domestic monetary value and maintaining a competitive external par value of the Bangladesh Taka towards fostering growth and development of country's productive resources in the best national interest, acting as an agent of the Government of Bangladesh, to promote, regulate and ensure a secure and efficient payment system including issue of currency, holding and management of the official foreign reserves of Bangladesh and to formulate and implement intervention policies in the foreign exchange market, to give advice to the Government on the interaction of monetary policy with fiscal and exchange rate policy, on the impact of various policy measures on the economy and to propose legislative measures it considers necessary or appropriate to attain its objectives and perform its functions, to regulate and supervise banking companies and non-banking financial institutions. Entire share capital of the bank had been allotted to the Government of Bangladesh as per article-4(2) of Bangladesh Bank order 1972.

2 Basis of preparation

2.01 Statement of compliance

The financial statements together with consolidated financial statements of the Bank and its fully owned subsidiary (together referred to as the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the management of the bank on 28th August, 2012.

2.02 Basis of measurement

The financial statements are prepared on a historical cost basis except for the following:

- Foreign currency accounts are measured at the reporting date by retranslating to the functional currency.
- Assets held with IMF are measured at fair value.
- Government of Bangladesh treasury bills and overdraft are measured at cost.
- Loans to banks, financial institutions and employees are measured at amortised cost.
- Gold and silver are measured at fair value.
- Property, plant and equipment are measured at revalued amounts.
- Foreign bonds, US Dollar and treasury bill are measured at fair value.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

2.03 Functional and presentation currency

The financial statements are presented in Bangladesh Taka (Taka/Tk/BDT), which is the Bank's functional currency. Except as indicated, financial information presented in Bangladesh Taka has been rounded off to the nearest thousand.

2.04 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, 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 going concern basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 39 (i): financial risk management.

3 Significant accounting policies

The accounting policies set out below have been applied consistently except policy note no: 3.13(e), (f) and 3.25 to all periods presented in these financial statements by group entities. Certain comparative amounts have been reclassified to conform with the current year's presentation.

3.01 Basis of consolidation

(a) Subsidiary

Subsidiary is an enterprise controlled by the parent entity. Control exists when the parent entity has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Security Printing Corporation (Bangladesh) Ltd. is the wholly owned subsidiary of Bangladesh Bank. It is responsible for supplying Bangladesh Bank with currency notes. The subsidiary sells these notes to Bangladesh Bank at a pre-specified mark-up agreed beforehand between parent and subsidiary. Moreover SPCL also sells some other security products to other parties.

(b) Transactions eliminated on consolidation

Inter-Group balances, transactions and any unrealised gains arising from inter-Group transactions are eliminated in preparing the consolidated financial statements.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

3.02 Foreign currency transactions

Transactions in foreign currencies are translated to Taka at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Taka at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Taka at foreign exchange rates ruling at the dates the fair values were determined and exchange difference are recognised in other comprehensive income.

3.03 Financial assets and liabilities

Financial assets comprise foreign assets (excluding gold and silver held at designated office), investments, cash and cash equivalents, loans and advances (loans to government, banks, financial institutions and employees) and government treasury bills and overdrafts. Financial liabilities comprise foreign liabilities, notes in circulation, deposits from banks and financial institutions and short-term borrowings.

(a) Recognition and initial measurement

Loans and advances are initially recognised in the statement of financial position on the date they are originated. Regular way purchases or sales of financial assets are recognised or derecognised, as applicable, on the settlement date at which the assets are received or, as the case may be, delivered by the Group. All other financial assets and liabilities are initially recognised when the Group becomes party to the contractual provision of the instruments. Financial assets and liabilities are initially measured at fair value.

(b) Classification and subsequent measurement

The classification of financial assets and liabilities for purposes of measurement subsequent to initial recognition in accordance with IAS 39 are made in the following manner:

(1) Financial assets at fair value through profit or loss (held for trading assets)

Financial assets or financial liabilities at fair value through profit or loss are financial assets or financial liabilities that are either:

- a) classified as held for trading; or
- b) designated by the Group as at fair value through profit or loss upon initial recognition.

Financial assets or financial liabilities are classified as held for trading if:

- (i) they are acquired or incurred principally for the purpose of selling or purchasing them in the near term;

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

- (ii) on initial recognition they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- (iii) they are derivatives (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

Foreign currency accounts, investment in foreign bonds assets held with IMF are classified as and Assets at fair value through profit or loss. At each reporting date, these are measured at fair value.

The Group designates financial Assets and Liabilities at fair value through profit or loss in the following circumstances:

- (i) the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- (ii) the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- (iii) the assets or liabilities contains an embedded derivative that significantly modifies the cash flow that would otherwise be required under the contract.

At the reporting date, the Group did not have any financial assets or financial liabilities that were, upon initial recognition, designated as at fair value through profit or loss.

(2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial Assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity other than:

- (a) those that are upon initial recognition designated as at fair value through profit or loss;
- (b) those that are designated as available for sale; and
- (c) those that meet the definition of loans and receivables.

Govt. treasury bills, USD and EURO treasury bills, treasury bonds, investment in debentures and short term money market investments are classified as held-to-maturity investments. At each reporting date, these are measured at amortised cost using the effective interest method.

(3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- (a) those that the Group intends to sale immediately or in near term, which are classified as held for trading, and those that the Group has, upon initial recognition, designated as at fair value through profit or loss;

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

- (b) those that the Group has, upon initial recognition, designated as available for sale; or
- (c) those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available for sale. Cash and cash equivalents, short term investment with overseas commercial banks, loans to other foreign banks, Government of Bangladesh overdraft, loans and advances to government and loans and advances to banks, financial institutions and staffs are classified as loans and receivables. At each reporting date, these are measured at amortised cost using the effective interest method.

(4) Available-for-sale financial Assets

Available-for-sale financial assets are those non-derivative financial Assets that the Group has designated as available for sale or has not classified as (a) loans and receivables (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Swift shares, gold and gold investments, shares of Security Printing Corporation (Bangladesh) Ltd. (SPCL) and ICB Islamic Bank Ltd. are classified as available-for-sale financial Assets. Swift shares and SPC shares are measured at cost as there is no quoted market price for these shares and their fair value cannot be reliably measured.

(5) Other financial liabilities at fair value through profit or loss

Foreign liabilities are classified as financial liabilities at fair value through profit or loss are measured at fair value at each reporting date. At the reporting date, liabilities with IMF were classified as financial liabilities carried at amortised cost.

(6) Financial liabilities carried at amortised cost

Short-term borrowings (reverse repo), notes in circulation, deposits from banks and financial institutions are financial liabilities which are carried at amortised cost at the reporting date.

(c) *Amortised cost measurement principles*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and maturity amount, minus any reduction for impairment.

The effective interest method is a method of calculating the amortised costs of a financial asset or a financial liability and of allocating the interest Income or interest expense over the relevant period.

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2012

(d) Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis.

(e) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised directly in equity. When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognized in equity is transferred to the statement of comprehensive income. Gains and losses arising from a change in the fair value of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in the statement of comprehensive income whereas loans & receivables and held to maturity financial instruments are recognised in amortised cost through profit and loss.

(f) De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Available-for-sale financial assets and financial assets held for trading that are de-recognised when sold and corresponding receivables from the buyer for the payment are recognised when the asset is delivered to the buyer.

Held-to-maturity instruments and loans and receivables are de-recognised on the day they are repaid in full by the debtor or are deemed to be completely uncollectible.

(g) Identification and measurement of impairment

Financial assets not carried at fair value through profit or loss are reviewed at each reporting date to determine whether there is objective evidence of impairment. Financial assets are impaired when objective evidence demonstrates that a loss event has an impact on the future cash flows that can be estimated reliably.

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2012

Evidence of impairment is considered at both a specific asset level and collective level. All individually significant financial Assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed by Grouping together financial Assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial Assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Group of Assets such as adverse changes in the payment status of the borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial Assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the statement of comprehensive income.

(h) Off-setting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

3.04 Foreign currency accounts

Foreign currency accounts comprise balances held in the current accounts maintained with different central banks and foreign commercial banks in the designated foreign currency. These are measured at each reporting date by translating to the functional currency at the exchange rates prevailing at that date. Gains and losses arising upon translation is recognised in the statement of comprehensive income and are subsequently transferred from retained earnings to revaluation reserve - foreign currency accounts and currency fluctuation reserve respectively.

3.05 Foreign investments

Foreign investments comprise short term interest bearing deposits held with overseas commercial banks and with offshore banking units of local commercial banks for periods ranging from 1 to 3 months in designated foreign currencies, US dollar and Euro treasury bills purchased at a discount and interest bearing foreign bonds. These are measured each reporting date by

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

translating the amortised cost in foreign currency to the functional currency at the exchange rate at that date. Gains and losses arises upon translation is recognised in the statement of comprehensive Income and are subsequently transferred from retained earnings to revaluation reserve - foreign currency accounts.

3.06 Assets and liabilities held with International Monetary Fund (IMF)

(a) Transactions with IMF

The Bank transacts with the International Monetary Fund (IMF) in its own right rather than as an agent for the Government of Bangladesh. All transactions by the Bank with the IMF have been included in these financial statements on that basis.

(b) Assets held with IMF

Assets held with IMF comprise balances held with IMF in SDRs & quota. These are measured at each reporting date by translating the SDRs to the functional currency at the exchange rate at that date. Gains on translation at the reporting date are first recognised in the statement of comprehensive income and are then transferred from retained earnings to revaluation reserve - foreign currency accounts.

(c) Liabilities with IMF

Liabilities with IMF comprise SDR allocation, securities, IMF-1 & IMF-2 account and loans received under the Poverty Reduction and Growth Facility (PRGF). These balances except securities, IMF-1 & IMF-2 account; are measured at each reporting date by translating the SDRs to the functional currency at the exchange rate at that date. Gains on translation at the reporting date are first recognised in the statement of comprehensive income and are then transferred from retained earnings to revaluation reserve - foreign currency accounts. All other charges and interest pertaining to balances with the IMF are recorded immediately in the statement of comprehensive income.

3.07 Other foreign assets

Other foreign assets comprise interest bearing loans to foreign banks, local commercial banks, swift shares and accrued interest and dividend thereof. Loans to foreign banks and local commercial banks are measured at each reporting date by translating the value at amortised costs in foreign currency to the functional currency at the exchange rate at that date. Swift shares have no quoted market price, and are measured at cost.

3.08 Cash and cash equivalents

Cash and cash equivalents comprise unissued one and two taka coins and notes purchased from the Government and held by the Bank, the balance of Taka notes held by the Banking Department of the Bank and cash and bank balances held by its subsidiary. Such unissued coins and notes are measured at their face values.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

3.09 Loans to the government

Loans to the government consist of "Ways and Means" advance provided to the government, as well as credit facilities provided to the government in the form of overdraft (block and current), and government treasury bills and bonds.

Ways and Means advance

When total payments to the government exceeds total deposits from the government, the excess of payment over receipt, with a limit not exceeding Taka 20,000 million, is treated as Ways and Means advance with interest being charged thereon at the reverse repo rate. Ways and Means advance is realised only after realisation of government overdraft-current account balance in full.

Government of Bangladesh-Overdraft and treasury bills

These represent government overdraft-block and government overdraft-current as well as government treasury bills and bonds. Government borrowing in excess of the Taka 20,000 million limit set for ways and means advances are recognised as government overdraft-current. Interest is charged thereon at a rate one percent higher than the reverse repo rate. Any recovery or surplus realised by the Bank from the government is first applied to the overdraft-current account balance. Any surplus remaining after adjustment of the overdraft-current balance in full then applied to the ways and means advance.

Government treasury bills and bonds are the securities which are purchased and held by the Bank when commercial banks and financial institutions do not purchase them from the government. These are measured at amortised cost at each financial position date.

3.10 Investment in shares and debentures

These comprise investment in debenture of House Building Finance Corporation (HBFC) and in shares of the ICB Islamic Bank Ltd. Investment in debentures is measured at amortised costs. Investment in shares is measured at cost.

3.11 Loans to banks, financial institutions and employees

These comprise loans to nationalised commercial and specialised banks, other scheduled banks and financial institutions and loans to Bangladesh Bank employees. These are reported net of allowances for loan impairment losses.

3.12 Gold and silver

Gold and silver comprises gold and silver held at the Motijheel branch of the Bank and Bank of England. Gold and silver are revalued at market prices at the reporting date. Gains and losses arising from revaluations are recognised in the statement of comprehensive income. Gains are transferred from retained earnings to revaluation reserve-gold and silver.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

3.13 Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are carried at revalued amounts, being fair values at the date of the revaluation, less subsequent accumulated depreciation and subsequent impairment losses.

Land and buildings, appearing as items of property, plant and equipment are the Bank's own-occupied property and used for its operating, administrative and staff's residence purposes.

(b) Revaluation

The Bank revalued its land as at 30 June 2009 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer, M/s Ahmed & Akhter, Chartered Accountants.

Significant methods and assumptions for revaluation of items of property, plant and equipment were as follows:

- (i) Land was revalued on a reasonable approximation basis. Valuer applied their knowledge of recorded land sales in the respective areas to land measurement established at last valuation.
- (ii) Buildings, capital work in progress and electrical installation and gas installation were revalued on the basis of fair values of materials, labor and direct overheads used in construction and installation.
- (iii) Mechanical equipment, fixture and fittings and motor vehicles were revalued on the basis of replacement costs.

(c) Subsequent costs

The cost of replacing a part of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in statement of comprehensive income as incurred.

(d) Capital Work in progress

Capital work in progress is recognised when it is incurred and depreciated after the completion of the project.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

(e) *Depreciation*

Depreciation/amortisation is recognised in statement of comprehensive income, on a straight-line basis for all the items of property, plant and equipment except land and capital work in progress. Land and capital work in progress are not depreciated. Depreciation/amortisation is charged from the date of recognition. Previously depreciation was charged from the following month of acquisition. Due to such change in depreciation policy, additional depreciation /amortisation amounting Tk 652 million was charged in the statement of comprehensive income during the year. The rates used for depreciation and amortisation are as follows:

	<u>Bank</u>	<u>Subsidiary (SPCL)</u>
Premises or building	5%	2.5%-5%
Mechanical equipment/office equipment	10%	20%
Machinery	-	5% - 7%
Furniture, fixtures and fittings	10%	10%
Other constructions	-	5% - 20%
Motor vehicles	20%	20%
Electrical installations, computer, machines, photocopiers, typewriters etc.	20%	-
Gas installation	20%	-
Intangible assets	20%	-

- (f) Revaluation reserve is released to asset renewal & replacement reserve when the asset is disposed of or otherwise derecognised. Previously revaluation reserve was released for an amount equal to the difference between the depreciation charged on the revalued amount and that based on cost each year.

3.14 Securities borrowing, lending business and repurchase transactions

In course of its financial market operations, Bangladesh Bank engages in repurchase agreements involving domestic government treasury bills. When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements. Similarly, when commercial banks sell a financial asset to the Group and simultaneously enter into an agreement to repurchase the asset at a fixed price on a future date, the agreement is accounted for as a loan, and the underlying asset is not recognised in the Group's financial statements.

3.15 Employee benefits

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by an employee. Employee benefits are recognised as:

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

- (a) a liability (accrued expense) when an employee has provided service in exchange for employee benefits to be paid in the future; and
- (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

3.16 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans and charged as expenses in the statement of comprehensive Income.

3.17 Post employment benefits

Post employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. The Group operates a number of post-employment benefit plans and charged as Expenses in the statement of comprehensive income.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

(i) Contributory provident fund

The Bank and employees contribute to the fund. The Bank's obligations for contributions to the above fund are recognised as an expense in the statement of comprehensive Income as incurred.

(b) Defined benefit plans

Defined benefit plans are post employment benefit plans other than defined contribution plans.

(i) General provident fund

The employees contribute at various rates of their basic salaries to the fund. No contributions are made by the Bank for the above fund. The provident fund invests in various securities and the Bank has committed a return of 12.5%. Any shortfall in the return from investments is funded by the Bank by charging in its statement of comprehensive income.

(ii) Pension scheme

The Bank actuarially valued its pension liabilities in 2006. The defined benefit liability arising thereof is recognised in the statement of comprehensive income as an expense.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

(iii) Gratuity scheme

On retirement the employees are entitled to receive two months of final basic salary for every year of service. The Bank actuarially valued its gratuity scheme in the year 2006. The liability arising thereof is recognised in the statement of comprehensive income as an expense. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of comprehensive income on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the statement of comprehensive income.

3.18 Other long-term employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service. Unutilized leave is encashable on retirement and provided for in full. Medical allowance is payable for each employee and accounted for on a cash basis.

3.19 Provisions

Provisions are recognised in respect of restructuring, redundancy and legal claims arising from past events where it is probable that an outflow of resources will be required to settle the obligations and the amount can be reliably estimated.

- (i) A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations a reliable estimate can be made of the amount of the obligation;
- (ii) A legal obligation is an obligation that derives from a contract, legislation or other operation of law. A constructive obligation is an obligation that derives from an entity's actions such as by an established pattern of past practice published policies etc.
- (iii) The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.
- (iv) Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation.
- (v) Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.
- (vi) Provisions are used for expenditures for which the provision was originally recognised.

3.20 Currency in circulation

Currency issued by Bangladesh Bank represents a claim on the Bank in favour of the holder.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

The liability for currency in circulation is recorded at face value in the financial statements.

3.21 Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to income statement over the useful lives of the related assets while amortisation of grants are treated as other income in the statement of comprehensive income.

3.22 Interest income and expenses

Interest income and expenses are recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Interest income and expenses include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

3.23 Commission and discounts - fee and commission income

Commission income arises on instruments issued by the Group, long outstanding entries of the sundry accounts, sale proceeds of sundry items, car and bus fares realised from the staff etc.

3.24 Dividend income

Dividend income is recognised in the separate financial statements of the Bank when the right to receive of income is established.

3.25 Realised foreign exchange gain

Realised foreign exchange gain is calculated using average cost methodology. At the end of each month, the change in the average cost balance is calculated on a currency by currency basis by applying (a) where there is a net increase in the currency position, the increase to the average value is the average rate for the month multiplied by the currency amount of the increase and (b) where there is a net decrease in the currency position, the decrease to the average value is calculated by the applying the opening average rate to the carrying amount of the decrease. The difference between the book value at the period end exchange rate and the average value by currency is determined. The balance is considered as unrealised revaluation reserve. The resulting unrealised gain for the year has been

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

recognised in profit which was a change in accounting policy during the year by the entity. Unrealised gain in the year 2010-2011 was recognised in other comprehensive income. To comply with the requirements of IAS 21, the said policy change was made by the entity. If unrealised exchange gain were accounted for as part of other comprehensive income, profit for the year would have been reduced by Taka 26,298 million.

The difference between unrealised revaluation reserve account and the ledger balance is accounted as realised exchange gain for the period and has been recognised as part of the profit for the year. Subsequently the gain has been transferred to Currency Fluctuation Reserve in the Statement of Financial Position.

3.26 Income tax

(a) Bangladesh Bank

The Bank is not subject to income taxes, stamp duties, or customs duties on gold, silver, coins, currency notes, security papers and any other goods that may be specified by the Government or any of its Income.

(b) Subsidiary

Income tax on the profit or loss for the year comprises of current tax and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and Liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of Assets and Liabilities in a transaction that is not a business combination and that affects neither accounting nor profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3.27 Subsequent events

Events after the reporting date that provide additional information about the Group's position at the reporting date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the reporting period which are not adjusting events are disclosed in the notes when material in compliance with IAS 10: Events after the Reporting Period.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

	2012 Taka '000	2011 Taka '000
4 Foreign currency accounts	249,373,436	176,508,754

The amount represents the equivalent accumulated value of different foreign currencies held with other central banks and balances of deposits with foreign commercial banks.

These figures should be read in conjunction with additional disclosures in note no.45 & 45a.

5 Foreign investments		
Short term investments with overseas commercial banks	223,067,595	229,580,847
US Dollar treasury bills	95,719,647	123,938,249
Gold investment	14,005,843	14,458,023
Foreign bonds	125,904,692	120,326,643
Total	458,697,777	488,303,762

These figures should be read in conjunction with additional disclosures in note no.45 & 45a.

6 IMF related assets and liabilities

Assets

Quota	66,224,074	63,018,905
SDR holding	55,417,220	48,299,419
Total	121,641,294	111,318,324

Liabilities

Securities & Emergency Natural Disaster Assistance	70,264,454	68,932,584
IMF-1 & IMF-2 account	5,850,754	9,794,674
SDR allocation	63,381,020	60,641,092
IMF Extended credit facility	11,352,716	-
Loan under the Poverty Reduction and Growth Facility	23,056,483	29,185,854
Total	173,905,427	168,554,204

Bangladesh has been a member of the IMF since 1972. Bangladesh Bank acts as both the fiscal agent and the depository for the IMF. As fiscal agent, Bangladesh Bank is authorised to carry out all operations and transactions with the Fund. As depository, Bangladesh Bank maintains the Fund's currency holdings and ensures that the Assets and Liabilities of Fund membership are properly reflected in its accounts and presented in its financial statements.

The quota of Bangladesh is its membership subscription. The subscription is granted mainly by the issue of promissory notes in favour of the IMF and partly paid in reserve Assets, partly by the Government of Bangladesh and partly by deposits to the Funds account maintained with the Bank.

Special Drawing Rights (SDR) are allocated by the IMF to members on the basis of members' quota at the time of the SDR allocation. Bangladesh Bank pays interest on its SDR allocations and earns interest on its holdings of SDR.

IMF related Assets and Liabilities were translated to Taka at the exchange rate ruling at 30 June 2012 except the IMF Securities Account, IMF No. 1 Account and IMF No. 2 Account which are collectively known as General Resources Account. These General Resources Accounts are

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

maintained in Taka, which is the primary currency for these accounts and which are to be settled at the face value of the notes or similar obligations issued by the Government of Bangladesh as per Article XIII, Section 2 of the Articles of Agreement of the IMF.

The assets and liabilities held with IMF were presented in a manner to show the reserve tranche position till the last year. In this year, the total assets and total liabilities held with IMF are presented in separate groups to show the assets and liabilities position with IMF in a simpler manner.

These figures should be read in conjunction with additional disclosures in note no.45 & 45a.

7	Other foreign assets	2012	2011
		Taka '000	Taka '000
	Loans to other banks (Note - 7.01)		
	Swift shares	41,132,328	61,695,813
	Others-JDR	80	80
	Interest receivable	1,481,036	1,465,192
	Total	3,002,188	2,545,608
	Less: Provision for loan losses	45,615,632	65,706,693
	Total	(308,331)	(308,289)
		45,307,301	65,398,404
7.01	Loans to other banks		
	EDF Dollar investment		
	FC overdraft	40,823,997	29,690,076
	Central Bank of Iraq	-	31,697,448
	Rupali Bank Karachi	296,164	296,164
		12,167	12,125
	Total	41,132,328	61,695,813

These figures should be read in conjunction with additional disclosures in note no.45 & 45a.

8	Cash and cash equivalents	459,960	306,339
	The amount represents the face value of unissued one and two taka coins and notes held by the Bank purchased from the Government at respective face values and the balance of Taka notes held with the Banking Department.		
8a	Consolidated cash and cash equivalents	924,638	582,900

These figures should be read in conjunction with additional disclosures in note no.45 & 45a.

9 Loans to the government

Loans to the government consists of "Ways & Means" advance provided to the government, as well as credit facilities provided to the government in the form of overdraft (block and current), government treasury bills and bonds. Ways and means advance represent loans provided to the government that are limited to a maximum of Taka 20,000 million. Interest is earned on this advance as per rate applied for reverse repo. Government borrowings in excess of Taka 20,000 million are debited to the overdraft-current.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

	2012 Taka '000	2011 Taka '000
Ways and means advance	20,000,000	10,000,000
Overdraft - block (government treasury bills)	161,510,000	176,510,000
Overdraft - current	78,247,000	97,277,800
Treasury bills	58,457,023	1,132,472
Treasury bonds	54,853,845	28,609,521
Total	373,067,868	313,529,793

These figures should be read in conjunction with additional disclosures in note no.45 & 45a.

10 Investments

Investments in REPO(10.01)	153,769,820	84,156,909
Investments in shares and debentures(10.02)	7,073,333	7,176,667
Total	160,843,153	91,333,576

10.01 Investments in REPO

Repurchase agreement is the sale of securities together with an agreement for the seller to buy back the securities at a later date.

10.02 Investments in shares and debentures

Debenture - House Building Finance Corporation	6,573,333	6,676,667
Investment in subsidiary (Note 10.03)	500,000	500,000
Total	7,073,333	7,176,667

10.03 Investment in subsidiary

The Security Printing Corporation (Bangladesh) Ltd. is the wholly owned subsidiary of the Bank.

10a Consolidated investments

Debenture - House Building Finance Corporation	6,573,333	6,676,667
Investments in REPO	153,769,820	84,156,909
Short term money market investments	1,079,743	1,139,860
Shares- ICB Islamic Bank Ltd.	7,452	7,452
Others	4,110	4110
Total	161,434,458	91,984,998

These figures should be read in conjunction with additional disclosures in note no.45 & 45a.

11 Loans to banks, financial institutions and employees

(i) Loans to banks and financial institutions

State-owned banks:		
Commercial banks	4,611,748	4,866,643
Specialized banks	53,294,386	52,791,644
	57,906,134	57,658,287
	(475,869)	(811,438)
Provision for impairment	57,430,265	56,846,849
Other banks and financial institutions:		
Private banks	4,867,756	4,397,260
Other Loans and advances	19,949,732	14,084,721
	24,817,488	18,481,981
Interest receivable	7,563,303	7,600,024
Total (i)	89,811,056	82,928,854

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

	2012 Taka '000	2011 Taka '000
(ii) Loans and advances to employees		
Loans and advances to employees	21,221,344	18,028,326
Provision for loan losses	(264,099)	(264,141)
Total (ii)	20,957,245	17,764,185
Total loans (i + ii)	110,768,301	100,693,039

These figures should be read in conjunction with additional disclosures in note no.45 & 45a.

11a Consolidated loans to banks, financial institutions and employees

(i) Loans to banks and financial institutions		
State-owned banks:		
Commercial banks	4,611,748	4,866,643
Specialized banks	53,294,386	52,791,644
	57,906,134	57,658,287
Provision for impairment	(475,869)	(811,438)
	57,430,265	56,846,849
Other banks and financial institutions:		
Private banks	4,867,756	4,397,260
Other loans and advances	19,949,732	14,084,721
	24,817,488	18,481,981
Interest receivable	7,563,303	7,600,024
Total (i)	89,811,056	82,928,854
(ii) Loans and advances to employees		
Loans and advances to employees	21,949,113	18,498,189
Provision for loan losses	(264,099)	(264,141)
Total (ii)	21,685,014	18,234,048
Total loans (i + ii)	111,496,070	101,162,902

These figures should be read in conjunction with additional disclosures in note no.45 & 45a.

12 Gold and silver

Gold	42,820,804	34,092,773
Silver	416,244	466,118
Total	43,237,048	34,558,891

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

13 Property, plant and equipment

Taka '000

Particulars	Cost/Revalued amount				Rate	Depreciation			Carrying value		
	As at 01 July 2011	Addition during the year	Disposal/ transfer during the year	As at 30 June 2012		As at 01 July 2011	Charged during the year/ adjustment	Adjustment / disposal during the year	Accumulated depreciation as at 30 June 2012	As at 30 June 2012	As at 30 June 2011
Land	20,391,193	-	-	20,391,193	-	-	-	-	-	20,391,193	20,391,193
Building	3,349,873	16,006	-	3,365,879	5%	265,103	256,189	-	521,292	2,844,587	3,084,770
Mechanical equipment	1,693,265	1,046,063	1,953,960	785,368	10%-20%	88,939	310,258	1,060	398,137	387,231	1,604,326
Computer & net working	12,753	1,337,801	26	1,350,528	20%	6,998	369,166	-	376,164	974,364	5,755
Fixture and fittings	90,622	15,049	5	105,666	10%	16,205	9,984	-	26,189	79,477	74,418
Motor vehicles	75,968	85,204	125	161,047	20%	22,327	20,196	215	42,308	118,739	53,640
Electrical installation	85,555	23,829	95	109,289	20%	22,970	20,585	-	43,555	65,734	62,585
Gas installation	780	31	-	811	20%	312	160	-	472	339	468
Total	25,700,009	2,523,983	1,954,211	26,269,781		422,854	986,538	1,275	1,408,117	24,861,664	25,277,155

BDT 287.8 million of property plant and equipments has been reclassified as intangible assets during the year.

The Bank revalued its land as at 30 June 2009 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer, M/s Ahmed & Akhter, Chartered Accountants. Significant methods and assumptions for revaluation of items of property, plant and equipment were as follows:

- (i) Land was revalued on market value basis.
- (ii) All other fixed Assets were revalued by using the assumptions of practical judgment, condition of the individual fixed and cost of fixed Assets.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

13a Consolidated property, plant and equipment

Taka '000

Particulars	Cost/Revalued amount				Rate	Depreciation			Carrying value		
	As at 01 July 2011	Addition during the year	Disposal/transfer during the year	As at 30 June 2012		As at 01 July 2011	Charged during the year/adjustment	Adjustment/disposal during the year	Accumulated depreciation as at 30 June 2012	As at 30 June 2012	As at 30 June 2011
Land	21,369,423	-	-	21,369,423	-	-	-	-	-	21,369,423	21,369,423
Building	4,117,193	28,728	-	4,145,921	5%	677,038	284,814	-	961,852	3,184,069	3,440,155
Mechanical equipment	4,505,174	1,054,652	1,955,353	3,604,473	10% - 20%	1,009,029	445,074	1,060	1,453,043	2,151,430	3,496,145
Computer & networking	12,753	1,337,801	26	1,350,528	20%	6,998	369,166	-	376,164	974,364	5,755
Fixture and fittings	128,055	15,503	5	143,553	10%	44,719	12,661	-	57,380	86,173	83,336
Motor vehicles	95,678	85,204	1,535	179,347	20%	39,721	21,323	1,625	59,419	119,928	55,957
Electrical installation	85,555	23,829	95	109,289	20%	22,970	20,585	-	43,555	65,734	62,585
Gas installation	780	31	-	811	20%	312	160	-	472	339	468
Total	30,314,611	2,545,748	1,957,014	30,903,345		1,800,787	1,153,783	2,685	2,951,885	27,951,460	28,513,824

14 Intangible assets

Taka '000

Particulars	Cost/Revalued amount				Rate	Depreciation			Carrying value		
	As at 01 July 2011	Addition during the year	Disposal/transfer during the year	As at 30 June 2012		As at 01 July 2010	Charged during the year/adjustment	Adjustment/disposal during the year	Accumulated depreciation as at 30 June 2012	As at 30 June 2012	As at 30 June 2011
Software	-	759,009	-	759,009	20%	-	176,129	-	176,129	582,880	-
Total	-	759,009	-	759,009		-	176,129	-	176,129	582,880	-

Taka 287.8 million of Property Plant and Equipments has been reclassified as Intangible Assets during the year.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

	2012 Taka '000	2011 Taka '000
15 Intangible assets		
Intangible asset at cost	759,009	-
Accumulated amortisation	(176,129)	-
Total	582,880	-
The balance represents the accumulated value of ERP, CBS, EWD, BACH, EFTN, CIB and Bank's inhouse built softwares.		
These figures should be read in conjunction with additional disclosures in note no.45 & 45a.		
16 Capital work in progress		
Tangible Assets	734,941	715,353
Intangible Assets	255,737	-
Total	990,678	715,353
16a Consolidated Capital work in progress		
Tangible Assets	735,923	723,096
Intangible Assets	255,737	-
Total	991,660	723,096
17 Other domestic Assets		
Interest receivables	1,737,351	1,136,342
Prepayments and advances	3,775,996	3,029,251
Stock	29,946	37,288
Inter-branch adjustments (suspense)	-	8,180
Unutilised CBSP fund (Note-17.01)	51,631	30,467
Total	5,594,924	4,241,528

17.01 Utilisation of CBSP fund

Bangladesh Bank is implementing Central Bank Strengthening Project (CBSP) (IDA credit no. 3792 BD) with the financial assistance from International Development Association (IDA) in order to improving the efficiency of the Bank through functional reforms and large scale automation of its business process. The total cost of the project is Taka 38,920.02 lacs (USD 55.60 million), of which IDA will provide Taka 30,600.04 lacs (USD 43.71 million) and the rest Taka 8,319.98 lacs (USD 11.88 million) will be borne by Bangladesh Bank. The project started in late 2003 and expected to be completed by 31 December 2012. The project cost was revised for third times. Out of Taka 30,600.04 lacs upto 30 June 2011 Bangladesh Bank received Taka 8,967.82 lacs through direct payment and Taka 10,432.00 lacs through replenishment total Taka 19,399.82 lacs from IDA. Upto 30 June 2012 Bangladesh Bank used Taka 18,883.51 lacs from the fund and Taka 516.31 lacs remain unutilised.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

17 Consolidated other domestic assets	2012 Taka '000	2011 Taka '000
Interest receivables	1,815,538	1,174,699
Prepayments and advances	1,237,439	783,997
Stock	3,869,416	3,677,858
Inter-branch adjustments (suspense)	-	8,180
Unutilised CBSP Fund	51,631	30,467
Sundry debtors	1,286,696	1,122,495
Total	8,260,720	6,797,696

18 Deposits from banks and financial institutions

Foreign currency deposits by commercial banks	102,898,799	77,665,247
Asian Clearing Union (ACU)	54,728,178	62,152,637
Total	157,626,977	139,817,884

These figures should be read in conjunction with additional disclosures in note no.45 & 45a.

19 Other foreign liabilities	1,481,036	1,465,192
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Other foreign liabilities represents the amount payable to Japan Government to meet up the obligation of Japan debt relief grant.

These figures should be read in conjunction with additional disclosures in note no.45 & 45a.

20 Notes in circulation

Notes in circulation represents currency issued having a claim on Bangladesh Bank. The denomination of notes in circulation as at 30 June 2012 was as under:

These figures should be read in conjunction with additional disclosures in note no.44 & 44a.

Value of notes	2012		2011
	Number in pieces	Amount	Amount
5 Taka coin	704,485,004	3,522,425	3,348,424
5 Taka note	698,646,729	3,493,234	2,877,773
10 Taka note	1,141,413,456	11,414,135	10,171,782
20 Taka note	203,091,839	4,061,837	3,266,611
50 Taka note	105,802,568	5,290,128	6,354,123
100 Taka note	603,068,225	60,306,823	63,731,653
500 Taka note	733,078,383	366,539,192	362,307,777
1000 Taka note	187,379,720	187,379,720	147,099,588
Total	4,376,965,924	642,007,492	599,157,730

The liability for notes in circulation is recorded at its face value in the statement of financial position. In accordance with the Bangladesh Bank Order 1972, these Liabilities are supported by the following assets:

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

	2012	2011
	Taka '000	Taka '000
Gold	7,753,174	6,624,560
Silver	416,244	466,118
Balance held outside Bangladesh	500,000,000	400,000,000
Bangladesh Government securities	101,737,988	156,873,028
Bangladesh coins	459,831	303,769
Other loans and advances	31,640,255	34,890,255
Total	642,007,492	599,157,730

These figures should be read in conjunction with additional disclosures in note no.45 & 45a.

21 Deposits from banks and financial institutions

State owned commercial banks	77,655,821	64,162,728
Government specialised banks	17,318,523	13,071,525
Private banks	209,852,562	193,494,367
Foreign banks	21,799,437	19,350,914
Financial institutions	2,385,735	1,878,499
Total	329,012,078	291,958,033

These figures should be read in conjunction with additional disclosures in note no.45 & 45a.

22 Other domestic Liabilities

Government deposits	5,092	5,047
Dividend payable to Government (Note-22.01)	-	17,355,302
Other deposits	9,647,316	10,136,353
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	2,833,016	2,361,590
Interest suspense account	675	631
Deposits from donor agencies	19,148,799	6,911,556
Inter-branch adjustments (suspense)	44,370	-
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension*	6,105,346	2,968,230
Provision for gratuity	1,888,124	1,871,230
Provision for leave encashment	1,656,792	1,622,507
Small and Medium Enterprise Fund - Government	1,772,064	2,631,922
Loan from Government of Bangladesh (CBSP)	1,962,939	1,433,115
DFID -RPP Project	357,638	447,048
Small and Medium Enterprise Fund ADB-2	3,058,920	-
Miscellaneous	215,148	104,289
Total	48,948,277	48,100,858

* Please see the note 48.03 for details

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

	2012	2011
	Taka '000	Taka '000
22a Consolidated other domestic liabilities		
Government deposits	5,092	5,047
Dividend payable to Government (Note-22.01)	-	17,355,302
Other deposits	9,647,316	10,136,354
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	2,700,427	2,731,741
Interest suspense account	675	631
Deposits from donor agencies	19,148,799	6,911,556
Inter-branch adjustments (suspense)	44,370	-
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension	6,105,346	2,968,230
Provision for gratuity	1,888,124	1,871,230
Provision for leave encashment	1,656,792	1,622,507
Small and Medium Enterprise Fund - Government	1,772,064	2,631,922
Loan from Government of Bangladesh (CBSP)	1,962,939	1,433,115
DFID -RPP Project	357,638	447,048
Small and Medium Enterprise Fund ADB-2	3,058,920	-
Deferred tax liability	653,435	604,455
Miscellaneous	215,148	104,289
Others - subsidiary	453,951	419,910
Total	49,923,074	49,495,375
22.01 Dividend payable to government		
Opening balance	17,355,302	6,666,433
Adjustment against amount due to Government	(9,681)	(12,855)
Transfer to HR development & Monetary Management fund	(700,000)	-
Payments made during the year (Note-22.02)	(16,645,621)	(6,107,949)
Share of current year's profit	-	16,809,673
Closing balance	-	17,355,302
20.2 As per para 29-30 of IAS-18, dividend becomes payable when the shareholders right to receive is established. As the financial statements are yet to be approved by the board of directors, dividend payable to the government for FY12 has been shown as NIL.		
23 Capital	30,000	30,000
At 30 June 2012 the authorised and subscribed capital as per Bangladesh Bank Order 1972, was Taka 30 million. The entire capital of the Bank stands vested in and allocated to the Government as per para 4(1) & 4(2) of the Order.		
24 Revaluation reserve		
Revaluation reserve - gold and silver(24.01)	28,141,123	19,919,424
Revaluation reserve - foreign currency accounts(24.02)	89,550,847	63,257,814
Revaluation reserve - property, plant & equipment	22,209,089	22,156,354
Total	139,901,059	105,333,592

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

	<u>2012</u> <u>Taka '000</u>	<u>2011</u> <u>Taka '000</u>
24.01 Revaluation reserve - gold and silver		
The Bank credited the gain on revaluation of gold and silver to the statement of comprehensive income and subsequently transferred to a separate account - revaluation reserve- gold and silver, which forms part of equity.		
24.01 Revaluation reserve - foreign currency accounts		
The Bank credited the unrealised gain on revaluation of foreign currency to the statement of comprehensive income and subsequently transferred to a separate account - revaluation reserve- foreign currency, which forms part of equity.		
24a Consolidated revaluation reserve		
Revaluation reserve - gold and silver	28,141,123	19,919,424
Revaluation reserve - foreign currency accounts	89,550,847	63,257,814
Revaluation reserve - property, plant & equipment	23,556,886	23,504,151
Total	<u><u>141,248,856</u></u>	<u><u>106,681,389</u></u>
25 Currency fluctuation reserve	<u><u>22,562,353</u></u>	<u><u>17,124,310</u></u>
The Bank credited the realised gain on revaluation of foreign currencies to the statement of comprehensive income and transferred the same to a separate account - currency fluctuation reserve account, which forms part of equity.		
26 Statutory funds		
Rural credit fund(26.01)	24.1 5,000,000	4,800,000
Agricultural credit stabilisation fund(26.02)	24.2 5,000,000	4,800,000
Export credit fund(26.03)	24.3 1,300,000	1,300,000
Industrial credit fund(26.04)	24.4 1,737,852	1,587,852
Credit guarantee fund(26.05)	24.5 879,194	879,194
Total	<u><u>13,917,046</u></u>	<u><u>13,367,046</u></u>

Statutory funds were created and maintained as per provisions of the Bangladesh Bank Order, 1972 and appropriations from profits are made in consultation with the Government of Bangladesh.

26.01 Rural credit fund

This fund was created as per Article 60(1) of Bangladesh Bank Order, 1972 for making of short term, medium term and long term loans and advances to co-operative bank, scheduled bank and rural credit agencies. An appropriation of Taka 200 million was made for this fund during the year.

26.02 Agricultural credit stabilisation fund

This fund was created as per Article 61 of Bangladesh Bank Order, 1972 for making of loans and advances to apex co-operative banks. An appropriation of Taka 200 million was made for this fund during the year.

26.03 Export credit fund

As per Article 63 of Bangladesh Bank Order, 1972 this fund was created for making of medium term and short term loans and advances to scheduled banks and other credit institutions for financing export from Bangladesh. No appropriation was made for this fund during the year.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

	2012 Taka '000	2011 Taka '000
26.04 Industrial credit fund		
As per Article 62 of Bangladesh Bank Order, 1972 the fund was created for making of medium term and long term loans and advances to co-operative banks. An appropriation of Taka 150 million was made for this fund during the year.		
26.05 Credit guarantee fund		
As per clause 24 of Article 16 of Bangladesh Bank Order, 1972 the Fund was created by appropriating profit every year as per decision of the Board of Directors to cover the loss sustained by scheduled banks for making small loans to cottage industries. No appropriation was made for this fund during the year.		
27 Non statutory funds		
Small and Medium Enterprise Fund - Bank (27.01)	6,000,000	6,000,000
Housing refinance fund (27.01)	7,570,000	7,570,000
Human resources development fund (27.02)	496,067	-
Monetary management fund (27.03)	200,000	-
Total	14,266,067	13,570,000
27.01 Small and Medium Enterprise Fund		
These funds were created as per clause 24 of Article 16 of the Bangladesh Bank Order, 1972 for refinance to the schedule banks and financial institutions against the loans and advances given to the small enterprise sector and housing refinance scheme. Appropriation to those funds are made as per decision of the board.		
27.02 Human resources development fund		
Human resources development fund was created as per clause 2(n) of Article 82 of Bangladesh Bank Order, 1972 and decision taken by the board of the Bank for development of efficiency of the Bank's officials by conducting seminar, symposium, training etc. in home and abroad. Appropriation of this fund is made from the dividend payable to government for FY11.		
27.03 Monetary management fund		
Monetary management fund was created as per decision of the Board of the Bank for sound and smooth operation of monetary policy activities. Appropriation of this fund is made from the dividend payable to government for the FY11.		
28 Other reserve		
Asset renewal and replacement reserve	2,517,324	1,873,941
Interest reserve(28.01)	8,258,328	7,581,628
Total	10,775,652	9,455,569
28.01 Interest reserve		
This reserve was introduced in the FY07, and represents the interest accrued against the overdue loan of Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank. This is kept as a reserve on the grounds of prudence.		

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

	2012 Taka '000	2011 Taka '000
29 General reserve	4,250,500	4,250,500
As per Article 59 of Bangladesh Bank Order, 1972 securities of the value of Taka 30 million was allocated by the government and held by the Bank as the general reserve. Further an amount of Taka 4,220.5 million was transferred to the reserve from general provision.		
29a Consolidated general reserve	4,500,500	4,450,500
30 Interest income - foreign currency operations		
Foreign currency	459,022	496,220
Short term deposits with commercial banks	3,431,682	3,333,945
Bonds	6,201,474	5,410,418
Interest on US Dollar treasury bills	94,539	278,249
Others	618,568	18,611
Total	10,805,285	9,537,443
31 Commission and discounts - foreign currency operations		
Exchange gain	113,872	104,433
32 Interest expenses - foreign currency operations		
Deposits	123,173	139,428
Asian Clearing Union (ACU)	14,231	56,845
Paid to IMF	147,153	241,679
Interest on CBSP	15,790	10,737
Total	300,347	448,689
33 Commission and other Expenses - foreign currency operations		
IMF - SDR allocation charges	148,211	257,239
Revaluation loss on bonds	1,553,018	842,578
ACU telex charge	212	184
Loss on foreign currency sell	785	2,954
Total	1,702,226	1,102,955
34 Interest Income - domestic operations		
Trading securities	28,823,599	11,885,940
Ways and means (Loan to Govt.)	1,078,128	176,431
Debentures	339,482	349,501
Demand loans and employee advances	4,622,828	3,666,884
Repo	8,212,781	2,905,205
Total	43,076,818	18,983,961
34a Consolidated interest income - domestic operations		
Trading securities	28,823,599	11,885,940
Ways and means (Loan to Govt.)	1,078,128	176,431
Debentures	339,482	349,501
Demand loans and employee advances	4,655,417	3,685,579
Repo	8,212,781	2,905,205
Short term money market deposits	143,901	154,224
Total	43,253,308	19,156,880

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

	2012 Taka '000	2011 Taka '000
35 Commission and discounts - domestic operations		
Commission	4,534	5,655
Others	635,328	371,400
Total	639,862	377,055
36 Interest paid on Bangladesh Bank bills	-	57,401
37 Commission and other expenses - domestic operations		
Commission paid on short term borrowings-reverse repo	16,193	72,860
Agency charges	2,877,705	1,587,829
Under writing commission on treasury bills & bonds	240,000	150,052
CDBL charge	-	31,059
Total	3,133,898	1,841,800
38 General and administrative expenses		
Staff costs (Note 38.01)	6,613,982	3,810,966
Depreciation of plant and equipment	986,538	188,509
Amortisation of intangible assets	176,129	-
Note printing	2,059,424	2,071,058
Directors' fee	443	299
Audit fee	7,600	2,600
Stationery	57,086	54,008
Rent	111,645	99,022
Remittance of treasure	26,339	45,830
Travel expenses	22,114	14,871
Donations	130,265	74,638
Telephone	25,322	14,168
Lunch	184,034	169,702
Staff bus	44,194	36,747
Repairs	113,603	88,112
Warranty & other expenses	80,586	-
Miscellaneous	687,221	495,316
Total	11,326,525	7,165,846
38.01 Staff costs		
Salary	1,154,553	1,118,682
House rent	449,883	432,771
Contribution to contributory provident fund	(155,009)	(105,401)
Pension and gratuity	3,846,643	999,598
Leave encashment	102,946	490,983
General and incentive bonus	675,774	527,690
Income tax paid to Government	62,296	53,344
Medical expenses	162,666	139,636
Foreign training	103,714	104,183
Other staff costs	210,516	49,480
Total	6,613,982	3,810,966

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

38a Consolidated general and administration expenses	2012 Taka '000	2011 Taka '000
Staff costs (Note 38a.01)	6,912,455	4,074,951
Depreciation of property, plant and equipment	1,153,783	324,844
Amortisation of intangible assets	176,129	-
Directors' fees	638	621
Audit fees	7,800	2,800
Stationery	57,086	54,008
Rent, electricity etc.	111,645	140,372
Remittance of treasure	26,339	45,830
Travel expenses	22,114	14,871
Donations	130,265	74,638
Telephone	25,322	14,168
Lunch	206,797	192,740
Staff bus	44,194	36,747
Repairs	117,736	96,235
Warranty & other expenses	80,586	-
Materials	2,304,347	1,974,619
Provision for WPPF	70,503	62,328
Income tax	453,950	357,582
Deferred tax	48,980	88,968
Miscellaneous	768,418	521,625
Total	12,719,087	8,077,947
38a.01 Staff costs		
Salary	1,298,261	1,249,168
House rent	449,883	432,771
Contribution to contributory provident fund	(155,009)	(105,401)
Pension and gratuity	3,868,419	1,013,454
Leave encashment	107,040	490,983
General and incentive bonus	722,557	569,493
Income tax paid to Government	62,296	53,344
Medical expenses	166,610	143,858
Foreign training	103,714	104,183
Other staff costs	288,684	123,098
Total	6,912,455	4,074,951

39 Risk management**(i) Financial risk management**

International Financial Reporting Standard IFRS 7 - Financial Instruments: Disclosures - requires disclosure of information relating to: both recognised and unrecognised financial instruments, their significance and performance, accounting policies, terms and conditions, net fair values and risk information- the Bank's policies for controlling risks and exposures.

A financial instrument is defined as any contract that gives rise to both a financial asset of one enterprise and financial liability or equity instrument of another enterprise. The identifiable financial instruments for Bangladesh Bank are its domestic government securities, its foreign currency liabilities, securities, loans and advances, bank deposits, currency in circulation and deposit liabilities.

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2012

Net fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Bangladesh Bank's recognised instruments are carried at cost or current market value, which approximates net fair value.

The Bank is involved in policy-oriented activities. Therefore, the Bank's risk management framework differs from the risk management framework for most other financial institutions. The main financial risks to which the Bank is exposed include credit risk, foreign exchange risk and interest rate risk. In the management of foreign reserves, minimising liquidity risk is the prime consideration in order to ensure the availability of currency as required. Like most central banks the nature of the Bank's operations creates exposure to a range of operational and reputational risks.

Bank management seeks to ensure that strong and effective risk management and control systems are in place for assessing, monitoring and managing risk exposure. Experienced staff conducts the Bank's local currency, foreign currency reserves management, and foreign exchange dealing operations in accordance with a clearly defined risk management framework, including limits and delegated authorities set by the Governor.

The Bank is subject to an annual audit by two external auditors who are appointed and their remuneration fixed by the Government as prescribed in Section 65 (1) of the Bangladesh Bank Order, 1972. Auditing arrangements are overseen by an audit committee of the board to monitor the financial reporting and audit functions within the Bank and the committee reviews the internal audit functions as well. The committee reports to the board of directors on its activities.

The overall risk management framework is designed to strongly encourage the sound and prudent management of the Bank's risk. The bank seeks to ensure the risk management framework is consistent with financial market best practice. The risks tables in this note are all based on Bangladesh Bank portfolio as reported in its statement of financial position.

(ii) Operational risk

Operational risk is the risk of loss in both financial and non-financial terms resulting from human error and the failure of internal processes and systems. Managing operational risk is seen as an integral part of the day to day operations and management, which includes explicit consideration of both the opportunities and the risks of all business activities. Operational risk management includes bank-wide corporate policies that describe the standard required of staff and specific internal control systems designed around the particular characteristics of various bank activities. Compliance with corporate policies and departmental internal control systems are managed by departmental management and an active internal audit function.

(iii) Credit risk

Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligation.

(iv) Credit risk management

Credit risk is monitored and managed regularly. Bangladesh Bank's maximum exposure to credit risk in relation to each class of recognised financial assets, if the carrying amount of those assets as indicated in the statement of financial position. Bangladesh Bank's exposure is to highly rated counterparties and its credit risk is very low.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

(v) Concentration of credit exposure	<u>2012</u> <u>Taka '000</u>	<u>2011</u> <u>Taka '000</u>
The Bank's significant year-end concentrations of credit exposure were classified by industry of the issuer as follows:		
Bank		
Government of Bangladesh	373,067,868	313,529,793
Other Sovereign issuers	470,997,775	420,773,646
Overseas financial institutions	363,198,036	357,785,246
Other banks & financial institutions in Bangladesh	312,435,451	192,026,615
Others	459,960	306,339
Total	<u>1,520,159,090</u>	<u>1,284,421,639</u>
Consolidated		
Government of Bangladesh	373,067,868	313,529,793
Other sovereign issuers	470,997,775	420,773,646
Overseas financial institutions	363,198,036	357,785,246
Other banks & financial institutions in Bangladesh	313,754,525	193,147,900
Others	924,638	582,900
Total	<u>1,521,942,842</u>	<u>1,285,819,485</u>
The Bank's significant end-of-year concentrations of credit exposure, based on the country/region in which the issuers' parent was located, were as follows:		
Bank		
Bangladesh	752,794,623	505,862,747
Asia	168,239,805	306,918,195
United States of America	388,720,079	279,729,592
Europe	193,773,367	175,961,807
Australia	16,631,216	15,949,298
Total	<u>1,520,159,090</u>	<u>1,284,421,639</u>
Consolidated		
Bangladesh	754,578,375	507,260,593
Asia	168,239,805	306,918,195
United States of America	388,720,079	279,729,592
Europe	193,773,367	175,961,807
Australia	16,631,216	15,949,298
Total	<u>1,521,942,842</u>	<u>1,285,819,485</u>

40 Credit exposures by credit rating

The following tables represents the Bank's financial assets based on Moody's credit rating of the issuer. For long term deposits Aaa is the highest quality rating possible and indicates that the entity has an exceptional credit quality and have the smallest degree of risk; Aa is the excellent credit quality but are rated lower than Aaa. Aa1 indicates higher end of Aa category, Aa2 indicates mid range ranking of Aa category and Aa3 indicates lower end of Aa category. For short term deposits P-1 indicates banks rated prime -1 for deposits offer superior credit quality and a very strong capacity for timely payment of short -term deposit obligations, ST-1 indicates highest capacity for timely repayment of obligations, ST-2 indicates strong capacity for timely repayment of obligations and ST-3 indicates average capacity for timely repayment of obligations.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

	Credit Rating	2012		2011	
		Amount (Taka '000)	% of financial assets	Amount (Taka '000)	% of financial assets
i) Foreign currency financial assets					
Cash balances with central banks	P-1	248,576,851	16.39%	176,508,754	13.74%
Short term investment	P-1	217,774,431	14.36%	-	0.00%
Short term investment	P-2	6,778,662	0.45%	220,590,889	17.18%
Short term investment	ST-1	-	0.00%	1,969,902	0.15%
Short term investment	ST-2	-	0.00%	7,742,919	0.60%
Short term investment	ST-3	-	0.00%	742,329	0.06%
US Dollar treasury bills	P-1	95,719,647	6.31%	123,938,249	9.65%
Foreign bonds	Aaa	30,924,763	2.04%	31,049,276	2.42%
Foreign bonds	Aa	19,900,092	1.31%	20,427,291	1.59%
Foreign bonds	A+	14,730,821	0.97%	3,821,290	0.30%
Foreign bonds	Aa2	2,133,141	0.14%	5,938,632	0.46%
Foreign bonds	Aa3	4,914,429	0.32%	1,855,823	0.14%
Foreign bonds	A-, B, BB, BBB etc.	53,301,446	3.52%	57,234,331	4.46%
Gold investment	A-1	14,005,843	0.92%	14,458,023	1.13%
IMF related assets	NR	121,641,294	8.02%	48,347,972	3.76%
Others	NR	43,826,265	2.89%	63,933,212	4.98%
Total		874,227,685	57.65%	778,558,892	60.62%
ii) Local currency financial assets					
Cash balances	NR	459,960	0.03%	306,339	0.02%
Loans to Government	Ba3	373,067,868	24.60%	313,529,793	24.41%
Investments in repo	NR	153,769,820	10.14%	84,156,909	6.55%
Investments	NR	7,073,333	0.47%	7,176,667	0.56%
Loans to banks, financial institutions & employees	NR	107,722,392	7.10%	100,693,039	7.84%
Total		642,093,373	42.35%	505,862,747	39.38%
Total financial assets (i+ii)		1,516,321,058	100.00%	1,284,421,639	100.00%

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

Credit Rating	2012		2011	
	Amount (Taka '000)	% of financial assets	Amount (Taka '000)	% of financial assets

40a Consolidated credit exposures by credit rating

i) Foreign currency financial Assets

Cash balances with central banks	P-1	248,576,851	16.37%	176,508,754	13.73%
Short term investment	P-1	217,774,431	14.35%	220,590,889	17.16%
Short term investment	P-2	6,778,662	0.45%	1,969,902	0.15%
Short term investment	ST-1	-	0.00%	7,742,919	0.60%
Short term investment	ST-2	-	0.00%	742,329	0.06%
Short term investment	ST-3	-	0.00%	123,938,249	9.64%
US Dollar treasury bills	P-1	95,719,647	6.31%	31,049,276	2.41%
Foreign bonds	Aaa	30,924,763	2.04%	20,427,291	1.59%
Foreign bonds	Aa	19,900,092	1.31%	3,821,290	29.72%
Foreign bonds	A+	14,730,821	0.97%	5,938,632	0.46%
Foreign bonds	Aa2	2,133,141	0.14%	1,855,823	0.14%
Foreign bonds	Aa3	4,914,429	0.32%		
Foreign bonds	A-,B,BB, BBB etc.	53,301,446	3.51%	57,234,331	4.45%
Gold investment	A-1	14,005,843	0.92%	14,458,023	1.12%
IMF related Assets	NR	121,641,294	8.01%	48,347,972	3.76%
Others	NR	43,826,265	2.89%	63,933,212	4.97%
Total		874,227,685	57.59%	778,558,892	89.97%

ii) Local currency financial assets

Cash balances	NR	924,638	0.06%	582,900	0.05%
Loans to Government	Ba3	373,067,868	24.57%	313,529,793	24.38%
Investments in Repo	NR	153,769,820	10.13%	84,156,909	6.55%
Investments	NR	7,664,638	0.50%	7,828,089	0.61%
Loans to banks, financial institutions & employees	NR	108,450,161	7.14%	101,162,902	7.87%
Total		643,877,125	42.41%	507,260,593	39.45%
Total financial assets (i+ii)		1,518,104,810	100.00%	1,285,819,485	100.00%

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

41 Interest rate risk

Interest rate risk is the risk of loss arising from changes in interest rates. The bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. Since the primary objective of the Bank is to achieve and maintain price stability, it determines at its own discretion the monetary policy that it will implement and the monetary policy instruments that is going to use in order to achieve and maintain price stability. The Bank's interest sensitivity position based on contractual re-pricing arrangements as on 30 June 2012 is presented below. It includes the Bangladesh Bank's financial statements at carrying amounts, categorized by the earlier of contractual re-pricing of maturity dates. Assets and liabilities will mature or re-price within the following period:

Particulars	Balance as at 30 June 2012	Floating interest %	Re-pricing period				Weighted average interest
			0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
Taka '000							
Assets							
Foreign currency financial assets							
Foreign currency accounts	249,373,436		249,373,436	-	-	-	0.22%
Foreign investments	458,697,777		291,921,496	68,193,504	98,582,777	-	2.15%
Assets held with IMF	121,641,294		55,417,220	-	-	66,224,074	0.24%
Other foreign assets	45,307,301		4,251,982	41,055,239	-	80	1.75%
Total Foreign currency financial assets	875,019,808		600,964,134	109,248,743	98,582,777	66,224,154	
Local currency financial assets							
Cash and cash equivalents	459,960		459,960	-	-	-	8.71%
Loans to the Government	373,067,868		131,547,885	40,156,138	172,264,424	29,099,421	6.90%
Investments in Repo	153,769,820		153,769,820	-	-	-	5.82%
Investments in shares and debentures	160,843,153		-	200,000	159,493,153	1,150,000	4.43%
Loans to banks, financial institutions and employees	110,768,301	5%	5,071,104	34,522,041	9,067,566	62,107,590	
Total local currency financial assets	798,909,102		290,848,769	74,878,179	340,825,143	92,357,011	
Total financial assets	1,673,928,910		891,812,903	184,126,922	439,407,920	158,581,165	
Liabilities							
Foreign currency financial liabilities							
Liabilities with the IMF	173,905,427		7,920,256	11,212,506	15,360,404	139,412,261	0.28%
Deposits from banks and financial institutions	157,626,977		157,626,977	-	-	-	0.10%
Others foreign liabilities	1,481,036		1,481,036	-	-	-	-
Total foreign currency financial liabilities	333,013,440		167,028,269	11,212,506	15,360,404	139,412,261	
Local currency financial liabilities							
Notes in circulation	642,007,492		642,007,492	-	-	-	-
Deposits from banks and financial institutions	329,012,078		329,012,078	-	-	-	-
Total local currency financial liabilities	971,019,570		971,019,570	-	-	-	
Total financial liabilities	1,304,033,010		1,138,047,839	11,212,506	15,360,404	139,412,261	

All recognised financial instruments are shown at net fair value. All financial instruments are shown in their re-pricing period, which is equivalent to the remaining term of maturity.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

41a Consolidated interest rate risk

Taka '000

Particulars	Balance as at 30 June 2012	Floating interest %	Re-pricing period				Weighted average interest
			0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
Assets							
Foreign currency financial assets							
Foreign currency accounts	249,373,436		249,373,436	-	-	-	0.22%
Foreign investments	458,697,777		291,921,496	68,193,504	98,582,777	-	2.15%
Assets held with IMF	121,641,294		55,417,220	-	-	66,224,074	0.24%
Other foreign assets	45,307,301		4,251,982	41,055,239	-	80	1.75%
Total Foreign currency financial assets	875,019,808		600,964,134	109,248,743	98,582,777	66,224,154	
Local currency financial Assets							
Cash and cash equivalents	924,638		924,638	-	-	-	-
Loans to Government	373,067,868		131,547,885	40,156,138	172,264,424	29,099,421	8.71%
Investments in Repo	153,769,820		153,769,820	-	-	-	6.90%
Investments	161,434,458		-	1,279,743	159,500,605	650,000	6.24%
Loans to banks, financial institutions and employees	111,496,070		5,071,104	34,522,041	9,067,566	62,835,359	4.44%
Total Local currency financial assets	800,692,854		291,313,447	75,957,922	340,832,595	92,584,780	
Total financial assets	1,675,712,662		892,277,581	185,206,665	439,415,372	158,808,934	
Liabilities							
Foreign currency financial liabilities							
Liabilities with IMF	173,905,427		7,920,256	11,212,506	15,360,404	139,412,261	0.28%
Deposits from banks and financial institutions	157,626,977		157,626,977	-	-	-	0.10%
Others foreign liabilities	1,481,036		1,481,036	-	-	-	-
Total foreign currency financial liabilities	333,013,440		167,028,269	11,212,506	15,360,404	139,412,261	
Local currency financial liabilities							
Notes in circulation	642,007,492		642,007,492				
Deposits from banks and financial institutions	329,012,078		329,012,078				
Total local currency financial liabilities	971,019,570		971,019,570	-	-	-	-
Total financial liabilities	1,304,033,010		1,138,047,839	11,212,506	15,360,404	139,412,261	

All recognised financial instruments are shown at net fair value. All financial instruments are shown in their re-pricing period, which is equivalent to the remaining term of maturity.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

42 Liquidity risk

Liquidity risk is the risk that insufficient liquid funds will be available to the bank in order to perform its normal operations. The Bank limits this risk by managing foreign Assets with liquidity in mind. The table below summarises the maturity profile of the Bank's assets and liabilities based on the contractual repayment date determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date.

Assets and liabilities will mature within the following periods:

	Taka '000					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign currency financial assets						
Foreign currency accounts	248,576,851	-	-	-	-	248,576,851
Foreign investments	224,553,093	67,368,403	68,193,504	98,582,777	-	458,697,777
Assets held with IMF	55,417,220	-	-	-	66,224,074	121,641,294
Other foreign assets	903,916	2,098,272	40,823,997	-	80	43,826,265
Total	529,451,080	69,466,675	109,017,501	98,582,777	66,224,154	872,742,187
Local currency financial assets						
Cash and cash equivalents	459,960	-	-	-	-	459,960
Loans to Government	20,000,000	111,547,885	40,156,138	172,264,424	29,099,421	373,067,868
Investments in Repo	153,769,820	-	-	-	-	153,769,820
Investments in shares and debentures	-	-	200,000	5,723,333	1,150,000	7,073,333
Loans to banks, financial institutions and employees	203,349	4,867,755	34,524,107	9,067,566	59,059,615	107,722,392
Total	174,433,129	116,415,640	74,880,245	187,055,323	89,309,036	642,093,373
Non-financial assets						
Gold and silver	43,237,048	-	-	-	-	43,237,048
Property, plant and equipment	-	-	-	211,938	26,394,085	26,606,023
Intangible asset	-	-	-	-	297,139	297,139
Capital work in progress	4,434	-	-	-	-	4,434
Other Local assets	-	1,737,351	3,741,475	116,100	-	5,594,926
Total	43,241,482	1,737,351	3,741,475	328,038	26,691,224	75,739,570
Total assets	747,125,691	187,619,666	187,639,221	285,966,138	182,224,414	1,590,575,130
Foreign currency financial liabilities						
Liabilities with the IMF	5,850,754	2,069,502	11,212,506	15,360,404	139,412,261	173,905,427
Deposits from banks and financial institutions	157,626,977	-	-	-	-	157,626,977
Others foreign liabilities	1,481,036	-	-	-	-	1,481,036
Total	164,958,767	2,069,502	11,212,506	15,360,404	139,412,261	333,013,440
Local currency financial liabilities						
Notes in circulation	642,007,492	-	-	-	-	642,007,492
Deposits from banks and financial institutions	329,012,078	-	-	-	-	329,012,078
Total	971,019,570	-	-	-	-	971,019,570
Local currency non financial liabilities						
Others domestic liabilities	49,464	41,362,229	2,263,794	27,644,396	11,953,157	83,273,040
Total liabilities	1,136,027,801	43,431,731	13,476,300	43,004,800	151,365,418	1,387,306,050
Capital and reserve	-	-	-	-	204,754,578	204,754,578
Total liability and equity	1,136,027,801	43,431,731	13,476,300	43,004,800	356,119,996	1,592,060,628
Gap analysis						
Gap per individual band	(388,902,110)	144,187,935	174,162,921	242,961,338	(173,895,582)	

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

42a Consolidated liquidity risk

	Taka '000					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign currency financial assets						
Foreign currency accounts	248,576,851	-	-	-	-	248,576,851
Foreign investments	224,553,093	67,368,403	68,193,504	98,582,777	-	458,697,777
Assets held with IMF	55,417,220	-	-	-	66,224,074	121,641,294
Other foreign assets	903,916	2,098,272	40,823,997	-	80	43,826,265
Total	529,451,080	69,466,675	109,017,501	98,582,777	66,224,154	872,742,187
Local currency financial assets						
Cash and cash equivalents	924,638	-	-	-	-	924,638
Loans to Government	20,000,000	111,547,885	40,156,138	172,264,424	29,099,421	373,067,868
Investments in Repo	153,769,820	-	-	-	-	153,769,820
Investments in shares and debentures	-	-	1,279,743	5,730,785	654,110	7,664,638
Loans to banks, financial institutions and employees	203,349	4,867,755	34,522,041	9,067,566	59,789,450	108,450,161
Total	174,897,807	116,415,640	75,957,922	187,062,775	89,542,981	643,877,125
Other non-financial assets						
Gold and silver	43,237,048	-	-	-	-	43,237,048
Property, plant and equipment	-	-	-	3,633,467	26,062,352	29,695,819
Intangible asset	-	-	-	-	297,139	297,139
Capital work in progress	5,416	-	-	-	-	5,416
Other Local assets	-	1,740,538	4,780,924	1,838,482	-	8,359,944
Total	43,242,464	1,740,538	4,780,924	5,471,949	26,359,491	81,595,366
Total Assets	747,591,351	187,622,853	189,756,347	291,117,501	182,126,626	1,598,214,678
Foreign currency financial liabilities						
Liabilities with the IMF	5,850,754	2,069,502	11,212,506	15,360,404	139,412,261	173,905,427
Deposits from banks and financial institutions	157,626,977	-	-	-	-	157,626,977
Others foreign liabilities	-	-	-	-	-	-
Total	163,477,731	2,069,502	11,212,506	15,360,404	139,412,261	331,532,404
Local currency financial liabilities						
Notes in circulation	642,007,492	-	-	-	-	642,007,492
Deposits from banks and financial institutions	329,012,078	-	-	-	-	329,012,078
Total	971,019,570	-	-	-	-	971,019,570
Local currency non-financial liabilities						
Others domestic liabilities	49,464	41,362,229	2,119,795	27,644,396	13,171,175	84,347,059
Total liabilities	1,134,546,765	43,431,731	13,332,301	43,004,800	152,583,436	1,386,899,033
Capital and reserve	-	-	-	-	211,320,107	211,320,107
Total liability and equity	1,134,546,765	43,431,731	13,332,301	43,004,800	363,903,543	1,598,219,140
Gap analysis						
Gap per individual band	(386,955,414)	144,191,122	176,424,046	248,112,701	(181,776,917)	(4,462)

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

43 Currency risk

Currency risk (exchange rate risk) is a form of risk that arises from the change in price of one currency against another, which directly affects the value of foreign exchange reserves as well as investments. In Bangladesh Bank, foreign exchange reserve management and investment functions are guided by an Investment Committee. The decision of the Investment Committee and dealing practices approved by the Investment Committee serve as operational guidelines for Bangladesh Bank's reserve management and investments. The guidelines are directed towards managing different types of risks, while earning a reasonable return. There is an approved benchmark for investment in terms of currency composition, portfolio duration and proportion of different assets within a band. Dealers/portfolio managers afford best to comply with this benchmark and keep on rebalancing the investment portfolio following benchmark daily/weekly as approved by the Investment Committee.

Foreign currency monetary assets and liabilities

Taka '000

Particulars	US\$ Dollar equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Yen equivalent	C\$ equivalent	AUD equivalent	SDR equivalent	Others equivalent
Assets									
Held in other Central Banks and cash deposit abroad	150,746,924	-	91,972,755	4,529,845	1,204,011	372,485	480,461	-	25,046
Short term investment in overseas commercial banks	121,968,989	14,005,843	15,243,852	56,181,129	1,481,037	5,039,093	23,824,417	-	810,089
Treasury bills	95,719,647	-	-	-	-	-	-	-	-
Foreign bonds	81,142,551	-	12,749,694	10,253,668	-	4,506,819	15,598,893	-	1,648,055
Loan to other banks	40,823,997	-	-	-	-	-	-	-	80
Interest receivable	2,151,303	-	589,713	8,229	-	17,131	232,725	-	3,087
Asset held with IMF	-	-	-	-	-	-	-	121,641,294	-
Total	492,553,411	14,005,843	120,556,014	70,972,871	2,685,048	9,935,529	40,136,496	121,641,294	2,486,356
Liabilities									
Deposits from other banks	154,845,280	-	1,268,105	1,471,093	12,551	29,948	-	-	-
Liabilities to IMF	-	-	-	-	-	-	-	87,467,924	-
Loan under poverty reduction and growth facility	-	-	-	-	-	-	-	23,056,483	-
SDR allocation	-	-	-	-	-	-	-	63,381,020	-
Others-JDR balance	-	-	-	-	1,481,036	-	-	-	-
Total	154,845,280	-	1,268,105	1,471,093	1,493,587	29,948	-	173,905,427	-
Net	337,708,131	14,005,843	119,287,909	69,501,778	1,191,461	9,905,581	40,136,496	(52,264,133)	2,486,356

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

44 Sensitivity analysis

At 30 June 2012, if interest rates had been 100 basis points lower with all other variables constant, profit for the year would have been Taka. 12,608 million lower (2011: Taka 11,723 million), arising mainly as a result of lower interest income on financial assets. Conversely, if interest rates had been 100 basis point higher with all other variables held constant profit for the year would have been Taka 12,608 million higher (2011: Taka 11,723 million) arising mainly as a result of higher interest income on financial assets. Profit is very sensitive to changes in interest rates as interest is the principal source of income of the bank.

At 30 June 2012 if the Taka had weakened 10 percent against the principal currencies in its foreign reserves portfolio with all other variables held constant profit for the year would have been Taka 3,167 million higher, (2011: Taka 6,957 million). Conversely, if the Taka had strengthened 10 per cent against the same currencies with all other variables held constant the Bank would have experienced a reduction of profit for the year of Taka 3,167 million, (2011: Taka 6,957 million). Profit is very sensitive to changes in exchange rate movements. The bank as part of its core functions holds substantial foreign currency assets.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. Fair value have been based on management assumptions according to the portfolio of the asset and liability base. IFRS requires that the fair value of the financial assets and liabilities be disclosed according to their classification under IAS 39 - Financial Instruments: Recognition & Measurement. The following tables summarizes the carrying amounts and fair values of those financial assets and liabilities not carried at fair value:

	Carrying value		Fair value	
	2012	2011	2012	2011
Financial assets				
Foreign currency accounts	249,373,436	176,508,754	249,373,436	176,508,754
Foreign investments	458,697,777	489,768,954	458,697,777	489,768,954
IMF related assets	121,641,294	111,318,324	121,641,294	111,318,324
Other foreign assets	45,307,301	63,933,212	45,307,301	63,933,212
Loans to government	373,067,868	313,529,793	373,067,868	313,529,793
Investments in Repo	153,769,820	84,156,909	153,769,820	84,156,909
Investments in shares and debentures	160,843,153	7,176,667	160,843,153	7,176,667
Loans to banks and financial institution	110,768,301	100,693,039	110,768,301	100,693,039
Cash and cash equivalent	459,960	306,339	459,960	306,339
Financial liabilities				
Liabilities with IMF	173,905,427	168,554,204	173,905,427	168,554,204
Deposits from banks and fin. institutions	486,639,055	431,775,917	486,639,055	431,775,917
Notes in circulation	642,007,492	599,157,730	642,007,492	599,157,730
Other foreign liabilities	1,481,036	1,465,192	1,481,036	1,465,192

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

44a Consolidated fair value

	Carrying value		Fair value	
	2012	2011	2012	2011
Financial assets				
Foreign currency accounts	249,373,436	176,508,754	249,373,436	176,508,754
Foreign investments	458,697,777	489,768,954	458,697,777	489,768,954
IMF related assets	121,641,294	111,318,324	121,641,294	111,318,324
Other foreign assets	45,307,301	63,933,212	45,307,301	63,933,212
Loans to Government	373,067,868	313,529,793	373,067,868	313,529,793
Investments in Repo	153,769,820	84,156,909	153,769,820	84,156,909
Consolidated investments	161,434,458	7,828,089	161,434,458	7,828,089
Loans to banks and financial institutions	111,496,070	101,162,902	111,496,070	101,162,902
Cash and cash equivalent	924,638	582,900	924,638	582,900
Financial liabilities				
Liabilities with IMF	173,905,427	168,554,204	173,905,427	168,554,204
Deposits from banks and fin. institutions	486,639,055	431,775,917	486,639,055	431,775,917
Notes in circulation	642,007,492	599,157,730	642,007,492	599,157,730
Other foreign liabilities	1,481,036	1,465,192	1,481,036	1,465,192

Determination of fair value of financial assets

The fair value of foreign securities held to maturity is based on quoted market prices, at the financial position date. As explained in note 3.03 b(4), available-for-sale securities are SPCL shares with a value of Taka 500,000,000 (2010: Taka 500,000,000) for which fair value cannot be reliably determined as they are not traded in the active market and there are no similar instruments with similar characteristics. The Bank management believes that the fair value of these shares are their carrying value. Government securities (overdraft-block and current) are carried at cost as the interest accrued is recovered on daily basis. Other government securities (Govt. treasury bills and bonds) are carried at amortised cost. Loans to banks, financial institution and employees are carried at amortised cost and are net of provisions for impairment. These types of loans were granted with the same interest rate and there are no other similar loans with similar characteristics. Therefore, their fair value approximates their carrying value.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

45 Classification of financial instruments**Financial Assets**

Taka '000

Items	Loans and receivables	Held to maturity	Assets at fair value through profit or loss	Available for sale	Total
Cash and cash equivalents	459,960	-	-	-	459,960
Foreign currency accounts	249,373,436	-	-	-	249,373,436
Foreign investments:					
Short term investments with overseas commercial banks	223,067,595	-	-	-	223,067,595
US Dollar treasury bills	-	95,719,647	-	-	95,719,647
Gold investment	-	-	-	14,005,843	14,005,843
Foreign Bonds	-	-	125,904,692	-	125,904,692
Asset held with IMF			121,641,294		121,641,294
Other foreign Assets:	40,823,997	-	-	-	40,823,997
Loans to other banks	-	-	-	80	80
Swift share	3,002,188	-	-	-	3,002,188
Interest receivable					
Loans to Government:	20,000,000	-	-	-	20,000,000
Ways and means advance	161,510,000	-	-	-	161,510,000
Overdraft - block (government treasury bills)	78,247,000	-	-	-	78,247,000
Overdraft - current	-	-	-	-	58,457,023
Treasury bills	-	58,457,023	-	-	58,457,023
Treasury bonds	153,769,820	54,853,845	-	-	153,769,820
Investment in REPO					
Investments in shares and debentures:					
Debenture - HBFC	-	6,573,333	-	-	6,573,333
Investment in subsidiary	-	-	-	500,000	500,000
Loans to banks and financial institutions:					
Loan to Commercial banks	4,611,748	-	-	-	4,611,748
Loan to Specialised banks	52,818,517	-	-	-	52,818,517
Loan to Private banks	4,867,756	-	-	-	4,867,756
Other loans and advances	19,949,732	-	-	-	19,949,732
Interest receivable	7,563,303	-	-	-	7,563,303
Loans and advances to employees	20,957,245	-	-	-	20,957,245
Total	1,041,022,297	215,603,848	247,545,986	14,505,923	1,518,678,054
Interest/commission received	44,679,028	3,538,155	6,419,433	75,000	54,711,616

Financial Liabilities

Taka '000

Items	Carried at amortised cost	Liabilities through profit or loss	Total
Liabilities with IMF	173,905,427	-	173,905,427
Deposits from banks and financial institutions:			
Foreign currency deposits by commercial banks	102,898,799	-	102,898,799
Asian Clearing Union (ACU)	54,728,178	-	54,728,178
Other foreign liabilities	1,481,036	-	1,481,036
Notes in circulation	642,007,492	-	642,007,492
Deposits from banks and financial institution	329,012,078	-	329,012,078
Total	1,304,033,010	-	1,304,033,010
Interest / commission paid	4,405,829	-	4,405,829

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2012

45a Consolidated classification of financial instruments**Financial Assets**

Taka '000

Items	Loans and receivables	Held to maturity	Assets at fair value through profit or loss	Available for sale	Total
Cash and cash equivalents	924,638	-	-	-	924,638
Foreign currency accounts	249,373,436	-	-	-	249,373,436
Foreign investments:					
Short term investments with overseas commercial banks	223,067,595	-	-	-	223,067,595
US Dollar Treasury Bills	-	-	95,719,647	-	95,719,647
Gold investment	-	14,005,843	-	-	14,005,843
Foreign Bonds	-	-	125,904,692	-	125,904,692
Asset held with IMF	-	-	121,641,294	-	121,641,294
Other foreign assets:					
Loans to other banks	40,823,997	-	-	-	40,823,997
Swift share	-	-	-	80	80
Interest receivable	3,002,188	-	-	-	3,002,188
Loans to the Government					
Ways and means advance	20,000,000	-	-	-	20,000,000
Overdraft - block (government treasury bills)	161,510,000	-	-	-	161,510,000
Overdraft - current	78,247,000	-	-	-	78,247,000
Treasury bills	-	58,457,023	-	-	58,457,023
Treasury bonds	-	54,853,845	-	-	54,853,845
Investment in REPO	153,769,820	-	-	-	153,769,820
Investments in shares and debentures:					
Debenture - House Building Finance Corporation	6,573,333	-	-	-	6,573,333
Short term money market investments	-	1,083,853	-	-	1,083,853
Share of ICB Islamic Bank Limited	-	-	-	7,452	7,452
Loans to banks and financial institutions:					
Loan to Commercial banks	4,611,748	-	-	-	4,611,748
Loan to Specialised banks	52,818,517	-	-	-	52,818,517
Loan to Private banks	4,867,756	-	-	-	4,867,756
Other loans and advances	19,949,732	-	-	-	19,949,732
Interest receivable	7,563,303	-	-	-	7,563,303
Loans and advances to employees	21,685,014	-	-	-	21,685,014
Total	1,048,788,077	128,400,564	343,265,633	7,532	1,520,461,806
Interest/commission received	145,863,531	3,682,056	6,419,433	-	155,965,020

Financial Assets

Taka '000

Items	Carried at amortized cost	Liabilities through profit or loss	Total
Liabilities with IMF	173,905,427	-	173,905,427
Deposits from banks and financial institutions:			
Foreign currency deposits by commercial banks	102,898,799	-	102,898,799
Asian Clearing Union (ACU)	54,728,178	-	54,728,178
Other foreign liabilities	1,481,036	-	1,481,036
Notes in circulation	642,007,492	-	642,007,492
Deposits from banks and financial institution	329,012,078	-	329,012,078
Total	1,304,033,010	-	1,304,033,010
Interest/commission paid	4,405,829	-	4,405,829

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

46 Contingent liabilities

The Bank had contingent Liabilities for guarantees outstanding as at 30 June 2012 amounting to Taka 187,380 million (2011: Taka 41,570 million) secured by counter guarantees from the Government of Bangladesh.

The Bank had 3 pending litigations against which possible liability was Taka 6.93 million as at the reporting date. No provisions have been made in the financial statements in respect of these as it was not possible to determine the outcome of these cases with reasonable assurance.

47 Operating segments

The Bank as the central bank of Bangladesh operates as an instrument of government economic policy. As a result its operations can be segmented between its operations in the domestic market (including the issue of currency) and its operations in the foreign exchange market to maintain reserves and implement government policy in this area. Therefore, the Bank presents Assets and liabilities, and their associated Income and expense streams, by distinguishing between foreign currency and local currency activities in the financial position and statement of comprehensive Income.

The Bank operates as a central bank in the People's Republic of Bangladesh and therefore, cannot segment its operations by geographically.

48 Retirement benefit plans

The retirement plans differ for employees employed before 17 February 1983 and employees employed after the said date.

48.01 For employees employed before 17 February 1983

(a) Contributory Provident Fund (CPF)

The Bank and employees contribute to the fund, which invests in various securities. The Bank commits a return of 12.5% on the balance of the contributed amount. In the event that the return from securities is lower than the committed return of 12.5% the shortfall, if any, would be paid by the Bank.

(b) Gratuity scheme

On retirement the employees are entitled to get two months salary for every year of service.

48.02 For employees employed after 17 February 1983

(a) General Provident Fund (GPF)

The employees contribute at various rates of their basic salary into the fund. The fund is also invested in various securities and the Bank commits a return of 12.5% on the balance of the fund. In the event, when the return from securities is lower than the committed return of 12.5%, the shortfall, if any, would be paid by the Bank.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

(b) Pension scheme

The employees are entitled to get pension amounting to maximum 80% of their last basic salary. 50% of the pension amount is paid as a lump sum computed at the rate of Taka 200 per Taka 1 surrendered from the pension. Employees may choose to surrender the remaining 50% for a lump sum payment computed at the rate of Taka 100 per Taka 1 or to receive their pension monthly over the remaining lifetime.

All employees irrespective of joining date are entitled to Taka 700 per month as medical allowance in cash and a maximum of Taka 1,000 per year in the form of medicine even after retirement.

Those employees who have unutilised leave up to one year or more at the time of retirement age of 57 are allowed to leave with salary for one year. The remaining unutilised leave is encashed (maximum twelve months). Employees are not allowed to encash their unutilised leave until reaching retirement age.

Since the rate of interest is guaranteed for both CPF and GPF these funds are considered to be funded defined benefit plans. The gratuity scheme, pension scheme and medical assistance after retirement and en-cashing of unutilised leave are un-funded defined benefit plans.

48.03 Actuarial valuation of defined benefit plans

The Bank at first carried actuarial valuation for the pension fund and gratuity fund during FY04 and then in the FY06. Later on the Bank appointed an actuarial firm (Z. Halim and Associates) to calculate actuarial valuation of pension and gratuity scheme for FY09. But the actuarial firm was unable to calculate the actuarial valuation and their appointment had been cancelled. After that fresh EOI was requested. Against EOI single bid received and it was rejected due to non responsiveness. Finally BB decided to take further steps to appoint actuary after closing of accounts and completion of external audit for FY12. As actuarial valuation was not done, shortfall in provision for pension plan for the year was calculated based on management's best estimates considering age, length of service and salary levels etc. As bank did not provide adequate amount for shortfall in provision in previous years, the shortfall accumulated largely and Bank has provided large amount in pension provision this year. The balance of the funds is as under:

Particulars	Pension plans		Gratuity plans	
	2011-2012	2010-2011	2011-2012	2010-2011
Amounts recognised in the reporting date				
Balance at the beginning of the year	2,968,230	2,752,599	1,871,230	1,731,923
Paid during the year	(609,542)	(534,369)	(83,106)	(110,693)
Current year's provision	3,746,658	750,000	100,000	250,000
Balance of the fund	6,105,346	2,968,230	1,888,124	1,871,230

Any shortfall arise in future will be adjusted in due course.

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2012

49 Capital commitment

As at 30 June 2012 the Bank had no outstanding capital commitment with respect to different civil constructions (2011: Taka 522.65 million). The Bank is committed to incur capital expenditure of Taka 12.39 million in respect of other capital items.

50 Related parties transactions

50.01 Transactions with government and government controlled enterprises

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include the Government of Bangladesh; as ultimate owner of the Bank, various Government departments, and Government controlled enterprises/entities. All transactions are carried out with reference to market rates. Transactions entered into include:

(a) Acting as the fiscal agent, banker and financial advisor of the Government; the Bank is the depository of the Government and or its agents or institutions provide banking services to Government and Government departments and corporations;

(b) Acting as the agent of the Government or its agencies and institutions, provide guarantees, participate in loans to Government or related institutions and foreign reserve;

(c) The Bank does not ordinarily collect any commission, fees, or other charges for services which it renders to the Government and related entities;

(d) Acting as the agent of the Government, the Bank issues securities of Government, purchases any unsubscribed portion of any issue and amounts set aside for the Bank; and

(e) As the agent of the Government manages public debt and foreign reserve.

During the year the Bank received an amount of Taka 1,830.57 billion and paid Taka 1,821.53 billion on behalf of Government. As at 30 June 2011, total outstanding balance was Taka 373.07 billion.

50.02 Transactions with entities in which the bank has significant investments

During the year the Bank received debenture interest from House Building Finance Corporation (HBFC) amounting to Taka 339.48 million included in the interest Income.

50.03 Transactions with controlled entities

During the year as a part of business operation the Bank paid an amount of Taka 1,598.76 million as note printing cost and received Taka 75.00 million as dividend from the Security Printing Corporation, Bangladesh Ltd. is a 100% owned subsidiary of the Bank which is included in the statement of comprehensive Income of the Bank. These transactions are eliminated in preparing comprehensive Income statement.

50.04 Transactions with retirement benefit plans

The Bank contribute Taka 1,000 million from the charges account to the retirement benefit plans (consisting of contribution to pension plans including widow/widowers). Amounts of balances held in the financial statements maintained by these retirement benefit plans are given in note 48.

50.05 Board of Directors of Bangladesh Bank and key Management Personnel

(a) Dr. Atiur Rahman - appointed as the Chairman of the Board of Directors and also as the Governor of the Bangladesh Bank for a period of four years from 1 May 2009.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2012

(b) Mr. Md. Abul Quasem- appointed as the Director of the Board of Bangladesh Bank on 13 February 2012 for a period until further order and also hold the post of Deputy Governor, Bangladesh Bank.

(c) Dr. Mohammad Tareque - appointed as the Director of the Board of Bangladesh Bank on 13 February 2007 for a period until further order and hold the post of Secretary, Finance Division, Ministry of Finance, Govt. of the People's Republic of Bangladesh.

(d) Dr. Nasiruddin Ahmed - appointed as the Director of the Board of Bangladesh Bank on 22 April 2009 for a period until further order and hold the post of Secretary, Internal Resources Division & Chairman, National Board of Revenue, Govt. of the People's Republic of Bangladesh, Shegunbagicha, Dhaka.

(e) Dr. Mustafa Kamal Mujeri - appointed as the Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years and hold the post of Executive Director, Bangladesh Institute of Development Studies, Sher-E-Bangla nagar, Dhaka.

(f) Prof. Sanat Kumar Saha - appointed as the Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. He is an Ex-professor, Rajshahi University, Rajshahi.

(g) Dr. Sadiq Ahmed - appointed as the Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. He is an Ex-Director, World Bank, USA & Vice Chairman, Policy Research Institute, Banani, Dhaka.

(h) Prof. Hannana Begum - appointed as the Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. She is an Ex-Principal, Eden College, Dhaka.

(i) Mr. Md. Shafiqur Rahman Patwari - appointed as the Director of the Board of Bangladesh Bank on 22 March 2010 for a period until further order and hold the post of Secretary, Banking and Financial Institution Division, Ministry of Finance, Govt. of the People's Republic of Bangladesh.

50.06 Share based payment

The members of the Board of Directors do not hold any share of Bangladesh Bank as Government of Bangladesh is the owner of 100% share of the Bank and the entire profit of the Bank is transmitted to the Government at the end of the year.

50.07 Remuneration of members of the Board of Directors and key management personnel

51 Events after the reporting date

Subsequent to the financial position event, no events have occurred which require adjustments to/or disclose in the financial statements.

52 Directors' responsibility for financial reporting

The Board of Directors are responsible for preparation and presentation of financial statements.