

BANGLADESH BANK'S ACCOUNTS FOR 2009-2010

12.1 The financial result of Bangladesh Bank for the FY10 has been prepared in accordance with International Financial Reporting Standards (IFRSs) approved by the International Accounting Standard Board (IASB). During the year, the accounts of Security Printing Corporation (Bangladesh) Ltd. (SPCL), a 100% owned subsidiary of Bangladesh Bank, has been consolidated with the accounts of Bangladesh Bank. The executive summary of the Accounts of Bangladesh Bank (excluding SPCL) is represented below:

Income

12.2 The total income of the Bank (excluding revaluation) for the FY10 decreased by Taka. 16.1 billion (49.7 percent) to Taka 16.3 billion compared to Taka 32.4 billion in FY09. The decrease in income was mainly due to decrease in interest income from foreign and local investment. The sources of income are set out in the table 12.1.

Income from Foreign Currency Financial Assets

12.3 During FY10, Bank's income from the foreign currency financial assets decreased by Taka 2.9 billion (40.8 percent) to Taka 4.2 billion compared to Taka 7.1 billion in FY09 due to decrease in interest rate on foreign investments.

Income from Local Currency Financial Assets

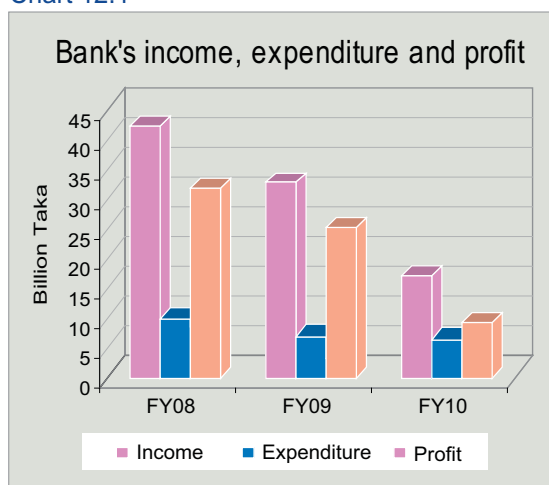
12.4 Bank's Income from local currency financial assets decreased by Taka 13.2 billion (52.2 percent) to Taka 12.1 billion in FY10 compared to Taka 25.3 billion in FY09.

Table 12.1 Sources of income

(Billion Taka)

	FY10	FY09
A. Income from foreign currency financial assets	4.2	7.1
interest income	4.1	7.0
Commission and discounts	0.1	0.1
B. Income from local currency financial assets	12.1	25.3
Interest income	11.1	22.7
Commission and discounts	0.4	1.0
Dividend income and misc.	0.1	0.1
Write back of impairment	0.5	1.5
Total : (A+B)	16.3	32.4

Chart 12.1



Expenditure

12.5 Total expenditure of the Bank decreased by Taka 0.5 billion (6.8 percent) to Taka 6.8 billion in FY10 compared to Taka 7.3 billion in FY09. The decrease in expenditure was mainly due to decrease in financial cost. The details of expenditure are shown in the table 12.2.

Financial Cost

12.6 Financial cost decreased by Taka 1.3 billion (44.8 percent) to Taka 1.6 billion in FY10 compared to Taka 2.9 billion in FY09. This was mainly due to decline in interest payment on both foreign and local currency financial liability.

Administrative Cost

12.7 Administrative cost increased by Taka 0.8 billion (18.2 percent) to Taka 5.2 billion in FY10 compared to Taka 4.4 billion in FY09.

Operating Profit

12.8 Operating profit of the bank decreased by Taka 15.5 billion (62.0 percent) to Taka 9.5 billion in FY10 compared to Taka 25.0 billion in FY09.

Revaluation

12.9 During the year, the Bank faced significant foreign exchange revaluation losses. These revaluation losses were taken to the income statement and subsequently adjusted against the revaluation reserve accounts for that purpose. Revaluation loss arose due to movement of conversion rates of Taka against major currencies.

Profit Appropriation

12.10 Out of the net operating profit (9.5 billion) an amount of Taka 3.4 billion were transferred to statutory funds, interest reserve account and other funds. The surplus profit amount of Taka 6.1 billion was transferred to the Government account, which is Taka 11.2 billion lower compared to the previous year.

Table 12.2: Bank's expenditure

(Billion Taka)		
Particulars	FY10	FY09
A. Financial cost	1.6	2.9
Interest paid on deposit	0.1	0.5
Interest paid on ACU	0.1	0.1
Interest and commission paid to IMF	0.4	0.6
Interest paid on BB bill	0.1	-
Agency charges	0.8	1.2
Others	0.1	0.5
B. Administrative cost	5.2	4.4
Staff cost	2.2	1.8
Note printing	1.4	1.6
Other related expenses	1.6	1.0
Total Expenditure (A+B)	6.8	7.3

Combined Balance Sheet of Banking and Issue Department

Assets

12.11 Foreign currency financial assets increased by Taka 231.0 billion (45.1 percent) to Taka 743.7 billion in FY10 compared to Taka 512.7 billion in FY09 due to increase in foreign reserves

12.12 Local currency financial assets decreased by Taka 63.1 billion (16.6 percent) to Taka 316.5 billion in FY10 compared to Taka 379.6 billion in FY09. The result was mainly due to decrease in loans to Government from Taka 284.7 billion in FY09 to Taka 217.9 billion in FY10.

12.13 Non financial assets of the Bank increased from Taka 28.6 billion in FY09 to Taka 31.7 billion in FY10 due to revaluation of Bank's property, plant and equipment.

Liabilities

12.14 On the liabilities side, foreign currency financial liabilities increased by Taka 44.5 billion (29.5 percent) to Taka 195.3 billion in FY10 from Taka 150.8 billion in FY09. The increase was due to increase in deposits from

banks and financial institutions in foreign currency clearing account and liabilities with Asian Clearing Union (ACU).

12.15 Local currency financial liabilities increased by Taka 134.9 billion (21.7 percent) to Taka 757.5 billion in FY10 compared to Taka 622.6 billion in FY09 due to increase in Notes in Circulation deposits from banks and financial institution in local currency.

12.16 Non financial liabilities increased by Taka 4.8 billion (8.9 percent) to Taka 58.7 billion in FY10 compared to Taka 53.9 billion in FY09. Surplus Profit payable to the Government decreased by Taka 11.2 billion (64.7 percent) to Taka 6.1 billion in FY10 compared to Taka 17.3 billion in FY09.

Notes in Circulation

12.17 Notes in circulation increased by Taka 109.7 billion to Taka 499.4 billion in FY10 compared to Taka 389.7 billion in FY09. The liabilities for notes in circulation amounting to Taka 499.4 billion were backed by Gold and Silver Taka 5.3 billion, foreign currencies Taka 250.0 billion, Government Securities Taka 208.0 billion, Bangladesh Coins Taka 0.2 billion and other Domestic assets Taka 35.9 billion.

Equity

12.18 Total equity of the bank decreased by Taka 13.2 billion to Taka 80.4 billion in FY10 compared to the previous year of Taka 93.6 billion. The equity of the Bank is enumerated below:

- i. Capital of the bank remained unchanged at Taka 0.03 billion;

- ii. Appreciation in property, plant and equipment increased from Taka 21.1 billion to Taka 22.2 billion;
- iii. Appreciation on gold and silver reserves increased from Taka 6.33 billion to Taka 8.8 billion;
- iv. Foreign currency revaluation reserves (Taka 16.9 billion of FY09) were adjusted against the revaluation losses on foreign currency;
- v. Balance of statutory fund increased from Taka 12.3 billion to Taka 12.8 billion;
- vi. General reserve remained unchanged at Taka 4.3 billion;
- vii. Interest reserve fund increased from Taka 6.2 billion to Taka 6.9 billion;
- viii. Asset renewal and replacement reserve increased from Taka 1.5 billion to Taka 1.6 billion;
- ix. Currency fluctuation reserve decreased from Taka 13.9 billion to Taka 10.8 billion.
- x. Balance of non statutory fund increased from Taka 11.0 billion to Taka 13.0 billion.

Foreign Currency Reserve

12.19 Foreign currency reserve increased by Taka 231.22 billion (44.8 percent) to Taka 747.12 billion in FY10 compared to Taka 515.9 billion in FY09.

Auditors

12.20 The financial statements of Bangladesh Bank for the year 2009-2010 were audited as per International Standards on Auditing (ISA) by A. Qasem Co. Chartered Accountants, a Cooperating Firm of Pricewaterhouse Coopers and Hoda Vasi Chowdhury & Co. Chartered Accountants, Independent Corresponding Firm to Deloitte Touche Tohmatsu.

BANGLADESH BANK

REPORT AND FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED
30 JUNE 2010

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

We have audited the accompanying financial statements of Bangladesh Bank (“the Bank”), which comprise the statement of financial position as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bangladesh Bank as at 30 June 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A. Qasem & Co.
Chartered Accountants

Hoda Vasi Chowdhury & Co.
Chartered Accountants

Dated, Dhaka: 23 August 2010

Bangladesh Bank
Consolidated Statement of Financial Position as at 30 June 2010

Assets	Notes	2010 Taka '000	2009 Taka '000
Foreign currency financial assets			
Foreign currency accounts	4	204,176,852	85,346,246
Foreign investments	5	474,499,768	419,818,353
Assets held with IMF	6	45,592,263	688,534
Other foreign assets	7	19,412,827	6,819,463
		<u>743,681,710</u>	<u>512,672,596</u>
Local currency financial assets			
Cash and cash equivalents	8a	243,260	1,622,741
Loans to the government	9	217,882,034	284,741,023
Investments in shares and debentures	10a	9,446,881	8,792,427
Loan to banks, financial institutions and employees	11a	90,877,265	86,618,319
		<u>318,449,440</u>	<u>381,774,510</u>
Total financial assets		<u>1,062,131,150</u>	<u>894,447,106</u>
Non financial assets			
Gold & silver	12	5,350,004	4,025,886
Property, plant and equipment	13a	26,666,748	24,830,860
Capital work in progress		51,103	80,710
Other domestic assets	14a	3,544,373	2,755,291
		<u>35,612,228</u>	<u>31,692,747</u>
Total assets		<u>1,097,743,378</u>	<u>926,139,853</u>
Liabilities			
Foreign currency financial liabilities			
Liabilities with the IMF	6	88,363,476	50,925,535
Deposits from banks and financial institutions	15	105,674,057	98,729,421
Other foreign liabilities	16	1,248,274	1,144,570
		<u>195,285,807</u>	<u>150,799,526</u>
Local currency financial liabilities			
Notes in circulation	17	499,479,657	389,701,412
Short term borrowings	18	21,387,466	-
Deposits from banks and financial institutions	19	236,625,764	232,951,205
		<u>757,492,887</u>	<u>622,652,617</u>
Total financial liabilities		<u>952,778,694</u>	<u>773,452,143</u>
Non financial liabilities			
Other domestic liabilities	20a	59,455,081	54,537,321
		<u>59,455,081</u>	<u>54,537,321</u>
Total liabilities		<u>1,012,233,775</u>	<u>827,989,464</u>
Equity			
Capital	21	30,000	30,000
Revaluation reserve – gold and silver	22	8,798,020	6,337,993
Revaluation reserve – foreign currency accounts	23	-	16,928,628
Currency fluctuation reserve	24	10,810,630	13,967,505
Revaluation reserve – property, plant and equipment		22,982,993	21,909,160
Statutory funds	25	12,817,046	12,267,046
Non statutory funds	26	13,000,000	11,000,000
Asset renewal and replacement reserve		1,609,956	1,450,400
Interest reserve	27	6,883,328	6,224,828
General reserve	28a	4,400,500	4,350,500
Retained earnings		4,177,130	3,684,329
		<u>85,509,603</u>	<u>98,150,389</u>
Total liabilities and equity		<u>1,097,743,378</u>	<u>926,139,853</u>

The accompanying notes from 1 to 51 form an integral part of these financial statements.

A. K. M. Rahmat Ullah
General Manager

Ziaul Hassan Siddiqui
Deputy Governor

Dr. Atiur Rahman
Governor

Accounts & Budgeting Department

Bangladesh Bank
Statement of Financial Position as at 30 June 2010

Assets	Notes	2010 Taka '000	2009 Taka '000
Foreign currency financial assets			
Foreign currency accounts	4	204,176,852	85,346,246
Foreign investments	5	474,499,768	419,818,353
Assets held with IMF	6	45,592,263	688,534
Other foreign assets	7	19,412,827	6,819,463
		743,681,710	512,672,596
Local currency financial assets			
Cash and cash equivalents	8	242,237	138,977
Loans to the government	9	217,882,034	284,741,023
Investments in shares and debentures	10	7,730,000	8,080,833
Loan to banks, financial institutions and employees	11	90,650,176	86,618,319
		316,504,447	379,579,152
Total financial assets		1,060,186,157	892,251,748
Non financial assets			
Gold & silver	12	5,350,004	4,025,886
Property, plant and equipment	13	24,756,136	23,231,591
Capital work in progress		46,825	79,211
Other domestic assets	14	1,583,839	1,325,629
		31,736,804	28,662,317
Total assets		1,091,922,961	920,914,065
Liabilities			
Foreign currency financial liabilities			
Liabilities with the IMF	6	88,363,476	50,925,535
Deposits from banks and financial institutions	15	105,674,057	98,729,421
Other foreign liabilities	16	1,248,274	1,144,570
		195,285,807	150,799,526
Local currency financial liabilities			
Notes in circulation	17	499,479,657	389,701,412
Short term borrowings	18	21,387,466	-
Deposits from banks and financial institutions	19	236,625,764	232,951,205
		757,492,887	622,652,617
Total financial liabilities		952,778,694	773,452,143
Non financial liabilities	20	58,750,897	53,884,965
		58,750,897	53,884,965
Total liabilities		1,011,529,591	827,337,108
Equity			
Capital	21	30,000	30,000
Revaluation reserve – gold and silver	22	8,798,020	6,337,993
Revaluation reserve – foreign currency accounts	23	-	16,928,628
Currency fluctuation reserve	24	10,810,630	13,967,505
Revaluation reserve – property, plant and equipment		22,193,890	21,120,057
Statutory funds	25	12,817,046	12,267,046
Non statutory funds	26	13,000,000	11,000,000
Asset renewal and replacement reserve		1,609,956	1,450,400
Interest reserve	27	6,883,328	6,224,828
General reserve	28	4,250,500	4,250,500
		80,393,370	93,576,957
Total liabilities and equity		1,091,922,961	920,914,065

The accompanying notes from 1 to 51 form an integral part of these financial statements.

A. K. M. Rahmat Ullah
General Manager

Ziaul Hassan Siddiqui
Deputy Governor

Dr. Atiur Rahman
Governor

Accounts & Budgeting Department

Bangladesh Bank
Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

Income	Notes	2010 Taka '000	Restated 2009 Taka '000
Income from foreign currency financial assets			
Interest income	29	4,222,987	7,060,781
Commission and discounts	30	18,447	10,324
		4,241,434	7,071,105
Income from local currency financial assets			
Interest income	33a	11,305,784	23,015,691
Commission and discounts	34	484,734	1,016,116
Sales		1,563,176	1,319,022
Miscellaneous income		21,003	5,862
		13,374,697	25,356,691
Total income		17,616,131	32,427,796
Expenses			
Expenses on foreign currency financial liabilities			
Interest expense	31	(445,876)	(1,204,307)
Commission and other expenses	32	(96,759)	(77,470)
		(542,635)	(1,281,777)
Expenses on local currency financial liabilities			
Interest expense	35	(121,452)	-
Commission and other expenses	36	(978,391)	(1,621,268)
		(1,099,843)	(1,621,268)
Other expenses			
Provision for impairment		494,997	1,515,160
General and administrative expenses	37a	(6,436,988)	(5,383,423)
		(5,941,991)	(3,868,263)
Total expenses		(7,584,469)	(6,771,308)
Profit for the year		10,031,662	25,656,488
Other comprehensive income			
Gold revaluation gain		2,394,394	120,096
Silver revaluation gain		65,632	(45,794)
Realised foreign exchange revaluation gain		2,843,732	6,455,421
Foreign exchange revaluation gain		(22,929,235)	(37,303,359)
Revaluation gain – property, plant and equipment		1,146,287	13,202,978
		(16,479,190)	(17,570,658)
Total comprehensive income for the year		(6,447,528)	8,085,830

The accompanying notes from 1 to 51 form an integral part of these financial statements.

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

Ziaul Hassan Siddiqui
Deputy Governor

Dr. Atiur Rahman
Governor

Bangladesh Bank
Statement of Comprehensive Income
For the year ended 30 June 2010

	<u>Notes</u>	<u>2010 Taka '000</u>	<u>Restated 2009 Taka '000</u>
Income			
Income from foreign currency financial assets			
Interest income	29	4,222,987	7,060,781
Commission and discounts	30	18,447	10,324
		<u>4,241,434</u>	<u>7,071,105</u>
Income from local currency financial assets			
Interest income	33	11,086,996	22,741,226
Commission and discounts	34	484,734	1,016,116
Dividend income		62,500	50,000
Miscellaneous income		4,157	5,862
		<u>11,638,387</u>	<u>23,813,204</u>
Total income		<u>15,879,821</u>	<u>30,884,309</u>
Expenses			
Expenses on foreign currency financial liability			
Interest expense	31	(445,876)	(1,204,307)
Commission and other expenses	32	(96,759)	(77,470)
		<u>(542,635)</u>	<u>(1,281,777)</u>
Expenses on local currency financial liability			
Interest expense	35	(121,452)	-
Commission and other expenses	36	(978,391)	(1,621,268)
		<u>(1,099,843)</u>	<u>(1,621,268)</u>
Other expenses			
Provision for impairment		494,997	1,515,160
General and administrative expenses	37	(5,243,479)	(4,438,421)
		<u>(4,748,482)</u>	<u>(2,923,261)</u>
Total expenses		<u>(6,390,960)</u>	<u>(5,826,306)</u>
Profit for the year		<u>9,488,861</u>	<u>25,058,003</u>
Other comprehensive income			
Gold revaluation gain		2,394,394	120,096
Silver revaluation gain		65,632	(45,794)
Realised foreign exchange revaluation gain		2,843,732	6,455,421
Foreign exchange revaluation gain		(22,929,235)	(37,303,359)
Revaluation gain – property, plant and equipment		1,146,287	13,202,978
		<u>(16,479,190)</u>	<u>(17,570,658)</u>
Total comprehensive income for the year		<u>(6,990,329)</u>	<u>7,487,345</u>

The accompanying notes from 1 to 51 form an integral part of these financial statements.

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

Ziaul Hassan Siddiqui
Deputy Governor

Dr. Atiur Rahman
Governor

Bangladesh Bank
Consolidated Statement of Changes in Equity
For the year ended 30 June 2010

Taka '000

Particulars	Capital	Revaluation reserve			Currency fluctuation reserve	Statutory fund	Non statutory funds	Asset renewal & replacement reserve	Interest reserve	General reserve	Retained earnings	Total
		Gold and silver	Foreign currency accounts	Prop-erty, plant & equipment								
Balance as at July 01, 2008	30,000	6,263,691	54,231,987	8,707,592	7,512,084	11,717,046	5,000,000	1,266,400	5,206,921	4,300,500	3,135,844	107,392,065
Total comprehensive income for the year	-	74,302	(37,303,359)	13,202,978	6,455,421	550,000	6,000,000	164,000	1,017,907	50,000	17,874,581	8,086,830
Dividend	-	-	-	(1,410)	-	-	-	-	-	-	(17,326,096)	(17,327,506)
Balance as at 30 June 2009	30,000	6,337,993	16,928,628	21,909,160	13,967,505	12,267,046	11,000,000	1,450,400	6,224,828	4,350,500	3,684,329	98,150,389
Transferred to general reserve	-	-	-	-	-	-	-	-	-	50,000	(50,000)	-
Total comprehensive income for the year	-	2,460,027	(22,929,235)	1,146,287	2,843,732	550,000	2,000,000	159,556	658,500	-	6,663,605	(6,447,528)
Adjustment of foreign currency revaluation	-	-	6,000,607	-	(6,000,607)	-	-	-	-	-	-	-
Adjustment against depreciation	-	-	-	(72,454)	-	-	-	-	-	-	-	(72,454)
Dividend	-	-	-	-	-	-	-	-	-	-	(6,120,804)	(6,120,804)
Balance as at June 30, 2010	30,000	8,798,020	-	22,982,993	10,810,630	12,817,046	13,000,000	1,609,956	6,883,328	4,400,500	4,177,130	85,509,603

Bangladesh Bank
Statement of Changes in Equity
For the year ended 30 June 2010

Taka '000

Particulars	Capital	Revaluation reserve				Currency fluctuation reserve	Statutory fund	Non statutory fund	Asset renewal & replacement reserve	Interest reserve	General reserve	Retained earnings	Total
		Gold and silver	Foreign currency accounts	Property, plant & equipment									
Balance as at 01 July 2008	30,000	6,283,691	54,231,987	7,918,489	7,512,084	11,717,046	5,000,000	1,286,400	5,206,921	4,250,500	-	103,417,118	
Total comprehensive income for the year		74,302	(37,303,359)	13,202,978	6,455,421	550,000	6,000,000	164,000	1,017,907	-	17,326,096	7,487,345	
Dividend	-	-	-	(1,410)	-	-	-	-	-	-	(17,326,096)	(17,327,506)	
Balance as at 30 June 2009	30,000	6,337,993	16,928,628	21,120,057	13,967,505	12,267,046	11,000,000	1,450,400	6,224,828	4,250,500	-	93,576,957	
Total comprehensive income for the year	-	2,460,027	(22,923,235)	1,146,287	2,843,732	550,000	2,000,000	159,556	658,500	-	6,120,804	(6,990,329)	
Adjustment of foreign currency revaluation	-	-	6,000,607	-	(6,000,607)	-	-	-	-	-	-	-	
Adjustment against depreciation	-	-	-	(72,454)	-	-	-	-	-	-	-	(72,454)	
Dividend	-	-	-	-	-	-	-	-	-	-	(6,120,804)	(6,120,804)	
Balance as at 30 June 2010	30,000	8,798,020	-	22,193,890	10,910,630	12,817,046	13,000,000	1,609,956	6,883,328	4,250,500	-	80,393,370	

Bangladesh Bank
Consolidated Statement of Cash Flows
For the year ended 30 June 2010

	2010 Taka '000	2009 Taka '000
Cash flows from operating activities		
Interest received	12,616,473	29,494,181
Interest paid	(577,024)	(1,430,994)
Receipts from customers	1,563,176	1,319,022
Fees, commission and other income received	553,791	1,074,328
Commission and discounts paid	(752,460)	(1,698,738)
Income tax paid	(351,251)	96,545
Payments to employees and suppliers	(5,851,476)	(5,474,826)
<i>Increase / (Decrease) in operating assets:</i>		
Funds advanced to customers	(3,592,289)	(1,575,675)
Other assets	(881,573)	(211,913)
<i>Increase / (Decrease) in operating liabilities:</i>		
Deposits from commercial banks	10,722,899	119,912,259
Other liabilities	15,830,686	8,516,480
Net cash provided by operating activities	29,280,952	150,020,669
Cash flows from investing activities		
Investments income	1,590,864	1,666,289
Investments in foreign treasury bills and bonds	(82,236,360)	(157,998,840)
Other Investments	(12,356,867)	2,806,762
Investment in Govt. securities	66,858,989	(29,554,500)
Short term investments	28,690,854	49,988,554
Investments in foreign currencies	(138,916,109)	(15,276,302)
Investments in debentures	350,833	838,334
Additions of property, plant & equipment	(1,015,054)	(560,688)
IMF outstanding	(7,465,788)	(4,477,559)
Net cash used in investing activities	(144,498,638)	(152,567,950)
Cash flows from financing activities		
Payments of surplus to the Government	(17,327,506)	(27,366,235)
Notes in circulation	109,778,245	37,814,047
Short term borrowings	21,387,466	(7,950,000)
Net cash provided by financing activities	113,838,205	2,497,812
Net changes in cash and cash equivalents	(1,379,481)	(49,469)
Opening cash & cash equivalents	1,622,741	1,672,210
Closing cash & cash equivalents	243,260	1,622,741

Bangladesh Bank
Statement of Cash Flows
For the year ended 30 June 2010

	2010 Taka '000	2009 Taka '000
Cash flows from operating activities		
Interest received	12,378,630	29,219,609
Interest paid	(577,024)	(1,430,994)
Fees, commission and other income received	1,585,127	1,074,328
Commission and discounts paid	(1,075,150)	(1,698,738)
Payments to employees and suppliers	(4,894,062)	(4,407,483)
<i>Increase/ (Decrease) in operating assets:</i>		
Funds advanced to customers	(3,365,200)	(1,577,938)
Other assets	(331,646)	35,877
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits from commercial banks	10,722,899	119,912,259
Other liabilities	14,850,789	8,548,894
Net cash provided by operating activities	29,294,363	149,675,814
Cash flows from investing activities		
Dividends received	62,500	50,000
Investments income	1,590,864	1,666,289
Investments in foreign treasury bills and bonds	(82,236,360)	(157,998,840)
Other Investments	(11,351,580)	2,941,488
Investments in Govt. Securities	66,858,989	(29,554,500)
Short term investments	28,690,854	49,988,554
Investments in foreign currencies	(138,916,109)	(15,276,302)
Investments in debentures	350,833	838,334
Additions of property, plant & equipment	(613,511)	(529,756)
IMF outstanding	(7,465,788)	(4,477,559)
Net cash used in investing activities	(143,029,308)	(152,352,292)
Cash flows from financing activities		
Payments of surplus to the Government	(17,327,506)	(27,366,235)
Notes in circulation	109,778,245	37,814,047
Short term borrowings	21,387,466	(7,950,000)
Net cash provided by financing activities	113,838,205	2,497,812
Net changes in cash and cash equivalents	103,260	(178,666)
Opening cash & cash equivalents	138,977	317,643
Closing cash & cash equivalents	242,237	138,977

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2010

1 Reporting entity

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

2 Basis of preparation

2.1 Statement of compliance

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

The consolidated financial statements were authorised for issue by the Board of directors on 25 August 2010.

2.2 Basis of measurement

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

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

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2010

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on going concern basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in note 38 (i): financial risk management.

3 Significant accounting policies

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

3.1 Basis of consolidation

(a) Subsidiary

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

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

(b) Transactions eliminated on consolidation

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

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2010

3.2 Foreign currency transactions

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

3.3 Financial assets and liabilities

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

(a) Recognition and initial measurement

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

Financial assets and liabilities are initially measured at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the assets or liabilities.

(b) Classification and subsequent measurement

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

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

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

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

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2010

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

- (i) they are acquired or incurred principally for the purpose of selling or purchasing them in the near term;
- (ii) on initial recognition they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- (iii) they are derivatives (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

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

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

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

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

(2) Held-to-maturity investments

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

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

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

(3) Loans and receivables

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

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2010

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

(4) *Available-for-sale financial assets*

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

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

(5) *Financial liabilities at fair value through profit or loss.*

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

(6) *Financial liabilities carried at amortized cost*

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

(c) *Amortised cost measurement principles*

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

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2010

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

(d) Fair value measurement principles

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

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

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

(e) Gains and losses on subsequent measurement

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

(f) De-recognition

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

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

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

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2010

(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.

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

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

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

(h) Off-setting

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

3.4 Foreign currency accounts

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

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2010

3.5 Foreign investments

Foreign investments comprise short term interest bearing deposits held with overseas commercial banks and with offshore banking units of local commercial banks for periods ranging from 1 to 3 months in designated foreign currencies, US dollar and Euro treasury bills purchased at a discount and interest bearing foreign bonds. These are measured each reporting date by translating the amortised cost in foreign currency to the functional currency at the exchange rate at that date. Gains and losses arises upon translation are recognised in the statement of comprehensive income and are subsequently transferred from retained earnings to revaluation reserve - foreign currency accounts.

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

(a) Transactions with IMF

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

(b) Assets held with IMF

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

(c) Liabilities with IMF

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

3.7 Other foreign assets

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

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2010

3.8 Cash and cash equivalents

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

3.9 Loans to the government

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

Ways and Means advance

When total payments to the government exceeds total deposits from the government, the excess of payment over receipt, with a limit not exceeding Tk.10,000 million, is treated as Ways and Means advance with interest being charged thereon at the reverse repo rate. Ways and Means advance is realised only after realisation of government overdraft-current account balance in full.

Government of Bangladesh-Overdraft and treasury bills

These represent government overdraft-block and government overdraft-current as well as government treasury bills and bonds. Government borrowing in excess of the Tk. 10,000 million limit set for ways and means advances are recognised as government overdraft-current. Interest is charged thereon at a rate one percent higher than the reverse repo rate. Any recovery or surplus realised by the Bank from the government is first applied to the overdraft-current account balance. Any surplus remaining after adjustment of the overdraft-current balance in full then applied to the ways and means advance.

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

3.10 Investment in shares and debentures

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

3.11 Loans to banks, financial institutions and employees

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

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2010

3.12 Gold and silver

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

3.13 Property, plant and equipment

(a) Recognition and measurement-

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

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

(b) Revaluation

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

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

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

(c) Subsequent costs

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

(d) Capital Work in progress

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

(e) *Depreciation*

Depreciation is recognised in statement of comprehensive income, on a straight-line basis for all the items of property, plant and equipment except land and capital work in progress. Land and capital work in progress are not depreciated. Depreciation is charged in the next month following the addition. The rates used for depreciation are as follows:

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

3.14 Securities borrowing, lending business and repurchase transactions

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

3.15 Employee benefits

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

3.16 Short-term employee benefits

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

3.17 Post-employment benefits

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

(a) Defined contribution plans

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

(i) Contributory provident fund

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

(b) Defined benefit plans

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

(i) General provident fund

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

(ii) Pension scheme

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

(iii) Gratuity scheme

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

3.18 Other long-term employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service. Unutilized leave is encashable on retirement and provided for in full in the accounts for 2009-2010. Medical allowance is payable for each employee and accounted for on a cash basis.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

3.19 Provisions

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

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

3.20 Currency in circulation

Currency issued by Bangladesh Bank represents a claim on the Bank in favor of the holder. The liability for currency in circulation is recorded at face value in the financial statements.

3.21 Interest income and expense

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

Interest income and expense 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.

3.22 Commission and discounts - fee and commission income

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

3.23 Dividend income

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

3.24 Realised foreign exchange gain

The Bank has started from 1 July 2007 distinguishing between realised and unrealised foreign exchange profits using the average cost methodology. In determining the opening average cost it was assumed in the absence of specific data that all the opening balance on the revaluation reserve related to unrealised foreign exchange profits and the balance was allocated between net currency positions on a pro rata basis.

3.25 Income tax

(a) Bangladesh Bank

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

(b) Subsidiary

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

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

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

3.26 Subsequent events

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

	2010 Taka '000	2009 Taka '000
4 Foreign currency accounts	204,176,852	85,346,246

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

5 Foreign investments

Short term investments with overseas commercial banks	213,891,078	123,626,082
US Dollar treasury bills	166,666,087	168,961,755
Loans and advances under repo facilities	-	118,955,850
Gold investment	4,612,799	3,476,890
Foreign bonds	89,329,804	4,797,776
	474,499,768	419,818,353

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

6 IMF related assets and liabilities

Assets

Quota	54,815,493	57,167,057
Less: Security account	(51,891,930)	(54,996,940)
IMF No 1 A/C	(2,891,147)	(2,138,384)
Reserve tranche	32,416	31,733
SDR holding	45,559,847	656,801
	45,592,263	688,534

Liabilities

IMF No 2 A/C & Emergency Natural Disaster Assistance	6,907,532	12,983,889
SDR allocation	52,462,218	5,051,025
Loan under the Poverty Reduction and Growth Facility	28,993,726	32,890,621
	88,363,476	50,925,535

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

The quota of Bangladesh is its membership subscription. The subscription is granted mainly by the issue of promissory notes in favor 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's interest in the International Monetary Fund is presented on a net basis as there is a legal right of set off between its membership accounts.

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

	2010 Taka '000	2009 Taka '000
7 Other foreign assets		
Loans to other banks	18,113,398	6,761,819
Swift shares	80	80
Interest receivable	1,606,950	365,644
	19,720,428	7,127,543
Less: Provision for loan losses	(307,601)	(308,080)
Total other assets	19,412,827	6,819,463

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

8 Cash and cash equivalents	242,237	138,977
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The amount represents the face value of unissued one and two taka coins and notes held by the Bank purchased from the Government at respective face values and the balance of Taka notes held with the Banking Department.

8a Consolidated cash and cash equivalents	243,260	1,622,741
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These figures should be read in conjunction with additional disclosures in note no.44 & 44a.

9 Loans to the government

Loans to the government consists of "Ways & Means" advance provided to the government, as well as credit facilities provided to the government in the form of overdraft (block and current), government treasury bills and bonds. Ways and means advance represent loans provided to the government that are limited to a maximum of Taka 10,000 million. Interest is earned on this advance as per rate applied for reverse repo. Government borrowings in excess of Taka 10,000 million are debited to the overdraft-current.

Ways and means advance	-	10,000,000
Overdraft - block (government treasury bills)	191,510,000	208,300,000
Overdraft - current	-	29,678,500
Treasury bills	1,491,163	16,381,652
Treasury bonds	24,880,871	20,380,871
	217,882,034	284,741,023

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

10 Investments in shares and debentures

Debenture - House Building Finance Corporation	7,230,000	7,580,833
Investment in subsidiary (Note 10.1)	500,000	500,000
	7,730,000	8,080,833

10.1 Investment in subsidiary

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

10a Consolidated investments

Debenture - House Building Finance Corporation	7,230,000	7,580,833
Short term money market investments	1,242,888	1,152,688
Shares- ICB Islamic Bank Ltd.	7,452	7,452
Others	966,541	51,454
	9,446,881	8,792,427

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

	<u>2010</u> <u>Taka '000</u>	<u>2009</u> <u>Taka '000</u>
11 Loans to banks, financial institutions and employees		
(i) Loans to banks and financial institutions		
State owned banks:		
Commercial banks	59,269	91,738
Specialized banks	52,545,102	55,509,953
	<u>52,604,371</u>	<u>55,601,691</u>
Provision for impairment	(1,228,688)	(1,723,685)
	<u>51,375,683</u>	<u>53,878,006</u>
Other banks and financial institutions:		
Private banks	3,249,109	2,635,800
Other loans and advances	13,829,757	8,909,032
	<u>17,078,866</u>	<u>11,544,832</u>
Interest receivable	7,484,208	7,312,068
	<u>75,938,757</u>	<u>72,734,906</u>
(ii) Loans and advances to employees		
Loans and advances to employees	14,976,248	14,147,762
Provision for loan losses	(264,829)	(264,349)
	<u>14,711,419</u>	<u>13,883,413</u>
Total loans (i + ii)	<u>90,650,176</u>	<u>86,618,319</u>

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

11a Consolidated loans to banks, financial institutions and employees

(i) Loans to banks and financial institutions		
State owned banks:		
Commercial banks	59,269	91,738
Specialized banks	52,545,102	55,509,953
	<u>52,604,371</u>	<u>55,601,691</u>
Provision for impairment	(1,228,688)	(1,723,685)
	<u>51,375,683</u>	<u>53,878,006</u>
Other banks and financial institutions:		
Private banks	3,249,109	2,635,800
Other loans and advances	13,829,757	8,909,032
	<u>17,078,866</u>	<u>11,544,832</u>
Interest receivable	7,484,208	7,312,068
	<u>75,938,757</u>	<u>72,734,906</u>
(ii) Loans and advances to employees		
Loans and advances to employees	15,203,337	14,147,762
Provision for loan losses	(264,829)	(264,349)
	<u>14,938,508</u>	<u>13,883,413</u>
Total loans (i + ii)	<u>90,877,265</u>	<u>86,618,319</u>

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

12 Gold and silver

Gold	5,110,572	3,852,086
Silver	239,432	173,800
	<u>5,350,004</u>	<u>4,025,886</u>

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2010

13 Property, plant and equipment

Taka '000

Particulars	Cost and revaluation					Depreciation					Carrying value	
	As at 1 July 2009	Revaluation gain / (loss)	Cost / Revalued amount as on 1 July 2009	Addition / Disposal during the year	As at 30 June 2010	Rate	As at 1 July 2009	Charged during the year	Charged on re-valuation gain	Accumulated depreciation as at 30 June 2010	As at 30 June 2010	As at 30 June 2009
Land	20,391,193	-	20,391,193	-	20,391,193	-	-	-	-	-	20,391,193	20,391,193
Building	1,995,770	1,228,067	3,223,837	79,211	3,303,048	5%	-	91,449	42,400	133,849	3,169,199	1,995,770
Mechanical equipment	696,265	(93,537)	602,728	489,002	1,091,730	10%-20%	-	45,457	24,261	69,718	1,022,012	696,265
Fixture and fittings	88,808	(21,056)	67,752	13,669	81,421	10%	-	8,176	85	8,261	73,160	88,808
Motor vehicles	25,915	17,587	43,502	15,427	58,929	20%	-	5,838	3,516	9,354	49,575	25,915
Electrical installation	32,860	11,983	44,843	16,202	61,045	20%	-	8,480	2,192	10,672	50,373	32,860
Gas installation	780	-	780	-	780	20%	-	156	-	156	624	780
	23,231,591	1,143,044	24,374,635	613,511	24,988,146		-	159,556	72,454	232,010	24,756,136	23,231,591

Land as at 30 June 2009 and plant and equipment as at 1 July 2009 were revalued. The net surplus/deficit arose from the valuation on plant and equipment have been credited to the statement of comprehensive income and transferred to a separate account - revaluation reserve - property, plant and equipment.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2010

13a Consolidated property, plant and equipment

Taka '000

Particulars	Cost and revaluation					Depreciation					Carrying value	
	As at 1 July 2009	Revaluation gain / (loss)	Cost / Revalued amount as on 1 July 2009	Addition / Disposal during the year	As at 30 June 2010	Rate	As at 1 July 2009	Charged during the year	Charged on re-valuation gain	Accumulated depreciation as at 30 June 2010	As at 30 June 2010	As at 30 June 2009
Land	21,369,423	-	21,369,423	-	21,369,423	-	-	-	-	-	21,369,423	21,369,423
Building	2,759,938	1,228,067	3,988,005	79,559	4,067,564	5%	355,211	119,767	42,400	517,378	3,550,186	2,404,727
Mechanical equipment	1,648,864	(93,537)	1,555,327	889,576	2,444,903	10% - 20%	758,714	102,630	24,261	885,605	1,559,298	890,150
Fixture and fittings	124,768	(21,056)	103,712	14,290	118,002	10%	23,377	10,715	85	34,177	83,825	101,391
Motor vehicles	46,915	17,587	64,502	15,427	79,929	20%	15,386	8,008	3,516	26,910	53,019	31,529
Electrical installation	32,860	11,983	44,843	16,202	61,045	20%	-	8,480	2,192	10,672	50,373	32,860
Gas installation	780	-	780	-	780	20%	-	156	-	156	624	780
	25,983,548	1,143,044	27,126,592	1,015,054	28,141,646		1,152,688	249,756	72,454	1,474,898	26,666,748	24,830,860

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

	2010 Taka '000	2009 Taka '000
14 Other domestic assets		
Interest receivables	376,826	449,783
Prepayments and advances	1,132,125	814,824
Stock	30,532	24,085
Unutilised CBSP Fund	44,356	36,937
	1,583,839	1,325,629
14a Consolidated other domestic assets		
Interest receivables	417,054	509,066
Prepayments and advances	522,644	414,466
Stock	1,871,550	1,439,745
Unutilised CBSP Fund	44,356	36,937
Sundry debtors	688,769	355,077
	3,544,373	2,755,291
15 Deposits from banks and financial institutions		
Foreign currency deposits by commercial banks	63,675,478	66,406,557
Asian Clearing Union (ACU)	41,998,579	32,322,864
	105,674,057	98,729,421

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

16 Other foreign liabilities	1,248,274	1,144,570
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Other foreign liabilities represents the amount payable to Japan Government to meet up the obligation of Japan debt relief grant. These figures should be read in conjunction with additional disclosures in note no.44 & 44a.

17 Notes in circulation

Notes in circulation represents currency issued having a claim on Bangladesh Bank. The denomination of notes in circulation as at June 30, 2010 was as under:

Value of notes	Number in pieces	Amount
5 Taka Coin	617,679,904	3,088,400
5 Taka note	464,407,445	2,322,037
10 Taka note	930,646,596	9,306,466
20 Taka note	154,365,720	3,085,314
50 Taka note	145,407,428	7,270,371
100 Taka note	588,719,568	58,871,957
500 Taka note	713,596,842	356,798,421
1000 Taka note	58,736,691	58,736,691
	3,673,560,194	499,479,657

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

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:

	2010	2009
	<u>Taka '000</u>	<u>Taka '000</u>
Gold	5,110,572	3,852,086
Silver	239,432	173,800
Balance held outside Bangladesh	250,000,000	155,000,000
Bangladesh government securities	207,983,702	199,737,820
Bangladesh coins	235,696	137,451
Other loans and advances	35,910,255	30,800,255
	<u>499,479,657</u>	<u>389,701,412</u>

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

18 Short term borrowings

Reverse repo	15,400,000	-
Bangladesh Bank bill	5,987,466	-
	<u>21,387,466</u>	<u>-</u>

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

19 Deposits from banks and financial institutions

State owned commercial banks	54,666,129	80,398,752
Government specialised banks	18,116,901	14,864,955
Private banks	146,218,617	120,024,900
Foreign banks	15,682,851	16,308,164
Financial institutions	1,941,266	1,354,434
	<u>236,625,764</u>	<u>232,951,205</u>

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

20 Other domestic liabilities

Government deposits	2,929,545	2,175,121
Surplus profit payable to government (Note 20.1)	6,120,804	17,327,506
Other deposits	29,404,690	9,308,112
Bank notes adjusting account - demonetised Pakistani notes	18,540	18,540
Sundry creditors account	1,838,780	1,659,095
Interest suspense account	631	607
Deposits from donor agencies	9,368,342	15,548,873
Inter-branch adjustments (suspense)	60,697	-
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension	2,752,599	2,910,350
Provision for gratuity	1,731,923	1,730,197
Provision for leave encashment	1,300,003	1,210,617
Provision for legal obligation	9,327	9,327
Small and Medium Enterprise Fund - Government	2,087,834	1,407,470
Loan from Government of Bangladesh (CBSP)	744,586	329,889
Miscellaneous	133,788	453
	<u>58,750,897</u>	<u>53,884,965</u>

	2010	2009
	<u>Taka '000</u>	<u>Taka '000</u>
Government deposits	2,929,545	2,175,121
Surplus profit payable to government (Note 20.1)	6,120,804	17,327,506
Other deposits	29,404,690	9,308,112
Bank notes adjusting account - demonetised Pakistani notes	18,540	18,540
Sundry creditors account	1,283,660	1,059,095
Interest suspense account	631	607
Deposits from donor agencies	9,368,342	15,548,873
Inter-branch adjustments (suspense)	60,697	-
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension	2,752,599	2,910,350
Provision for gratuity	1,731,923	1,730,197
Provision for leave encashment	1,300,003	1,210,617
Provision for legal obligation	9,327	9,327
Small and Medium Enterprise Fund - Government	2,087,834	1,407,470
Loan from Government of Bangladesh (CBSP)	744,586	329,889
Deferred tax liability	515,487	521,297
Miscellaneous	133,788	453
Others - subsidiary	743,817	731,059
	<u>59,455,081</u>	<u>54,537,321</u>

20.1 Surplus profit payable to government

Opening balance	17,327,506	27,366,235
Adjustment against amount due to government	(600)	-
Payments made during the year (Note 20.2)	(17,326,906)	(27,366,235)
Realised from derecognition of revalued assets	-	1,410
Share of current year's profit	6,120,804	17,326,096
	<u>6,120,804</u>	<u>17,327,506</u>

20.2

According to Article 64 of the Bangladesh Bank Order, 1972 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 the Order or which are usually provided for by the bankers, the balance of the profits shall be paid to the government.

21 Capital**30,000****30,000**

At June 30, 2010 the authorised and subscribed capital as per Bangladesh Bank Order 1972, was Tk. 30 million. The entire capital of the Bank stands vested in and allocated to the Government as per para 4(1) & 4(2) of the Order.

22 Revaluation reserve - gold and silver**8,798,020****6,337,993**

The Bank credited the gain on revaluation of gold and silver to the statement of comprehensive income and subsequently transferred to a separate account - revaluation reserve-gold and silver, which forms part of equity.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

		2010	2009
		Taka '000	Taka '000
23 Revaluation reserve - foreign currency accounts		<u>-</u>	<u>16,928,628</u>
<p>During the year the Bank faced significant foreign exchange revaluation losses. This revaluation losses were taken to the statement of comprehensive income and subsequently adjusted against the revaluation reserve-Foreign currency accounts, which forms part of equity.</p>			
24 Currency fluctuation reserve		<u>10,810,630</u>	<u>13,967,505</u>
<p>The bank credited the realised gain on revaluation of foreign currencies to the statement of comprehensive income and transferred the same to a separate account - currency fluctuation reserve account, which forms part of equity. During the year the Bank adjusted an amount of Taka 3,156,875 against revaluation loss on foreign currency.</p>			
25 Statutory funds			
Rural credit fund	25.1	4,600,000	4,400,000
Agricultural credit stabilisation fund	25.2	4,600,000	4,400,000
Export credit fund	25.3	1,300,000	1,300,000
Industrial credit fund	25.4	1,437,852	1,287,852
Credit guarantee fund	25.5	879,194	879,194
		<u>12,817,046</u>	<u>12,267,046</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.

25.1 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.

25.2 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.

25.3 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.

25.4 Industrial credit fund

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

	<u>2010</u> <u>Taka '000</u>	<u>2009</u> <u>Taka '000</u>
25.5 Credit guarantee fund		
<p>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.</p>		
26 Non statutory funds		
Small and Medium Enterprise Fund - Bank	6,000,000	6,000,000
Housing refinance fund	7,000,000	5,000,000
	<u>13,000,000</u>	<u>11,000,000</u>
<p>These funds were created as per clause 24 of Article 16 of the Bangladesh Bank Order, 1972 for refinance to the schedule banks and financial institutions against the loans and advances given to the small enterprise sector and housing refinance scheme. Appropriation to those funds are made as per decision of the Board.</p>		
27 Interest reserve	<u>6,883,328</u>	<u>6,224,828</u>
<p>This reserve was introduced in the financial year 2006-2007, and represents the interest accrued against the overdue loan of Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank. This is kept as a reserve on the grounds of prudence.</p>		
28 General reserve	<u>4,250,500</u>	<u>4,250,500</u>
<p>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 general reserve. Further an amount of Taka 4,220.5 million was transferred to the reserve from general provision.</p>		
28a Consolidated general reserve	<u>4,400,500</u>	<u>4,350,500</u>
29 Interest Income - foreign currency operations		
Foreign currency	426,624	2,075,391
Short term deposits with commercial banks	1,446,546	4,449,631
Bonds	1,958,209	249,869
Interest on US Dollar treasury bills	391,593	275,550
Others	15	10,340
	<u>4,222,987</u>	<u>7,060,781</u>
30 Commission and discounts - foreign currency operations		
Exchange gain	<u>18,447</u>	<u>10,324</u>
31 Interest expenses - foreign currency operations		
Deposits	129,072	530,696
Asian Clearing Union (ACU)	38,521	148,215
Paid to IMF	271,783	522,206
Interest on CBSP	6,500	3,190
	<u>445,876</u>	<u>1,204,307</u>

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

	2010 <u>Taka '000</u>	2009 <u>Taka '000</u>
32 Commission and other expenses - foreign currency operations		
IMF - SDR allocation charges	<u>96,759</u>	<u>77,470</u>
33 Interest income - domestic operations		
Trading securities	7,478,977	17,686,176
Ways and means	58,415	579,004
Debentures	367,384	396,413
Demand loans and employee advances	3,017,071	3,101,082
Repo	165,149	978,551
	<u>11,086,996</u>	<u>22,741,226</u>
33a Consolidated interest income - domestic operations		
Trading securities	7,478,977	17,686,176
Ways and means	58,415	579,004
Debentures	367,384	396,413
Demand loans and employee advances	3,023,018	3,101,082
Repo	165,149	978,551
Short term money market deposits	212,841	274,465
	<u>11,305,784</u>	<u>23,015,691</u>
34 Commission and discounts - domestic operations		
Commission	6,437	16,704
Others	478,297	999,412
	<u>484,734</u>	<u>1,016,116</u>
35 Interest expenses - domestic operations		
Interest paid on Bangladesh Bank bills	<u>121,452</u>	<u>-</u>
36 Commission and other expenses - domestic operations		
Commission paid on short term borrowings-reverse repo	67,214	244,281
Agency charges	779,014	1,205,811
Under writing commission on treasury bills & bonds	112,651	143,726
CDBL charge	19,512	27,450
	<u>978,391</u>	<u>1,621,268</u>
37 General and administrative expenses		
Staff costs (Note 37.1)	2,156,584	1,761,762
Depreciation of plant and equipment	159,556	176,102
Note printing	1,434,373	1,560,826
Directors' fee	200	145
Audit fee	2,600	2,600
Stationery	44,352	35,121
Rent	87,089	76,164
Remittance of treasure	22,439	16,997
Travel expenses	15,154	15,199
Donations	70,159	50,761
Telephone	15,873	18,248
Lunch	162,794	81,232
Staff bus	31,236	27,983
Repairs	75,426	78,281
Miscellaneous	965,644	537,000
	<u>5,243,479</u>	<u>4,438,421</u>

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2010

	2010 Taka '000	2009 Taka '000
37.1 Staff costs		
Salary	1,016,038	894,213
House rent	282,596	293,151
Contribution to contributory provident fund	(33,310)	715
Pension and gratuity	100,145	22,313
Leave encashment	129,258	59,212
General and incentive bonus	334,518	320,021
Income tax paid to government	41,726	25,501
Medical expenses	120,937	98,491
Other staff costs	164,676	48,145
	2,156,584	1,761,762
37a Consolidated general and administration expenses		
Staff costs (Note 37a.1)	2,383,834	1,933,777
Depreciation of property, plant and equipment	249,756	256,023
Directors' fees	416	267
Audit fees	2,800	2,800
Stationery	44,352	35,121
Rent	87,089	76,164
Remittance of treasure	22,439	16,997
Travel expenses	15,154	15,199
Donations	70,159	50,761
Telephone	15,873	18,248
Lunch	183,560	81,232
Staff bus	31,236	27,983
Repairs	86,482	78,281
Materials	1,809,501	1,629,513
Provision for WPPF	50,345	53,383
Income tax	351,251	365,794
VAT	-	123,410
Miscellaneous	1,032,741	618,470
	6,436,988	5,383,423
37a.1 Staff costs		
Salary	1,125,613	980,269
House rent	282,596	293,151
Contribution to contributory provident fund	(33,310)	715
Pension and gratuity	120,934	31,503
Leave encashment	151,149	71,712
General and incentive bonus	359,296	338,548
Income tax paid to government	41,726	25,501
Medical expenses	120,937	98,491
Other staff costs	214,893	93,887
	2,383,834	1,933,777

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

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

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

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

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

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

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

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

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

(ii) Operational risk

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

(iii) Credit risk

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

	2010	2009
	<u>Taka '000</u>	<u>Taka '000</u>

(iv) Credit risk management

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

(v) Concentration of credit exposure

The Bank's significant end of year concentrations of credit exposure were classified by industry of the issuer were as follows:

Bank

Government of Bangladesh	217,882,034	284,741,023
Other Sovereign issuers	460,172,743	204,302,096
Overseas financial institutions	245,102,308	301,184,813
Other banks & financial institution in Bangladesh	136,786,835	101,196,305
Others	242,237	827,511
	<u>1,060,186,157</u>	<u>892,251,748</u>

Consolidated

Government of Bangladesh	217,882,034	284,741,023
Other Sovereign issuers	460,172,743	204,302,096
Overseas financial institutions	245,102,308	301,184,813
Other banks & financial institution in Bangladesh	138,730,805	101,907,899
Others	243,260	2,311,275
	<u>1,062,131,150</u>	<u>894,447,106</u>

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

Bank

Bangladesh	354,911,106	399,220,680
Asia	173,645,959	62,771,149
United States of America	340,588,331	292,961,422
Europe	177,309,200	127,588,589
Australia	13,731,561	9,709,908
	<u>1,060,186,157</u>	<u>892,251,748</u>

Consolidated

Bangladesh	356,856,099	401,416,038
Asia	173,645,959	62,771,149
United States of America	340,588,331	292,961,422
Europe	177,309,200	127,588,589
Australia	13,731,561	9,709,908
	<u>1,062,131,150</u>	<u>894,447,106</u>

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

39 Credit exposures by credit rating

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

Credit Rating	2010		2009		
	Amount (Taka '000)	% of financial assets	Amount (Taka '000)	% of financial assets	
i) Foreign currency financial assets					
Cash balances with central banks	P-1	204,176,852	19.26%	85,346,246	9.57%
Short term investment	P-1	199,393,161	18.81%	123,626,082	13.86%
Short term investment	ST-1	3,611,351	0.34%	-	0.00%
Short term investment	ST-2	10,191,553	0.96%	-	0.00%
Short term investment	ST-3	695,013	0.07%	-	0.00%
US Dollar treasury bills	P-1	166,666,087	15.72%	168,961,755	18.94%
Loans advanced under repo facilities	NR		0.00%	118,955,850	13.33%
Foreign bonds	Aaa	89,329,804	8.43%	4,797,776	0.54%
Gold investment	P-1	4,612,799	0.44%	3,476,890	0.39%
IMF related assets	NR	45,592,263	4.30%	688,534	0.08%
Others	NR	19,412,827	1.83%	6,819,463	0.76%
		743,681,710	70.15%	512,672,596	57.46%
ii) Local currency financial assets					
Cash balances	NR	242,237	0.02%	138,977	0.02%
Loans to government	NR	217,882,034	20.55%	284,741,023	31.91%
Investments	NR	7,730,000	0.73%	8,080,833	0.91%
Loans to banks, fin. institution & employees	NR	90,650,176	8.55%	86,618,319	9.71%
		316,504,447	29.85%	379,579,152	42.54%
Total financial assets (i+ii)		1,060,186,157	100.00%	892,251,748	100.00%

39b Consolidated credit exposures by credit rating

i) Foreign currency financial assets					
Cash balances with central banks	P-1	204,176,852	19.22%	85,346,246	9.54%
Short term investment	P-1	199,393,161	18.77%	123,626,082	13.82%
Short term investment	ST-1	3,611,351	0.34%	-	0.00%
Short term investment	ST-2	10,191,553	0.96%	-	0.00%
Short term investment	ST-3	695,013	0.07%	-	0.00%
US Dollar Treasury bills	P-1	166,666,087	15.69%	168,961,755	18.89%
Loans advanced under repo facilities	NR		0.00%	118,955,850	
Foreign bonds	Aaa	89,329,804	8.41%	4,797,776	0.54%
Gold investment	P-1	4,612,799	0.43%	3,476,890	0.39%
IMF related assets	NR	45,592,263	4.29%	688,534	0.08%
Others	NR	19,412,827	1.83%	6,819,463	0.76%
		743,681,710	70.02%	512,672,596	57.32%
ii) Local currency financial assets					
Cash balances	NR	243,260	0.02%	1,622,741	0.18%
Loans to government	NR	217,882,034	20.51%	284,741,023	31.83%
Investments	NR	9,446,881	0.89%	8,792,427	0.98%
Loans to banks, fin. institution & employees	NR	90,877,265	8.56%	86,618,319	9.68%
		318,449,440	29.98%	381,774,510	42.68%
Total financial assets (i+ii)		1,062,131,150	100%	894,447,106	100.00%

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

40 Interest rate risk

Interest rate risk is the risk of loss arising from changes in interest rates. The bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. Since the primary objective of the Bank is to achieve and maintain price stability, it determines at its own discretion the monetary policy that it will implement and the monetary policy instruments that is going to use in order to achieve and maintain price stability. The Bank's interest sensitivity position based on contractual re-pricing arrangements as on 30 June 2010 is presented below. It includes the Bangladesh Bank's financial statements at carrying amounts, categorized by the earlier of contractual re-pricing of maturity dates. Assets and liabilities will mature or re-price within the following period:

Taka '000

Particulars	Balance as at 30 June 2010	Floating interest %	Re-pricing period				Weighted average interest
			0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	

Assets

Foreign currency financial assets

Foreign currency accounts	204,176,852	-	204,176,852	-	-	-	0.31%
Foreign investments	474,499,768	-	213,421,602	176,564,259	82,428,868	2,085,039	0.85%
Assets held with IMF	45,592,263	-	45,559,847	-	-	32,416	0.17%
Other foreign assets	19,412,827	-	1,606,950	17,805,797	-	80	1.19%
	743,681,710		464,765,251	194,370,056	82,428,868	2,117,535	

Local currency financial assets

Cash and cash equivalents	242,237	-	242,237	-	-	-	-
Loans to the government	217,882,034	-	1,491,163	15,000,000	75,469,490	125,921,381	3.21%
Investments in shares and debentures	7,730,000	-	200,000	370,000	3,880,000	3,280,000	5.48%
Loan to banks, financial institutions and employees	90,650,176	5%	10,919,149	-	28,224,646	51,506,381	3.31%
	316,504,447		12,852,549	15,370,000	107,574,136	180,707,762	
Total financial assets	1,060,186,157		477,617,800	209,740,056	190,003,004	182,825,297	

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

Taka '000

Particulars	Balance as at 30 June 2010	Floating interest %	Re-pricing period				Weighted average interest
			0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	

Liabilities**Foreign currency financial liabilities**

Liabilities with the IMF	88,363,476	-	-	-	-	88,363,476	0.28%
Deposits from banks and financial institutions	105,674,057	-	105,674,057	-	-	-	0.19%
Others foreign liabilities	1,248,274	-	-	-	-	1,248,274	-
	195,285,807		105,674,057	-	-	89,611,750	-

Local currency financial liabilities

Notes in circulation	499,479,657	-	499,479,657	-	-	-	-
Short term borrowing	21,387,466	-	21,387,466	-	-	-	0.19%
Deposits from banks and financial institutions	236,625,764	-	236,625,764	-	-	-	-
	757,492,887	-	757,492,887	-	-	-	-
Total financial liabilities	952,778,694	-	863,166,944	-	-	89,611,750	-

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

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2010

40a Consolidated interest rate risk

Taka '000

Particulars	Balance as at 30 June 2010	Floating interest %	Re-pricing period				Weighted average interest
			0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
Assets							
Foreign currency financial assets							
Foreign currency accounts	204,176,852	-	204,176,852	-	-	-	0.31%
Foreign investments	474,499,768	-	213,421,602	176,564,259	82,428,868	2,085,039	0.85%
Assets held with IMF	45,592,263	-	45,559,847	-	-	32,416	0.17%
Other foreign assets	19,412,827	-	1,606,950	17,805,797	-	80	1.19%
	743,681,710		464,765,251	194,370,056	82,428,868	2,117,535	
Local currency financial assets							
Cash and cash equivalents	243,260	-	243,260	-	-	-	-
Loans to government	217,882,034	-	1,491,163	15,000,000	75,469,490	125,921,381	3.21%
Investments	9,446,881	-	200,000	370,000	6,085,319	2,791,562	6.89%
Loan to banks, financial institutions and employees	90,877,265	5%	10,919,149	-	28,224,646	51,733,470	3.31%
	318,449,440		12,853,572	15,370,000	109,779,455	180,446,413	
Total financial assets	1,062,131,150		477,618,823	209,740,056	192,208,323	182,563,948	

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2010

Taka '000

Particulars	Balance as at 30 June 2010	Floating interest %	Re-pricing period				Weighted average interest
			0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
Liabilities							
Foreign currency financial liabilities							
Liabilities with the IMF	88,363,476	-	-	-	-	88,363,476	0.28%
Deposits from banks and financial institutions	105,674,057	-	105,674,057	-	-	-	0.19%
Others foreign liabilities	1,248,274	-	-	-	-	1,248,274	-
Total foreign currency financial liabilities	195,285,807		105,674,057	-	-	89,611,750	
Local currency financial liabilities							
Notes in circulation	499,479,657	-	-	-	-	-	-
Short term borrowing	21,387,466	-	-	-	-	-	0.19%
Deposits from banks and financial institutions	236,625,764	-	-	-	-	-	-
Total local currency financial liabilities	757,492,887	-	757,492,887	-	-	-	-
Total financial liabilities	952,778,694		863,166,944	-	-	89,611,750	

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

41 Liquidity risk

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

Assets and liabilities will mature within the following periods:

Taka '000

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign currency financial assets						
Foreign currency accounts	204,176,852	-	-	-	-	204,176,852
Foreign investments	73,202,954	140,218,648	176,564,259	82,428,868	2,085,039	474,499,768
Assets held with IMF	45,559,847	-	-	-	32,416	45,592,263
Other foreign assets	-	1,606,950	17,805,797	-	80	19,412,827
	322,939,653	141,825,598	194,370,056	82,428,868	2,117,535	743,681,710
Local currency financial assets						
Cash and cash equivalents	242,237	-	-	-	-	242,237
Loans to government	-	1,491,163	15,000,000	75,469,490	125,921,381	217,882,034
Investments in shares and debentures	70,000	130,000	370,000	3,880,000	3,280,000	7,730,000
Loan to banks, financial institutions and employees	10,919,149	-	-	28,224,646	51,506,381	90,650,176
	11,231,386	1,621,163	15,370,000	107,574,136	180,707,762	316,504,447
Non-financial assets						
Gold and silver	5,350,004	-	-	-	-	5,350,004
Property, plant and equipment	-	-	-	58,929	24,697,207	24,756,136
Capital work in progress	-	-	-	-	46,825	46,825
Other Local assets	1,132,125	30,532	376,826	-	44,356	1,583,839
	6,482,129	30,532	376,826	58,929	24,788,388	31,736,804
Total assets	340,653,168	143,477,293	210,116,882	190,061,933	207,613,685	1,091,922,961

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2010

Taka '000

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign currency financial liabilities						
Liabilities with the IMF	-	-	-	-	88,363,476	88,363,476
Deposits from banks and financial institutions	63,675,478	41,998,579	-	-	-	105,674,057
Others foreign liabilities	-	-	-	-	1,248,274	1,248,274
	63,675,478	41,998,579	-	-	89,611,750	195,285,807
Local currency financial liabilities						
Notes in circulation	499,479,657	-	-	-	-	499,479,657
Short term borrowing	21,387,466	-	-	-	-	21,387,466
Deposits from banks and financial institutions	236,625,764	-	-	-	-	236,625,764
	757,492,887	-	-	-	-	757,492,887
Local currency non financial liabilities						
Others domestic liabilities	5,982	6,120,804	1,838,780	29,414,058	21,371,273	58,750,897
Total liabilities	821,174,347	48,119,383	1,838,780	29,414,058	110,983,023	1,011,529,591
Capital and reserve	-	-	-	-	80,393,370	80,393,370
Total liability and equity	821,174,347	48,119,383	1,838,780	29,414,058	191,376,393	1,091,922,961
Gap analysis						
Gap per individual band	(480,521,179)	95,357,910	208,278,102	160,647,875	16,237,292	-

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

41 a Consolidated liquidity risk

Taka '000

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign currency financial assets						
Foreign currency accounts	204,176,852	-	-	-	-	204,176,852
Foreign investments	73,202,954	140,218,648	176,564,259	82,428,868	2,085,039	474,499,768
Assets held with IMF	45,559,847	-	-	-	32,416	45,592,263
Other foreign assets	-	1,606,950	17,805,797	-	80	19,412,827
	322,939,653	141,825,598	194,370,056	82,428,868	2,117,535	743,681,710
Local currency financial assets						
Cash and cash equivalents	243,260	-	-	-	-	243,260
Loans to government	-	1,491,163	15,000,000	75,469,490	125,921,381	217,882,034
Investments in shares and debentures	70,000	130,000	370,000	6,085,319	2,791,562	9,446,881
Loan to banks, financial institutions and employees	10,919,149	-	-	28,224,646	51,733,470	90,877,265
	11,232,409	1,621,163	15,370,000	109,779,455	180,446,413	318,449,440
Other non-financial assets						
Gold and silver	5,350,004	-	-	-	-	5,350,004
Property, plant and equipment	-	-	-	58,929	26,607,819	26,666,748
Capital work in progress	-	-	-	-	51,103	51,103
Other Local assets	522,644	1,871,550	417,054	688,769	44,356	3,544,373
	5,872,648	1,871,550	417,054	747,698	26,703,278	35,612,228
Total assets	340,044,710	145,318,311	210,157,110	192,956,021	209,267,226	1,097,743,378

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2010

Taka '000

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign currency financial liabilities						
Liabilities with the IMF	-	-	-	-	88,363,476	88,363,476
Deposits from banks and financial institutions	63,675,478	41,998,579	-	-	-	105,674,057
Others foreign liabilities	-	-	-	-	1,248,274	1,248,274
	63,675,478	41,998,579	-	-	89,611,750	195,285,807
Local currency financial liabilities						
Notes in circulation	499,479,657	-	-	-	-	499,479,657
Short term borrowing	21,387,466	-	-	-	-	21,387,466
Deposits from banks and financial institutions	236,625,764	-	-	-	-	236,625,764
	757,492,887	-	-	-	-	757,492,887
Local currency non-financial liabilities						
Others domestic liabilities	60,862	6,120,804	1,283,660	29,414,058	22,575,697	59,455,081
Total liabilities	821,229,227	48,119,383	1,283,660	29,414,058	112,187,447	1,012,233,775
Capital and reserve	-	-	-	-	85,509,603	85,509,603
Total liability and equity	821,229,227	48,119,383	1,283,660	29,414,058	197,697,050	1,097,743,378
Gap analysis						
Gap per individual band	(481,184,517)	97,198,928	208,873,450	163,541,963	11,570,176	-

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

42 Currency risk

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

Foreign currency monetary assets and liabilities

Taka
'000

Particulars	US\$ equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Yen equivalent	C\$ equivalent	AUD equivalent	SDR equivalent	Others equivalent
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Assets

Held in other Central Banks and cash deposit abroad	127,688,396	-	72,748,147	788,070	935,564	744,921	1,231,548	-	40,206
Short term investment in overseas commercial banks	90,740,231	4,612,799	43,110,293	60,973,990	1,248,274	2,289,602	15,525,261	-	3,428
Treasury bills	166,666,087	-	-	-	-	-	-	-	-
Foreign bonds	54,112,378	-	11,286,976	8,844,358	-	3,696,707	11,389,385	-	-
Loan to other banks	17,805,797	-	-	-	-	-	-	-	80
Interest receivable	1,253,899	-	143,240	17,999	-	13,112	178,699	-	-
Asset held with IMF	-	-	-	-	-	-	-	45,592,263	-
Total	458,266,788	4,612,799	127,288,656	70,624,417	2,183,838	6,744,342	28,324,893	45,592,263	43,714

Liabilities

Deposits from other banks	61,215,435	-	1,452,337	999,796	7,910	-	-	-	-
Due to Asian Clearing Union	41,998,579	-	-	-	-	-	-	-	-
Liabilities to IMF	-	-	-	-	-	-	-	6,907,532	-
Loan under poverty reduction and growth facility	-	-	-	-	-	-	-	28,993,726	-
SDR allocation	-	-	-	-	-	-	-	52,462,218	-
Others-JDR balance	-	-	-	-	1,248,274	-	-	-	-
Total	-	-	1,452,337	999,796	1,256,184	-	-	88,363,476	-
Net	355,052,774	4,612,799	125,836,319	69,624,621	927,654	6,744,342	28,324,893	(42,771,213)	43,714

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

43 Sensitivity Analysis

At 30 June 2010, if interest rates had been 100 basis points lower with all other variables constant, profit for the year would have been 9,762 million Taka lower (2009: Tk. 2,064 million), arising mainly as a result of lower interest income on financial assets. Conversely, if interest rates had been 100 basis point higher with all other variables held constant profit for the year would have been 9,762 million Taka higher (2009: Tk.2,064 million) arising mainly as a result of higher interest income on financial assets. Profit is very sensitive to changes in interest rates as interest is the principal source of income of the bank.

At 30 June 2010 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 2,008 million Taka higher, (2009: Tk.3,084.8 million). Conversely, if the Taka had strengthened 10 per cent against the same currencies with all other variables held constant the Bank would have experienced a reduction of profit for the year of Taka 2,008 million, (2009: Tk.3,084.8 million). Profit is very sensitive to changes in exchange rate movements. The bank as part of its core functions holds substantial foreign currency assets.

Fair Value

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

	Carrying value		Fair value	
	2010	2010	2010	2010
Financial assets				
Foreign currency accounts	204,176,852	204,176,852	204,176,852	204,176,852
Foreign investments	474,499,768	474,499,768	474,499,768	474,499,768
IMF related assets	45,592,263	45,592,263	45,592,263	45,592,263
Other foreign assets	19,412,827	19,412,827	19,412,827	19,412,827
Loans to government	217,882,034	217,882,034	217,882,034	217,882,034
Investments in shares and debentures	7,730,000	7,730,000	7,730,000	7,730,000
Loans to banks and financial institution	90,650,176	90,650,176	90,650,176	90,650,176
Cash and cash equivalent	242,237	242,237	242,237	242,237
Financial liabilities				
Liabilities with IMF	88,363,476	88,363,476	88,363,476	88,363,476
Deposits from banks and fin. institutions	342,299,821	342,299,821	342,299,821	342,299,821
Notes in circulation	499,479,657	499,479,657	499,479,657	499,479,657
Short term borrowing	21,387,466	21,387,466	21,387,466	21,387,466
Other foreign liabilities	1,248,274	1,248,274	1,248,274	1,248,274

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2010

43a Consolidated fair value

	Carrying value		Fair value	
	2010	2010	2010	2010
Financial assets				
Foreign currency accounts	204,176,852	204,176,852	204,176,852	204,176,852
Foreign investments	474,499,768	474,499,768	474,499,768	474,499,768
IMF related assets	45,592,263	45,592,263	45,592,263	45,592,263
Other foreign assets	19,412,827	19,412,827	19,412,827	19,412,827
Loans to government	217,882,034	217,882,034	217,882,034	217,882,034
Consolidated investments	9,446,881	9,446,881	9,446,881	9,446,881
Loans to banks and financial institutions	90,877,265	90,877,265	90,877,265	90,877,265
Cash and cash equivalent	243,260	243,260	243,260	243,260
Financial liabilities				
Liabilities with IMF	88,363,476	88,363,476	88,363,476	88,363,476
Deposits from banks and fin. institutions	342,299,821	342,299,821	342,299,821	342,299,821
Notes in circulation	499,479,657	499,479,657	499,479,657	499,479,657
Short term borrowings	21,387,466	21,387,466	21,387,466	21,387,466
Other financial liabilities	1,248,274	1,144,570	-	-

Determination of fair value of financial assets

The fair value of foreign securities held to maturity is based on quoted market prices, at the financial position date. As explained in note 45, available-for-sale securities are SPC shares with a value of BDT 500,000,000 (2008: BDT 500,000,000) for which fair value cannot be reliably determined as they are not traded in the active market and there are no similar instruments with similar characteristics. The Bank management believes that the fair value of these shares are their carrying value. Government securities (overdraft-block and current) are carried at cost as the interest accrued is recovered on daily basis. Other government securities (Govt. treasury bills and bonds) are carried at amortised cost. Loans to banks, financial institution and employees are carried at amortised cost and are net of provisions for impairment. These types of loans were granted with the same interest rate and there are no other similar loans with similar characteristics. Therefore, their fair value approximates their carrying value.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

44 Classification of financial instruments

Financial Assets

Taka '000

Items	Loans and receivables	Held to maturity	Assets at fair value through profit or loss	Available for sale	Other financial assets	Total
Cash and cash equivalents	242,237	-	-	-	-	242,237
Foreign currency accounts	-	-	204,176,852	-	-	204,176,852
Foreign investments:						
Short term investments with overseas commercial banks	213,891,078	-	166,666,087	-	-	166,666,087
US Dollar Treasury Bills	-	-	-	-	-	166,666,087
Gold investment	-	4,612,799	-	-	-	4,612,799
Foreign Bonds	-	-	89,329,804	-	-	89,329,804
Asset held with IMF	-	-	45,592,263	-	-	45,592,263
Other foreign assets:						
Loans to other banks	17,805,797	-	-	-	-	17,805,797
Swift share	-	-	-	-	80	80
Interest receivable	1,606,950	-	-	-	-	1,606,950
Loans to government:						
Overdraft - block (government treasury bills)	191,510,000	-	-	-	-	191,510,000
Treasury bills	-	1,491,163	-	-	-	1,491,163
Treasury bonds	-	24,880,871	-	-	-	24,880,871
Investments in shares and debentures:						
Debenture - HBFC	7,230,000	-	-	-	-	7,230,000
Investment in subsidiary	-	-	-	500,000	-	500,000
Loans to banks and financial institutions:						
Loan to Commercial banks	-	59,269	-	-	-	59,269
Loan to Specialized banks	-	51,316,414	-	-	-	51,316,414
Loan to Private banks	-	3,249,109	-	-	-	3,249,109
Other loans and advances	-	13,829,757	-	-	-	13,829,757
Interest receivable	-	7,484,208	-	-	-	7,484,208
Loans and advances to employees	-	14,711,419	-	-	-	14,711,419
Total	432,286,062	121,635,009	505,765,006	500,000	80	1,060,186,157
Interest/commission received	6,915,627	6,043,758	2,857,936	62,500	-	15,879,821

Financial Liabilities

Items	Carried at amortized cost	Liabilities through profit or loss	Other financial liabilities	Total
Liabilities with IMF	88,363,476	-	-	88,363,476
Deposits from banks and financial institutions:				
Foreign currency deposits by commercial banks	63,675,478	-	-	63,675,478
Asian Clearing Union (ACU)	41,998,579	-	-	41,998,579
Other foreign liabilities	1,248,274	-	-	1,248,274
Notes in circulation	499,479,657	-	-	499,479,657
Short term borrowing	21,387,466	-	-	21,387,466
Deposits from banks and financial institution	236,625,764	-	-	236,625,764
Total	952,778,694	-	-	952,778,694
Interest / commission paid	1,642,478	-	-	1,642,478

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

44a Consolidated Classification of financial instruments

Financial Assets

Taka '000

Items	Loans and receivables	Held to maturity	Assets at fair value through profit or loss	Available for sale	Other financial assets	Total
Cash and cash equivalents	243,260	-	-	-	-	243,260
Foreign currency accounts	-	-	204,176,852	-	-	204,176,852
Foreign investments:						
Short term investments with overseas commercial banks	213,891,078	-	-	-	-	213,891,078
US Dollar Treasury Bills	-	-	166,666,087	-	-	166,666,087
Gold investment	-	4,612,799	-	-	-	4,612,799
Foreign Bonds	-	-	89,329,804	-	-	89,329,804
Asset held with IMF	-	-	45,592,263	-	-	45,592,263
Other foreign assets:						
Loans to other banks	17,805,797	-	-	-	-	17,805,797
Swift share	-	-	-	-	80	80
Interest receivable	1,606,950	-	-	-	-	1,606,950
Loans to the government						
Overdraft - block (government treasury bills)	191,510,000	-	-	-	-	191,510,000
Treasury bills	-	1,491,163	-	-	-	1,491,163
Treasury bonds	-	24,880,871	-	-	-	24,880,871
Investments in shares and debentures:						
Debenture - House Building Finance Corporation	7,230,000	-	-	-	-	7,230,000
Short term money market investments	-	2,209,429	-	-	-	2,209,429
Share of ICB Islamic Bank Limited	-	-	-	7,452	-	7,452
Loans to banks and financial institutions:						
Loan to Commercial banks	-	59,269	-	-	-	59,269
Loan to Specialized banks	-	51,316,414	-	-	-	51,316,414
Loan to Private banks	-	3,249,109	-	-	-	3,249,109
Other loans and advances	-	13,829,757	-	-	-	13,829,757
Interest receivable	-	7,484,208	-	-	-	7,484,208
Loans and advances to employees	-	14,938,508	-	-	-	14,938,508
Total	432,287,085	124,071,527	505,765,006	7,452	80	1,062,131,150
Interest/commission received	6,915,627	6,279,392	2,857,936	-	-	16,052,955

Financial Liabilities

Taka '000

Items	Held for trading	Liabilities through profit or loss	Other financial liabilities	Total
Liabilities with IMF	88,363,476	-	-	88,363,476
Deposits from banks and financial institutions:				
Foreign currency deposits by commercial banks	63,675,478	-	-	63,675,478
Asian Clearing Union (ACU)	41,998,579	-	-	41,998,579
Other foreign liabilities	1,248,274	-	-	1,248,274
Notes in circulation	499,479,657	-	-	499,479,657
Short term borrowing	21,387,466	-	-	21,387,466
Deposits from banks and financial institution	236,625,764	-	-	236,625,764
Total	952,778,694	-	-	952,778,694
Interest/commission paid	1,642,478	-	-	1,642,478

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

45 Contingent liabilities

The Bank had contingent liabilities for guarantees outstanding as at June 30, 2010 amounting to Taka 46,566 million (2009: 38,105 million) secured by counter guarantees from the Government of Bangladesh.

The Bank had 4 pending litigations against which possible liability was Taka 5.93 million as at the reporting date. No provisions have been made in the financial statements in respect of these as it was not possible to determine the outcome of these cases with reasonable assurance.

46 Operating segments

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

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

47 Retirement benefit plans

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

47.1 For employees employed before 17 February 1983

(a) *Contributory Provident Fund (CPF)*

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

(b) *Gratuity scheme*

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

47.2 For employees employed after 17 February 1983

(a) *General Provident Fund (GPF)*

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

(b) *Pension scheme*

The employees are entitled to get pension amounting to maximum 80% of their last basic salary. 50% of the pension amount is paid as a lump sum computed at the rate of Tk. 200 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. 100 per Tk.1 or to receive their pension monthly over the remaining lifetime.

All employees irrespective of joining date are entitled to Tk. 500 per month (Tk. 700 per month from July 1, 2010) as medical allowance in cash and a maximum of Tk.1,000 per year in the form of medicine even after retirement.

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

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

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

47.3 Actuarial valuation of defined benefit plans

The Bank at first carried actuarial valuation for the pension fund and gratuity fund during the year 2003-2004 and then in the year 2005-2006. Later on the Bank appointed an actuarial firm (Z. Halim and Associates) to calculate actuarial valuation of pension and gratuity scheme for the year 2008-2009. Due to implementation of new pay scale from 1 July 2009 the actuarial firm was requested to calculate actuarial valuation for pension and gratuity scheme on the basis of pay as on 1 July 2009. As the Pay fixation of all employees was not completed the Bank was not able to provide the pay information to the actuarial firm as on 1 July 2009. During the year the Bank provide a lump sum amount to those funds. The balance of the funds is as under:

Taka '000

Particulars	Pension plans		Gratuity plans	
	2009-2010	2008-2009	2009-2010	2008-2009

Amounts recognised in the reporting date

Balance at the beginning of the year	2,910,350	2,676,387	1,730,197	2,142,763
Paid during the year	(207,751)	(94,766)	(48,274)	(83,837)
Transferred to other fund / adjustment	-	-	-	(469,015)
Current year's provision	50,000	328,729	50,000	140,286
Balance of the fund	2,752,599	2,910,350	1,731,923	1,730,197

Any shortfall arise on receiving report from the actuarial firm will be adjusted in the following year.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

48 Capital commitment

As at June 30, 2010 the Bank had outstanding capital commitment with respect to different civil constructions amounting to Tk. 2 million (2009: Tk. 50.58 million). The Bank also committed to incur capital expenditure of Taka 16.20 million in respect of other capital items.

49 Related parties transaction**49.1 Transactions with government and government controlled enterprises**

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

- (a) Acting as the fiscal agent, banker and financial advisor of the government; the Bank is the depository of the government and or its agents or institutions provide banking services to government and government departments and corporations;
- (b) Acting as the agent of the government or its agencies and institutions, provide guarantees, participate in loans to government or related institutions and foreign reserve;
- (c) The Bank does not ordinarily collect any commission, fees, or other charges for services which it renders to the government and related entities;
- (d) Acting as the agent of the government, the Bank issues securities of government, purchases any unsubscribed portion of any issue and amounts set aside for the Bank; and
- (e) As the agent of the government manages public debt and foreign reserve.

During the year the Bank received an amount of Taka 1343.35 billion and paid Taka.1286.88 billion on behalf of government. As at 30 June 2010, total outstanding balance was Taka 217.88 billion.

49.2 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. 367 million included in the interest income.

49.3 Transactions with retirement benefit plans

The Bank contribute Taka 100 million from the charges account to the retirement benefit plans (consisting of contribution to pension plans including widow/widowers). Amounts of balances held in the financial statements maintained by these retirement benefit plans are given in note 47.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2010

49.4 Board of Directors of Bangladesh Bank and key Management Personnel

- (a) Dr. Atiur Rahman - appointed as the Chairman of the Board of Directors and also as the Governor of the Bangladesh Bank for a period of four years from 1 May 2009.
- (b) Mr. Md. Nazrul Huda- appointed as the Director of the Board of Bangladesh Bank on 11 June 2007 for a period until further order and also hold the post of Deputy Governor, Bangladesh Bank.
- (c) Dr. Mohammad Tareque - appointed as the Director of the Board of Bangladesh Bank on 13 February 2007 for a period until further order and hold the post of Secretary, Finance Division, Ministry of Finance, Govt. of the Peoples Republic of Bangladesh.
- (d) Dr. Nasiruddin Ahmed - appointed as the Director of the Board of Bangladesh Bank on 22 April 2009 for a period until further order and hold the post of Secretary, Internal Resources Division & Chairman, National Board of Revenue, Govt. of the Peoples Republic of Bangladesh, Shegunbagicha, Dhaka.
- (e) Dr. Mustafa Kamal Mujeri - appointed as the Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years and hold the post of Executive Director, Bangladesh Institute of Development Studies, Sher-E-Bangla nagar, Dhaka.
- (f) Prof. Sanat Kumar Saha - appointed as the Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. He is an Ex-professor, Rajshahi University, Rajshahi.
- (g) Dr. Sadiq Ahmed - appointed as the Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. He is an Ex-Director, World Bank, Maryland, U S A.
- (h) Prof. Hannana Begum - appointed as the Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. She is an Ex-Principal, Eden College, Dhaka.
- (i) Mr. Md. Shafiqur Rahman Patwari - appointed as the Director of the Board of Bangladesh Bank on 22 March 2010 for a period until further order and hold the post of Secretary, Banking and Financial Institution Division, Ministry of Finance, Govt. of the Peoples Republic of Bangladesh.

49.5 Share based payment

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

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

Members of the Board of Directors received remuneration totaling Tk. 199,780 and the Governor received salary totaling Tk.480,000. 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 totaling Tk.1440,000. In addition, they availed official residence as well as transport.

50 Events after the reporting date

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

51 Directors' responsibility for financial reporting

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