

## Bangladesh Bank's Accounts for 2016-2017

14.1 Financial results of Bangladesh Bank for FY17 has been prepared in accordance with International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board (IASB). Executive summary of Accounts of Bangladesh Bank (excluding SPCBL) is represented below.

### Income

14.2 The total operating income of the Bank (excluding foreign currency revaluation gain/loss) for FY17 increased by BDT 4.19 billion (11.96 percent) to BDT 39.21 billion compared to BDT 35.02 billion in FY16. With foreign currency revaluation, total operating income of the Bank increased by BDT 79.83 billion (276.90 percent) to BDT 108.66 billion compared to BDT 28.83 billion in FY16. The sources of income are set out in table 14.1.

### Income from Foreign Currency Financial Assets

14.3 During FY17, Bank's income from the foreign currency financial assets increased by BDT 9.17 billion (48.34 percent) to BDT 28.14 billion compared to BDT 18.97 billion in FY16 due to increase in weighted average interest rate on investment of foreign currency.

### Income from Local Currency Financial Assets

14.4 Bank's income from local currency financial assets decreased by BDT 4.98 billion (31.03 percent) to BDT 11.07 billion in FY17 compared to BDT 16.05 billion in FY16. This can be mainly attributed to the significant decrease in interest income earned from Loans and Advances to the Government.

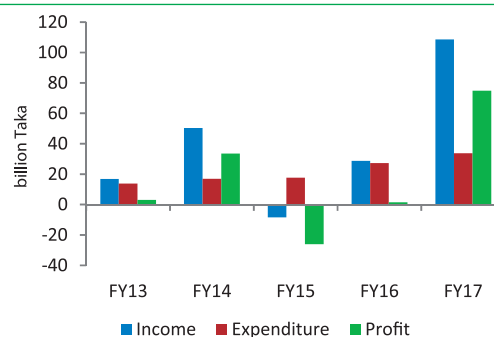
**Table 14.1 Sources of BB's Income**

	(billion BDT)	
	FY17	FY16
<b>Operating Income</b>		
<b>A. Income from foreign currency financial assets</b>	<b>28.14</b>	<b>18.97</b>
Interest income	27.49	17.45
Commission and discounts	0.65	1.51
<b>B. Income from local currency financial assets</b>	<b>11.07</b>	<b>16.05</b>
Interest income	10.09	9.70
Commission & discounts	0.77	0.79
Dividend income & misc.	0.15	0.12
Other Income	0.06	5.45
<b>Total : (A+B)</b>	<b>39.21</b>	<b>35.02</b>
<b>C. Foreign exchange revaluation gain/(loss)</b>	<b>69.45</b>	<b>(6.19)</b>
Realised gain/(loss)	0.95	(0.85)
Unrealised gain/(loss)	68.50	(5.34)
<b>Total : (A+B+C)</b>	<b>108.66</b>	<b>28.83</b>

Parenthesis indicate negative/loss.

Source: Accounts and Budgeting Department, Bangladesh Bank

**Chart 14.1 Trends of BB's income, expenditure and profit**



Source: Accounts and Budgeting Department, Bangladesh Bank.

### Foreign Currency Revaluation Gain

14.5 During FY17, the Bank made a gain of BDT 69.45 billion on foreign currency revaluation. The efficient management of the Foreign Currency Reserve is the reason behind the increased gain.

### Expenditure

14.6 Total expenditure of the Bank increased by BDT 6.49 billion (23.77percent) to BDT

33.79 billion in FY17 compared to BDT 27.30 billion in FY16. The increase in expenditure was mainly due to increase in note printing cost and employees post retirement benefit expenses. The details of expenditure are shown in the Table 14.2.

### Financial Cost

14.7 Financial cost increased by BDT 3.14 billion (25.16 percent) to BDT 15.62 billion in FY17 compared with BDT 12.48 billion in FY16 due mainly to increase in interest payments on foreign and local currency financial liabilities.

### Other Expenses

14.8 Other expenses increased by BDT 3.35 billion (22.60 percent) to Tk. 18.17 billion in FY17 compared to BDT 14.82 billion in FY16 due mainly to increase in general and administrative cost.

### Profit for the Year

14.9 Operating profit of the Bank (excluding foreign currency revaluation gain/loss) is BDT 5.42 billion in FY17 compared to operating profit amounting BDT 7.72 billion in FY16. Operating Profit of the Bank (including foreign currency revaluation gain/loss) is BDT 74.87 billion in FY17 compared to operating profit amounting BDT 1.53 billion in FY16.

### Other Comprehensive Income

14.10 During the year, the Bank made revaluation loss amounting to BDT 6.95 billion on gold, silver and financial instruments. This revaluation loss was taken into other comprehensive income and subsequently transferred to the reserve account. Revaluation loss arose due to decrease in value of gold, silver and financial instruments in the international market after revaluation.

### Profit Appropriation

14.11 Out of BDT 5.42 billion profit, an amount of BDT 0.55 billion were transferred to statutory

**Table 14.2 Bangladesh Bank's Expenditure**

Particulars	(billion BDT)	
	FY16	FY 17
<b>A. Financial cost</b>	<b>12.48</b>	<b>15.62</b>
<b>Expenses on foreign currency financial liabilities</b>	<b>0.54</b>	<b>1.09</b>
Interest on foreign currency financial liabilities	0.32	0.86
Commission & other expenses on foreign currency financial liabilities	0.22	0.23
<b>Expenses on local currency financial liabilities</b>	<b>11.94</b>	<b>14.53</b>
Interest expense on local currency financial liabilities	8.02	9.44
Commission & other local currency financial liabilities	3.92	5.09
<b>B. Other expenses</b>	<b>14.82</b>	<b>18.17</b>
Note printing	3.32	4.31
General & administrative expenses	11.50	13.86
<b>Total expenditure (A+B)</b>	<b>27.30</b>	<b>33.79</b>

Source: Accounts and Budgeting Department, Bangladesh Bank

funds, BDT 0.10 billion to Bangladesh Bank Disaster Management and Social Responsibility Fund and BDT 0.33 billion to asset renewal & replacement reserve. After adjusting of BDT 0.42 billion, BDT 4.51 billion was transferred to the Government account which was BDT 2.27 billion less from BDT 6.78 billion in FY16.

### Combined Balance Sheet of Banking and Issue Department

#### Assets

14.12 Foreign currency financial assets increased by BDT 339.39 billion (13.68 percent) to BDT 2819.69 billion in FY17 compared to BDT 2,480.30 billion in FY2015-2016 due to increase in foreign reserves.

14.13 Local currency financial assets decreased by BDT 69.94 billion (20.78 percent) to BDT 266.65 billion in FY17 compared to BDT 336.59 billion in FY16 due mainly to decrease in loans to Government in various forms and other local currency financial assets.

14.14 Non financial assets of the Bank decreased by BDT 0.24 billion to BDT 41.89 billion in FY17 from BDT 42.13 billion in FY16.

### Liabilities

14.15 Foreign currency financial liabilities increased by BDT 25.87 billion (6.85 percent) to BDT 403.67 billion in FY17 from BDT 377.80 billion in FY16 due mainly to increase in deposits from bank and financial institutions in foreign currency. Local currency financial liabilities increased by BDT 182.57 billion (7.81 percent) to BDT 2519.50 billion in FY17 compared to BDT 2336.93 billion in FY16 due to increase in notes in circulation and deposits from banks and financial institution in local currency.

### Notes in Circulation

14.16 Notes in circulation increased by BDT 189.99 billion (14.53 percent) to BDT 1497.29 billion in FY17 compared to BDT 1307.30 billion in FY16. For the liabilities of notes in circulation (amounting to BDT 1497.29 billion) BDT 7.63 billion was backed by gold and silver, BDT 1390.00 billion by approved foreign currency (balance held outside Bangladesh), BDT 64.92 billion by Bangladesh Government securities, BDT 4.86 billion by Bangladesh BDT coins and BDT 29.88 billion by other domestic assets.

### Equity

14.17 Total equity of the Bank increased by BDT 60.78 billion to BDT 205.06 billion in FY17 compared to BDT 144.28 billion in the previous year. The equity of the bank is enumerated below:

- i. Capital of the bank remain unchanged at BDT 0.03 billion;
- ii. Retained earnings decreased by BDT 1.85 billion to BDT 4.93 billion in FY17 compared to BDT 6.78 billion in FY16;
- iii. Revaluation reserve increased by BDT

61.31 billion to BDT 126.80 billion in FY17 compared to BDT 65.49 billion in FY16;

- iv. Currency fluctuation reserve increased by BDT 0.95 billion to BDT 26.76 billion in FY17 compared to BDT 25.81 billion in FY16;
- v. Balance of statutory fund increased by BDT 0.55 billion to BDT 16.67 billion in FY17 compared to BDT 16.12 billion in FY16;
- vi. Non statutory fund decreased to BDT 14.15 billion in FY17 from BDT 14.17 billion in FY16.
- vii. Other reserves decreased to BDT 11.47 billion in FY17 from BDT 11.63 billion in FY16.
- viii. General reserve remained unchanged to BDT 4.25 billion.

### Foreign Currency Reserve

14.18 Foreign currency reserve increased by BDT 329.30 billion (13.92 percent) to BDT 2694.49 billion in FY17 compared to BDT 2365.19 billion in FY16.

### Consolidation

14.19 During the year, the accounts of Security Printing Corporation (Bangladesh) Ltd. (SPCBL), a 100 percent owned subsidiary of Bangladesh Bank has been consolidated with the accounts of Bangladesh Bank.

### Auditors

14.20 The financial statements of Bangladesh Bank for FY17 were audited as per International Standards on Auditing (ISA) by A. Qasem & Co. and Syful Shamsul Alam & Co., Bangladesh, Chartered Accountants.



# **BANGLADESH BANK**

AUDITED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 30 JUNE 2017

## Independent Auditors' Report

### To the Government of the People's Republic of Bangladesh

#### Opinion

We have audited the accompanying separate and consolidated financial statements (together referred to as "financial statements") of Bangladesh Bank ("the Bank") and its subsidiary ("the Group") which comprise the separate and consolidated statements of financial position as at June 30, 2017, the separate and consolidated statements of profit or loss and other comprehensive income, separate and consolidated statement of changes in equity and separate and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at June 30, 2017, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Emphasis of Matter

We draw attention to Note 10 to the financial statements, where management discloses why it believes Taka 5,224 million (original Taka 6,365 million and subsequently Taka 1,141 million was recovered on November 17, 2016) of the Bank's funds paid out through unauthorized transactions in February 2016 are recoverable. Our opinion is not qualified in respect of this matter.

#### Basis for Opinion

We conducted our audit in accordance with International Standard on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters in our report.

## 1. Foreign Investments

The Bank's assets held in foreign investments amount to Taka 2,304.81 billion, equivalent to 73% of the Bank's total assets, which is significantly material to the financial statements. These investments are held with overseas commercial banks for periods of more or less than one year in different types of investment categories. The valuation and presentation of the foreign investments in the financial statements pose significant audit risk.

Our audit procedures to address the risks of material misstatement relating to foreign investments, which was considered to be a significant risk, included:

- Assessed the design and tested the operating effectiveness of management's control in assessing the carrying value of foreign investments.
- Sent direct confirmation to the related banks to confirm the balances of SAP. Upon receipt of the confirmation necessary reconciliations were made.
- Detailed analysis was carried out of exchange rates used, valuation processes, recalculation of interest income, and evaluated recognition, measurement, presentation and disclosures in the financial statements, in accordance with the related IFRSs.

The Bank's disclosures about foreign investments are included in Note 5.

## 2. Balances with International Monetary Fund (IMF)

The Bank's assets held with International Monetary Fund (IMF) as on the closing date amounted to Taka 213.84 billion, equivalent to 7% of total assets, which is material to the financial statements. The quota amount of SDR 533.30 million was increased by 25% on 22 February 2016 through payment of foreign currency debiting directly from government account. Due to the unique structure and terms, the valuation of these assets are based on the Bank's own internal models.

The Bank has issued IMF Securities (promissory notes) against the membership subscription with IMF and has been allocated SDR on the basis of member's quota. Liabilities with IMF represents around 8% of the total liabilities of the Bank. The valuation of liabilities with International Monetary Fund (IMF) was considered significant to our audit as that gives rise to foreign currency translation requirements and periodic interest accruals.

Our audit procedures to address the risks of material misstatement relating to assets held with International Monetary Fund, included checking the SDR amount from IMF website using security password and procedures and subsequently testing the exchange rates used to translate the amount at the closing date. In addition, our procedures included examination of relevant documents of IMF and interest accrued on SDR Allocation during the year and re-computation to confirm the amount of liabilities with IMF using the prevailing conversion rate as per IAS 21.

The Bank's disclosures about assets held with International Monetary Fund are included in Note 6.01 and Liabilities with International Monetary Fund (IMF) in Note 6.02

### 3. Valuation of Gold & Silver

Bangladesh Bank maintains gold & silver as stock and investment, equivalent Taka 45.19 billion, which is one of the asset backing for Notes in Circulation. The valuation of those gold and silver are carried out in line with the international market which is subject to market volatility and other external economic factors. Given the unique nature of the asset, the valuation methodology adopted and associated risks, it was considered significant to our audit.

Our audit procedures included reviewing the valuation methodology adopted and carrying out physical verification of gold & silver on a sample basis. Our procedures also included recalculation of gold and silver value in line with prevailing market rate and assessment of asset backing for Notes in Circulation.

The Bank's disclosures about valuation process of gold & silver are included Note 3.12.

### 4. Foreign Currency Loans to Banks

The Bank's assets held with foreign currency loans to banks amounted to Taka 206.29 billion, equivalent to 7% of total assets, which is material to the financial statements.

Our audit procedures to address the risk of material misstatement relating to Foreign Currency Loans to Banks, included:

- Evaluated the assets held with EDF and LTF Investment (both IDA and BB Source) in Taka using the exchange rate prevailing at 30 June 2017. Therefore we matched the calculated figure with the amounts disclosed in the financial statements of the Bank for the year ended 30 June 2017 testing the effectiveness of controls over the existence of EDF loan through external confirmations from respective banks.
- Checked whether the interest calculation is automated or not. We observed that EDF interests are calculated automatically in TCS and e-Refinance software and subsequently confirmed the balance of interest from TCS and e-Refinance software.

The Bank's disclosures about Foreign Currency Loans to Banks are included in Note 9.

### 5. Transactions with Government of Bangladesh

Bangladesh Bank is primarily responsible for managing banking transactions on behalf of Government of Bangladesh including loans and donations received from foreign entities, collection and administration of funds of various ministries and the national exchequer. Given the unique nature as well as the high volume of transactions undertaken by Bangladesh Bank with and for the Government of Bangladesh, it was considered significant to our audit.

The Bank's assets held as Loans to the Government of Bangladesh amounted to Taka 138.72 billion, equivalent to 4% of total assets, which is material to the financial statements. These investments are held with the Government of Bangladesh which have a period of both less or more than one year.

Our audit procedures to address the risk of material misstatement relating to Loans to the Government of Bangladesh included:



- Assessed the design and tested the operating effectiveness of management's control in assessing the carrying value of Loans to the Government of Bangladesh.
- Detailed analysis of auction rates, valuation processes, recalculation of interest income, presentation and disclosures in the financial statements in accordance with the related IFRSs.

The Bank's disclosures about Loans to the Government of Bangladesh are included in Note 13.

## 6. Notes in Circulation

Bangladesh Bank is responsible for issuing bank notes of various denominations that has to be backed up by different assets as identified in the Bangladesh Bank Order, 1972. Notes in Circulation amounted to Taka 1,497.28 billion, equivalent to 48% of total liabilities & equity of the Bank, which is material to the financial statements. Given the unique nature and the compliance requirements for issuing notes, it was considered significant to our audit.

Our audit procedures included communicating with the concerned department to understand the note issue process and carrying out physical inspection of assets held at the Bank premises against notes in circulation on a sample basis. Our procedures also included an assessment of the asset backing maintained by Bangladesh Bank in line with section 30 of the Bangladesh Bank Order, 1972 and reviewed the process to determine the demand for notes and the ordering process for printing notes.

The Bank's disclosures about Notes in Circulation are included in Note 21.

## Other Matters

The financial statements of Bangladesh Bank for the year ended 30 June 2016 were audited by Rahman Rahman Huq, Chartered Accountants and A. Qasem & Co., Chartered Accountants, who expressed an unmodified opinion with an emphasis of matter on those statements on 29 August 2016.

The financial statements of subsidiary company of the Bank namely The Security Printing Corporation (Bangladesh) Limited has been audited by Aziz Halim Khair Choudhury, Chartered Accountants as at and for the year ended 30 June 2017. The financial statements of the subsidiary company have been properly reflected in the Bank's consolidated financial statements.

## Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually, or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or condition that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statement represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial

statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequence of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

In Accordance with the Terms of Reference (ToR) issued by the Ministry of Finance-Financial Institutions Division, we also report the Following:

- Nothing has come to our attention which indicates that the IT based accounting systems generated information are not free from error and noncompliance;
- Nothing has come to our attention which indicates that charging of depreciation on Dead-Stock (Capital Assets) and immovable properties are not in line with applicable financial reporting framework;
- Internal control measures undertaken by the Bank appeared to be adequate with immaterial control deficiencies as identified in the Management Report;
- We have reviewed the compliance of audit observation of previous year and reported on the same in the Management Report;
- We have checked the authenticity of financial information and data supplied to the International Monetary Fund (IMF) by the Bank; and
- We have reviewed the compliance of decisions taken by the Board of Directors of the Bank.

**A. Qasem & Co.**  
Chartered Accountants  
Bangladesh

**Syful Shamsul Alam & Co.**  
Chartered Accountants  
Bangladesh

**BANGLADESH BANK**  
**Consolidated Statement Of Financial Position As at 30 June 2017**

Particulars	Notes	2017 Taka '000	2016 Taka '000
<b>ASSETS</b>			
<b>Foreign currency financial assets</b>			
Foreign currency accounts	4	34,888,457	45,017,497
Foreign investments	5	2,304,806,144	2,034,674,417
Assets held with International Monetary Fund	6.01	213,841,975	208,949,924
Gold and silver	7	11,383,556	7,278,889
Claims from gold transactions	8	33,811,041	38,849,350
Foreign currency loans to banks	9	206,294,007	132,234,324
Other foreign currency financial assets	10	14,662,058	13,292,207
<b>Total foreign currency financial assets</b>		<b>2,819,687,238</b>	<b>2,480,296,608</b>
<b>Local currency financial assets</b>			
Taka coin and cash balances	11	16,613,648	16,684,618
Securities purchased under agreement to resell	12	-	8,480,000
Loans to the Government of Bangladesh	13	138,717,001	199,109,179
Local currency investments	14	4,835,300	5,361,392
Local currency loans to banks, financial institutions and employees	15	106,179,145	105,593,068
Other local currency financial assets	16	2,692,763	3,794,147
<b>Total local currency financial assets</b>		<b>269,037,857</b>	<b>339,022,404</b>
<b>Total financial assets</b>		<b>3,088,725,095</b>	<b>2,819,319,012</b>
<b>Non-financial assets</b>			
Property, plant and equipment	17	49,353,172	48,877,467
Intangible assets	18	316,051	310,986
Other non-financial assets	19	7,802,065	8,049,643
<b>Total non-financial assets</b>		<b>57,471,288</b>	<b>57,238,096</b>
<b>Total assets</b>		<b>3,146,196,383</b>	<b>2,876,557,108</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>LIABILITIES</b>			
<b>Foreign currency financial liabilities</b>			
Deposits from banks and financial institutions	20	172,154,298	147,635,399
Liabilities with International Monetary Fund	6.02	231,519,873	230,167,566
<b>Total foreign currency financial liabilities</b>		<b>403,674,171</b>	<b>377,802,965</b>
<b>Local currency financial liabilities</b>			
Notes in circulation	21	1,497,287,018	1,307,303,718
Deposits from banks and financial institutions	22	733,927,114	608,937,407
Short term borrowings	23	182,618,016	263,401,402
Other local currency financial liabilities	24	106,937,816	159,202,708
<b>Total local currency financial liabilities</b>		<b>2,520,769,964</b>	<b>2,338,845,235</b>
<b>Total liabilities</b>		<b>2,924,444,135</b>	<b>2,716,648,200</b>
<b>EQUITY</b>			
Capital	25	30,000	30,000
Retained earnings	32	15,427,459	15,759,609
Revaluation reserves	26	132,246,680	71,492,208
Currency fluctuation reserve	27	26,763,473	25,812,199
Statutory funds	28	16,667,046	16,117,046
Non statutory funds	29	14,147,191	14,167,170
Other reserves	30	11,469,899	11,630,176
General reserve	31	5,000,500	4,900,500
<b>Total equity</b>		<b>221,752,248</b>	<b>159,908,908</b>
<b>Total liabilities and equity</b>		<b>3,146,196,383</b>	<b>2,876,557,108</b>

The accompanying notes from 1 to 49 form an integral part of these financial statements.

A.K.M. Fazlur Rahman  
General Manager  
Accounts & Budgeting Department

Abu Hena Mohd. Razee Hassan  
Deputy Governor

Fazle Kabir  
Governor

These financial statements are to be read in conjunction with the Independent Auditors' Report, which is set out on page 1.

**BANGLADESH BANK**  
**Separate Statement Of Financial Position As at 30 June 2017**

Particulars	Notes	2017 Taka '000	2016 Taka '000
<b>ASSETS</b>			
<b>Foreign currency financial assets</b>			
Foreign currency accounts		34,888,457	45,017,497
Foreign investments	5	2,304,806,144	2,034,674,417
Assets held with International Monetary Fund	6.01	213,841,975	208,949,924
Gold and silver	7	11,383,556	7,278,889
Claims from gold transactions	8	33,811,041	38,849,350
Foreign currency loans to banks	9	206,294,007	132,234,324
Other foreign currency financial assets	10	14,662,058	13,292,207
<b>Total foreign currency financial assets</b>		<b>2,819,687,238</b>	<b>2,480,296,608</b>
<b>Local currency financial assets</b>			
Taka coin and cash balances	11.01	4,897,629	4,514,122
Securities purchased under agreement to resell	12	-	8,480,000
Loans to the Government of Bangladesh	13	138,717,001	199,109,179
Local currency investments	14.01	15,945,000	16,715,000
Local currency loans to banks, financial institutions and employees	15.01	104,815,819	104,337,052
Other local currency financial assets	16.01	2,277,941	3,432,361
<b>Total local currency financial assets</b>		<b>266,653,390</b>	<b>336,587,714</b>
<b>Total financial assets</b>		<b>3,086,340,628</b>	<b>2,816,884,322</b>
<b>Non-financial assets</b>			
Property, plant and equipment	17.01	38,650,495	38,277,961
Intangible assets	18	316,051	310,986
Other non-financial assets	19.01	2,923,214	3,545,143
<b>Total non-financial assets</b>		<b>41,889,760</b>	<b>42,134,090</b>
<b>Total assets</b>		<b>3,128,230,388</b>	<b>2,859,018,412</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>LIABILITIES</b>			
<b>Foreign currency financial liabilities</b>			
Deposits from banks and financial institutions	20	172,154,298	147,635,399
Liabilities with International Monetary Fund	6.02	231,519,873	230,167,566
<b>Total foreign currency financial liabilities</b>		<b>403,674,171</b>	<b>377,802,965</b>
<b>Local currency financial liabilities</b>			
Notes in circulation	21	1,497,287,018	1,307,303,718
Deposits from banks and financial institutions	22	733,927,114	608,937,407
Short term borrowings	23	182,618,016	263,401,402
Other local currency financial liabilities	24.01	105,664,349	157,291,212
<b>Total local currency financial liabilities</b>		<b>2,519,496,497</b>	<b>2,336,933,739</b>
<b>Total liabilities</b>		<b>2,923,170,668</b>	<b>2,714,736,704</b>
<b>EQUITY</b>			
Capital	25	30,000	30,000
Retained earnings	32.01	4,928,228	6,782,579
Revaluation reserves	26.01	126,803,383	65,492,038
Currency fluctuation reserve	27	26,763,473	25,812,199
Statutory funds	28	16,667,046	16,117,046
Non statutory funds	29	14,147,191	14,167,170
Other reserves	30	11,469,899	11,630,176
General reserve	31.01	4,250,500	4,250,500
<b>Total equity</b>		<b>205,059,720</b>	<b>144,281,708</b>
<b>Total liabilities and equity</b>		<b>3,128,230,388</b>	<b>2,859,018,412</b>

The accompanying notes from 1 to 49 form an integral part of these financial statements.

A.K.M. Fazlur Rahman  
General Manager  
Accounts & Budgeting Department

Abu Hena Mohd. Razee Hassan  
Deputy Governor

Fazle Kabir  
Governor

These financial statements are to be read in conjunction with the Independent Auditors' Report, which is set out on page 1.

**BANGLADESH BANK**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 30 June 2017

Particulars	Notes	2017 Taka '000	2016 Taka '000
<b>INCOME</b>			
<b>Income on foreign currency financial assets</b>			
Interest income	33	27,488,594	17,454,853
Commission and discounts	34	650,076	1,513,917
<b>Total income on foreign currency financial assets</b>		<b>28,138,670</b>	<b>18,968,770</b>
<b>Income from local currency financial assets</b>			
Interest income	36	10,968,626	10,854,932
Commission and discounts	37	765,733	787,996
Sales to other parties by subsidiary		1,709,097	1,969,620
Other income		99,165	5,475,624
<b>Total income from local currency financial assets</b>		<b>13,542,621</b>	<b>19,088,172</b>
<b>Total income</b>		<b>41,681,291</b>	<b>38,056,942</b>
<b>EXPENSES</b>			
<b>Expenses on foreign currency financial liabilities</b>			
Interest expense	35	(859,304)	(318,753)
Commission and other expenses		(228,401)	(219,169)
<b>Total expenses on foreign currency financial liabilities</b>		<b>(1,087,705)</b>	<b>(537,922)</b>
<b>Expenses on local currency financial liabilities</b>			
Interest expense	39	(9,444,872)	(8,019,538)
Commission and other expenses	40	(5,085,749)	(3,917,654)
<b>Total expenses on local currency financial liabilities</b>		<b>(14,530,621)</b>	<b>(11,937,192)</b>
<b>Other expenses</b>			
General and administrative expenses	41	(18,951,460)	(15,658,727)
<b>Total other expenses</b>		<b>(18,951,460)</b>	<b>(15,658,727)</b>
<b>Total expenses</b>		<b>(34,569,786)</b>	<b>(28,133,841)</b>
Foreign currency revaluation gain/(loss) - unrealised		68,501,409	(5,343,169)
Foreign currency revaluation gain/(loss) - realised		951,274	(851,744)
<b>Profit before tax</b>		<b>76,564,188</b>	<b>3,728,188</b>
Current tax expense		(582,990)	(832,054)
Deffered tax income/(expense)		(45,236)	68,717
<b>Profit for the year</b>		<b>75,935,962</b>	<b>2,964,851</b>
<b>Items that may be subsequently reclassified to profit or loss</b>			
<b>Other comprehensive income</b>			
Gold revaluation gain/(loss)		(1,485,280)	5,513,437
Silver revaluation gain/(loss)		(19,161)	19,057
Revaluation gain/(loss) on financial instruments		(5,447,919)	2,049,023
<b>Total other comprehensive income</b>		<b>(6,952,360)</b>	<b>7,581,517</b>
<b>Total comprehensive income for the year</b>		<b>68,983,602</b>	<b>10,546,368</b>

The accompanying notes from 1 to 49 form an integral part of these financial statements.

A.K.M. Fazlur Rahman  
General Manager  
Accounts & Budgeting Department

Abu Hena Mohd. Razee Hassan  
Deputy Governor

Fazle Kabir  
Governor

These financial statements are to be read in conjunction with the Independent Auditors' Report, which is set out on page 1.

**BANGLADESH BANK**  
**SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 30 June 2017

Particulars	Notes	2017 Taka '000	2016 Taka '000
<b>INCOME</b>			
<b>Income on foreign currency financial assets</b>			
Interest income	33	27,488,594	17,454,853
Commission and discounts	34	650,076	1,513,917
<b>Total income on foreign currency financial assets</b>		<b>28,138,670</b>	<b>18,968,770</b>
<b>Income from local currency financial assets</b>			
Interest income	36.01	10,093,085	9,698,335
Commission and discounts	37	765,733	787,996
Dividend income		150,000	120,000
Other income	38	64,187	5,446,684
<b>Total income from local currency financial assets</b>		<b>11,073,005</b>	<b>16,053,015</b>
<b>Total income</b>		<b>39,211,675</b>	<b>35,021,785</b>
<b>EXPENSES</b>			
<b>Expenses on foreign currency financial liabilities</b>			
Interest expense	35	(859,304)	(318,753)
Commission and other expenses		(228,401)	(219,169)
<b>Total expenses on foreign currency financial liabilities</b>		<b>(1,087,705)</b>	<b>(537,922)</b>
<b>Expenses on local currency financial liabilities</b>			
Interest expense	39	(9,444,872)	(8,019,538)
Commission and other expenses	40	(5,085,749)	(3,917,654)
<b>Total expenses on local currency financial liabilities</b>		<b>(14,530,621)</b>	<b>(11,937,192)</b>
<b>Other expenses</b>			
Note printing expenses		(4,311,107)	(3,318,647)
General and administrative expenses	41.01	(13,864,291)	(11,502,946)
<b>Total other expenses</b>		<b>(18,175,398)</b>	<b>(14,821,593)</b>
<b>Total expenses</b>		<b>(33,793,724)</b>	<b>(27,296,707)</b>
Foreign currency revaluation gain/(loss) - unrealised		68,501,409	(5,343,169)
Foreign currency revaluation gain/(loss) - realised		951,274	(851,744)
<b>Profit for the year</b>		<b>74,870,634</b>	<b>1,530,165</b>
<b>Items that may be subsequently reclassified to profit or loss</b>			
<b>Other comprehensive income</b>			
Gold revaluation gain/(loss)		(1,485,280)	5,513,437
Silver revaluation gain/(loss)		(19,161)	19,057
Revaluation gain/(loss) on financial instruments		(5,447,919)	2,049,023
<b>Total other comprehensive income</b>		<b>(6,952,360)</b>	<b>7,581,517</b>
<b>Total comprehensive income for the year</b>		<b>67,918,274</b>	<b>9,111,682</b>

The accompanying notes from 1 to 49 form an integral part of these financial statements.

A.K.M. Fazlur Rahman  
General Manager  
Accounts & Budgeting Department

Abu Hena Mohd. Razee Hassan  
Deputy Governor

Fazle Kabir  
Governor

These financial statements are to be read in conjunction with the Independent Auditors' Report, which is set out on page 1.

**BANGLADESH BANK**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2017

Particulars	Non - distributable											Equity	
	Capital	Revaluation reserves					Statutory funds	Non-statutory funds	Other reserves		General reserve		Distributable
		Gold and silver	Foreign currency accounts	Financial Instruments	Property, plant & equipment	Currency fluctuation reserve			Asset renewal & replacement reserve	Interest reserve			
<b>Balance as at 1 July 2015</b>	30,000	10,652,011	14,570,195	4,507,599	40,474,443	26,663,944	15,567,046	14,219,468	3,325,985	8,011,691	4,800,500	17,210,948	160,033,830
Dividend paid for 2014-2015	-	-	-	-	-	-	-	-	-	-	-	(9,568,603)	(9,568,603)
Total comprehensive income for the year	-	5,532,494	(5,343,169)	2,049,023	-	(851,744)	-	-	-	-	-	9,159,764	10,546,368
Utilisation of funds <sup>1</sup>	-	-	-	-	-	-	-	(152,298)	-	-	-	-	(152,298)
Adjustment against revaluation	-	-	-	(950,389)	-	-	-	-	-	-	-	-	(950,389)
Appropriation of profit to other funds	-	-	-	-	-	-	550,000	100,000	292,500	-	100,000	(1,042,500)	-
<b>Balance as at 30 June 2016</b>	30,000	16,184,505	9,227,026	5,606,233	40,474,443	25,812,200	16,117,046	14,167,170	3,618,485	8,011,691	4,900,500	15,759,609	159,908,908
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(13,219)	(13,219)
Dividend paid for 2015-2016	-	-	-	-	-	-	-	-	-	-	-	(6,769,360)	(6,769,360)
Prior Year Adjustment <sup>2</sup>	-	-	-	-	(479,559)	-	-	-	-	-	-	479,559	-
Total comprehensive income for the year	-	(1,504,441)	68,501,409	(5,447,919)	-	951,274	-	(119,979)	-	(489,577)	-	6,972,856	68,983,602
Utilisation of funds <sup>1</sup>	-	-	-	(237,704)	(77,314)	-	-	-	-	-	-	-	(119,979)
Adjustment against revaluation	-	-	-	-	-	-	550,000	100,000	329,300	-	100,000	(1,079,300)	(237,704)
<b>Balance as at 30 June 2017</b>	30,000	14,680,064	77,728,435	(79,390)	39,917,570	26,763,474	16,667,046	14,147,191	3,947,785	7,522,114	5,000,500	15,427,459	221,752,248

1. Please refer to note no. 29.

2. The amount represents differences between charging of depreciation on revalued value and original cost of assets upto 2015-2016 of SPCBL.



**BANGLADESH BANK**  
**SEPARATE STATEMENT OF CHANGES IN EQUITY**  
For the year ended 30 June 2017

Particulars	Non - distributable										Equity		
	Capital	Revaluation reserves					Statutory funds	Non-statutory funds	Other reserves			General reserve	Retained earnings
		Gold and silver	Foreign currency accounts	Financial Instruments	Property, plant & equipment	Currency fluctuation reserve			Asset renewal & replacement reserve	Interest reserve			
<b>Balance as at 1 July 2015</b>	30,000	10,652,011	14,570,195	4,507,599	34,474,273	26,663,944	15,567,046	14,219,468	3,325,985	8,011,691	4,250,500	9,568,604	145,841,316
Dividend paid for 2014-2015	-	-	-	-	-	-	-	-	-	-	-	(9,568,603)	(9,568,603)
Total comprehensive income for the year	-	5,532,494	(5,343,169)	2,049,023	-	(851,744)	-	-	-	-	-	7,725,078	9,111,682
Utilisation of funds <sup>1</sup>	-	-	-	-	-	-	-	(152,298)	-	-	-	-	(152,298)
Adjustment against revaluation	-	-	-	(950,389)	-	-	-	-	-	-	-	-	(950,389)
Appropriation of profit to other funds	-	-	-	-	-	-	550,000	100,000	292,500	-	-	(942,500)	-
<b>Balance as at 30 June 2016</b>	30,000	16,184,505	9,227,026	5,606,233	34,474,273	25,812,200	16,117,046	14,167,170	3,618,485	8,011,691	4,250,500	6,782,579	144,281,708
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(13,219)	(13,219)
Dividend paid for 2015-2016	-	-	-	-	-	-	-	-	-	-	-	(6,769,360)	(6,769,360)
Total comprehensive income for the year	-	(1,504,441)	68,501,409	(5,447,919)	-	951,274	-	(119,979)	-	(489,577)	-	5,907,528	67,918,274
Utilisation of funds <sup>1</sup>	-	-	-	-	-	-	-	-	-	-	-	-	(119,979)
Adjustment against revaluation	-	-	-	(237,704)	-	-	-	-	-	-	-	-	(237,704)
Appropriation of profit to other funds	-	-	-	-	-	-	550,000	100,000	329,300	-	-	(979,300)	-
<b>Balance as at 30 June 2017</b>	30,000	14,680,064	77,728,435	(79,390)	34,474,273	26,763,474	16,667,046	14,147,191	3,947,785	7,522,114	4,250,500	4,928,228	05,059,720

1. Please refer to note no. 29.

**BANGLADESH BANK**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 30 June 2017

Particulars	2017 Taka '000	2016 Taka '000
<b>Cash flows from operating activities</b>		
Interest received	24,358,906	18,615,066
Interest paid	(10,208,307)	(8,318,207)
Received from customer	436,401	1,971,391
Fees, commission and other income received	1,453,924	7,748,249
Commission and discounts paid	(5,314,150)	(4,136,823)
Payments to employees, suppliers, govt. etc.	(17,434,196)	(17,976,114)
Funds advanced from/(to) banks and employees	(1,340,199)	1,534,682
(Increase)/decrease in other assets	2,601,925	(8,911,482)
Currency issued	189,983,300	333,670,269
Increase/(decrease) in other liabilities	(51,984,548)	(15,138,567)
<b>Net cash from operating activities</b>	<b>132,553,056</b>	<b>309,058,464</b>
<b>Cash flows from investing activities</b>		
Investment income received	12,695,204	9,650,570
(Increase)/decrease in foreign treasury bills and bonds	(448,659,670)	(1,092,335)
(Increase)/decrease in other investments	(75,530,888)	(5,414,378)
(Increase)/decrease in Government securities	60,392,178	(86,819,594)
(Increase)/decrease in foreign currency investment	69,452,683	(6,194,913)
(Increase)/decrease in investments in debenture	526,092	907,697
Additions to property, plant and equipment	(2,629,210)	(653,261)
Disposal of property, plant and equipment	1,133,493	3,549
Settlement of liabilities with IMF	(3,588,727)	(15,110,058)
<b>Net cash used in investing activities</b>	<b>(386,208,845)</b>	<b>(104,722,723)</b>
<b>Cash from financing activities</b>		
Dividend paid to the Government of Bangladesh	(6,782,579)	(9,568,603)
<b>Net cash (used in)/from financing activities</b>	<b>(6,782,579)</b>	<b>(9,568,603)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(260,438,368)</b>	<b>194,767,138</b>
Cash and cash equivalents as at 1 July	347,055,359	152,288,221
<b>Cash and cash equivalents as at 30 June</b>	<b>86,616,991</b>	<b>347,055,359</b>
<b>Cash and cash equivalents include</b>		
Foreign currency accounts	34,888,457	45,017,497
Foreign investments with maturity of three months or less	1,123,741,424	1,296,827,378
Taka coin and cash balances	16,613,649	16,684,618
Securities purchased under agreement to resell	-	8,480,000
Foreign currency deposits from banks and financial institutions	(172,081,409)	(147,615,325)
Short term borrowings	(182,618,016)	(263,401,402)
Deposits from banks and financial institutions	(733,927,114)	(608,937,407)
<b>Cash and cash equivalents as at 30 June</b>	<b>86,616,991</b>	<b>347,055,359</b>

**BANGLADESH BANK**  
**SEPARATE STATEMENT OF CASH FLOWS**

For the year ended 30 June 2017

Particulars	2017 Taka '000	2016 Taka '000
<b>Cash flows from operating activities</b>		
Interest received	24,352,651	18,611,320
Interest paid	(10,208,307)	(8,318,207)
Fees, commission and other income received	1,419,217	7,748,403
Commission and discounts paid	(5,314,150)	(4,136,823)
Payments to employees and suppliers	(16,537,559)	(13,564,188)
Funds advanced from/(to) banks and employees	(1,232,889)	1,663,972
(Increase)/decrease in other assets	2,601,925	(8,911,482)
Currency issued	189,983,300	333,670,269
Increase/(decrease) in other liabilities	(51,984,548)	(15,138,567)
<b>Net cash from operating activities</b>	<b>133,079,640</b>	<b>311,624,697</b>
<b>Cash flows from investing activities</b>		
Dividends received	150,000	120,000
Investment income received	11,878,955	8,692,802
(Increase)/decrease in foreign treasury bills and bonds	(448,659,670)	(1,092,335)
(Increase)/decrease in other investments	(75,530,888)	(5,414,378)
(Increase)/decrease in Government securities	60,392,178	(86,819,594)
(Increase)/decrease in foreign currency investment	69,452,683	(6,194,913)
(Increase)/decrease in investments in debenture	770,000	1,080,000
Additions to property, plant and equipment	(1,158,103)	(562,091)
Disposal of property, plant and equipment	12,620	3,395
Settlement of liabilities with IMF	(3,588,727)	(15,110,058)
<b>Net cash used in investing activities</b>	<b>(386,280,952)</b>	<b>(105,297,172)</b>
<b>Cash from financing activities</b>		
Dividend paid to the Government of Bangladesh	(6,782,579)	(9,568,603)
Net cash (used in)/from financing activities	(6,782,579)	(9,568,603)
Net increase/(decrease) in cash and cash equivalents	(259,983,891)	196,758,922
Cash and cash equivalents as at 1 July	334,884,862	138,125,940
<b>Cash and cash equivalents as at 30 June</b>	<b>74,900,971</b>	<b>334,884,862</b>
<b>Cash and cash equivalents includes</b>		
Foreign currency accounts	34,888,457	45,017,497
Foreign investments with maturity of three months or less	1,123,741,424	1,296,827,377
Taka coin and cash balances	4,897,629	4,514,122
Securities purchased under agreement to resell	-	8,480,000
Foreign currency deposits from banks and financial institutions	(172,081,409)	(147,615,325)
Short term borrowings	(182,618,016)	(263,401,402)
Deposits from banks and financial institutions	(733,927,114)	(608,937,407)
<b>Cash and cash equivalents as at 30 June</b>	<b>74,900,971</b>	<b>334,884,862</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### 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 (P.O. No. 127 of 1972). The Bank is domiciled in Bangladesh and the head office of the Bank is situated at Motijheel C/A, Dhaka-1000.

The Bank has 10 (ten) branch offices situated at the following locations:

Location	Address
Motijheel Office	Motijheel C/A, Dhaka-1000
Chittagong Office	Notun/617, Shahid Sohrawardi Road, Chittagong
Rajshahi Office	Natore Road, Majhi Hata, Boalia, Rajshahi-6000
Bogra Office	Holding - 1683, Thonthonia, Bogra-5800
Rangpur Office	Bangladesh Bank Rangpur Office, Rangpur-5400
Khulna Office	1, Ratan Sen Road, Khulna-9100
Barishal Office	Deen Bondhu Sen Road, Barishal-8200
Sylhet Office	VIP Road, Taltola, Sylhet-3100
Sadarghat Office	Bahadurshah Road, Sadarghat, Dhaka-1000
Mymensingh Office	29, Durgabari Road, Mymensingh-2200

The Bank has exclusive agency arrangement with Sonali Bank Limited for carrying out certain specific treasury related functions across the country. As at 30 June 2017, 605 branches of Sonali Bank Limited were engaged in daily treasury functions under the referred agency arrangement with the Bank.

As per the Article 7A of the Bangladesh Bank Order, 1972, functions of the Bank among others include:

- to formulate and implement monetary policy;
- 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 these.
- to hold and manage the official foreign reserves of Bangladesh;
- to promote, regulate and ensure a secure and efficient payment system including the issue of bank notes; and
- to regulate and supervise banking companies and financial institutions.

The Bank also acts as the banker to the Government as per Article 16(18) of the Bangladesh Bank Order, 1972.

The entire share capital of the Bank had been allotted to the Government of Bangladesh as per Article 4(2) of the Bangladesh Bank Order, 1972.

The Bank has a fully owned subsidiary company named The Security Printing Corporation (Bangladesh) Ltd. ("SPCBL" or "the subsidiary") which was formed on 22nd April, 1992 for the purpose of printing and supplying of currency notes. The Bank and its subsidiary are collectively referred to as "the Group". Refer to note 3.01 and 14.01.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### 2 Basis of preparation of the financial statements

#### 2.01 Statement of compliance

The consolidated and separate financial statements of the Group and the Bank respectively have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The compliance status of these IFRSs is as follows:

	Compliance status
IAS 1: Presentation of Financial Statements	Complied
IAS 2: Inventories	Complied
IAS 7: Statement of Cash Flows	Complied
IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	Complied
IAS 10: Events after the Reporting Period	Complied
IAS 11: Construction Contracts	Not applicable
IAS 12: Income Taxes	Complied
IAS 16: Property, Plant and Equipment	Complied
IAS 17: Leases	Complied
IAS 18: Revenue	Complied
IAS 19: Employee Benefits	Complied
IAS 20: Accounting for Government Grants and Disclosure of Government Assistance	Complied
IAS 21: The Effects of Changes in Foreign Exchange Rates	Complied
IAS 23: Borrowing Costs	Complied
IAS 24: Related Party Disclosures	Complied
IAS 26: Accounting and Reporting by Retirement Benefit Plans	Not applicable
IAS 27: Separate Financial Statements	Complied
IAS 28: Investment in Associates and Joint Ventures	Not applicable
IAS 32: Financial Instruments: Disclosure and Presentation	Complied
IAS 33: Earnings Per Share	Not applicable
IAS 34: Interim Financial Reporting	Not applicable
IAS 36: Impairment of Assets	Complied
IAS 37: Provisions, Contingent Liabilities and Contingent assets	Complied
IAS 38: Intangible Assets	Complied
IAS 39: Financial Instruments: Recognition and Measurement	Complied
IAS 40: Investment Property	Not applicable
IAS 41: Agriculture	Not applicable
IFRS 1: First time Adoption of International Financial Reporting Standards	Complied
IFRS 2: Share based Payment	Not applicable
IFRS 3: Business Combinations	Complied
IFRS 4: Insurance Contracts	Not applicable
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Not applicable
IFRS 6: Exploration for and Evaluation of Mineral Resources	Not applicable
IFRS 7: Financial Instruments: Disclosures	Complied
IFRS 8: Operating Segments	Not applicable
IFRS 10: Consolidated Financial Statements	Complied
IFRS 11: Joint Arrangements	Not applicable
IFRS 12: Disclosure of Interests in Other Entities	Complied
IFRS 13: Fair Value Measurement	Complied
IFRS 14: Regulatory Deferrals Accounts	Not applicable

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### 2.02 Basis of measurement

The financial statements are prepared on a historical cost basis except for the following material items in the consolidated and separate statements of financial position ("the statement of financial position"):

Basis of measurement	Material items
Fair Value (FV)	Gold and silver
	Claims from gold transactions;
	Property, plant and equipment(PPE)
	US Dollar Treasury bills, foreign bonds
	Government Treasury bills and bonds;
Present Value (PV)	Bangladesh House Building Finance Corporation (BHBFC) debentures;
	ICB Islamic Bank Limited shares.
	Liability for the defined benefit obligation

### 2.03 Functional and presentation currency

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

### 2.04 Relationship between Issue Department and Banking Department

Under the Bangladesh Bank Order, 1972, issue of bank notes shall be conducted by the Bank in an Issue Department, which shall be separated and kept wholly distinct from the Banking Department. Accordingly, the Issue Department is solely concerned with the note issue and the assets backing the issue. The Banking Department comprises all other activities of the Bank. The separation into departments is made within the Bank and reports on both the Banking and Issue Departments (together referred as "statement of affairs") are made internally and submitted to the Ministry of Finance throughout the year at weekly interval. The annual financial statements are prepared on a combined basis to include all the assets and liabilities of the Bank. The assets backing the note issue as at the year end are disclosed in note 21.

### 2.05 Use of estimates and judgments

Preparation of the 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 an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Estimates, judgments and assumptions are made for impairments of loans, fair value of securities, assessment of fair value hierarchy, fair valuation of property, plant and equipment, economic lives of assets for calculation of depreciation and for calculation of provision for post retirement benefits like pension, gratuity and leave encashment and assumptions used in the actuarial valuations of defined benefit plans.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### 2.06 Comparatives

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires an entity to correct material prior period errors retrospectively by restating the comparative amounts for prior period presented in which the error occurred. While preparing the consolidated financial statements as at 30 June, 2017, an amount of Taka 479,558 thousands, as prior year adjustment of the SPCBL, was identified.

### 3 Significant accounting policies

Accounting policies set out below have been applied consistently to all periods presented in these financial statements by the Group entities. Certain comparative amounts have been reclassified to conform with the current year's presentation.

#### 3.01 Basis of consolidation

The consolidated financial statements have been prepared in accordance with International Accounting Standard-27, "Separate Financial Statements" and International Financial Reporting Standard (IFRS)-10 "Consolidated Financial Statements".

##### Subsidiary

The Security Printing Corporation (Bangladesh) Ltd. (SPCBL) is the wholly owned subsidiary of the Bank. It is responsible for printing and supplying the Bank with bank notes based on the requirements from time to time. SPCBL sells these notes to the Bank at a specified mark-up agreed beforehand between the Bank and SPCBL. SPCBL is also engaged in printing of security products for other parties besides the Bank.

##### Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with the subsidiary are eliminated to the extent of the Group's interest in the subsidiary. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### 3.02 Foreign currency transactions

Foreign currency transactions are translated into Taka at the rates ruling on the dates of transactions in compliance with IAS 21 : The Effects of Changes in Foreign Exchange Rates. Foreign currency denominated monetary assets and liabilities are translated to the functional currency at the exchange rate at the reporting date. Foreign currency denominated non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Foreign currency gains and losses are reported in profit or loss on a net basis as either exchange gain or loss depending on whether foreign currency movements are in a net gain or net loss position. At the reporting date the exchange rate of Taka against major foreign currencies held by the Group used in preparing the financial statements was as follows:

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

Foreign currency	Exchange rates (in Taka)	
	2017	2016
US Dollar	80.5988	78.4000
Australian Dollar	61.9482	58.4080
Canadian Dollar	62.1808	60.6670
EURO	92.0680	87.0554
Pound Sterling	104.9799	104.3190
CNY	11.8905	11.7569
JPY	0.7174	0.7593
SDR	112.1452	109.6659
SGD	58.5747	58.2121
SEK	9.5639	9.2701

### 3.03 Foreign exchange gain/loss

Realised foreign exchange gain/loss 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 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 realised revaluation reserve.

The difference between realised revaluation reserve account and the ledger balance is accounted as unrealised exchange gain/loss for the period and is recognised in the statement of profit or loss for the year. Subsequently the realised and unrealised gain/loss have been transferred to currency fluctuation reserve and foreign currency revaluation reserve respectively in the statement of financial position.

### 3.04 Financial assets and liabilities

Financial assets comprise among others foreign currency accounts, foreign investments, assets held with International Monetary Fund (IMF), gold and silver, claims on gold transactions, foreign currency loans to banks, other foreign currency financial assets, Taka coin and cash balances, securities purchased under agreement to resell, loans to Government of Bangladesh, local currency investments, local currency loans to banks, financial institutions and employees and other local currency financial assets.

Financial liabilities comprise deposits from banks and financial institutions in both local and foreign currencies, liabilities with IMF, notes in circulation, short term borrowings and other local currency financial liabilities.



## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### (a) Recognition and initial measurement

Loans and advances are initially recognised in the Statement of Financial Position on the date they are originated. Regular 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 a party to the contractual provision of the instruments. Financial assets and liabilities are initially measured at fair value.

### (b) Classification and subsequent measurement

Classification of financial assets and liabilities for the purpose of measurement subsequent to initial recognition in accordance with IAS 39 Financial Instruments: Recognition and Measurement is made in the following manner:

#### (1) Financial assets and financial liabilities at fair value through profit or loss.

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

- classified as held for trading; or
- 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:

- they are acquired or incurred principally for the purpose of selling or purchasing them in the near term;
- 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
- they are derivatives (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

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

- designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- assets or liabilities contain embedded derivatives that significantly modifies the cash flow that would otherwise be required under the contract.

#### (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 held to maturity other than:

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

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

A sale or reclassification of a more than an insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassification after the Group has collected substantially all of the asset's original principal; and
- sales or reclassification attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

### (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:

- those that the Group intends to sell 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;
- those that the Group has, upon initial recognition, designated as available for sale; or
- 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.

Loans and receivables are initially measured at fair value plus transaction cost directly attributable to the acquisition of the financial assets, and subsequently measured at their amortised cost using the effective interest method.

Taka coin and cash balances, foreign currency accounts, short term investments with overseas commercial banks, assets held with IMF, foreign currency loans to banks, interest receivable, ways and means advances, overdraft block and current loans to Government of Bangladesh, securities purchased under agreement to resell, local currency loans to banks, financial institutions and employees and other local currency financial assets are classified as loans and receivables.

### (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 or (d) trading assets and liabilities.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

Treasury bills and bonds of the Government of Bangladesh, foreign bonds, US dollar treasury bills, investment in debentures, Swift shares, gold and silver, claims from gold transactions and shares of ICB Islamic Bank Limited are classified as available-for-sale financial assets. Swift shares are measured at cost as there is no quoted market price for these shares.

Shares of The Security Printing Corporation (Bangladesh) Ltd. (SPCBL) are measured at cost in the separate financial statement of the Bank in accordance with IAS 27 *Separate Financial Statements*.

### (5) Financial liabilities carried at amortised cost

Short-term borrowings, notes in circulation, deposits from banks and financial institutions and liabilities with IMF are classified as financial liabilities carried at amortised cost.

### (c) Amortised cost measurement principles

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

Effective interest method is a method of calculating the amortised costs of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating effective interest rate, the Group estimates the cash flows considering all contractual terms of the financial instruments, and any revisions to these estimates are recognised in profit or loss. The calculation includes amounts paid or received that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums and discounts.

### (d) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

## **Bangladesh Bank : Notes to the Financial Statements**

As at and for the year ended 30 June 2017

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

### **(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 in other comprehensive income (OCI). When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in OCI is transferred to the statement of profit or loss. 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 profit or loss. Gains and losses on subsequent measurement of loans and receivables and held to maturity financial instruments are recognised in the statement of profit or loss.

**Bangladesh Bank : Notes to the Financial Statements**

As at and for the year ended 30 June 2017

**(f) Derecognition**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the statement of profit or loss.

Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, claims from gold transactions and repurchase transactions. 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 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.

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.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

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 profit or loss.

### (h) Off-setting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when and only when the Group has a legal right to set off the amounts and it intends to settle on a net basis.

Income and expenses are presented on a net basis only when permitted under IFRS or for gains and losses arising from a group of similar transactions such as in the Group's trading activities.

### 3.05 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 on that date. Gains and losses arising upon translation are recognised in the statement of profit or loss and are subsequently transferred from retained earnings to revaluation reserve - foreign currency accounts and currency fluctuation reserve (refer to note 3.03 for accounting policy on foreign exchange gain/loss).

### 3.06 Foreign investments

Foreign investments comprise short term interest bearing deposits held with overseas commercial banks for periods less than 1(one) year in designated foreign currencies, overnight investment, foreign currency treasury bills purchased at a discount and interest bearing foreign bonds. The carrying amount of these investments in foreign currency at each reporting date is translated to the functional currency at the exchange rate on that date. Gains and losses arising upon translation are recognised in the statement of profit or loss and are subsequently transferred to revaluation reserve - foreign currency accounts.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### 3.07 Other foreign currency financial assets

Other foreign currency financial assets comprise swift shares, dividend thereof and accrued interest. Swift shares have no quoted market price, and are measured at cost.

### 3.08 Taka coin and cash balances

Taka coin and cash balances represents the face value of unissued one, two and five Taka coins and notes held by the Bank purchased from the Government at respective face values, cash and cash equivalents held with SPCBL and cash deposit with Sonali Bank Limited, Mymensingh branch.

### 3.09 Loans to the Government of Bangladesh

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

#### **Ways and Means Advance (WMA)**

When total payments to the Government exceed total deposits from the Government, the excess of payment over receipt, with a limit not exceeding Tk.40,000 million (2016: Tk. 40,000 million), is treated as WMA with interest being charged thereon at the reverse repo rate. WMA is realised only after full recovery of Government overdraft-current account balance.

#### **Overdraft - current and block**

Government borrowing in excess of the Tk. 40,000 million limit set for WMA are recognised as overdraft-current with a limit not exceeding Tk. 40,000 million (2016: Tk. 40,000 million). 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 full recovery of overdraft-current account balance is then adjusted against WMA.

Overdraft block was formerly known as Government treasury bills. At the beginning of the financial year 2006-2007 the balance of Government treasury bills was transferred to overdraft-block account. From the financial year 2007 and onwards an amount of Taka 15,000 million has been repaid every year by the Government. Interest is charged thereon at the rate of 91 day treasury bill.

#### **Treasury bills and bonds**

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 those from the Government. These are measured at fair value at each statement of financial position date.

### 3.10 Local currency investments

Group investment comprises investment in debenture of Bangladesh House Building Finance Corporation(BHBFC), shares of the ICB Islamic Bank Ltd and short term deposit with local commercial banks . Investment in debentures and shares are measured at fair value.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### 3.11 Local currency loans to banks, financial institutions and employees

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

### 3.12 Gold and silver

Physical gold and silver are stored at Motijheel branch of the Bank. These are stated at market value. Valuation gains and losses are recognised in OCI and are reported under gold and silver revaluation reserves in the statement of changes in equity.

In managing its investment portfolio, the Bank lends part of its gold holdings to first-class foreign financial institutions. It receives interest in return. Gold lending transactions are effected on a secured basis. The gold price risk remains with the Bank. Gold loans are entered in the statement of financial position under 'claims from gold transactions' and measured at market value. The interest accrual is recognised under 'Interest income - foreign currency operations'.

### 3.13 Property, plant and equipment (PPE)

#### (a) Recognition and measurement

Items of PPE are initially recognised at cost and subsequently carried at revalued amounts, being fair values at the date of the revaluation, less subsequent accumulated depreciation and impairment losses if any.

Land and buildings, appearing as items of PPE are used for its operating, administrative and staff's residence purposes.

#### (b) Revaluation

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in OCI and accumulated in equity under the heading of revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in OCI to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in OCI reduces the amount accumulated in equity under the heading of revaluation surplus.

The Bank revalued its land as at 30 June 2014 and other items of PPE were revalued as at 1 July 2009 by an independent valuer. The Bank has a policy to revalue all items of property, plant and equipment every five years. The Bank has formulated new policy on recognition and measurement of PPE based on which revaluation is under process.

The Subsidiary's property, plant and equipment were revalued as at 1 July 2013 by an independent valuer. The revalued property, plant and equipment reflecting the fair values of the assets are incorporated in the consolidated financial statements.



## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

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. The 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, electrical installation and gas installation were revalued on the basis of fair values of materials, labour and direct overheads used in construction and installation; and
- (iii) Mechanical equipment, fixture and fittings and motor vehicles were revalued on the basis of replacement costs.

### (c) Subsequent costs

Cost of replacing a part of PPE 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 PPE are recognised in the statement of profit or loss 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.

### (e) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to allocate the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the cost of another asset. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Class of Property, plant and equipment (PPE)	Bank	SPCBL
Building and other construction	5%	2.5% - 20%
Mechanical and office equipment	10%	5% - 20%
Computer and networking	20%	-
Fixture and fittings	10%	10%
Motor vehicles	20%	20%
Electrical installation	20%	-
Gas installation	20%	-
Low Value Assets	100%	-
Security Equipment	20%	-
Currency Museum and Artifacts	5%	-

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### (f) Borrowing cost capitalisation

The Bank capitalises borrowing costs in accordance with the provision of IAS 23: Borrowing Costs as part of the cost of assets that are directly attributable to the acquisition, construction, or production of a qualifying asset if following conditions are met:

- It is probable that they will result in future economic benefits to the entity;
- The costs can be measured reliably.

If borrowing costs do not meet both the criteria, they are recognized as expenses. For the purpose of capitalisation, a qualifying assets is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

### (g) Impairment

The carrying value of the Bank's property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of that asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognized in the profit and loss account. For the assets that have indefinite useful life, the recoverable amount is estimated at each balance sheet date. The recoverable amount of asset is the greater of net selling price and value in use. The estimated future cash flows are discounted to their present value using discount rate that reflects the current market assessment of the time value of money and the risk specific to the asset. For an asset that does not generate significantly independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### 3.14 Intangible assets and their amortisation

Software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses if any.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Software is amortised on a straight line basis in profit or loss over its estimated useful life, from the date that it is available for use.

The estimated useful life of software for the current and comparative periods is five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### 3.15 Securities borrowing, lending business and repurchase transactions

In course of its financial market operations, the Bank engages in repurchase agreements involving Government treasury bills and bonds (which is used as a collateral for repurchase transactions). When the Bank 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, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the financial statements. Similarly, when commercial banks sell a financial asset to the Bank 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 financial statements.

### 3.16 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:

- (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.

### 3.17 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, medical allowances or any others are charged as expenses in the statement of profit or loss.

### 3.18 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 recognises expenses for these plans in the statement of profit or loss.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### (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 (CPF)

Bank and employees contribute to the fund, which invests in various securities. The Bank commits a return of 13% on the balance of the contributed amount. In the event that the return from securities is lower than the committed return of 13%, the shortfall, if any, would be paid by the Bank and is recognised in the statement of profit or loss. Bank's obligations for contributions to the above fund are recognised as an expense in the statement of profit or loss as incurred.

### (b) Defined benefit plans

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

#### (i) General Provident Fund (GPF)

Employees contribute at various rates (within 5-25%) 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 13% (2016: 13%). Any shortfall in the return from investments is funded by the Bank by charging in its statement of profit or loss.

#### (ii) Pension scheme

Employees are entitled to pension amounting to maximum of 90% (2016: 90%) of their last basic salary. 50% of the pension amount is paid as a lump sum computed at the rate of Tk. 230 (2016: Tk. 230) per Tk. 1 surrendered from the pension. Employees may choose to surrender the remaining 50% for a lump sum payment computed at the rate of Tk. 115 (2016: Tk. 115) per Tk.1 or to receive their pension monthly over the remaining lifetime.

All employees irrespective of joining date are entitled to medical allowance in cash (Tk. 1,500 per month upto age 65 years and Tk. 2,500 after 65 years) even after retirement as prescribed by the government.

The Bank actuarially valued its pension liabilities as at 30 June 2012. The calculation was performed by a qualified actuary using the projected unit credit method. Actuarial gains or losses arising from the change in defined benefit obligation are recognised in other comprehensive income. Based on the new National Pay Scale-2015, actuarial valuation process is underway following the "Public Procurement Act-2016 (PPA)" and is expected to be in effect in next financial year.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

(iii) Gratuity scheme

The Bank actuarially valued its gratuity scheme and measured its liability for defined benefit obligation as at 30 June 2012. The calculation was performed by a qualified actuary using the projected unit credit method. Actuarial gains or losses arising from the change in defined benefit obligation are recognised in the statement of profit or loss and other comprehensive income.

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 profit or loss when the plan amendment or curtailment occurs.

(iv) Leave encashment

Those employees who have unutilised leave up to one year or more at the time of retirement age of 59 are allowed to leave with salary for one year. The remaining unutilised leave is encashed (maximum eighteenth months). Employees are not allowed to encash their unutilised leave until reaching retirement age.

### 3.19 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. All employees after retirement are entitled a maximum of Taka 1,000 per year in the form of medicine.

### 3.20 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.

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.

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. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate and any changes in the estimates are applied prospectively.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### 3.21 Notes in circulation

Bank notes issued by the Bank represents a claim on the Bank in favour of the holder. The liability for bank notes in circulation is recorded at face value in the financial statements.

### 3.22 Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to the statement of profit or loss over the useful lives of the related assets.

### 3.23 Interest income and expenses

Interest income and expenses are recognised in the statement of Profit or Loss and Other Comprehensive Income using the effective interest rate 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.

### 3.24 Commission and discounts

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 and other miscellaneous items.

### 3.25 Dividend income

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

### 3.26 Income tax

#### (a) Bangladesh Bank

The Bank is not subject to income taxes on any of its income, stamp duties, and customs duties on gold, silver, coins, currency notes, security papers and any other goods that may be specified by the Government as per Article 73, 74 and 75 of Bangladesh Bank Order, 1972.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### (b) Subsidiary

The Subsidiary is subject to income tax. 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 profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Present applicable income tax rate is 35%.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantively 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 taxable profit or loss, and differences relating to investments in subsidiary 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. Up to the date the financial statements were authorized for issue, no events have occurred which require to disclose in the financial statements.

### 3.28 New accounting standards and changes in accounting policy

The Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2017 have been considered. However, these amendments have no material impact on the financial statements of the Group.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. However, the Group has not early applied the following new standards in preparing these financial statements.

**Bangladesh Bank : Notes to the Financial Statements**

As at and for the year ended 30 June 2017

**(a) IFRS 9 Financial Instruments**

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of the financial instruments, a new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is yet to assess the potential impact of IFRS 9 on its financial statements.

**(b) IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and BFRI 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is yet to assess the potential impact of IFRS 15 on its financial statements.



## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	2017 Taka '000	2016 Taka '000
<b>4 Foreign currency accounts</b>		
Represents the equivalent accumulated value of different foreign currencies held with other central banks and balances of deposits with foreign commercial banks.		
<b>Balance held with</b>		
Other central banks	16,795,787	19,919,793
Foreign commercial banks	18,092,670	25,097,704
<b>Total</b>	<b>34,888,457</b>	<b>45,017,497</b>
<b>5 Foreign investments</b>		
Overnight investment	214,600,368	136,235,070
Short term deposits with overseas commercial banks	928,877,704	1,115,920,187
US Dollar treasury bills	79,806,111	15,654,912
Foreign bonds	1,081,521,961	766,864,248
<b>Total</b>	<b>2,304,806,144</b>	<b>2,034,674,417</b>
<b>6 International Monetary Fund related assets and liabilities</b>		
<b>6.01 Assets held with International Monetary Fund</b>		
Quota	119,614,070	116,969,649
Quota(IMF) paid by Government*	(14,546,567)	(14,546,567)
SDR holding	108,661,765	106,516,991
Interest receivable on SDR holding	112,707	9,851
<b>Total</b>	<b>213,841,975</b>	<b>208,949,924</b>
*The amount represents 25% of increased quota amount (SDR 533.30 million) which was paid in foreign currency debiting directly from government account. The quota increase was effected in 2016.		
<b>6.02 Liabilities with International Monetary Fund</b>		
IMF securities	100,851,183	102,024,849
IMF-1 and IMF-2 account	1,607,087	1,612,895
SDR allocation	57,239,454	55,974,033
IMF Extended Credit Facility (ECF)	71,768,423	70,181,802
Loan under the Poverty Reduction and Growth Facility (PRGF)	-	369,245
Interest payable	53,726	4,742
<b>Total</b>	<b>231,519,873</b>	<b>230,167,566</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

Bangladesh has been a member of the International Monetary Fund ("IMF") since 1972. The Bank also 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 IMF. As depository, Bangladesh Bank maintains the IMF's currency holdings and ensures that the assets and liabilities of IMF membership are properly reflected in its accounts and presented in its financial statements.

The quota of Bangladesh is its membership subscription. Quota is the amount of money that each IMF member country is required to contribute to the IMF. A member must pay its subscription in full upon joining the fund; up to 25 percent must be paid in SDRs or widely accepted currencies such as the US Dollar, the EURO, the YEN or the Pound Sterling, while the rest is paid in the member's own currency. 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 IMF 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.

Bangladesh Bank has revalued IMF Securities, IMF 1 & 2 Account using the SDR exchange rate prevailing as on 30th April, 2017 to agree with the balances shown in the financial statements of IMF. The other three accounts namely SDR Allocation, IMF Extended Credit Facility and Loan under the Poverty Reduction & Growth Facility were translated to Taka at the exchange rate ruling at 30 June 2017.

	2017 Taka '000	2016 Taka '000
<b>7 Gold and silver</b>		
Gold	11,157,332	7,033,504
Silver	226,224	245,385
<b>Total</b>	<b>11,383,556</b>	<b>7,278,889</b>
<b>8 Claims from gold transactions</b>	<b>33,811,041</b>	<b>38,849,350</b>

These represent claims against gold loan to Standard Chartered Bank, London and HSBC, London for 3 to 12 months. However, The Bank has in total 449,127.44 troy ounce of gold and 168,728.15 troy ounce of silver under its holding. Remaining amount excluding the claims from transactions is the physical gold that are held at site by Bank of England, London and own vault of Bangladesh Bank.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	2017 Taka '000	2016 Taka '000
<b>9 Foreign currency loans to banks</b>		
Export Development Fund (EDF) Dollar investment	198,295,935	132,234,324
LTFF Investment under FSSP-BB Source A/C	1,047,747	-
LTFF Investment under FSSP-IDA Source A/C	6,950,325	-
Rupali Bank Karachi*	10,823	10,508
Less: Provision for loan losses (for Rupali Bank Karachi)	(10,823)	(10,508)
<b>Total</b>	<b>206,294,007</b>	<b>132,234,324</b>

\*This non-convertible account was created in 1979 on request of Bangladesh Bank. The purpose of creating the account is to adjust some unadjusted export bills prior to our independence. The principal amount of this account can not be remitted, transferred and converted. But the interest can be transferred after paying tax and complying the rules of the State Bank of Pakistan.

### 10 Other foreign currency financial assets

Swift shares	80	80
Interest receivable	9,437,834	6,926,757
Other receivable*	5,224,144	6,365,370
<b>Total</b>	<b>14,662,058</b>	<b>13,292,207</b>

Bank has bought one share of SWIFT as part of membership of the said organization. Face value of the share is equivalent to Taka 80,474.57.

\* In February 2016, several unauthorised transactions were processed by Federal Reserve Bank of New York resulting in Taka 6,365 million (Taka equivalent of USD 81.19 million) being paid out of the Bank's account held with it into third party accounts held with Rizal Commercial Banking Corporation, The Philippines (RCBC). Despite instructions from the Bank to halt onward payments, RCBC allowed those account holders to pay out a significant portion of these monies to other recipients.

The Bank has initiated procedures to recover the heisted amount. On the basis of mutual legal assistance request of Bangladesh Bank, now the Philippine Department of Justice has been extending all sorts of legal assistance along with appointing government lawyer in the Phillipine court on behalf of Bangladesh for recovery of the heisted amount of Bangladesh. Furthermore, the Bangko Sentral ng Pilipinas has fined RCBC Taka 1,650 million (Taka equivalent of Peso 1,000 million) in connection with the above transactions. Current year the Bank has recovered Taka 1,141.23 million (Taka equivalent of USD 14.54 million) in addition to earlier recovered Taka 5.36 million (Taka equivalent of USD 0.07 million) in the last year. Bangladesh Bank, Federal Reserve Bank of New York & Federal Bureau of Investigation of USA are also working on it collaboratively. The Bank's management concurs with external legal counsel who is confident of recovery. Considering the above facts, remaining unrecovered amounts are being reported as other foreign currency financial assets in these financial statements since the recovery process is underway.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	<b>2017</b>	<b>2016</b>
	<b>Taka '000</b>	<b>Taka '000</b>
<b>11 Consolidated Taka coin and cash balances</b>		
Taka coin	4,857,974	4,497,610
Cash balances (separate)	39,655	16,512
Cash balances (SPCBL)	11,716,019	12,170,496
<b>Total</b>	<b>16,613,648</b>	<b>16,684,618</b>
<b>11.01 Taka coin and cash balances</b>		
Taka coin	4,857,974	4,497,610
Cash balances	39,655	16,512
<b>Total</b>	<b>4,897,629</b>	<b>4,514,122</b>
<p>Taka coin and cash balances represents the face value of unissued one, two and five Taka coins and notes held by the Bank purchased from the Government at respective face values, cash and cash equivalents held by SPCBL and cash deposit with Sonali Bank Limited, Mymensingh branch.</p>		
<b>12 Securities purchased under agreement to resell</b>	<b>-</b>	<b>8,480,000</b>
<p>When commercial banks sell financial assets to the Bank entering into 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 recognized in the financial statements.</p>		
<b>13 Loans to the Government of Bangladesh</b>		
Ways and means advance (WMA)	30,155,600	40,000,000
Overdraft - current (ODC)	-	40,315,900
Overdraft - block (ODB)	56,850,000	71,850,000
Treasury bills	8,116,472	15,628,805
Treasury bonds	43,594,929	31,314,474
<b>Total</b>	<b>138,717,001</b>	<b>199,109,179</b>
<b>14 Consolidated local currency investments</b>		
Short term money market investments*	878,712	634,804
Debenture - BHBFC	3,945,000	4,715,000
Shares- ICB Islamic Bank Limited**	7,452	7,452
Others	4,136	4,136
<b>Total</b>	<b>4,835,300</b>	<b>5,361,392</b>

\*These represent the total amount of term deposits by SPCBL with different local commercial banks.

\*\*SPCBL holds 745,200 shares of Tk.10 each of ICB Islamic Bank Ltd. (Formerly the Oriental Bank Ltd.) as per Bangladesh Bank Circular No - BRPD (R-1) 651/9(10)/2007-446 dated 2 August 2007.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	<b>2017</b>	<b>2016</b>
	<b>Taka '000</b>	<b>Taka '000</b>
<b>14.01 Local currency investments</b>		
Debenture - BHBFC	3,945,000	4,715,000
Investment in subsidiary	12,000,000	12,000,000
<b>Total</b>	<b>15,945,000</b>	<b>16,715,000</b>
<b>15 Consolidated local currency loans to banks, financial institutions and employees</b>		
<b>(i) Local currency loans to banks and financial institutions</b>		
State owned banks:		
Commercial banks	4,764,329	3,999,640
Specialised banks*	27,959,832	29,431,830
	<b>32,724,161</b>	<b>33,431,470</b>
Provision for impairment (Note 15.a)	(480,559)	(64,362)
	<b>32,243,602</b>	<b>33,367,108</b>
Other banks and financial institutions:		
Private banks	3,146,800	2,903,250
Other loans and advances	29,578,717	28,549,486
	<b>32,725,517</b>	<b>31,452,736</b>
Interest receivable	7,731,998	8,237,801
<b>Total (i)</b>	<b>72,701,117</b>	<b>73,057,645</b>
<b>(ii) Local currency loans and advances to employees</b>		
Loans and advances to employees	33,996,229	32,805,304
Provision for loan losses (Note 15.b)	(518,201)	(269,881)
<b>Total (ii)</b>	<b>33,478,028</b>	<b>32,535,423</b>
<b>Total loans (i+ii)</b>	<b>106,179,145</b>	<b>105,593,068</b>
<b>15.01 Local currency loans to banks, financial institutions and employees</b>		
<b>(i) Local currency loans to banks and financial institutions</b>		
State owned banks:		
Commercial banks	4,764,329	3,999,640
Specialised banks*	27,959,832	29,431,830
	<b>32,724,161</b>	<b>33,431,470</b>
Provision for impairment (Note 15.a)	(480,559)	(64,362)
	<b>32,243,602</b>	<b>33,367,108</b>
Other banks and financial institutions:		
Private banks	3,146,800	2,903,250
Other loans and advances	29,578,717	28,549,486
	<b>32,725,517</b>	<b>31,452,736</b>
Interest receivable	7,731,998	8,237,801
<b>Total (i)</b>	<b>72,701,117</b>	<b>73,057,645</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	2017	2016
	Taka '000	Taka '000
(ii) Local currency loans and advances to employees		
Loans and advances to employees	32,632,903	31,549,288
Provision for loan losses (Note 15.b)	(518,201)	(269,881)
<b>Total (ii)</b>	<b>32,114,702</b>	<b>31,279,407</b>
<b>Total loans (i+ii)</b>	<b>104,815,819</b>	<b>104,337,052</b>

\*Specialised banks include banks catering the specific needs of different economic sectors as described below:

Banks	Specialized Sectors
Bangladesh Krishi Bank	Agricultural
Rajshahi Krishi Unnayan Bank	Agricultural

### 15.a Provision for impairment

Opening balance	64,362	140,427
Charges/(Released) during the year	416,197	(76,065)
<b>Total</b>	<b>480,559</b>	<b>64,362</b>

### 15.b Provision for loan losses

Opening balance	269,881	549,357
Charged/(Released) during the year	248,320	(279,476)
<b>Total</b>	<b>518,201</b>	<b>269,881</b>

Provision for impairment is an asset type account which is kept against possible future loss on interest from loans. The released amount is due to write back of provision of rescheduled demand loan.

Provision for loan losses is also an asset type account maintained for adjusting loss (both principal and interest) from staff advance.

## 16 Consolidated other local currency financial assets

Unutilised Financial Sector Support Project (FSSP) Fund (Note 24.04)	1,085,413	2,546,112
Interest receivables (Bangladesh bank)	1,192,528	886,249
Interest receivables (SPCBL)	414,822	361,786
<b>Total</b>	<b>2,692,763</b>	<b>3,794,147</b>

### 16.01 Other local currency financial assets

Unutilised Financial Sector Support Project (FSSP) Fund (Note 24.04)	1,085,413	2,546,112
Interest receivables	1,192,528	886,249
<b>Total</b>	<b>2,277,941</b>	<b>3,432,361</b>

Interest receivables include interest receivable on Government Treasury bills and bonds, Debenture-HBFC etc.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### 17 Property, Plant and Equipment

#### Consolidated

i) 30 June 2017

Particulars	Taka '000										Total	
	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Low value assets		Capital work in progress
<b>Cost</b>												
As at 1 July 2016	36,551,304	5,237,826	4,311,750	1,825,721	1,156,624	258,604	419,464	2,012	19,172	57,235	3,719,895	53,559,607
Addition during the year	-	50,924	354,354	32,673	47,572	17,773	54,628	-	20,821	3,397	791,490	1,373,631
Transfers during the year	-	109,411	1,120,629	-	-	-	17,744	-	2,325	-	(1,250,110)	-
Disposals during the year	-	-	(8,351)	(5,624)	-	-	(253)	-	-	(1,818)	-	(16,046)
<b>As at 30 June 2017</b>	<b>36,551,304</b>	<b>5,398,162</b>	<b>5,778,383</b>	<b>1,852,769</b>	<b>1,204,195</b>	<b>276,377</b>	<b>491,584</b>	<b>2,012</b>	<b>42,319</b>	<b>58,813</b>	<b>3,261,275</b>	<b>54,917,192</b>
<b>Accumulated depreciation</b>												
As at 1 July 2016	-	1,453,961	1,097,048	1,597,872	125,109	199,059	165,673	1,241	239	41,937	-	4,682,140
Charge for the year	-	271,724	268,915	110,689	114,117	35,171	76,144	243	4,905	15,997	-	897,905
Disposals during the year	-	-	(8,350)	(5,613)	-	-	(253)	-	-	(1,809)	-	(16,025)
<b>As at 30 June 2017</b>	<b>-</b>	<b>1,725,685</b>	<b>1,357,613</b>	<b>1,702,949</b>	<b>239,227</b>	<b>234,230</b>	<b>241,563</b>	<b>1,484</b>	<b>5,144</b>	<b>56,125</b>	<b>-</b>	<b>5,564,020</b>
<b>Net book value</b>												
As at 30 June 2017	36,551,304	3,672,477	4,420,770	149,820	964,968	42,147	250,021	528	37,175	2,688	3,261,275	49,353,172
As at 30 June 2016	36,551,304	3,783,865	3,214,702	227,848	1,031,515	59,545	253,791	771	18,933	15,298	3,719,895	48,877,467

Land includes Taka 27,539 million of leasehold land, all on standard terms of thirty to ninety-nine years.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### ii) 30 June 2016

Particulars	Taka '000										Total	
	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Low value assets		Capital work in progress
<b>Cost</b>												
As at 1 July 2015	36,551,304	5,063,845	4,230,264	1,797,945	176,453	243,028	268,980	2,016	-	-	1,626,590	49,960,425
Addition during the year	-	15,642	119,890	15,278	31,188	19,185	119,543	-	19,172	528	3,311,532	3,651,959
Transfers during the year	-	158,341	-	16,282	999,641	-	43,964	-	-	-	(1,218,227)	-
Disposals during the year	-	-	(37,136)	(243)	(9,388)	(3,597)	(2,413)	(1)	-	-	-	(52,777)
Reclassification	-	(2)	(1,268)	(3,542)	(41,270)	(12)	(10,611)	(3)	-	56,707	-	-
<b>As at 30 June 2016</b>	<b>36,551,304</b>	<b>5,237,826</b>	<b>4,311,750</b>	<b>1,825,721</b>	<b>1,156,624</b>	<b>258,604</b>	<b>419,464</b>	<b>2,012</b>	<b>19,172</b>	<b>57,235</b>	<b>3,719,895</b>	<b>53,559,607</b>
<b>Accumulated depreciation</b>												
As at 1 July 2015	-	1,191,118	906,995	1,322,263	89,227	169,192	130,204	998	-	-	-	3,809,997
Charge for the year	-	262,844	228,237	278,847	65,390	33,474	46,003	247	239	6,244	-	921,525
Disposals during the year	-	-	(37,116)	(194)	(6,070)	(3,596)	(2,405)	(1)	-	-	-	(49,382)
Reclassification	-	(1)	(1,068)	(3,043)	(23,438)	(11)	(8,129)	(3)	-	35,692	-	-
<b>As at 30 June 2016</b>	<b>-</b>	<b>1,453,961</b>	<b>1,097,048</b>	<b>1,597,872</b>	<b>125,109</b>	<b>199,059</b>	<b>165,673</b>	<b>1,241</b>	<b>239</b>	<b>41,937</b>	<b>-</b>	<b>4,682,140</b>
<b>Net book value</b>												
As at 30 June 2016	36,551,304	3,783,865	3,214,702	227,848	1,031,515	59,545	253,791	771	18,933	15,298	3,719,895	48,877,467
As at 30 June 2015	36,551,304	3,872,727	3,323,269	475,682	87,226	73,836	138,776	1,018	-	-	1,626,590	46,150,428

Land includes Taka 17,080 million of leasehold land, all on standard terms of thirty to ninety-nine years.



## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### 17.01 Property, Plant and Equipment Separate

i) 30 June 2017

Particulars	Taka '000											Total
	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Low value assets	Capital work in progress	
<b>Cost</b>												
As at 1 July 2016	32,892,704	4,022,749	1,143,203	1,825,721	1,117,415	232,015	419,464	2,012	19,172	57,235	593,608	42,325,298
Addition during the year	-	50,924	11,030	32,673	46,690	11,500	54,628	-	20,821	3,397	791,463	1,023,127
Transfers during the year	-	109,411	-	-	-	-	17,744	-	2,325	-	(129,481)	-
Disposals during the year	-	-	(4,924)	(5,624)	-	-	(253)	-	-	(1,818)	-	(12,620)
<b>As at 30 June 2017</b>	<b>32,892,704</b>	<b>4,183,084</b>	<b>1,149,309</b>	<b>1,852,769</b>	<b>1,164,105</b>	<b>243,515</b>	<b>491,584</b>	<b>2,012</b>	<b>42,319</b>	<b>58,813</b>	<b>1,255,591</b>	<b>43,335,805</b>
<b>Accumulated depreciation</b>												
As at 1 July 2016	-	1,279,805	691,206	1,597,873	89,741	179,620	165,673	1,242	239	41,937	-	4,047,336
Charge for the year	-	212,792	84,525	110,689	112,977	32,299	76,144	243	4,905	15,997	-	650,571
Disposals during the year	-	-	(4,924)	(5,613)	-	-	(253)	-	-	(1,809)	-	(12,598)
<b>As at 30 June 2017</b>	<b>-</b>	<b>1,492,597</b>	<b>770,807</b>	<b>1,702,949</b>	<b>202,718</b>	<b>211,919</b>	<b>241,564</b>	<b>1,485</b>	<b>5,144</b>	<b>56,125</b>	<b>-</b>	<b>4,685,309</b>
<b>Net book value</b>												
As at 30 June 2017	32,892,704	2,690,487	378,502	149,820	961,387	31,596	250,020	527	37,175	2,688	1,255,591	38,650,495
As at 30 June 2016	32,892,704	2,742,944	451,997	227,848	1,027,674	52,395	253,791	770	18,933	15,298	593,608	38,277,962

Land includes Taka 27,539 million of leasehold land, all on standard terms of thirty to ninety-nine years.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### ii) 30 June 2016

Particulars	Taka '000										Total	
	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Low value assets		Capital work in progress
<b>Cost</b>												
As at 1 July 2015	32,892,704	3,851,836	1,110,080	1,797,945	137,746	220,288	268,980	2,016	-	-	1,574,417	41,856,012
Addition during the year	-	12,574	36,140	15,278	30,686	15,336	119,543	-	19,172	528	237,418	486,676
Transfers during the year	-	158,341	-	16,282	999,641	-	43,964	-	-	-	(1,218,227)	-
Disposals during the year	-	-	(1,749)	(243)	(9,388)	(3,597)	(2,413)	(1)	-	-	-	(17,390)
Reclassification	-	(2)	(1,268)	(3,542)	(41,270)	(12)	(10,611)	(3)	-	56,707	-	-
<b>As at 30 June 2016</b>	<b>32,892,704</b>	<b>4,022,749</b>	<b>1,143,203</b>	<b>1,825,721</b>	<b>1,117,415</b>	<b>232,015</b>	<b>419,464</b>	<b>2,012</b>	<b>19,172</b>	<b>57,235</b>	<b>593,608</b>	<b>42,325,298</b>
<b>Accumulated depreciation</b>												
Charge for the year	-	1,075,587	611,900	1,322,263	54,930	151,613	130,204	999	-	-	-	3,347,497
Disposals during the year	-	204,218	82,103	278,847	64,320	31,614	46,003	247	239	6,244	-	713,835
Reclassification	-	(1)	(1,068)	(3,043)	(23,438)	(11)	(8,129)	(3)	-	35,692	-	(13,995)
<b>As at 30 June 2016</b>	<b>-</b>	<b>1,279,805</b>	<b>691,206</b>	<b>1,597,873</b>	<b>89,741</b>	<b>179,620</b>	<b>165,673</b>	<b>1,242</b>	<b>239</b>	<b>41,937</b>	<b>-</b>	<b>4,047,337</b>
<b>Net book value</b>												
As at 30 June 2016	32,892,704	2,742,944	451,997	227,848	1,027,674	52,395	253,791	770	18,933	15,298	593,608	38,277,961
As at 30 June 2015	32,892,704	2,776,249	498,180	475,682	82,816	68,675	138,776	1,017	-	-	1,574,417	38,508,515

Land includes Taka 17,080 million of leasehold land, all on standard terms of thirty to ninety-nine years.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	2017 Taka '000	2016 Taka '000
<b>18 Intangible assets</b>		
Intangible asset at cost	1,392,030	1,372,978
Accumulated amortisation	(1,204,888)	(1,074,976)
Capital work in progress	128,909	12,984
<b>Total</b>	<b>316,051</b>	<b>310,986</b>
<p>Balance represents the accumulated value of Enterprise Resources Planning (ERP), Core Banking Solutions (CBS), Enterprise Data Warehouse (EDW), Real Time Gross Settlement (RTGS), Bangladesh Automated Clearing House (BACH), Bangladesh Electronic Fund Transfers Network (BEFTN), Credit Information Bureau (CIB) and Bank's in-house built software.</p>		
<b>19 Consolidated other non-financial assets</b>		
Prepayments and advances	1,408,111	1,118,496
Stock	5,483,846	6,358,400
Sundry debtors	910,109	572,747
<b>Total</b>	<b>7,802,065</b>	<b>8,049,643</b>
<b>19.01 Other non-financial assets</b>		
Prepayments and advances	2,881,746	3,500,890
Stock (Printed books, forms and papers, office supplies and stock of medicine)	41,468	44,253
<b>Total</b>	<b>2,923,214</b>	<b>3,545,143</b>
<b>20 Deposits from banks and financial institutions</b>		
Foreign currency deposits from commercial banks	89,879,045	71,333,857
Asian Clearing Union (ACU)	82,202,364	76,275,538
Interest payable on ACU	72,889	26,004
<b>Total</b>	<b>172,154,298</b>	<b>147,635,399</b>
<b>21 Notes in circulation</b>		
Notes in circulation	1,497,287,073	1,307,303,830
Cash in hand	(55)	(112)
<b>Total</b>	<b>1,497,287,018</b>	<b>1,307,303,718</b>

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

Denomination	Number in pieces	2017	2016
10 Taka note	1,313,099,525	13,130,995	12,713,681
20 Taka note	572,851,450	11,457,029	10,846,478
50 Taka note	276,133,389	13,806,669	11,795,416
100 Taka note	825,549,867	82,554,987	77,416,722
500 Taka note	1,181,543,080	590,771,540	532,824,877
1000 Taka note	785,565,853	785,565,853	661,706,656
<b>Total</b>	<b>4,954,743,164</b>	<b>1,497,287,073</b>	<b>1,307,303,830</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	<b>2017</b>	<b>2016</b>
	<b>Taka '000</b>	<b>Taka '000</b>
Liability for notes in circulation is recorded at its face value in the statement of financial position. In accordance with Article 30 of Bangladesh Bank Order, 1972, this liability is supported by the following assets:		
Gold	7,403,264	7,033,504
Silver	226,224	245,385
Approved foreign exchange	1,390,000,000	1,210,000,000
Bangladesh Government securities	64,920,173	43,647,893
Shares	-	12,000,000
Taka coin	4,857,974	4,497,610
Other loans and advances	29,879,438	29,879,438
<b>Total</b>	<b>1,497,287,073</b>	<b>1,307,303,830</b>

### 22 Deposits from banks and financial institutions

State owned commercial banks	205,978,567	155,859,879
Government specialised banks	17,012,936	15,848,188
Private banks	468,964,745	400,449,820
Foreign banks	35,340,860	30,806,924
Financial institutions	6,594,308	5,944,039
Other banks	35,698	28,557
<b>Total</b>	<b>733,927,114</b>	<b>608,937,407</b>

Deposits from banks and financial institutions comprise required reserve deposits Cash Reserve Ratio (CRR) calculated at a rate of 6.5% (2016: 6.5%) on the bank's liability base, together with balances held for settlement purposes.

### 23 Short term borrowings

Bangladesh Bank bills	182,618,016	263,401,402
<b>Total</b>	<b>182,618,016</b>	<b>263,401,402</b>

Securities sold under agreement to repurchase and Bangladesh Bank bills are instruments used by the Bank to withdraw liquidity from the market. The balances at the year end reflect market conditions at that date.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	2017 Taka '000	2016 Taka '000
<b>24 Consolidated other local currency financial liabilities</b>		
Government deposits	5,087	5,078
Other deposits (Note 24.02)	42,154,704	99,471,207
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	4,376,993	3,422,430
Interest suspense account	741	737
Deposits from donor agencies	25,971,295	24,529,182
Inter branch adjustments (suspense)	(265,218)	(376,565)
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension*	8,693,786	7,599,787
Provision for gratuity*	2,083,081	1,880,884
Provision for leave encashment	1,582,432	1,615,301
Small and medium enterprise fund - Government	1,178,896	1,772,064
Loan from Govt of Bangladesh - Central Bank Strengthening Project (Note-24.03)	2,592,453	2,649,828
Loan from Govt of Bangladesh-Fin. Sector Support Project (Note-24.04)	8,602,549	2,561,267
DFID -RPP Project	-	2,357
Small and medium enterprise fund ADB-2	279,702	7,332,907
Deferred tax liability	1,110,023	1,064,787
Others - subsidiary	1,286,747	1,661,805
Fund for small investor affected in capital market	7,032,507	3,757,614
<b>Total</b>	<b>106,937,816</b>	<b>159,202,708</b>
<b>24.01 Other local currency financial liabilities</b>		
Government deposits	5,087	5,078
Other deposits (Note 24.02)	42,154,704	99,471,207
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	5,827,915	4,560,216
Interest suspense account	741	737
Deposits from donor agencies	25,971,295	24,529,182
Inter branch adjustments (suspense)	(265,218)	(376,565)
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension*	8,693,786	7,599,787
Provision for gratuity*	1,908,033	1,677,236
Provision for leave encashment	1,429,861	1,496,259
Small and medium enterprise fund - Government	1,178,896	1,772,064
Loan from Govt of Bangladesh - Central Bank Strengthening Project (Note-24.03)	2,592,453	2,649,828
Loan from Govt of Bangladesh-Fin. Sector Support Project (Note-24.04)	8,602,549	2,561,267
DFID -RPP Project	-	2,357
Small and medium enterprise fund ADB-2	279,702	7,332,907
Fund for small investor affected in capital market	7,032,507	3,757,614
<b>Total</b>	<b>105,664,349</b>	<b>157,291,212</b>

\*Refer to note 45 for details.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	2017 Taka '000	2016 Taka '000
<b>24.02</b> Other deposits comprise Bangladesh Government special islamic bonds fund deposit, employees provident fund deposit, liquidator bank deposit, schedule bank's insurance fund deposit, security deposit, employees co-operative societies deposits and other sundry deposits.		
<b>24.03 Central Bank Strengthening Project fund (CBSP) - Liability</b>		
<p>Government of Bangladesh (GoB) signed a Credit Agreement with the International Development Association (IDA) for a Project named Central Bank Strengthening Project (CBSP). The related Credit Reference is IDA 3792 BD and the Project was meant for "Improvement of efficiency of the Bank through functional reforms and large scale automation of its' business process". Subsequent to this agreement, a subsidiary loan agreement was signed between GoB and the Bank to this effect for execution of the project. The total cost of the project was Tk. 3,892 million (USD 55.60 million), of which IDA provided Tk. 3,060 million (USD 43.71 million) through Government and the rest Tk. 832 million (USD 11.88 million) was funded by the Bank. The project started in late 2003 and was completed on 30 April 2013.</p> <p>The Bank has to repay the principal and the interest amount of the loan to Government within a tenure of 30 years starting from December 01, 2013 to June 01, 2043 as per revised schedule</p>		
<b>24.04 Financial Sector Support Project (FSSP)</b>		
<p>Government of Bangladesh (GoB) signed a credit agreement with the International Development Association (IDA) for a Project named Financial Sector Support Project (FSSP) for amount of SDR 213,400,000. The related credit reference is 5664 BD and the Project was meant for "Improvement of the recipient's financial market infrastructure, the regulatory and oversight capacity of the project implementing entity and access to long term financing for private firms in Bangladesh". Subsequent to this agreement, a subsidiary loan agreement was signed between GoB and Bangladesh Bank on August 27, 2015 to this effect for execution of the Project. The Project is scheduled to close on September 30, 2020.</p> <p>The subsidiary loan will be denominated in Taka and the Bank has to repay the principal and the interest amount of the loan to Government within a tenure of 38 years including a grace period of 6 years for each disbursement from the proceeds of the credit.</p>		
<b>25 Capital</b>	<b>30,000</b>	<b>30,000</b>
The entire capital of the Bank stands vested in and allocated to the Government as per Article 4(1) and 4(2) of the Order.		

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	2017 Taka '000	2016 Taka '000
<b>26 Consolidated revaluation reserves</b>		
Revaluation reserve - gold and silver (Note 26.02)	14,680,065	16,184,506
Revaluation reserve - foreign currency accounts (Note 26.03)	77,728,435	9,227,026
Revaluation reserve - property, plant and equipment (Note 26.04)	39,917,570	40,474,443
Revaluation reserve - financial instruments (Note 26.05)	(79,390)	5,606,233
<b>Total</b>	<b>132,246,680</b>	<b>71,492,208</b>
<b>26.01 Revaluation reserves</b>		
Revaluation reserve - gold and silver (Note 26.02)	14,680,065	16,184,506
Revaluation reserve - foreign currency accounts (Note 26.03)	77,728,435	9,227,026
Revaluation reserve - property, plant and equipment (Note 26.04)	34,474,273	34,474,273
Revaluation reserve - financial instruments (Note 26.05)	(79,390)	5,606,233
<b>Total</b>	<b>126,803,383</b>	<b>65,492,038</b>
<b>26.02 Revaluation reserve - gold and silver</b>		
<p>The Bank accounts for the gain/loss on revaluation of gold and silver in the statement of profit or loss and other comprehensive income subsequently transferred to a separate account - revaluation reserve-gold and silver, which forms part of equity.</p>		
<b>26.03 Revaluation reserve - foreign currency accounts</b>		
<p>The Bank accounts for the unrealised gain/loss on revaluation of foreign currency to the statement of profit or loss and other comprehensive income subsequently transferred to a separate account - revaluation reserve-foreign currency, which forms part of equity.</p>		
<b>26.04 Revaluation reserve - property, plant and equipment</b>		
<p>The Group accounts for the gain/loss on revaluation of property, plant and equipment in the statement of profit or loss and other comprehensive income subsequently transferred to a separate account - revaluation reserve - property, plant and equipment, which forms part of equity.</p>		
<b>26.05 Revaluation reserve - financial instruments</b>		
<p>The Bank accounts for the gain/loss on revaluation of financial instruments in the statement of profit or loss and other comprehensive income subsequently transferred to a separate account - revaluation reserve- financial instrument, which forms part of equity.</p>		
<b>27 Currency fluctuation reserve</b>	<b>26,763,473</b>	<b>25,812,199</b>
<p>The Bank credited the realised gain on revaluation of foreign currencies to the statement of profit or loss and other comprehensive income and transferred the same to a separate account - currency fluctuation reserve account, which forms part of equity.</p>		

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

		2017	2016
		Taka '000	Taka '000
<b>28</b>	<b>Statutory funds</b>		
		<b>Note</b>	
	Rural credit fund	28.01	6,000,000
	Agricultural credit stabilisation fund	28.02	5,800,000
	Export credit fund	28.03	1,300,000
	Industrial credit fund	28.04	1,300,000
	Credit guarantee fund	28.05	2,487,852
	<b>Total</b>		879,194
			<b>16,667,046</b>
			<b>16,117,046</b>

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.

### 28.01 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.

### 28.02 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.

### 28.03 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.

### 28.04 Industrial credit fund

As per Article 62 of Bangladesh Bank Order, 1972 the fund was created for making of short term and medium term loans and advances to co-operative banks. An appropriation of Taka 150 million was made for this fund during the year.

### 28.05 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.



## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

		2017	2016
		Taka '000	Taka '000
<b>29</b>	<b>Non statutory funds</b>		
	<b>Note</b>		
	29.01	7,000,000	7,000,000
	Housing refinance fund	5,570,000	5,570,000
	29.02	277,191	297,170
	Human resources development fund	200,000	200,000
	29.03	1,000,000	1,000,000
	Monetary management fund	100,000	100,000
	29.04	1,000,000	1,000,000
	Rural agri product processing industries refinance fund	100,000	100,000
	29.05	100,000	100,000
	Disaster management and social responsibility fund	100,000	100,000
	<b>Total</b>	<b>14,147,191</b>	<b>14,167,170</b>

### 29.01 Small and medium enterprise fund

This fund was created as per clause 24 of Article 16 of the Bangladesh Bank Order, 1972 for refinancing facilities to the schedule banks and financial institutions against 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.

### 29.02 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. at home and abroad. Appropriation to this fund was made from the dividend payable to Government for the year 2010-2011.

### 29.03 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 to this fund was made from the dividend payable to Government for the year 2010-2011.

### 29.04 Rural agri product processing industries refinance fund

This fund was created in 2001 for the purpose of financing rural agri product processing industries. Under this scheme, there are 37 agri product processing industries sectors. This fund plays an important role for developing the agri product sectors in Bangladesh. Government of The People's Republic of Bangladesh declared this sector as "Thrust sector" in "National Industry Policy 2010" by giving priority for development and expansion of agri based industries.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	<b>2017</b>	<b>2016</b>
	<b>Taka '000</b>	<b>Taka '000</b>
<b>29.05 Disaster management and social responsibility fund</b>		
<p>This fund was created by the approval of Board of Directors (6th meeting of 2013), minutes no. -BD-341(2013-06)/50 on 17 June, 2013. Primarily, the fund, Tk. 50 million as donation, was collected from Bangladesh Bank's 2012-2013 profit and subsequently Tk. 50 million will be deducted from each year's profit transferring the amount to this fund. From financial year 2014-2015, Tk. 100 million has been contributed deducting from each year's profit.</p>		
<b>30 Other reserves</b>		
Asset renewal and replacement reserve (30.01)	3,947,785	3,618,485
Interest reserve (30.02)	7,522,114	-
<b>Total</b>	<b>11,469,899</b>	<b>3,618,485</b>
<b>30.01 Asset renewal and replacement reserve</b>		
<p>Every year an amount equivalent to depreciation charge against buildings and installations is transferred to this fund during profit appropriation.</p>		
<b>30.02 Interest reserve</b>		
<p>It was introduced in the financial year 2006-2007 as per decision of the Board and represents the interest accrued against the overdue loan of Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank.</p>		
<b>31 Consolidated general reserve</b>		
Bangladesh Bank (separate) (Note 31.01)	4,250,500	4,250,500
The Security Printing Corporation (Bangladesh) Ltd. (SPCBL)	750,000	650,000
<b>Total</b>	<b>5,000,500</b>	<b>4,900,500</b>
<b>31.01 General reserve</b>	<b>4,250,500</b>	<b>4,250,500</b>
<p>As per Article 59 of Bangladesh Bank Order, 1972 securities having value of Tk. 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 over the years.</p>		
<b>32 Consolidated retained earnings</b>		
Opening balance	15,759,609	17,210,948
Adjustment against due from Government	(13,219)	-
Prior Year Adjustment	479,559	-
Appropriation of profit to other funds	(979,300)	(942,500)
Dividend paid	(6,769,360)	(9,568,603)
Transferred to general reserve	(100,000)	(100,000)
Adjustment against revaluation	77,314	-
Profit for the period	6,972,856	9,159,764
<b>Closing balance</b>	<b>15,427,459</b>	<b>15,759,609</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	<b>2017</b>	<b>2016</b>
	<b>Taka '000</b>	<b>Taka '000</b>
<b>32.01 Retained earnings</b>		
Opening balance	6,782,579	9,568,604
Adjustment against due from Government	(13,219)	-
Appropriation of profit to other funds	(979,300)	(942,500)
Dividend paid	(6,769,360)	(9,568,603)
Profit for the period	5,907,528	7,725,078
<b>Closing balance</b>	<b>4,928,228</b>	<b>6,782,579</b>
<b>33 Interest income</b>		
Loans to banks	4,378,742	2,466,751
Short term deposits with commercial banks	10,078,214	5,053,776
Bonds	12,243,124	9,601,163
US Dollar treasury bills	380,093	147,671
Claims from gold transactions	90,065	138,034
Others	318,356	47,458
<b>Total</b>	<b>27,488,594</b>	<b>17,454,853</b>
<b>34 Commission and discounts</b>		
Commission on foreign currency operations	189,060	97,838
Others	461,016	1,416,079
<b>Total</b>	<b>650,076</b>	<b>1,513,917</b>
<b>35 Interest expenses on foreign currency financial liabilities</b>		
Deposits	416,894	171,894
Asian Clearing Union (ACU)	288,887	102,734
IMF	153,523	30,355
Central Bank Strengthening Project	-	13,770
<b>Total</b>	<b>859,304</b>	<b>318,753</b>
<b>36 Consolidated interest income on local currency financial assets</b>		
Securities purchased under agreement to resell	21,254	3,395
Government securities	3,184,242	790,378
Loans and advance to Government	2,502,143	4,160,462
Debentures	207,511	249,466
Loans to banks financial institution and employees	4,250,297	4,555,890
Short term money market deposits	803,178	1,095,341
<b>Total</b>	<b>10,968,626</b>	<b>10,854,932</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	2017 Taka '000	2016 Taka '000
<b>36.01 Interest income</b>		
	21,254	3,395
Government securities	3,184,242	790,378
Loans and advance to Government	2,502,143	4,160,462
Debentures	207,511	249,466
Loans to banks financial institution and employees	4,177,935	4,494,634
<b>Total</b>	<b>10,093,085</b>	<b>9,698,335</b>
<b>37 Commission and discounts</b>		
Commission income from Government	11,048	8,885
Miscellaneous commission income	754,685	779,111
<b>Total</b>	<b>765,733</b>	<b>787,996</b>
<b>38 Other income</b>		
Exchange A/C (local income)	36	44
Exchange A/C-Remittance Sold (local)	2	2
Exchange A/C-T T discount (local)	16	123
Exchange earned account	458	685
Gain on asset sale or derecognition	244	2,893
Miscellaneous - write back of provision	-	355,542
Grant income	2,357	134,672
Cost reimbursement of 5 TK note	-	4,952,529
Penal Interest	61,074	194
<b>Total</b>	<b>64,187</b>	<b>5,446,684</b>
<b>39 Interest expense</b>		
Bangladesh Bank bills	9,395,598	5,529,753
Securities sold under agreement to repurchase	-	2,489,785
Interest Expense- FSSP	49,274	-
<b>Total</b>	<b>9,444,872</b>	<b>8,019,538</b>
<b>40 Commission and other expenses</b>		
Agency charges (Note 40.01)	4,966,800	3,485,956
Under writing commission on treasury bills & bonds (Note 40.02)	116,207	418,212
Other expenses	2,742	13,486
<b>Total</b>	<b>5,085,749</b>	<b>3,917,654</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	2017 Taka '000	2016 Taka '000
<b>40.01 Agency charges</b>		
Agency charges paid to Sonali Bank Limited for acting as agent of Bangladesh Bank.		
<b>40.02 Under writing commission on treasury bills &amp; bonds</b>		
Underwriting commission paid to primary dealers for issuing Govt. treasury bill and bond.		
<b>41 Consolidated general and administrative expenses</b>		
Staff costs (Note 41 (a))	11,346,929	9,646,922
Depreciation	897,905	921,525
Amortisation (intangible assets)	129,912	209,608
Directors' fees	962	1,017
Audit fees	8,594	8,544
Stationery	103,377	119,873
Rent, electricity etc.	352,485	349,738
Remittance of treasure	45,171	43,709
Donations	216,749	165,446
Telephone	102,450	98,309
Repairs & maintenance	255,413	337,659
Materials	3,127,665	2,516,328
Provision for Workers' Profit Participation Fund	97,029	122,001
Income tax and Value Added Tax	555,126	432,867
Miscellaneous	1,711,692	685,181
<b>Total</b>	<b>18,951,460</b>	<b>15,658,727</b>
<b>41 (a) Staff costs</b>		
Salary	2,722,620	2,699,637
House rent	988,873	539,223
Contribution to contributory provident fund	990,401	599,046
Pension and gratuity	3,322,100	2,917,100
Leave encashment	520,000	212,005
General and incentive bonus	1,210,144	1,255,310
Medical expenses	344,795	313,849
Training	136,131	176,478
Travel expenses	309,517	290,645
Lunch	289,251	318,526
Other staff costs	513,097	325,103
<b>Total</b>	<b>11,346,929</b>	<b>9,646,922</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	<b>2017</b>	<b>2016</b>
	<b>Taka '000</b>	<b>Taka '000</b>
<b>41.01 General and administrative expenses</b>		
Staff costs (Note 41.01(a))	10,443,141	8,932,882
Depreciation	650,571	713,835
Amortization	129,912	209,608
Directors' fee	382	647
Audit fee	8,294	8,294
Stationery	100,918	117,843
Rent	251,382	243,341
Remittance of treasure	44,759	43,371
Donations	196,082	151,193
Telephone	101,782	97,430
Repairs	238,750	312,077
Miscellaneous	1,698,318	672,425
<b>Total</b>	<b>13,864,291</b>	<b>11,502,946</b>
<b>41.01(a) Staff costs</b>		
Salary	2,433,162	2,454,807
House rent	988,873	539,223
Contribution to contributory provident fund	767,951	397,543
Pension and gratuity	3,322,100	2,917,100
Leave encashment	470,000	184,500
General and incentive bonus	1,079,788	1,137,041
Medical expenses	337,407	304,961
Training	135,602	175,737
Travel expenses	296,576	279,917
Lunch	255,219	283,348
Other staff costs	356,463	258,705
<b>Total</b>	<b>10,443,141</b>	<b>8,932,882</b>
<b>42 Financial instruments-Fair values and risk management</b>		
<b>42.1 a. Accounting classifications and fair values</b>		
<p>The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.</p>		

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### Consolidated

Particulars	Carrying amount				Fair value			Taka '000		
	Loans and receivables	Held-to-maturity	Fair value through profit or loss	Available-for-sale	Other financial liabilities	Total	Level 1		Level 2	Level 3
<b>Financial assets measured at fair value</b>										
US Dollar Treasury bills	-	-	-	79,806,111	-	79,806,111	-	-	-	79,806,111
Foreign bonds	-	-	-	1,081,521,961	-	1,081,521,961	-	-	-	1,081,521,961
Gold and silver	-	-	-	11,383,556	-	11,383,556	-	-	-	11,383,556
Claims from gold transaction	-	-	-	33,811,041	-	33,811,041	-	-	-	33,811,041
Treasury bills	-	-	-	8,116,472	-	8,116,472	-	-	-	8,116,472
Treasury bonds	-	-	-	43,594,929	-	43,594,929	-	-	-	43,594,929
Swift shares	-	-	-	80	-	80	-	-	80	80
Debtenture - House Building Finance Corporation	-	-	-	3,945,000	-	3,945,000	-	-	-	3,945,000
Share of ICB Islamic Bank Limited	-	-	-	7,452	-	7,452	-	-	-	7,452
	-	-	-	<b>1,262,186,602</b>	-	<b>1,262,186,602</b>	-	<b>55,656,401</b>	<b>80</b>	<b>1,262,186,602</b>
<b>Financial assets not measured at fair value</b>										
Taka coin and cash balances	16,613,648	-	-	-	-	16,613,648	-	-	-	-
Foreign currency accounts	34,888,457	-	-	-	-	34,888,457	-	-	-	-
Overnight investment	214,600,368	-	-	-	-	214,600,368	-	-	-	-
Short term deposits with overseas commercial banks	928,877,704	-	-	-	-	928,877,704	-	-	-	-
Asset held with IMF	213,841,975	-	-	-	-	213,841,975	-	-	-	-
Foreign currency loans to banks	206,294,007	-	-	-	-	206,294,007	-	-	-	-
Interest receivable	9,437,834	-	-	-	-	9,437,834	-	-	-	-
Other receivable	5,224,144	-	-	-	-	5,224,144	-	-	-	-
Ways and means advance	30,155,600	-	-	-	-	30,155,600	-	-	-	-
Overdraft - block	56,850,000	-	-	-	-	56,850,000	-	-	-	-
Short term money market investments	882,848	-	-	-	-	882,848	-	-	-	-
Loan to commercial banks	4,764,329	-	-	-	-	4,764,329	-	-	-	-
Loan to specialised banks	27,959,832	-	-	-	-	27,959,832	-	-	-	-
Loan to private banks	3,146,800	-	-	-	-	3,146,800	-	-	-	-
Other loans and advances	29,578,717	-	-	-	-	29,578,717	-	-	-	-
Interest receivable	7,731,998	-	-	-	-	7,731,998	-	-	-	-
Loans and advances to employees	33,478,028	-	-	-	-	33,478,028	-	-	-	-
Other local currency financial assets	2,692,763	-	-	-	-	2,692,763	-	-	-	-
	<b>1,827,019,051</b>	-	-	-	-	<b>1,827,019,051</b>	-	-	-	-
<b>Financial liabilities measured at fair value</b>										
Nil	-	-	-	-	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>										
Liabilities with IMF	-	-	-	-	231,519,873	231,519,873	-	-	-	-
Foreign currency deposits by commercial banks	-	-	-	-	89,879,045	89,879,045	-	-	-	-
Asian Clearing Union (ACU)	-	-	-	-	82,275,253	82,275,253	-	-	-	-
Notes in circulation	-	-	-	-	1,497,287,018	1,497,287,018	-	-	-	-
Local currency deposits from banks and financial institutions	-	-	-	-	733,927,114	733,927,114	-	-	-	-
Short term borrowings	-	-	-	-	182,618,016	182,618,016	-	-	-	-
	-	-	-	-	<b>2,817,506,319</b>	<b>2,817,506,319</b>	-	-	-	-

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### Consolidated

ii) 30 June 2016

Particulars	Carrying amount				Fair value			Total	
	Loans and receivables	Held-to-maturity	Fair value through profit or loss	Available-for-sale	Other financial liabilities	Level 1	Level 2		Level 3
<b>Financial assets measured at fair value</b>									
US Dollar Treasury bills	-	-	-	15,654,912	-	15,654,912	-	-	15,654,912
Foreign bonds	-	-	-	766,864,248	-	766,864,248	-	-	766,864,248
Gold and silver	-	-	-	7,278,889	-	7,278,889	-	-	7,278,889
Claims from gold transaction	-	-	-	38,849,350	-	38,849,350	-	-	38,849,350
Treasury bills	-	-	-	15,628,805	-	15,628,805	-	-	15,628,805
Treasury bonds	-	-	-	31,314,474	-	31,314,474	-	-	31,314,474
Swift shares	-	-	-	80	-	80	-	80	80
Debtenture - House Building Finance Corporation	-	-	-	4,715,000	-	4,715,000	-	-	4,715,000
Share of ICB Islamic Bank Limited	-	-	-	7,452	-	7,452	-	-	7,452
				<b>880,313,211</b>		<b>828,654,851</b>		<b>80</b>	<b>880,313,211</b>
<b>Financial assets not measured at fair value</b>									
Taka coin and cash balances	16,684,618	-	-	-	-	-	-	-	16,684,618
Foreign currency accounts	45,017,497	-	-	-	-	-	-	-	45,017,497
Overnight investment	136,235,070	-	-	-	-	-	-	-	136,235,070
Short term deposits with overseas commercial banks	1,115,920,187	-	-	-	-	-	-	-	1,115,920,187
Asset held with IMF	208,949,924	-	-	-	-	-	-	-	208,949,924
Foreign currency loans to banks	132,234,324	-	-	-	-	-	-	-	132,234,324
Interest receivable	6,926,757	-	-	-	-	-	-	-	6,926,757
Other receivable	6,365,370	-	-	-	-	-	-	-	6,365,370
Ways and means advance	40,000,000	-	-	-	-	-	-	-	40,000,000
Overdraft - block	71,850,000	-	-	-	-	-	-	-	71,850,000
Overdraft - current	40,315,900	-	-	-	-	-	-	-	40,315,900
Securities purchased under agreement to resell	8,480,000	-	-	-	-	-	-	-	8,480,000
Short term money market investments	634,804	-	-	-	-	-	-	-	634,804
Loan to commercial banks	3,999,640	-	-	-	-	-	-	-	3,999,640
Loan to specialised banks	29,431,830	-	-	-	-	-	-	-	29,431,830
Loan to private banks	2,903,250	-	-	-	-	-	-	-	2,903,250
Other loans and advances	28,549,486	-	-	-	-	-	-	-	28,549,486
Interest receivable	8,237,801	-	-	-	-	-	-	-	8,237,801
Loans and advances to employees	32,535,423	-	-	-	-	-	-	-	32,535,423
Other local currency financial assets	3,794,147	-	-	-	-	-	-	-	3,794,147
	<b>1,939,066,027</b>								<b>1,939,066,027</b>
<b>Financial liabilities measured at fair value</b>									
Nil	-	-	-	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Liabilities with IMF	-	-	-	-	230,167,566	-	-	-	230,167,566
Foreign currency deposits by commercial banks	-	-	-	-	71,333,857	-	-	-	71,333,857
Asian Clearing Union (ACU)	-	-	-	-	76,275,538	-	-	-	76,275,538
Notes in circulation	-	-	-	-	1,307,303,718	-	-	-	1,307,303,718
Local currency deposits from banks and financial institutions	-	-	-	-	608,937,407	-	-	-	608,937,407
Short term borrowings	-	-	-	-	263,401,402	-	-	-	263,401,402
					<b>2,557,419,488</b>				<b>2,557,419,488</b>



## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### Separate

Particulars	Carrying amount			Fair value			Taka '000				
	Loans and receivables	Held-to-maturity	Fair value through profit or loss	Available-for-sale	Other financial liabilities	Total		Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>											
Financial assets measured at fair value											
US Dollar Treasury bills	-	-	-	79,806,111	-	-	79,806,111	-	-	-	79,806,111
Foreign bonds	-	-	-	1,081,521,961	-	-	1,081,521,961	-	-	-	1,081,521,961
Gold and silver	-	-	-	11,383,556	-	-	11,383,556	-	-	-	11,383,556
Claims from gold transaction	-	-	-	33,811,041	-	-	33,811,041	-	-	-	33,811,041
Treasury bills	-	-	-	8,116,472	-	-	8,116,472	-	-	-	8,116,472
Treasury bonds	-	-	-	43,594,929	-	-	43,594,929	-	-	-	43,594,929
Swift shares	-	-	-	80	-	-	80	-	-	80	80
Investment in subsidiary	-	-	-	12,000,000	-	-	12,000,000	-	-	12,000,000	12,000,000
Debtenture - House Building Finance Corporation	-	-	-	3,945,000	-	-	3,945,000	-	-	3,945,000	3,945,000
				<b>1,274,179,150</b>			<b>1,274,179,150</b>	<b>1,206,522,669</b>	<b>55,656,401</b>	<b>12,000,080</b>	<b>1,274,179,150</b>
<b>Financial assets not measured at fair value</b>											
Taka coin and cash balances	4,897,629	-	-	-	-	-	4,897,629	-	-	-	-
Foreign currency accounts	34,888,457	-	-	-	-	-	34,888,457	-	-	-	-
Overnight investment	214,600,368	-	-	-	-	-	214,600,368	-	-	-	-
Short term deposits with overseas commercial banks	928,877,704	-	-	-	-	-	928,877,704	-	-	-	-
Asset held with IMF	213,841,975	-	-	-	-	-	213,841,975	-	-	-	-
Foreign currency loans to banks	206,294,007	-	-	-	-	-	206,294,007	-	-	-	-
Interest receivable	9,437,834	-	-	-	-	-	9,437,834	-	-	-	-
Other receivable	5,224,144	-	-	-	-	-	5,224,144	-	-	-	-
Ways and means advance	30,155,600	-	-	-	-	-	30,155,600	-	-	-	-
Overdraft - block	56,850,000	-	-	-	-	-	56,850,000	-	-	-	-
Loan to commercial banks	4,764,329	-	-	-	-	-	4,764,329	-	-	-	-
Loan to specialised banks	27,959,832	-	-	-	-	-	27,959,832	-	-	-	-
Loan to private banks	3,146,800	-	-	-	-	-	3,146,800	-	-	-	-
Other loans and advances	29,578,717	-	-	-	-	-	29,578,717	-	-	-	-
Interest receivable	7,731,998	-	-	-	-	-	7,731,998	-	-	-	-
Loans and advances to employees	32,114,702	-	-	-	-	-	32,114,702	-	-	-	-
Other local currency financial assets	2,277,941	-	-	-	-	-	2,277,941	-	-	-	-
	<b>1,812,642,036</b>						<b>1,812,642,036</b>				
<b>Financial liabilities measured at fair value</b>											
Nil	-	-	-	-	-	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>											
Liabilities with IMF	-	-	-	-	-	-	-	-	-	-	-
Foreign currency deposits by commercial banks	-	-	-	-	231,519,873	-	231,519,873	-	-	-	-
Asian Clearing Union (ACU)	-	-	-	-	89,879,045	-	89,879,045	-	-	-	-
Notes in circulation	-	-	-	-	82,202,364	-	82,202,364	-	-	-	-
Local currency deposits from banks and financial institutions	-	-	-	-	1,497,287,018	-	1,497,287,018	-	-	-	-
Short term borrowings	-	-	-	-	733,927,114	-	733,927,114	-	-	-	-
					182,618,016		182,618,016				
					<b>2,817,433,430</b>		<b>2,817,433,430</b>				

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### Separate

ii) 30 June 2016

Particulars	Carrying amount				Fair value			Total	
	Loans and receivables	Held-to-maturity	Fair value through profit or loss	Available-for-sale	Other financial liabilities	Level 1	Level 2		Level 3
<b>Financial assets measured at fair value</b>									
US Dollar Treasury bills	-	-	-	15,654,912	-	15,654,912	-	-	15,654,912
Foreign bonds	-	-	-	766,864,248	-	766,864,248	-	-	766,864,248
Gold and silver	-	-	-	7,278,889	-	7,278,889	-	-	7,278,889
Claims from gold transaction	-	-	-	38,849,350	-	38,849,350	-	-	38,849,350
Treasury bills	-	-	-	15,628,805	-	15,628,805	-	-	15,628,805
Treasury bonds	-	-	-	31,314,474	-	31,314,474	-	-	31,314,474
Swift shares	-	-	-	80	-	80	-	80	80
Investment in subsidiary	-	-	-	12,000,000	-	12,000,000	-	12,000,000	12,000,000
Debtenture - House Building Finance Corporation	-	-	-	4,715,000	-	4,715,000	-	4,715,000	4,715,000
				<b>892,305,759</b>		<b>828,647,399</b>		<b>51,658,279</b>	<b>892,305,759</b>
<b>Financial assets not measured at fair value</b>									
Taka coin and cash balances	4,514,122	-	-	-	-	4,514,122	-	-	4,514,122
Foreign currency accounts	45,017,497	-	-	-	-	45,017,497	-	-	45,017,497
Overnight investment	136,235,070	-	-	-	-	136,235,070	-	-	136,235,070
Short term deposits with overseas commercial banks	1,115,920,187	-	-	-	-	1,115,920,187	-	-	1,115,920,187
Asset held with IMF	208,949,924	-	-	-	-	208,949,924	-	-	208,949,924
Foreign currency loans to banks	132,234,324	-	-	-	-	132,234,324	-	-	132,234,324
Interest receivable	6,926,757	-	-	-	-	6,926,757	-	-	6,926,757
Other receivable	6,365,370	-	-	-	-	6,365,370	-	-	6,365,370
Ways and means advance	40,000,000	-	-	-	-	40,000,000	-	-	40,000,000
Overdraft - block	71,850,000	-	-	-	-	71,850,000	-	-	71,850,000
Overdraft - current	40,315,900	-	-	-	-	40,315,900	-	-	40,315,900
Securities purchased under agreement to resell	8,480,000	-	-	-	-	8,480,000	-	-	8,480,000
Loan to commercial banks	3,999,640	-	-	-	-	3,999,640	-	-	3,999,640
Loan to specialised banks	29,431,830	-	-	-	-	29,431,830	-	-	29,431,830
Loan to private banks	2,903,250	-	-	-	-	2,903,250	-	-	2,903,250
Other loans and advances	28,549,486	-	-	-	-	28,549,486	-	-	28,549,486
Interest receivable	8,237,801	-	-	-	-	8,237,801	-	-	8,237,801
Loans and advances to employees	31,279,407	-	-	-	-	31,279,407	-	-	31,279,407
Other local currency financial assets	3,432,361	-	-	-	-	3,432,361	-	-	3,432,361
	<b>1,924,642,925</b>					<b>1,924,642,925</b>			<b>1,924,642,925</b>
<b>Financial liabilities measured at fair value</b>									
Nil	-	-	-	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Liabilities with IMF	-	-	-	-	230,167,566	230,167,566	-	-	230,167,566
Foreign currency deposits by commercial banks	-	-	-	-	71,333,857	71,333,857	-	-	71,333,857
Asian Clearing Union (ACU)	-	-	-	-	76,275,538	76,275,538	-	-	76,275,538
Notes in circulation	-	-	-	-	1,307,303,718	1,307,303,718	-	-	1,307,303,718
Local currency deposits from banks and financial institutions	-	-	-	-	608,937,407	608,937,407	-	-	608,937,407
Short term borrowings	-	-	-	-	263,401,402	263,401,402	-	-	263,401,402
					<b>2,557,419,488</b>	<b>2,557,419,488</b>			<b>2,557,419,488</b>

As at 30 June 2017 and 30 June 2016, the Group holds level 3 financial instruments only on Swift shares. Management believes that the fair value of these shares is equal to its carrying amount. A Level 3 reconciliation table has not been disclosed as no change in fair value of investment from last year.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### 42.1 b. Measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Fair value have been based on management assumptions according to the portfolio of the asset and liability base.

Fair value of foreign securities available-for-sale is based on quoted market prices, at the financial position date (2016: foreign securities available-for-sale at fair value). Local currency financial investments includes shares in SPCBL with a value of Taka 12,000,000,000 (2016: Taka 12,000,000,000) & Debentures of HBFC with a value of Taka 3,945,000,000 (2016: Taka 4,715,000,000) 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. Management believes that the fair value of these shares are their carrying value.

Loans to Government (overdraft-block and current) are carried at cost as the interest accrued is recovered on a daily basis. Treasury bills and bonds are classified as available-for-sale and are carried at fair value. Loans to banks, financial institutions and employees are carried at amortized cost and are net of provisions for impairment. The fair value approximates their carrying value.

### 42.2 Financial Risk Management

The Group has exposure to the following risks arising from financial instruments :

- I. Credit risk
- II. Liquidity risk
- III. Market risk
- IV. Operational risk

#### **Risk management framework**

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 Group's policies for controlling risks and exposures.

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 create exposure to a range of operational and reputational risks also.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

The Bank's 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 by the Government as prescribed in Article 65 (1) of the Bangladesh Bank Order, 1972. Auditing arrangements are overseen by the 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. Audit 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 that the risk management framework is consistent with financial market best practices. Risk tables in this note are all based on the Bank's portfolio as reported in its statement of financial position.

### I. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is monitored and managed regularly. Bangladesh Bank's maximum exposure to credit risk in relation to each class of recognized financial assets, is 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, with mitigates to credit risk including both the Bank's rigorous monitoring activities and, in many cases, guarantees from the government.

#### a. Concentration of credit exposure

The Group's significant end-of-year concentrations of credit exposure, based on the country/region in which the issuers' parent was located, were as follows:

Taka '000

Particulars	2017		2016	
	Consolidated	Separate	Consolidated	Separate
Bangladesh	679,598,187	677,213,720	490,742,051	488,307,361
Other Asian countries	919,220,699	919,220,699	508,556,752	508,556,752
United States of America	715,436,328	715,436,328	553,473,258	553,473,258
Europe	361,921,076	361,921,076	348,938,013	348,938,013
Australia	412,103,737	412,103,737	100,229,192	100,229,192
Others	445,068	445,068	817,379,746	817,379,746
<b>Total</b>	<b>3,088,725,095</b>	<b>3,086,340,628</b>	<b>2,819,319,012</b>	<b>2,816,884,322</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### b. Credit exposures by credit rating

Following tables represents the Group's foreign currency financial assets (excluding foreign currency loans to banks) mainly based on Moody's credit rating of the issuer (or equivalent Moody's rating in case of rating by other agencies). 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 excellent credit quality but are rated lower than Aaa. Aa1 indicates the 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, and offers superior credit quality and a very strong capacity for timely payment of short-term deposit obligations; ST-1 indicates the highest capacity for timely repayment of obligations; ST-2 indicates a strong capacity for timely repayment of obligations and ST-3 indicates average capacity for timely repayment of obligations.

However, the Group's local currency financial assets along with foreign currency loans to banks are based on credit rating from Credit Rating Information and Services Limited, Credit Rating Agency of Bangladesh Limited, Emerging Credit Rating Limited, National Credit Rating Limited, Alpha Credit Rating Limited, ARGUS Credit Rating Services Limited etc. which were preferred by respective institutions.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### Consolidated

Taka '000

Particulars	Credit Rating	2017		2016	
		Amount	% of financial assets	Amount	% of financial assets
<b>i) Foreign currency financial assets</b>					
Foreign currency accounts	P-1	34,888,457	1.13%	45,017,497	1.60%
Overnight investment	P-1	214,600,368	6.97%	136,235,070	4.84%
Short term deposits with overseas commercial banks	P-1	928,877,704	30.18%	1,115,920,187	39.68%
US Dollar treasury bills	P-1	79,806,111	2.59%	15,654,912	0.56%
Foreign bonds	Aaa	792,445,237	25.75%	459,707,614	16.35%
Foreign bonds	Aa1, Aa2, Aa3	147,859,930	4.80%	175,465,367	6.24%
Foreign bonds	A1, A2, A3	54,051,238	1.76%	28,993,607	1.03%
Foreign bonds	B1, Ba1, Baa1, Baa2, Baa3	87,165,556	2.83%	102,697,661	3.65%
Foreign currency loans to banks	A	4,334,870	0.14%	12,872,134	0.46%
Foreign currency loans to banks	Aaa to Aa	163,725,585	5.32%	118,090,758	4.20%
Foreign currency loans to banks	Baa, Ba, B	2,894,115	0.09%	1,271,431	0.05%
Foreign currency loans to banks	Unrated	35,339,436	1.15%	-	0.00%
Claims from gold transactions	Aa2	33,811,041	1.10%	38,849,350	1.38%
Assets held with International Monetary Fund	Unrated	213,841,975	6.95%	208,949,924	7.43%
Other foreign currency financial assets	Unrated	14,662,058	0.48%	13,292,207	0.47%
<b>Total</b>		<b>2,808,303,681</b>	<b>91.26%</b>	<b>2,473,017,719</b>	<b>87.94%</b>
<b>ii) Local currency financial assets</b>					
Loans to the Government of Bangladesh	Ba3	138,717,001	4.51%	199,109,179	7.08%
Securities purchased under agreement to resell	A+	-	0.00%	8,480,000	0.30%
Local currency investments	-	4,835,300	0.16%	5,361,392	0.19%
Loans to banks, financial institutions	A	3,496,481	0.11%	17,468,686	0.62%
Loans to banks, financial institutions	Aaa to Aa	14,538,830	0.47%	15,669,742	0.56%
Loans to banks, financial institutions	Ba to B	198,047	0.01%	156,363	0.01%
Loans to banks, financial institutions	Baa	270,741	0.01%	224,165	0.01%
Loans to banks, financial institutions	Unrated	54,197,018	1.76%	39,538,689	1.41%
Loans to employees	-	33,478,028	1.09%	32,535,423	1.16%
Other local currency financial assets	-	2,692,763	0.09%	3,794,147	0.13%
Taka coin and cash balances	-	16,613,648	0.54%	16,684,618	0.59%
<b>Total</b>		<b>269,037,857</b>	<b>8.74%</b>	<b>339,022,404</b>	<b>12.06%</b>
<b>Total financial assets (i+ii)</b>		<b>3,077,341,538</b>	<b>100.00%</b>	<b>2,812,040,123</b>	<b>100.00%</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### Separate

Taka '000

Particulars	Credit Rating	2017		2016	
		Amount	% of financial assets	Amount	% of financial assets
<b>i) Foreign currency financial assets</b>					
Foreign currency accounts	P-1	34,888,457	1.13%	45,017,497	1.60%
Overnight investment	P-1	214,600,368	6.98%	136,235,070	4.85%
Short term deposits with overseas commercial banks	P-1	928,877,704	30.21%	1,115,920,187	39.72%
US Dollar treasury bills	P-1	79,806,111	2.60%	15,654,912	0.56%
Foreign bonds	Aaa	792,445,237	25.77%	459,707,614	16.36%
Foreign bonds	Aa1, Aa2, Aa3	147,859,930	4.81%	175,465,367	6.25%
Foreign bonds	A1, A2, A3	54,051,238	1.76%	28,993,607	1.03%
Foreign bonds	B1, Ba1, Baa1, Baa2, Baa3	87,165,556	2.83%	102,697,661	3.66%
Foreign currency loans to banks	A	4,334,870	0.14%	12,872,134	0.46%
Foreign currency loans to banks	Aaa to Aa	163,725,585	5.32%	118,090,758	4.20%
Foreign currency loans to banks	Baa, Ba, B	2,894,115	0.09%	1,271,431	0.05%
Foreign currency loans to banks	Unrated	35,339,436	1.15%	-	0.00%
Claims from gold transactions	Aa2	33,811,041	1.10%	38,849,350	1.38%
Assets held with International Monetary Fund	Unrated	213,841,975	6.95%	208,949,924	7.44%
Other foreign currency financial assets	Unrated	14,662,058	0.48%	13,292,207	0.47%
<b>Total</b>		<b>2,808,303,681</b>	<b>91.33%</b>	<b>2,473,017,719</b>	<b>88.02%</b>
<b>ii) Local currency financial assets</b>					
Loans to the Government of Bangladesh	Ba3	138,717,001	4.51%	199,109,179	7.09%
Securities purchased under agreement to resell	A+	-	0.00%	8,480,000	0.30%
Local currency investments	Unrated	15,945,000	0.52%	16,715,000	0.59%
Loans to banks, financial institutions	A	3,496,481	0.11%	17,468,686	0.62%
Loans to banks, financial institutions	Aaa to Aa	14,538,830	0.47%	15,669,742	0.56%
Loans to banks, financial institutions	Ba to B	198,047	0.01%	156,363	0.01%
Loans to banks, financial institutions	Baa	270,741	0.01%	224,165	0.01%
Loans to banks, financial institutions	Unrated	54,197,018	1.76%	39,538,689	1.41%
Loans to employees	-	32,114,702	1.04%	31,279,407	1.11%
Other local currency financial assets	-	2,277,941	0.07%	3,432,361	0.12%
Taka coin and cash balances	-	4,897,629	0.16%	4,514,122	0.16%
<b>Total</b>		<b>266,653,390</b>	<b>8.67%</b>	<b>336,587,714</b>	<b>11.98%</b>
<b>Total financial assets (i+ii)</b>		<b>3,074,957,071</b>	<b>100%</b>	<b>2,809,605,433</b>	<b>100%</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### c. Collateral held and other credit enhancements, and their financial effect

The Group holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Taka '000

Particulars	2017		2016	
	Amount	% of financial assets	Amount	% of financial assets
<b>i) Foreign currency financial assets</b>				
Foreign currency loans to banks	206,294,007	None	132,234,324	None
Claims from gold transactions	33,811,041	None	38,849,350	None
Assets held with International Monetary Fund	213,841,975	None	208,949,924	None
<b>ii) Local currency financial assets</b>				
Loans to the Government of Bangladesh	138,717,001	None	199,109,179	None
Securities purchased under agreement to resell	-	Marketable securities	8,480,000	Marketable securities
Local currency loans to banks, financial institutions and employees	106,179,145	- Government guarantee - Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortgage of property	105,593,068	- Government guarantee - Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortgage of property

### II. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To mitigate this risk, the Group has diversified funding sources and assets are managed with liquidity in mind.



## Bangladesh Bank : Notes to the Financial Statements

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The table below summaries the maturity profile of the Group's financial 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:

### Consolidated

30 June 2017

Taka '000

Particulars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
<b>Foreign currency financial assets</b>					
Foreign currency accounts	34,888,457	-	-	-	-
Foreign investments	447,570,929	676,170,495	420,910,825	760,153,895	-
Assets held with International Monetary Fund	108,661,765	112,707	-	-	105,067,503
Gold and silver	11,383,556	-	-	-	-
Claims from gold transactions	18,486,546	-	15,324,495	-	-
Foreign currency loans to banks	24,516,575	64,029,534	109,793,481	4,073,765	3,880,653
<b>Total</b>	<b>645,507,828</b>	<b>740,312,736</b>	<b>546,028,801</b>	<b>764,227,660</b>	<b>108,948,156</b>
<b>Local currency financial assets</b>					
Taka coin and cash balances	16,613,648	-	-	-	-
Loans to the Government of Bangladesh	33,485,678	-	26,993,379	59,584,179	18,653,765
Local currency investments	-	-	1,528,712	2,280,000	1,026,588
Local currency loans to banks, financial institutions and employees	1,747,393	10,052,759	17,814,893	31,234,056	45,330,045
<b>Total</b>	<b>51,846,719</b>	<b>10,052,759</b>	<b>46,336,984</b>	<b>93,098,235</b>	<b>65,010,398</b>
<b>Total financial assets</b>	<b>697,354,547</b>	<b>750,365,495</b>	<b>592,365,785</b>	<b>857,325,894</b>	<b>173,958,553</b>
<b>Foreign currency financial liabilities</b>					
Deposits from banks and financial institutions	172,154,298	-	-	-	-
Liabilities with International Monetary Fund	1,607,087	53,726	2,050,530	44,086,352	183,722,179
<b>Total</b>	<b>173,761,385</b>	<b>53,726</b>	<b>2,050,530</b>	<b>44,086,352</b>	<b>183,722,179</b>
<b>Local currency financial liabilities</b>					
Notes in circulation	1,497,287,018	-	-	-	-
Deposits from banks and financial institutions	733,927,114	-	-	-	-
Short term borrowings	182,618,016	-	-	-	-
Other local currency financial liabilities	16,673,961	1,110,023	30,605,947	30,003,124	24,683,650
<b>Total</b>	<b>2,430,506,109</b>	<b>1,110,023</b>	<b>30,605,947</b>	<b>30,003,124</b>	<b>24,683,650</b>
<b>Total financial liabilities</b>	<b>2,604,267,494</b>	<b>1,163,749</b>	<b>32,656,477</b>	<b>74,089,476</b>	<b>208,405,829</b>
<b>Maturity gap</b>	<b>(1,906,912,947)</b>	<b>749,201,746</b>	<b>559,709,308</b>	<b>783,236,418</b>	<b>(34,447,274)</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

30 June 2016

Taka '000

Particulars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
<b>Foreign currency financial assets</b>					
Foreign currency accounts	45,017,497	-	-	-	-
Foreign investments	656,864,021	661,490,116	186,315,608	553,265,034	-
Assets held with International Monetary Fund	106,526,842	-	-	-	102,423,081
Gold and silver	7,278,889	-	-	-	-
Claims from gold transactions	19,188,519	-	19,816,850	-	-
Foreign currency loans to banks	15,881,064	48,795,700	67,557,561	-	-
<b>Total</b>	<b>850,756,833</b>	<b>710,285,815</b>	<b>273,690,019</b>	<b>553,265,034</b>	<b>102,423,081</b>
<b>Local currency financial assets</b>					
Taka coin and cash balances	16,684,618	-	-	-	-
Securities purchased under agreement to resell	8,480,000	-	-	-	-
Loans to the Government of Bangladesh	82,617,694	5,744,999	23,599,171	71,315,974	15,831,340
Local currency investments	-	260,000	3,424,804	650,000	1,026,588
Local currency loans to banks, financial institutions and employees	3,022,886	4,981,491	22,491,874	37,467,864	37,628,954
<b>Total</b>	<b>110,805,199</b>	<b>10,986,490</b>	<b>49,515,848</b>	<b>109,433,838</b>	<b>54,486,882</b>
<b>Total financial assets</b>	<b>961,562,031</b>	<b>721,272,306</b>	<b>323,205,867</b>	<b>662,698,872</b>	<b>156,909,964</b>
<b>Foreign currency financial liabilities</b>					
Deposits from banks and financial institutions	147,635,399	-	-	-	-
Liabilities with International Monetary Fund	1,612,895	4,742	369,245	45,116,910	183,063,773
<b>Total</b>	<b>149,248,294</b>	<b>4,742</b>	<b>369,245</b>	<b>45,116,910</b>	<b>183,063,773</b>
<b>Local currency financial liabilities</b>					
Notes in circulation	1,307,303,718	-	-	-	-
Short term borrowings	608,937,407	-	-	-	-
Deposits from banks and financial institutions	263,401,402	-	-	-	-
Other local currency financial liabilities	8,268,212	580,378	88,067,545	32,716,273	29,570,300
<b>Total</b>	<b>2,187,910,739</b>	<b>580,378</b>	<b>88,067,545</b>	<b>32,716,273</b>	<b>29,570,300</b>
<b>Total financial liabilities</b>	<b>2,337,159,033</b>	<b>585,120</b>	<b>88,436,790</b>	<b>77,833,183</b>	<b>212,634,073</b>
<b>Maturity gap</b>	<b>(1,375,597,002)</b>	<b>720,687,185</b>	<b>234,769,077</b>	<b>584,865,689</b>	<b>(55,724,109)</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### Separate

30 June 2017

Taka '000

Particulars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
<b>Foreign currency financial assets</b>					
Foreign currency accounts	34,888,457	-	-	-	-
Foreign investments	447,570,929	676,170,495	420,910,825	760,153,895	-
Assets held with International Monetary Fund	108,661,765	112,707	-	-	105,067,503
Gold and silver	11,383,556	-	-	-	-
Claims from gold transactions	18,486,546	-	15,324,495	-	-
Foreign currency loans to banks	24,516,575	64,029,534	109,793,481	4,073,765	3,880,653
<b>Total</b>	<b>645,507,828</b>	<b>740,312,736</b>	<b>546,028,801</b>	<b>764,227,660</b>	<b>108,948,156</b>
<b>Local currency financial assets</b>					
Taka coin and cash balances	4,897,629	-	-	-	-
Loans to the Government of Bangladesh	33,485,678	-	26,993,379	59,584,179	18,653,765
Local currency investments	-	-	650,000	2,280,000	13,015,000
Local currency loans to banks, financial institutions and employees	1,747,393	10,052,759	17,814,893	31,234,056	43,966,719
<b>Total</b>	<b>40,130,701</b>	<b>10,052,759</b>	<b>45,458,272</b>	<b>93,098,235</b>	<b>75,635,483</b>
<b>Total financial assets</b>	<b>685,638,529</b>	<b>750,365,495</b>	<b>591,487,073</b>	<b>857,325,895</b>	<b>184,583,639</b>
<b>Foreign currency financial liabilities</b>					
Deposits from banks and financial institutions	172,154,298	-	-	-	-
Liabilities with International Monetary Fund	1,607,087	53,726	2,050,530	44,086,352	183,722,179
<b>Total</b>	<b>173,761,385</b>	<b>53,726</b>	<b>2,050,530</b>	<b>44,086,352</b>	<b>183,722,179</b>
<b>Local currency financial liabilities</b>					
Notes in circulation	1,497,287,018	-	-	-	-
Deposits from banks and financial institutions	733,927,114	-	-	-	-
Short term borrowings	182,618,016	-	-	-	-
Other local currency financial liabilities	18,124,883	-	29,319,200	30,003,124	24,356,030
<b>Total</b>	<b>2,431,957,031</b>	<b>-</b>	<b>29,319,200</b>	<b>30,003,124</b>	<b>24,356,030</b>
<b>Total financial liabilities</b>	<b>2,605,718,416</b>	<b>53,726</b>	<b>31,369,730</b>	<b>74,089,476</b>	<b>208,078,209</b>
<b>Maturity gap</b>	<b>(1,920,079,887)</b>	<b>750,311,769</b>	<b>560,117,343</b>	<b>783,236,419</b>	<b>(23,494,570)</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

30 June 2016

Taka '000

Particulars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
<b>Foreign currency financial assets</b>					
Foreign currency accounts	45,017,497	-	-	-	-
Foreign investments	656,864,021	661,490,116	186,315,608	553,265,034	-
Assets held with International Monetary Fund	106,526,842	-	-	-	102,423,081
Gold and silver	7,278,889	-	-	-	-
Claims from gold transactions	19,188,519	-	19,816,850	-	-
Foreign currency loans to banks	15,881,064	48,795,700	67,557,561	-	-
<b>Total</b>	<b>850,756,833</b>	<b>710,285,815</b>	<b>273,690,019</b>	<b>553,265,034</b>	<b>102,423,081</b>
<b>Local currency financial assets</b>					
Taka coin and cash balances	4,514,122	-	-	-	-
Securities purchased under agreement to resell	8,480,000	-	-	-	-
Loans to the Government of Bangladesh	82,617,694	5,744,999	23,599,171	71,315,974	15,831,340
Local currency investments	-	260,000	2,790,000	650,000	13,015,000
Local currency loans to banks, financial institutions and employees	3,018,886	4,973,491	22,459,874	37,235,787	36,649,014
<b>Total</b>	<b>98,630,703</b>	<b>10,978,490</b>	<b>48,849,044</b>	<b>109,201,761</b>	<b>65,495,355</b>
<b>Total financial assets</b>	<b>949,387,535</b>	<b>721,264,306</b>	<b>322,539,063</b>	<b>662,466,795</b>	<b>167,918,436</b>
<b>Foreign currency financial liabilities</b>					
Deposits from banks and financial institutions	147,635,399	-	-	-	-
Liabilities with International Monetary Fund	1,612,895	4,742	369,245	45,116,910	183,063,773
<b>Total</b>	<b>149,248,294</b>	<b>4,742</b>	<b>369,245</b>	<b>45,116,910</b>	<b>183,063,773</b>
<b>Local currency financial liabilities</b>					
Notes in circulation	1,307,303,718	-	-	-	-
Short term borrowings	608,937,407	-	-	-	-
Deposits from banks and financial institutions	263,401,402	-	-	-	-
Other local currency financial liabilities	9,405,999	580,378	85,352,343	32,716,273	29,247,609
<b>Total</b>	<b>2,189,048,526</b>	<b>580,378</b>	<b>85,352,343</b>	<b>32,716,273</b>	<b>29,247,609</b>
<b>Total financial liabilities</b>	<b>2,338,296,820</b>	<b>585,120</b>	<b>85,721,588</b>	<b>77,833,183</b>	<b>212,311,382</b>
<b>Maturity gap</b>	<b>(1,388,909,284)</b>	<b>720,679,185</b>	<b>236,817,475</b>	<b>584,633,612</b>	<b>(44,392,946)</b>

### Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

#### III. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

##### a) Currency risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In Bangladesh Bank, foreign exchange reserve management and investment functions are guided by an Investment Committee. 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 continually rebalance the investment portfolio to follow the benchmark daily/weekly as approved by the Investment Committee.

#### Foreign currency monetary assets and liabilities

30 June 2017

Taka '000

Particulars	US\$ equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Japanese Yen equivalent	Canadian \$ equivalent	Australian \$ equivalent	Chinese Yuan Renminbi equivalent	SDR equivalent	Others equivalent
<b>Assets</b>										
Held in other Central Banks and cash deposit abroad	14,508,076	-	2,975,869	3,176,438	10,760,074	468,696	421,410	2,165,595	-	412,298
Overnight investment	213,917,275	-	683,093	-	-	-	-	-	-	-
Short term deposits in overseas commercial banks	761,182,426	-	920,889	66,286,395	-	30,898,426	41,411,848	26,346,595	-	1,831,124
Treasury bills	79,806,111	-	-	-	-	-	-	-	-	-
Foreign bonds	935,352,757	-	97,074,539	34,921,721	-	4,365,810	7,396,778	2,410,355	-	-
Loan to other banks	206,294,007	-	-	-	-	-	-	-	-	-
Claims from gold transaction	-	33,811,041	-	-	-	-	-	-	-	-
Interest receivable	12,813,607	40,765	1,063,451	333,880	-	66,328	211,220	130,629	-	2,178
Asset held with IMF	-	-	-	-	-	-	-	-	213,841,975	-
<b>Total</b>	<b>2,223,874,261</b>	<b>33,851,806</b>	<b>102,717,841</b>	<b>104,718,434</b>	<b>10,760,074</b>	<b>35,799,260</b>	<b>49,441,256</b>	<b>31,053,174</b>	<b>213,841,975</b>	<b>2,245,600</b>
<b>Liabilities</b>										
Deposits from other banks, financial institutions and ACU	170,440,209	-	1,382,443	322,402	9,059	185	-	-	-	-
Liabilities to IMF	-	-	-	-	-	-	-	-	231,519,873	-
<b>Total</b>	<b>170,440,209</b>	<b>-</b>	<b>1,382,443</b>	<b>322,402</b>	<b>9,059</b>	<b>185</b>	<b>-</b>	<b>-</b>	<b>231,519,873</b>	<b>-</b>
<b>Net</b>	<b>2,053,434,052</b>	<b>33,851,806</b>	<b>101,335,398</b>	<b>104,396,032</b>	<b>10,751,015</b>	<b>35,799,075</b>	<b>49,441,256</b>	<b>31,053,174</b>	<b>(17,677,898)</b>	<b>2,245,600</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### 30 June 2016

Taka '000

Particulars	US\$ equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Japanese Yen equivalent	Canadian \$ equivalent	Australian \$ equivalent	Chinese Yuan Renminbi equivalent	SDR equivalent	Others equivalent
<b>Assets</b>										
Held in other Central Banks and cash deposit abroad	22,476,916	-	5,936,796	4,066,716	8,998,235	388,288	464,468	1,994,396	-	691,682
Overnight Investment	135,663,360	-	571,710	-	-	-	-	-	-	-
Short term deposits in overseas commercial banks	956,731,836	-	2,612,643	72,797,255	-	31,301,524	34,335,407	16,614,019	-	1,527,504
Treasury bills	15,654,912	-	-	-	-	-	-	-	-	-
Foreign bonds	660,054,396	-	85,860,561	6,884,624	-	2,481,245	7,895,976	3,687,446	-	-
Loan to other banks	132,234,324	-	-	-	-	-	-	-	-	-
Claims from gold transaction	-	38,849,350	-	-	-	-	-	-	-	-
Interest receivable	5,280,073	86,334	1,163,462	71,982	-	51,528	223,416	48,538	9,851	1,425
Asset held with IMF	-	-	-	-	-	-	-	-	208,940,073	-
<b>Total</b>	<b>1,928,095,817</b>	<b>38,935,684</b>	<b>96,145,171</b>	<b>83,820,576</b>	<b>8,998,235</b>	<b>34,222,585</b>	<b>42,919,267</b>	<b>22,344,398</b>	<b>208,949,924</b>	<b>2,220,610</b>
<b>Liabilities</b>										
Deposits from other banks, financial institutions and ACU	146,217,472	-	1,080,051	328,135	9,563	179	-	-	-	-
Liabilities to IMF	-	-	-	-	-	-	-	-	230,167,566	-
<b>Total</b>	<b>146,217,472</b>	<b>-</b>	<b>1,080,051</b>	<b>328,135</b>	<b>9,563</b>	<b>179</b>	<b>-</b>	<b>-</b>	<b>230,167,566</b>	<b>-</b>
<b>Net</b>	<b>1,781,878,345</b>	<b>38,935,684</b>	<b>95,065,120</b>	<b>83,492,442</b>	<b>8,988,673</b>	<b>34,222,406</b>	<b>42,919,267</b>	<b>22,344,398</b>	<b>(21,217,642)</b>	<b>2,220,610</b>

### Currency risk sensitivity analysis

During the year, if the Taka had weakened 10 per cent against the principal currencies in its foreign reserves portfolio with all other variables held constant, profit for the year would have been Tk. 6,934 million higher, (2016: Tk.477 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 decrease of profit for the year of Tk. 6,934 million, (2016: Tk.477 million). Profit/Loss is very sensitive to changes in exchange rate movements. The bank as part of its core functions holds substantial foreign currency assets.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### b) Interest rate risk

Interest rate risk is the risk of loss arising from changes in interest rates. The Group 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. Bank's interest sensitivity position based on contractual re-pricing arrangements as on 30 June 2017 is presented below. It includes the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing of maturity dates. The table below summaries all financial instruments in their re-pricing period, which is equivalent to the remaining term of maturity:

#### Consolidated

30 June, 2017

Taka '000

Particulars	Balance as at 30 June 2017	Re-pricing period				Weighted average interest
		0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
<b>Assets</b>						
<b>Foreign currency financial assets</b>						
Foreign currency accounts	34,888,457	34,888,457	-	-	-	0.08%
Foreign investments	2,304,806,144	1,123,741,424	420,910,825	760,153,895	-	1.33%
Assets held with International Monetary Fund	213,841,975	108,774,472	-	-	105,067,503	0.59%
Claims from gold transactions	33,811,041	18,486,546	15,324,495	-	-	0.20%
Foreign currency loans to banks	206,294,007	88,546,108	109,793,481	4,073,765	3,880,653	2.45%
<b>Total Foreign currency financial assets</b>	<b>2,793,641,624</b>	<b>1,374,437,007</b>	<b>546,028,801</b>	<b>764,227,660</b>	<b>108,948,156</b>	
<b>Local currency financial assets</b>						
Loans to the Government of Bangladesh	138,717,001	33,485,678	26,993,379	59,584,179	18,653,765	5.08%
Local currency investments	4,835,300	-	1,528,712	2,280,000	1,026,588	2.16%
Local currency loans to banks, financial institutions and employees	106,179,145	11,800,152	17,814,893	31,234,056	45,330,045	4.42%
<b>Total Local currency financial assets</b>	<b>249,731,446</b>	<b>45,285,830</b>	<b>46,336,984</b>	<b>93,098,235</b>	<b>65,010,398</b>	
<b>Liabilities</b>						
<b>Foreign currency financial liabilities</b>						
Deposits from banks and financial institutions	172,154,298	172,154,298	-	-	-	0.76%
Liabilities with International Monetary Fund	231,519,873	1,660,813	2,050,530	44,086,352	183,722,179	0.59%
<b>Total foreign currency financial liabilities</b>	<b>403,674,171</b>	<b>1,73,815,111</b>	<b>2,050,530</b>	<b>44,086,352</b>	<b>183,722,179</b>	
<b>Local currency financial liabilities</b>						
Short term borrowings	182,618,016	182,618,016	-	-	-	2.96%
<b>Total local currency financial liabilities</b>	<b>182,618,016</b>	<b>182,618,016</b>	<b>-</b>	<b>-</b>	<b>-</b>	

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

30 June, 2016

Taka '000

Particulars	Balance as at 30 June 2016	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	45,017,497	45,017,497	-	-	-	0.08%
Foreign investments	2,034,674,417	1,296,827,377	190,264,395	547,582,644	-	1.37%
Assets held with International Monetary Fund	208,949,924	106,526,842	-	-	102,423,081	0.05%
Claims from gold transactions	38,849,350	19,118,547	19,730,803	-	-	0.39%
Foreign currency loans to banks	132,234,324	64,676,763	67,557,561	-	-	1.89%
<b>Total Foreign currency financial assets</b>	<b>2,459,725,512</b>	<b>1,532,167,026</b>	<b>277,552,759</b>	<b>547,582,644</b>	<b>102,423,081</b>	

#### Local currency financial assets

Securities purchased under agreement to resell	8,480,000	8,480,000	-	-	-	9.36%
Loans to the Government of Bangladesh	199,109,179	88,362,693	23,599,171	71,315,974	15,831,340	4.92%
Local currency investments	5,361,392	260,000	3,424,804	650,000	1,026,588	2.08%
Local currency loans to banks, financial institutions and employees	105,593,068	8,004,377	22,491,874	37,467,864	37,628,954	4.20%
<b>Total Local currency financial assets</b>	<b>318,543,639</b>	<b>105,107,071</b>	<b>49,515,848</b>	<b>109,433,838</b>	<b>54,486,882</b>	

### Liabilities

#### Foreign currency financial liabilities

Deposits from banks and financial institutions	147,635,399	147,635,399	-	-	-	0.42%
Liabilities with International Monetary Fund	230,167,566	1,617,637	369,245	45,116,910	183,063,773	0.05%
<b>Total foreign currency financial liabilities</b>	<b>377,802,965</b>	<b>149,253,036</b>	<b>369,245</b>	<b>45,116,910</b>	<b>183,063,773</b>	

#### Local currency financial liabilities

Short term borrowings	263,401,402	263,401,402	-	-	-	5.67%
<b>Total local currency financial liabilities</b>	<b>263,401,402</b>	<b>263,401,402</b>	<b>-</b>	<b>-</b>	<b>-</b>	



## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### Separate

30 June, 2017

Taka '000

Particulars	Balance as at 30 June 2017	Re-pricing period				Weighted average interest
		0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
<b>Assets</b>						
<b>Foreign currency financial assets</b>						
Foreign currency accounts	34,888,457	34,888,457	-	-	-	0.08%
Foreign investments	2,304,806,144	1,123,741,424	420,910,825	760,153,895	-	1.33%
Assets held with International Monetary Fund	213,841,975	108,774,472	-	-	105,067,503	0.59%
Claims from gold transactions	33,811,041	18,486,546	15,324,495	-	-	0.20%
Foreign currency loans to banks	206,294,007	88,546,108	109,793,481	4,073,765	3,880,653	2.45%
<b>Total Foreign currency financial assets</b>	<b>2,793,641,624</b>	<b>1,374,437,007</b>	<b>546,028,801</b>	<b>764,227,660</b>	<b>108,948,156</b>	
<b>Local currency financial assets</b>						
Loans to the Government of Bangladesh	138,717,001	33,485,678	26,993,379	59,584,179	18,653,765	5.08%
Local currency investments	15,945,000	-	650,000	2,280,000	13,015,000	2.16%
Local currency loans to banks, financial institutions and employees	104,815,819	11,800,152	17,814,893	31,234,056	43,966,719	4.41%
<b>Total Local currency financial assets</b>	<b>259,477,820</b>	<b>45,285,830</b>	<b>45,458,272</b>	<b>93,098,235</b>	<b>75,635,484</b>	
<b>Liabilities</b>						
<b>Foreign currency financial liabilities</b>						
Deposits from banks and financial institutions	172,154,298	172,154,298	-	-	-	0.76%
Liabilities with International Monetary Fund	231,519,873	1,660,813	2,050,530	44,086,352	183,722,179	0.59%
<b>Total foreign currency financial liabilities</b>	<b>403,674,171</b>	<b>173,815,111</b>	<b>2,050,530</b>	<b>44,086,352</b>	<b>183,722,179</b>	
<b>Local currency financial liabilities</b>						
Short term borrowings	182,618,016	182,618,016	-	-	-	2.96%
<b>Total local currency financial liabilities</b>	<b>182,618,016</b>	<b>182,618,016</b>	<b>-</b>	<b>-</b>	<b>-</b>	

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

30 June, 2016

Taka '000

Particulars	Balance as at 30 June 2016	Re-pricing period				Weighted average interest
		0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
<b>Assets</b>						
<b>Foreign currency financial assets</b>						
Foreign currency accounts	45,017,497	45,017,497	-	-	-	0.08%
Foreign investments	2,034,674,417	1,296,827,377	190,264,395	547,582,644	-	1.37%
Assets held with International Monetary Fund	208,949,924	106,526,842	-	-	102,423,081	0.05%
Claims from gold transactions	38,849,350	19,118,547	19,730,803	-	-	0.39%
Foreign currency loans to banks	132,234,324	64,676,763	67,557,561	-	-	1.89%
<b>Total Foreign currency financial assets</b>	<b>2,459,725,512</b>	<b>1,532,167,026</b>	<b>277,552,759</b>	<b>547,582,644</b>	<b>102,423,081</b>	
<b>Local currency financial assets</b>						
Securities purchased under agreement to resell	8,480,000	8,480,000	-	-	-	9.36%
Loans to the Government of Bangladesh	199,109,179	88,362,693	23,599,171	71,315,974	15,831,340	4.92%
Local currency investments	16,715,000	260,000	2,790,000	650,000	13,015,000	2.08%
Local currency loans to banks, financial institutions and employees	104,337,052	7,992,377	22,459,874	37,235,787	36,649,014	4.45%
<b>Total Local currency financial assets</b>	<b>320,161,231</b>	<b>96,615,071</b>	<b>48,849,044</b>	<b>109,201,761</b>	<b>65,495,355</b>	
<b>Liabilities</b>						
<b>Foreign currency financial liabilities</b>						
Deposits from banks and financial institutions	147,635,399	147,635,399	-	-	-	0.42%
Liabilities with International Monetary Fund	230,167,566	1,617,637	369,245	45,116,910	183,063,773	0.05%
<b>Total foreign currency financial liabilities</b>	<b>377,802,965</b>	<b>149,253,036</b>	<b>369,245</b>	<b>45,116,910</b>	<b>183,063,773</b>	
<b>Local currency financial liabilities</b>						
Short term borrowings	263,401,402	263,401,402	-	-	-	2.96%
<b>Total local currency financial liabilities</b>	<b>263,401,402</b>	<b>263,401,402</b>	<b>-</b>	<b>-</b>	<b>-</b>	

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### Interest rate risk sensitivity analysis

During the year, if interest rates had been 100 basis points higher with all other variables constant, profit for the year would have been Tk. 30,466 million higher (2016: Tk. 25,114 million), arising mainly as a result of higher interest income on financial assets. Conversely, if interest rates had been 100 basis point lower with all other variables held constant, profit for the year would have been Tk. 30,466 million lower (2016: Tk. 25,114 million) arising mainly as a result of lower 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.

### IV. Operational risks

Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from human error, failure of internal processes and systems, legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

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 for staff and specific internal control systems designed for the various activities of the Group. Compliance with corporate policies and departmental internal control systems are managed by the management of the department and an active internal audit function.

### 43 Contingent liabilities

The Bank had contingent liabilities for guarantees outstanding as at 30 June 2017 amounting to Taka 20,149.70 million (2016: Taka 35,280.17 million) in favour of International Islamic Trade Finance Corporation which are secured by counter guarantees from the Government of Bangladesh.

### 44 Operating segments

The Bank's operation is concentrated in one geographical area - Bangladesh and as such comprise a single operating segment for the purpose of IFRS 8, the relevant standard for such segmentation. While the Bank is required by the Bangladesh Bank Order to report revenue and expenses by references to the functions carried out by the Bank viz. Issue and Banking department, these activities do not constitute separate operating segments for the purpose of IFRS 8.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### 45 Actuarial valuation of defined benefit plans

Most recent actuarial valuation was performed in the year 2011-12 by an independent actuarial firm. According to the valuation report, the estimated obligation of the pension fund as at 30 June 2012 was Taka 4,745,764 thousands and for gratuity fund was Taka 1,069,800 thousands. For subsequent years, the obligations were calculated based on the recommendation made by the actuarial firm.

As at 30 June 2017 the obligation for pension fund and gratuity fund was calculated to Taka 8,693,786 thousand and Taka 1,908,033 thousand respectively. The balance of the funds is as under:

Particulars	Taka '000			
	Pension plans		Gratuity plans	
	2017	2016	2017	2016
<b>Amounts recognised in the reporting date</b>				
Balance at the beginning of the year	7,599,787	6,618,747	1,677,236	1,470,184
Paid during the year	(1,823,101)	(1,936,060)	(129,803)	(153,548)
Current year's contribution/transfer	2,917,100	2,917,100	360,600	360,600
<b>Balance of the fund</b>	<b>8,693,786</b>	<b>7,599,787</b>	<b>1,908,033</b>	<b>1,677,236</b>

#### Actuarial assumptions

Particulars	Pension plans		Gratuity plans	
	2017	2016	2017	2016
Discount rate	11.50%	11.50%	11.50%	11.50%
Salary growth rate	8%	8%	8%	8%

The assumptions regarding future mortality rate are based on the published statistics and mortality tables of the FA 1975-78 (based on experience collected from UK insurers).

#### Sensitivity

If the discount rate had been 100 basis points lower with all other variables constant, contribution for pension fund and gratuity fund for the year would have been Taka 75.99 million and Taka 16.77 million higher respectively, arising mainly as a result of lower discount income. Conversely, if discount rate had been 100 basis point higher with all other variables held constant, contribution for the same during the year would have been Taka 75.99 million and Taka 16.77 million lower arising mainly as a result of higher discount income. Discount rate is very sensitive for calculation of contribution.

### 46 Capital commitments

As at 30 June 2017, the Bank had outstanding capital commitments of Taka. 274.01million with respect to different civil, mechanical and electrical engineering purchase. (2016: 172.68 million).

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### 47 Related parties transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Bank, related parties, as defined in IAS 24 : Related Parties Disclosure, include directors and officers of the Bank, and companies of whom they are principal owners and key management personnel. Banking transactions are entered into with related parties on agreed terms and conditions on an arms length basis.

Bank is fully owned by the Government of Bangladesh. Government has interests in various entities such as state owned banks, specialised banks and corporations. Bank deals with these entities on the directives of the government in line with its monetary policy objectives.

The outstanding as at the reporting date and average balances during the year with respect to related parties included in the statement of financial position are as follows:

		Taka '000			
		2017		2016	
		Outstanding	Average	Outstanding	Average
<b>Outstanding balances with the government of Bangladesh</b>					
Ways and means advance		30,155,600	35,077,800	40,000,000	32,177,200
Overdraft - block (refer note 13)		56,850,000	64,350,000	71,850,000	79,350,000
Overdraft - current		-	20,157,950	40,315,900	20,157,950
Treasury bills		8,116,472	11,872,639	15,628,805	7,814,403
Treasury bonds		43,594,929	37,454,702	31,314,474	16,199,830
Other assets (interest receivable)		1,083,918	911,281	738,645	384,068
		<b>139,800,919</b>	<b>169,824,371</b>	<b>199,847,824</b>	<b>156,083,450</b>
<b>Other liabilities</b>					
Deposits		5,087	5,082	5,078	5,055
Loan from government of Bangladesh		11,195,002	8,203,049	5,211,095	3,966,415
		<b>11,200,089</b>	<b>8,208,131</b>	<b>5,216,173</b>	<b>3,971,470</b>
<b>Balances related to subsidiary (SPCBL)</b>					
Other assets (Prepayments and advances)		2,160,790	2,691,532	3,222,274	3,674,776
Other liabilities (Sundry creditors)		1,402,749	1,270,268	1,137,787	1,236,453

The income and expenses in respect of related parties included in the statement of profit or loss are as follows:

		Taka '000	
		2017	2016
<b>Income and expenses related to government</b>			
Interest income		5,686,385	4,950,840
Commission received		11,048	8,885
		<b>5,697,433</b>	<b>4,959,725</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

	<b>2017</b>	<b>2016</b>
<b>Expenses</b>	<b>Taka '000</b>	<b>Taka '000</b>
Agency charges	4,966,800	3,485,956
Under writing commission on treasury bills and bonds	116,207	418,212
	<b>5,083,007</b>	<b>3,904,168</b>
 <b>Income and expenses related to subsidiary (The Security Printing Corporation)</b>		
Dividend income	150,000	120,000
Note printing expenses	4,311,107	3,318,647
 <b>Key management personnel</b>		
Salaries, wages and other benefits (refer note 47.06)	4,852	4,175

### 47.01 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 and provides 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 reserves.

During the year, the Bank received an amount of Taka 3,529,290 million (in 2016: Tk. 3,142,387 million) and paid Taka 3,479,130 million (in 2016: 3,198,349 million) on behalf of the Government. As at 30 June 2017, total outstanding balance was Taka 139,800 million.

- (f) Assets under management:

<b>Japan Debt Relief Grant</b>	107,727	1,098,314
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The Bank acts as agent on behalf of Government of Bangladesh for managing the Japan Debt Relief Grant.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

### 47.02 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 Tk. 207.51 million which included in the interest income.

### 47.03 Transactions with controlled entities

During the year, as a part of its business operations the Bank incurred expense of Taka 4,311.11 million (2016: Taka 3,318.65 million) as note printing cost was paid to The Security Printing Corporation (Bangladesh) Ltd. which is included in the statement of profit or loss of the Bank. It is a 100% owned subsidiary of the Bank. This transactions are eliminated in preparing consolidated financial statements. During the year, The Security Printing Corporation (Bangladesh) Ltd. paid dividend amounting to Taka 150 million (2016: 120 million) as per decision of their Board.

### 47.04 Transactions with retirement benefit plans

During the year, the Group was not required to contribute any amount to the retirement benefit plans (consisting of contribution to pension plans including widow/widowers), as sufficient reserve is available as per the actuarial valuation report. Amounts of balances held in the financial statements maintained by these retirement benefit plans are given in note 45.

### 47.05 Board of Directors of Bangladesh Bank and Key Management Personnel as on 30 June, 2017

Name	Chairman/ Members of the Board of Directors	Executive Committee members	Audit committee members
Mr. Fazle Kabir - appointed as the Chairman of the Board of Directors for a period of four years from March 20, 2016 and also holds the post of Governor of the Bangladesh Bank.	Chairman	Chairman	-
Mr. Hedayetullah Al Mamoon - appointed as a Director of the Board of Bangladesh Bank from March 09, 2017 to until further order and holds the post of Senior Secretary, Finance Division, Ministry of Finance, Govt. of the People's Republic of Bangladesh.	Member	-	-

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2017

Name	Chairman/ Members of the Board of Directors	Executive Committee members	Audit committee members
Mr. Md. Nojibur Rahman - appointed as a Director of the Board of Bangladesh Bank from January 25, 2015 to until further order and holds the post of Senior Secretary, Internal Resources Division & Chairman, National Board of Revenue, Government of the People's Republic of Bangladesh.	Member	-	Convenor
Mr. Md. Eunusur Rahman - appointed as a Director of the Board of Bangladesh Bank from March 21, 2016 to until further order and also holds the post of Secretary, Financial Institution Division, Ministry of Finance, Govt. of the Peoples Republic of Bangladesh.	Member	Member	Member
Dr. Mrs. Rushidan Islam Rahman - appointed as a Director of the Board of Bangladesh Bank from March 13, 2016 for a period of three years.	Member	Member	-
Dr. Jamaluddin Ahmed, FCA - appointed as a Director of the Board of Bangladesh Bank from March 13, 2016 for a period of three years.	Member	-	Member
Mr. A. K. M. Aftab ul Islam, FCA - appointed as a Director of the Board of Bangladesh Bank from January 01, 2017 for a period of three years.	Member	-	Member
Mr. Abu Hena Mohd. Razee Hassan - appointed as a Director of the Board of Bangladesh Bank on April 10, 2016 and also holds the post of Deputy Governor, Bangladesh Bank.	Member	Member	-
<b>Number of meetings held during the year</b>	<b>7</b>	<b>1</b>	<b>1</b>



## **Bangladesh Bank : Notes to the Financial Statements**

As at and for the year ended 30 June 2017

### **47.06 Remuneration of members of the Board of Directors and Key management personnel**

Members of the Board of Directors received remuneration totalling Tk. 382,190.00 (2016: Tk.647,010.00) and the Governor received salary totalling Tk. 1,218,400.00 (2016: Tk. 1,029,170.80). In addition, the Governor availed a free furnished house for his residence and full time transport facility. Other key management personnel of the Bank received salary totalling Tk. 3,251,221.29 (2016: Tk. 3,145,798.87) and in addition, they availed official residence as well as transport.

### **48 Events after the reporting date**

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

### **49 Directors' responsibility for financial reporting**

The Board of Directors approved the financial statement on 27, August 2017.