

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

	2006	2005
	<i>Taka '000</i>	<i>Taka '000</i>
1. Gold & Silver		
Gold	2,523,966	1,636,612
Gold Loans	2,284,600	1,481,400
Silver	142,113	110,099
	<u>4,950,679</u>	<u>3,228,111</u>
2. Foreign Currency	40,796,168	12,804,482

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

3. Investments - Foreign assets

	2006	2005
	<i>Taka '000</i>	<i>Taka '000</i>
Short term investments with overseas commercial banks	165,550,730	157,669,661
US Dollar Treasury Bills	22,402,693	7,066,095
EURO Treasury Bills	439,627	-
Foreign Bonds	5,778,784	3,678,622
	<u>194,171,834</u>	<u>168,414,378</u>

Investments in Foreign Bonds have been categorized as held to maturity assets.

4. IMF related assets & liabilities**Assets**

Quota	55,011,136	49,518,382
Less: Paid by Government of Bangladesh	<u>(1,088,734)</u>	<u>(1,043,585)</u>
Share of Quota in the books of Bangladesh Bank	53,922,402	48,474,797
SDR holding	72,436	71,200
	<u>53,994,838</u>	<u>48,545,997</u>

Liabilities

IMF Number 1 and 2 accounts	1,062,433	1,064,174
Quota liability	53,922,402	48,474,797
SDR allocation	4,860,538	4,375,222
Loan under the Poverty Reduction and Growth Facility	<u>29,198,298</u>	<u>13,788,636</u>
	<u>89,043,671</u>	<u>67,702,829</u>

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

The quota of Bangladesh is its membership subscription. The subscription is granted mainly by the issue of promissory notes in favour of the IMF and partly paid in reserve assets, partly by the Government of Bangladesh and partly by deposits to the Funds account maintained with the Bank. Special Drawing Rights (SDR) are allocated by the IMF to members on the basis of members' quota at the time of the SDR allocation. Bangladesh Bank pays interest on its SDR allocations and earns interest on its holdings of SDR.

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

	2006 <i>Taka '000</i>	2005 <i>Taka '000</i>
5. Other assets - Foreign assets		
Loans to other banks	3,436,626	2,702,751
Swift share	80	80
Interest receivable	752,395	293,570
	<u>4,189,101</u>	<u>2,996,401</u>
Less: Provision for loan losses	(312,437)	(296,164)
Total Other Assets	<u><u>3,876,664</u></u>	<u><u>2,700,237</u></u>
6. Cash & Cash Equivalents - Domestic assets		
a. Bank	438,486	299,904

The amount represents the face value of unissued one and two taka coins held by the Bank purchased from the Government at respective face values and the balance of Taka Notes held with the Banking Department.

b. Consolidated

	989,954	390,734
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7. Government of Bangladesh Treasury Bills	241,177,438	150,642,674
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The amount represents the Government Treasury Bills held by the Bank until the bills are sold to the commercial banks. The Treasury Bills are stated at cost as on 30 June 2006.

	2006 <i>Taka '000</i>	2005 <i>Taka '000</i>
8. Investments - Domestic Assets		
a. Bank		
Debenture-House Building Finance Corporation	9,245,833	9,819,167
Share-Investment Corporation of Bangladesh	-	60,000
Investment in Subsidiary (Note 8.1)	500,000	500,000
	<u>9,745,833</u>	<u>10,379,167</u>
b. Consolidated		
Debenture-House Building Finance Corporation	9,245,833	9,819,167
Share-Investment Corporation of Bangladesh	-	60,000
Short term money market investments	956,909	1,500,851
	<u>10,202,742</u>	<u>11,380,018</u>

8.1 Investment in subsidiary

The Bank holds 100% of the share capital of Security Printing Corporation (Bangladesh) Ltd.

9. Loans & Advances to the Government

Advances to Government represent Ways & Means advances provided to the Government that are limited to a maximum of Taka 640 million. Interest is earned on this advance at 0.5% less than the current bank rate.

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

	2006	2005
	<i>Taka '000</i>	<i>Taka '000</i>
10. Loans & Advances - Domestic Assets		
a. Bank		
(i) Loans to Government owned banks		
Commercial banks	189,079	202,251
Specialised banks	57,295,313	56,369,284
	<u>57,484,392</u>	<u>56,571,535</u>
Less : Provision for impairment	<u>(5,000,638)</u>	<u>(4,138,912)</u>
	<u>52,483,754</u>	<u>52,432,623</u>
Other banks and financial institutions		
Private Banks	1,400,000	-
Other loans and advances	1,710,383	2,111,510
	<u>55,594,137</u>	<u>54,544,133</u>
Interest receivable	3,614,215	3,732,401
	<u>59,208,352</u>	<u>58,276,534</u>
Less: Provision for loan losses	<u>(3,480,550)</u>	<u>(2,496,833)</u>
	<u>55,727,802</u>	<u>55,779,701</u>
(ii) Loans and Advances to Staff		
Loans and advances to staff	13,441,992	12,763,387
Less : Provision against loans and advances to staff	<u>(999,949)</u>	<u>(999,955)</u>
	<u>12,442,043</u>	<u>11,763,432</u>
Total Loans and Advances (i + ii)	<u>68,169,845</u>	<u>67,543,133</u>
Provision for loan losses		
Opening balance	3,496,788	4,055,432
Provision made during the year	1,000,000	-
Amount written off during the year	(16)	(558,644)
Closing balance	<u>4,496,772</u>	<u>3,496,788</u>

Loans and advances to Government owned specialised banks include an amount of Taka 32,523 million which has become overdue. The Government of Bangladesh has provided a guarantee to Bangladesh Bank with respect to these loans.

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

	2006 <i>Taka '000</i>	2005 <i>Taka '000</i>
10. Loans & Advances - Domestic Assets		
b. Consolidated		
(i) Loans to Government owned banks		
Commercial banks	189,079	202,251
Specialised banks	57,295,313	56,369,284
	<u>57,484,392</u>	<u>56,571,535</u>
Less : Provision for impairment	<u>(5,000,638)</u>	<u>(4,138,912)</u>
	52,483,754	52,432,623
Loans to other banks and financial institutions		
Private bank	1,400,000	-
Other loans and advances	1,710,383	1,962,045
	<u>55,594,137</u>	<u>54,394,668</u>
Interest receivable	3,614,215	3,732,401
	<u>59,208,352</u>	<u>58,127,069</u>
Less: Provision for loan losses	<u>(3,480,550)</u>	<u>(2,496,833)</u>
	<u>55,727,802</u>	<u>55,630,236</u>
(ii) Loans and Advances to Staff		
Loans and advances to staff	13,441,992	12,763,387
Less : Provision for Impairment	<u>(999,949)</u>	<u>(999,955)</u>
	<u>12,442,043</u>	<u>11,763,432</u>
Total Loans and Advances (i+ii)	<u>68,169,845</u>	<u>67,393,668</u>
Provision for loan losses/ Impairment		
Opening balance	3,496,788	4,055,432
Provision made during the year	1,000,000	-
Amount written off during the year	(16)	(558,644)
Closing balance	<u>4,496,772</u>	<u>3,496,788</u>

Loans and advances to Government owned specialised banks include an amount of Taka 32,523 million which has become overdue. The Government of Bangladesh has provided a guarantee to Bangladesh Bank with respect to these loans.

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

11. Property, Plant & Equipment- Domestic Assets

a. Bank

(In Taka thousands)

Particulars	Cost				Depreciation				Net book value as at 30/6/2006	Net book value as at 30/6/2005
	Balance as at 01/07/2005	Additions during the year	Disposal/ Adjustment	Total on 30/6/2006	Balance as at 01/07/2005	Rate of depreciation	Depreciation charge for the year	Accumulated depreciation as at 30/6/2006		
Land	7,188,215	-	-	7,188,215	-	-	-	-	7,188,215	7,188,215
Building	1,684,157	163,147	12,652	1,834,652	86,024	5%	81,217	167,241	1,667,411	1,598,133
Capital Work In Progress	247,819	40,770	-	288,589	-	-	-	-	288,589	247,819
Mechanical Equipment	292,275	28,504	58	320,721	52,413	10%-20%	54,261	106,674	214,047	239,862
Fixture & Fittings	85,065	7,090	1,772	90,383	7,813	10%	7,445	15,258	75,125	77,252
Motor Vehicles	33,792	18,138	1,588	50,342	8,728	20%	7,171	15,899	34,443	25,064
Electrical Installation	47,117	3,790	3	50,904	7,709	20%	8,263	15,972	34,932	39,408
Gas Installation	641	1	3	639	231	20%	110	341	298	410
Total	9,579,081	261,440	16,076	9,824,445	162,918	-	158,467	321,385	9,503,060	9,416,163

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

11. Property, Plant & Equipment- Domestic Assets

b. Consolidated*(In Taka thousands)*

Particulars	Cost				Depreciation				Net book value as at 30/6/2006	Net book value as at 30/6/2005
	Balance as at 01/07/2005	Additions during the year	Disposal/ Adjustment	Total on 30/6/2006	Balance as at 01/07/2005	Rate of depreciation	Depreciation charge for the year	Accumulated depreciation as at 30/6/2006		
Land	7,211,435	-	-	7,211,435	-	-	-	-	7,211,435	7,211,435
Building	1,948,174	163,648	12,652	2,099,170	96,571	5%	91,769	188,340	1,910,830	1,851,603
Capital Work In Progress	248,598	59,685	-	308,283	915	-	936	1,851	306,432	247,683
Mechanical Equipment	447,846	44,571	58	492,359	79,537	10%-20%	82,211	161,748	330,611	368,309
Fixture & Fittings	87,052	7,381	1,772	92,661	8,276	10%	7,869	16,145	76,516	78,776
Motor Vehicles	38,599	18,138	2,878	53,859	9,295	20%	7,185	16,480	37,379	29,304
Electrical Installation	47,116	3,790	3	50,903	8,490	20%	8,263	16,753	34,150	38,626
Gas Installation	641	1	3	639	231	20%	110	341	298	410
Total	10,029,461	297,214	17,366	10,309,309	203,315		198,343	401,658	9,907,651	9,826,146

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

	2006 <i>Taka '000</i>	2005 <i>Taka '000</i>
12. Other Assets - Domestic assets		
a. Bank		
Interest receivable	4,655,547	1,836,000
Prepayments & advances	497,854	483,955
Stock	19,581	83,047
Current A/C- Contributory Provident Fund	-	591,701
Current A/C- General Provident Fund	-	130,314
Unutilised CBSP Fund	84,022	92,490
	5,257,004	3,217,507
b. Consolidated		
Interest receivable	4,679,159	1,898,658
Prepayments & advances	635,059	52,565
Stock	871,115	997,232
Current A/C- Contributory Provident Fund	-	591,701
Current A/C- General Provident Fund	-	130,314
Unutilised CBSP Fund	84,022	92,490
Sundry debtors	87,340	511,932
	6,356,695	4,274,892
13. Deposits from banks and financial institution		
Foreign currency deposits by commercial banks	34,266,026	20,049,505
Asian Clearing Union (ACU)	23,595,684	22,474,293
	57,861,710	42,523,798
14. Notes in Circulation - Domestic liability		
Notes in circulation represents currency issued having a claim on the Bangladesh Bank. The liability for Notes in Circulation is recorded at its face value in the balance sheet. In accordance with the Bangladesh Bank Order 1972, these liabilities are supported by the following assets:		
	2006	2005
	<i>Taka '000</i>	<i>Taka '000</i>
Gold	4,808,566	3,118,012
Silver	142,113	-
Balance held outside Bangladesh	80,000,000	80,000,000
Bangladesh Government Securities	127,663,027	79,925,119
Bangladesh Coins	429,002	292,492
Other Loans and Advances	31,930,255	36,330,830
	244,972,963	199,666,453
15. Deposits from Banks & Financial Institutions		
Government commercial banks	29,349,954	25,450,846
Government specialised banks	4,450,032	4,041,247
Private banks	48,323,060	36,307,237
Foreign banks	7,978,817	4,565,500
Financial Institutions	472,323	338,018
	90,574,186	70,702,848

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

	2006	2005
	<i>Taka '000</i>	<i>Taka '000</i>
16. Surplus profit payable to Government		
Opening balance	7,605,085	7,861,400
Adjustment against amount due to Government (Note 16.1)	(353,323)	(535,533)
Payments made during the year	(7,251,762)	(7,325,867)
Share of current year's profit	10,848,102	7,605,085
Due to Government as at 30 June 2006	<u>10,848,102</u>	<u>7,605,085</u>

16.1 These are recoveries made in respect of advances given on behalf of the government.

	2006	2005
	<i>Taka '000</i>	<i>Taka '000</i>
17. Other Liabilities		
a. Bank		
Government Deposits	8,667	8,239
Deposits	4,423,456	2,871,947
Bank Notes Adjusting A/C-Demonetised Pakistani notes	18,540	78,715
Sundry Creditors account	1,151,695	864,920
Interest suspense account	203,628	482
Deposits from donor agencies	13,425,311	11,595,602
Suspense	832,211	1,048,458
Credit Guarantee Scheme for small industrial investors	250,000	250,000
Pension Fund	2,523,650	757,013
Gratuity Fund	2,295,500	663,375
Fund for leave encashment	1,160,255	960,255
Loan from Government of Bangladesh (CBSP)	229,125	155,518
Miscellaneous	710	487
	<u>26,522,748</u>	<u>19,255,011</u>
b. Consolidated		
Government Deposits	8,667	8,239
Deposits	4,423,456	2,871,947
Bank Notes Adjusting A/C-Demonetised Pakistani notes	18,540	78,715
Sundry Creditors account	935,199	846,215
Interest suspense account	203,628	482
Deposits from donor agencies	13,425,311	11,595,602
Suspense	832,211	1,048,458
Credit Guarantee Scheme for small industrial investors	250,000	250,000
Pension Fund	2,523,650	757,013
Gratuity Fund	2,295,500	663,375
Fund for leave encashment	1,160,255	960,255
Loan from Government of Bangladesh (CBSP)	229,125	155,518
Miscellaneous	710	487
Others	319,199	361,915
	<u>26,625,451</u>	<u>19,598,221</u>

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

18. Capital

At 30 June 2006 the authorized and subscribed capital as per Bangladesh Bank Order 1972, was Tk. 30,000,000. The entire capital of the Bank stands vested in and allocated to the Government as per para 4(1) & 4(2) of the Order. According to Article 64 of the Order, after making provision for bad and doubtful debts, depreciation in assets, contributions to staff superannuation fund and for all other matters for which provisions have to be made by or under or are usually provided for by the bankers, the balance of the profit shall be paid to the Government.

19. Revaluation Reserve - Gold and Silver

The Bank credited the gain on revaluation on gold & silver in the income statement and transferred to a separate account (Revaluation reserve).

20. Revaluation Reserve - Foreign Currency

The Bank credited the gain on revaluation of foreign currency assets in the income statement and transferred to a separate account (Revaluation reserve).

	2006 Taka '000	2005 Taka '000
21. Statutory Funds		
Rural Credit Fund	3,800,000	3,800,000
Agricultural Credit Stabilization Fund	3,800,000	3,800,000
Export Credit Fund	1,300,000	1,300,000
Industrial Credit Fund	1,837,852	1,837,852
Credit Guarantee Fund	879,194	879,194
	<u>11,617,046</u>	<u>11,617,046</u>

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

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. No appropriation was made for this Fund during the year.

Agricultural Credit Stabilization Fund

This Fund was created as per Article 61 of Bangladesh Bank Order, 1972 for making of loans and advances to apex co-operative bank. No appropriation was made for this Fund during the year.

Export Credit Fund

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

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006**Industrial Credit Fund**

As per Article 62 of Bangladesh Bank Order, 1972 the Fund was created for making of medium term and long term loans and advances to Co-operative Banks. No appropriation was made for this Fund during the year.

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.

22. General Reserve

As per Article 59 of Bangladesh Bank Order, 1972 securities of the value of Tk. 30 million was allocated by the Government and held by the Bank as the Reserve Fund.

	2006	2005
	<i>Taka '000</i>	<i>Taka '000</i>
23. Interest Income - Foreign currency operations		
Short term deposits with commercial banks	6,113,062	4,841,338
Bonds	180,068	150,814
Others	76,198	61,286
	6,369,328	5,053,438
24. Commission & Discounts - Foreign currency operations		
Realised exchange gain	322,783	465,619
Discount from Dollar Treasury Bills	666,018	253,612
Discount from EURO Treasury Bills	3,752	
	992,553	719,231
25. Interest Expense - Foreign currency operations		
Deposits of commercial banks	1,364,256	548,275
Asian Clearing Union (ACU)	497,319	238,354
Paid to IMF	116,907	66,518
Others	976	1,273
	1,979,458	854,420
26. Commission & other expense - Foreign currency operations		
IMF - SDR allocation charges	145,327	96,191
Charges- provision for bad and doubtful debt	-	5,023
Revaluation loss on bonds	2,547	82,624
	147,874	183,838

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

	2006 <i>Taka '000</i>	2005 <i>Taka '000</i>
27. Interest Income - Domestic operations		
a. Bank		
Trading securities	12,436,830	5,201,681
Ways & Means	14,779	17,035
Debentures	383,029	553,842
Demand loans & staff advances	2,632,681	1,192,582
Repo	50,065	62,072
	15,517,384	7,027,212
b. Consolidated		
Trading securities	12,436,830	5,201,681
Ways & Means	14,779	17,035
Debentures	383,029	553,842
Demand loans & staff advances	2,589,011	1,148,689
Repo	50,065	62,072
Short term money market deposits	123,609	130,951
	15,597,323	7,114,270
28. Commission & Discounts - Domestic operations		
Commission	1,253	9,385
Others	131,082	25,017
	132,335	34,402
29. Expenses - Domestic operations (Commission & others)		
Interest paid on short term borrowings (Reverse Repo)	686,102	87,025
Agency charges	820,451	648,954
	1,506,553	735,979
30. General and administrative expenses		
a. Bank		
General administrative expenses		
Staff costs (Note 30.1)	5,362,088	2,877,793
Depreciation of plant and equipment	159,470	162,863
Note printing	632,689	667,794
Directors' fee	114	128
Audit fee	300	367
Stationery	26,611	20,862
Rent	75,055	75,907
Remittance of treasure	18,716	20,409
Travel expenses	41,687	49,458
Donations	46,190	45,940
Telephone	16,477	15,628
Lunch	53,139	53,505
Staff bus	22,374	21,680
Repairs	55,744	58,259
Miscellaneous	168,566	165,011
Total	6,679,220	4,235,604

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

	2006 <i>Taka '000</i>	2005 <i>Taka '000</i>
30.1 Staff costs		
Salary	828,322	595,103
House rent	168,665	169,262
Contribution to Contributory Provident Fund	9,068	12,204
Subsidy of interest to contributory & general provident fund	248,784	421,298
Pension & Gratuity	3,607,825	1,032,871
Leave encashment	221,196	263,882
General & Incentive bonus	147,262	239,032
Income tax paid to Government	25,915	15,603
Medical expenses	71,753	65,011
Other staff cost	33,298	63,527
	<u>5,362,088</u>	<u>2,877,793</u>
30. General and administrative expenses		
b. Consolidated		
General administrative expenses		
Staff costs (Note 30.1)	5,487,738	2,974,593
Depreciation of plant and equipment	200,636	204,159
Directors' fee	222	250
Audit fee	450	487
Stationery	26,611	20,862
Rent	75,055	75,907
Distribution of currency	18,716	20,409
Travel expenses	41,687	49,458
Donations	46,190	45,940
Telephone	16,477	15,628
Lunch	53,139	53,505
Staff bus	22,374	21,680
Repairs	55,744	58,259
Materials	673,783	690,112
Provisioin for WPPF	29,937	31,532
Income tax	225,230	232,965
Miscellaneous	284,639	291,182
Total	<u>7,258,628</u>	<u>4,786,928</u>
30.1 Staff costs		
Salary	888,667	642,270
House rent	168,665	169,262
Contribution to Contributory Provident Fund	9,068	12,204
Subsidy to contributory & general provident fund	248,784	421,298
Pension & Gratuity	3,637,675	1,042,544
Leave encashment	233,697	273,882
General & Incentive bonus	158,193	249,707
Income tax paid to Government	25,915	15,603
Medical expenses	71,753	65,011
Other staff cost	45,321	82,812
	<u>5,487,738</u>	<u>2,974,593</u>

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

- 31.** International Accounting Standard IAS 32 - Financial Instruments: Disclosure & Presentation - requires disclosure of information relating to: both recognised and unrecognised financial instruments, their significance and performance, accounting policy, terms and conditions: net fair values and risk information.

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

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

Financial risk of financial instruments embodies price risk (currency risk and interest rate risk), credit risk, liquidity risk and cash flow risk. IAS 32 requires disclosure of interest rate risk and credit risk.

The interest rate and credit risk tables are based on Bangladesh Bank's settled portfolio as reported in Bangladesh Bank's balance sheet.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Table at Note 33 shows Bangladesh Bank's balance sheet restated in compliance with IAS 32.

32. Credit Risk

Credit risk in relation to a financial instrument is the risk that a customer, bank or other counter-party will not meet its obligation (or permitted to meet them) in accordance with agreed terms.

Bangladesh Bank's maximum exposure to credit risk in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet. Bangladesh Bank's exposure are to highly rated counter-parties and its credit risk is very low.

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

33. Interest Rate Risk

a. Bank

Assets and liabilities will mature or re-price within the following periods.

	Balance Total Taka'000	Floating Interest %	Repricing Period '000				Weighted average interest
			0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
Assets							
Foreign							
Gold & Silver	4,950,679	0.02%	2,666,079	2,284,600	-	-	0.01%
Balance held outside Bangladesh	234,968,002	-	228,749,591	439,627	5,778,784	-	3.79%
IMF Quota & SDR holdings	53,994,838	-	72,436	-	-	53,922,402	0.003%
Others	3,876,664	-	675,145	3,124,189	77,250	80	-
Sub-total	<u>297,790,183</u>		<u>232,163,251</u>	<u>5,848,416</u>	<u>5,856,034</u>	<u>53,922,482</u>	
Domestic							
Cash	438,486	-	438,486	-	-	-	-
Bangladesh Government Securities	241,177,438	-	125,116,275	116,061,163	-	-	6.96%
Investment	9,745,833	-	110,000	300,000	1,992,500	7,343,333	3.88%
Advances to Government	640,000	4.50%	640,000	-	-	-	4.50%
Others loans & advances	68,169,845	5%	35,159,662	9,554,254	1,087,993	22,367,936	3.68%
Fixed asset	9,503,060	-	-	-	34,443	9,468,617	-
Others	5,257,004	-	5,172,982	-	-	84,022.00	-
Sub-total	<u>334,931,666</u>		<u>166,637,405</u>	<u>125,915,417</u>	<u>3,114,936</u>	<u>39,263,908</u>	
Total Assets	<u><u>632,721,849</u></u>						
Liabilities							
Foreign							
Liabilities with IMF	89,043,671	-	1,062,433	-	29,198,298	58,782,940	0.32%
Deposits from banks & financial Institutions	57,861,710	-	57,861,710	-	-	-	4.51%
Sub-total	<u>146,905,381</u>		<u>58,924,143</u>	<u>-</u>	<u>29,198,298</u>	<u>58,782,940</u>	
Domestic							
Notes in circulation	244,972,963	-	244,972,963	-	-	-	-
Short term borrowing	53,365,000	-	53,365,000	-	-	-	4.69%
Deposits from banks & financial Institutions	90,574,186	-	90,574,186	-	-	-	-
Surplus payable to Government	10,848,102	-	10,848,102	-	-	-	-
Others	26,522,748	-	24,883,368	-	-	1,639,380	-
Sub-total	<u>426,282,999</u>		<u>424,643,619</u>	<u>-</u>	<u>-</u>	<u>1,639,380</u>	
Total Liabilities	<u>573,188,380</u>						
Capital and reserves	<u>59,533,469</u>	-	-	-	-	<u>59,533,469</u>	-
Total liabilities & Reserve	<u><u>632,721,849</u></u>						

All recognised financial instruments are shown at net fair value.

All financial instruments are shown in their repricing period, which is equivalent to the remaining term of maturity.

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

33. Interest Rate Risk b. Consolidated

Assets and liabilities will mature or re-price within the following periods:

	Balance Total Taka '000	Floating Interest %	Repricing Period '000				Weighted average interest
			0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
Assets							
Foreign Assets							0.01%
Gold	4,950,679	0.02%	2,666,079	2,284,600	-	-	3.79%
Balance held outside Bangladesh	234,968,002	-	228,749,591	439,627	5,778,784	-	0.003%
IMF Quota & SDR holdings	53,994,838	-	72,436	-	-	53,922,402	-
Others	3,876,664	-	675,145	3,124,189	77,250	80	-
Sub-total	297,790,183		232,163,251	5,848,416	5,856,034	53,922,482	
Domestic Assets							-
Cash	989,954	-	989,954	-	-	-	-
Bangladesh Government Securities	241,177,438	-	125,116,275	116,061,163	-	-	4.9%
Investment	10,202,742	-	110,000	300,000	1,992,500	7,800,242	4.5%
Advances to Government	640,000	4.5%	640,000	-	-	-	3.68%
Others loans & advances	68,169,845	5%	35,159,662	9,554,254	1,087,993	22,367,936	-
Fixed asset	9,907,651	-	-	-	37,379	9,870,272	-
Others	6,356,695	-	1,659,767	-	-	4,696,928	-
Sub-total	337,444,325		163,675,658	125,915,417	3,117,872	44,735,378	
Total Assets	635,234,508						
Liabilities							
Foreign							0.32%
SDR allocation & loan from IMF	89,043,671	-	1,062,433	-	29,198,298	58,782,940	4.51%
Deposits from banks & financial Ins.	57,861,710	-	57,861,710	-	-	-	-
Sub-total	146,905,381		58,924,143	-	29,198,298	58,782,940	
Domestic							-
Notes in circulation	244,972,963	-	244,972,963	-	-	-	4.69%
Short term borrowing	53,365,000	-	53,365,000	-	-	-	-
Deposits from banks & financial Ins.	90,574,186	-	90,574,186	-	-	-	-
Surplus payable to Government	10,848,102	-	10,848,102	-	-	-	-
Others	26,625,451	-	24,256,078	-	-	2,369,373	-
Sub-total	426,385,702		424,016,329	-	-	2,369,373	
Total Liabilities	573,291,083						-
Capital and reserves	61,943,425	-	-	-	-	61,943,425	
Total Liabilities & Capital	635,234,508						

All recognised financial instruments are shown at net fair value.

All financial instruments are shown in their repricing period, which is equivalent to the remaining term of maturity.

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

34. Contingent Liabilities

The Bank had contingent liabilities for Guarantees outstanding as at 30 June 2006 amounting to Taka 45,863.89 mn (2005: 22,311.03 mn) secured by counter guarantees from the Government of Bangladesh.

The Bank had 34 pending litigations against which possible liability was Taka 58.73 million as at the Balance Sheet date. No provisions have been made in the financial statements in respect of these as it was not possible to determine the outcome of these cases with reasonable assurance.

35. Segmental Reporting

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

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

36. Retirement Benefit Plans

The retirement plans differ for employees employed before 17/2/1983 and employees employed after the said date.

For Employees employed before 17/2/1983

Contributory Provident Fund (CPF)

The Bank and employees contribute to the Fund, which invested in various securities. The Bank commits a return of 12.5% on the balance of the contributed amount. In the event, when the return from securities is lower than the committed return of 12.5% then the shortfall would be funded by the Bank.

Gratuity Scheme

On retirement the employees are entitled to get 2 month salary for every year of service.

For Employees employed after 17/2/1983

General Provident Fund (GPF)

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

Pension Scheme

The employees are entitled to get pension amounting to maximum 80% of their last basic salary.

50% of the pension amount is paid as a lump sum computed at the rate of Taka 200 per Taka 1 surrendered from the pension. Employees may choose to surrender the remaining 50% for a lump sum payment computed at the rate of Taka 100 per Taka 1 or to receive their pension monthly over the remaining lifetime.

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

36. Retirement Benefit Plans-(continued)

All employees irrespective of the date their joining are entitled to Taka 400 per month medical allowance in cash and a maximum of Taka 1000 per year in the form of medicine even after retirement.

Those employees who have unutilised leave up to one year or more at the time of retirement age of 57 are allowed to leave with salary for 1 year. The remaining unutilised leave is encashed (maximum 12 months). Employees are not allowed to encash their unutilised leave until reaching retirement age.

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

The Bank had carried actuarial valuation for the pension and gratuity fund during the year 2003-2004. The liability arose for pension and gratuity fund on adoption of IFRS was initially decided to be amortised over a period of 5 years from the year ended 30 June 2004 (in accordance with Transitional Provisions of IAS 19 on Employee Benefits); accordingly one fifth of the total liability was provided in financial year ended 2004. The salary of the employees increased approximately 35% in 2005. So, one fifth of the total obligation and additional 35% was provided for the funds in financial year ended 2005. In financial year 2005-2006 obligations due for the rest three years have been provided fully by the Bank. The Bank has also appointed an actuarial consultant this year for further investigation and determination of pension and gratuity liability. As the report is not yet submitted by the actuarial consultant the Bank has provided another 1,000 million Taka for the funds.

The following amounts have been charged in the Income Statement during the year for the above benefits:

Particulars	Total Deficit to be recognised in 5 years Taka'000	Recognised in 2004 Taka'000	Recognised in 2005 Taka'000	Recognised during the year for past service Taka'000	Recognised in 2005 for present service Taka'000	Recognised during the year for present service Taka'000	Additional recognition for the fund Taka'000	Total Balance as at June,2006 Taka'000
Gratuity Fund	1,687,500	250,000	359,375	1,078,125	54,000	54,000	500,000	2,295,500
Pension Fund	1,834,650	271,800	390,713	1,172,137	94,500	94,500	500,000	2,523,650
	<u>3,522,150</u>	<u>521,800</u>	<u>750,088</u>	<u>2,250,262</u>	<u>148,500</u>	<u>148,500</u>	<u>1,000,000</u>	<u>4,819,150</u>

37. Capital Commitments

As at 30 June 2006 the Bank had outstanding capital commitment with respect to the training unit for Taka 30.26 million (which was Taka 72.51 million in financial year ended 2005).The Bank is also committed to incur capital expenditure of Taka 12.84 million (which was Taka 1.57 million in financial year ended 2005) in respect of purchasing other capital items.

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006

38. Currency exposure - year ended 30 June 2006

Foreign currency monetary assets and liabilities (In thousand)									
	US \$ equivalent Taka	Gold & Silver equivalent Taka	EURO equivalent Taka	GBP equivalent Taka	Yen equivalent Taka	C \$ equivalent Taka	AUD equivalent Taka	SDR equivalent Taka	Others equivalent Taka
Assets									
Held in other Central Banks abroad	12,245,906	-	24,741,383	3,031,871	510,998	89,459	60,321	-	116,230
Short term investment									
in overseas commercial bank	68,103,512	2,284,600	41,438,571	46,062,066	2,476,493	3,178,246	6,576,442	-	-
Held by Bangladesh Bank	-	2,666,079	-	-	-	-	-	-	-
Treasury bills	22,402,693	-	439,627	-	-	-	-	-	-
Investment in Reverse Repo	-	-	-	-	-	-	-	-	-
Foreign bonds	4,013,105	-	1,509,988	-	-	-	255,691	-	-
Loan to other banks	3,124,188	-	-	-	-	-	-	-	80
Interest receivable	364,754	109	105,311	102,842	-	5,613	41,465	132,301	-
IMF Quota	-	-	-	-	-	-	-	53,922,402	-
SDR holding	-	-	-	-	-	-	-	72,436	-
Total	110,254,158	4,950,788	68,234,880	49,196,779	2,987,491	3,273,318	6,933,919	54,127,139	116,310
Liabilities									
Deposits from other banks	31,008,382	-	895,555	2,352,565	9,524	-	-	-	-
Due to Asian Clearing Union	23,595,684	-	-	-	-	-	-	-	-
IMF securities	-	-	-	-	-	-	-	53,922,402	-
IMF Number 1 & 2 account	-	-	-	-	-	-	-	1,062,433	-
Loan under poverty reduction & growth facility	-	-	-	-	-	-	-	29,198,298	-
SDR allocation	-	-	-	-	-	-	-	4,860,538	-
Total	54,604,066	-	895,555	2,352,565	9,524	-	-	89,043,671	-
Net	55,650,092	4,950,788	67,339,325	46,844,214	2,977,967	3,273,318	6,933,919	(34,916,532)	116,310

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006**39. Related parties****Transactions with Government and Government controlled enterprises**

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

Transactions entered into include:

- (a) Acting as the fiscal agent, banker and financial advisor of the government; the Bank is the depository of the government and or its agents or institutions provide banking services to government and government departments and corporations.
- (b) Acting as the agent of the government or its agencies and institutions, provides guarantees, participates in loans to government or related institutions;
- (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;
- (e) As the agent of the government manages public debt and foreign reserve.

During the year the Bank received an amount of Taka 596,055 million and paid Taka 663,449 million on behalf of government. As at 30 June 2006, total outstanding balance was Taka 245,316 million.

Transactions with entities in which the Bank has significant investments

During the year the Bank received debenture interest from House Building Finance Corporation amounting to Taka 383 million and dividend income amounting to Taka 7.2 from Investment Corporation of Bangladesh included in the interest income in which the Bank has investments in debenture and share as described in Note 8A.

Transactions with Retirement Benefit Plans

The Bank contributed an amount of Taka 3398 million (2005 - Taka 707.1 million) to the retirement benefit plans consisting of contribution to Pension plans including widow/widowers. Amounts of balances held in the financial statements maintained by these retirement benefit plans are given in Note 36.

Board of Directors of Bangladesh Bank and key Management Personnels

Dr. Salehuddin Ahmed - appointed as the Chairman of the Board of Directors and also as the Governor of the Bangladesh Bank for a period of four years from 2 May 2005.

Mr. Md. Allah Malik Kazemi- appointed as the Director of the Board of Bangladesh Bank on 23 October 2003 and also hold the the post of Deputy Governor, Bangladesh Bank.

Bangladesh Bank : Notes to the Financial Statements Year Ended 30 June 2006**39. Related parties - continued**

Dr. Wahid Uddin Mahmud - appointed as the Director of the Board of Bangladesh Bank on 19 January 2005 for a period of two years and also working as the Professor, Department of Economics, Dhaka University, Dhaka.

Dr. Momtaz Uddin Ahmed - appointed as the Director of the Board of Bangladesh Bank for a period of one year with effect from 4 November 2005 and also working as the Professor, Department of Economics, Dhaka University, Dhaka.

Dr. Sufia Ahmed - appointed as the Director of the Board of Bangladesh Bank for a period of one year with effect from 12 January 2006 and holds the post of National Professor.

Mr. Akhter Hussain Khan - appointed as the Director of the Board of Bangladesh Bank on 29 June 2005 and holds the post of Secretary, Planning Division, Ministry of Planning, Government of the People's Republic of Bangladesh.

Mr. Siddiqur Rahman Chowdhury - appointment as the Director of the Board of Bangladesh Bank on 10 August 2005 and holds the post of Secretary, Finance Division, Ministry of Finance, Government of the People's Republic of Bangladesh.

Dr. Hossain Zillur Rahman - appointed as the Director of the Board of Bangladesh Bank for a period of two years with effect from 13 March 2006 and working as the Executive Chairman, Power and Participation Research Center, Dhaka.

Share base payment

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

Remuneration of Members of the Board of Directors and Top Management

Members of the Board of Directors received remuneration totalling Taka 114 thousands and the Governor received salary totaling Taka 294 thousands. In addition, the Governor availed a free furnished house for his residence. Other top management of the Bank received salary totalling Taka 918 thousands. In addition, they availed official residence as well as transport

40. Events after the Balance Sheet Date

Subsequent to the balance sheet date, ways and means advance has been increased to Taka 10,000 million from 1 July 2006 which was Taka 640 million earlier.

41. Directors' Responsibility for financial reporting

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