

## BANGLADESH BANK'S ACCOUNTS FOR 2010-2011

13.1 The financial result of operations of Bangladesh Bank for the FY11 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 percent owned subsidiary of Bangladesh Bank, has been consolidated with the accounts of Bangladesh Bank. The executive summary of Accounts of Bangladesh Bank (excluding SPCL) is represented below:

### Income

13.2 The total income of the Bank (excluding other comprehensive income) for the FY11 increased by Taka 16.0 billion (81.2 percent) to Taka 35.7 billion compared to Taka 19.7 billion in FY10. The increase in income was mainly due to increase both in income from foreign and local investment. The sources of income are set out in the Table 13.1.

### Income from Foreign Currency Financial Assets

13.3 During FY11 Bank's income from the foreign currency financial assets increased by Taka 5.3 billion (123.2 percent) to Taka 9.6 billion compared to Taka 4.3 billion in FY10 due to increase in income on foreign investments.

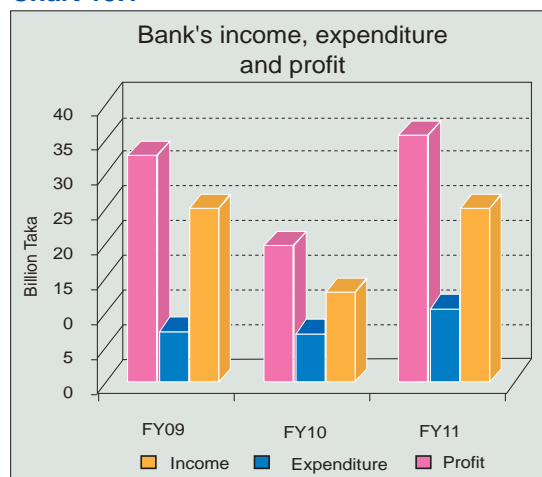
### Income from Local Currency Financial Assets

13.4 Bank's income from local currency financial assets increased by Taka 7.2 billion (57.1 percent) to Taka 19.8 billion in FY11 compared to Taka 12.6 billion in FY10. This was due to increase in income from government securities and repo operation.

**Table 13.1 Sources of income** (Billion Taka)

	FY11	FY10
<b>A. Income from foreign</b>		
<b>currency financial assets</b>	<b>9.6</b>	<b>4.3</b>
Interest income	9.5	4.2
Commission and discounts	0.1	0.1
<b>B. Income from local currency</b>		
<b>financial assets</b>	<b>19.8</b>	<b>12.6</b>
Interest income	19.0	11.6
Commission & discounts	0.3	0.4
Dividend income & misc.	0.1	0.1
Write back of impairment	0.4	0.5
<b>C. Realised foreign exchange</b>		
<b>revaluation gain</b>	<b>6.3</b>	<b>2.8</b>
<b>Total : (A+B+C)</b>	<b>35.7</b>	<b>19.7</b>

**Chart 13.1**



### Income from Realised Foreign Currency Revaluation Gain

13.5 During FY11 Bank's income from realised foreign currency revaluation gain

increased by Taka 3.5 billion (125 percent) to Taka 6.3 billion compared to Taka 2.8 billion in FY10

### Expenditure

13.6 Total expenditure of the Bank increased by Taka 3.8 billion (55.9 percent) to Taka 10.6 billion in FY11 compared to Taka 6.8 billion in FY10. The increase in expenditure was mainly due to increase in both financial and administrative cost. The details of expenditure are shown in the Table 13.2.

### Financial Cost

13.7 Financial cost increased by Taka 1.8 billion (112.5 percent) to Taka 3.4 billion in FY11 compared to Taka 1.6 billion in FY10. This was mainly due to increase in payment of agency charges to Sonali Bank and loss on bond revaluation.

### Administrative Cost

13.8 Administrative cost increased by Taka 2.0 billion (38.5 percent) to Taka 7.2 billion in FY11 compared to Taka 5.2 billion in FY10. The increase was mainly due to increase in staff cost and note printing cost.

### Operating Profit

13.9 Operating profit of the bank increased by Taka 12.2 billion (94.6 percent) to Taka 25.1 billion in FY11 compared to Taka 12.9 billion in FY10.

### Revaluation

13.10 During the year the Bank earned an amount of Taka 74.4 billion as revaluation gain of foreign currency, gold and silver. These revaluation gains were taken into comprehensive income and subsequently transferred to the reserve account. Revaluation gain arose due to movement of conversion rates of Taka against major currencies and increase in value of gold and silver in the international market.

**Table 13.2 Bank's expenditure**

(Billion Taka)

Particulars	FY11	FY10
<b>A. Financial cost</b>	<b>3.4</b>	<b>1.6</b>
Interest paid on deposit	0.1	0.1
Interest paid on ACU	0.1	0.1
Interest and commission paid to IMF	0.5	0.4
Interest paid on BB bill	0.1	0.1
Agency charges	1.6	0.8
Revaluation loss on bonds	0.8	-
Others	0.2	0.1
<b>B. Administrative cost</b>	<b>7.2</b>	<b>5.2</b>
Staff cost	3.7	2.2
Note printing	2.1	1.4
Other related expenses	1.4	1.6
<b>Total expenditure (A+B)</b>	<b>10.6</b>	<b>6.8</b>

### Profit Appropriation

13.11 Out of the net operating profit (25.1 billion) an amount of Taka 9.0 billion were transferred to statutory funds, interest reserve account and other funds. The remaining profit amount of Taka 16.1 billion and the previous year's retained earnings of Taka 0.5 billion, total Taka 16.6 billion was transferred to the Government account, which was Taka 10.5 billion higher compared to Taka 6.1 billion of the previous year.

### Combined Balance Sheet of Banking and Issue Department

#### Assets

13.12 Foreign currency financial assets increased by Taka 34.8 billion (4.7 percent) to Taka 778.5 billion in FY'11 compared to Taka 743.7 billion in FY10 due to increase in foreign reserves.

13.13 Local currency financial assets increased by Taka 189.3 billion (59.8 percent) to Taka 505.8 billion in FY11 compared to Taka 316.5 billion in FY10. The result was mainly due to increase in loans to Government (Taka 217.9 billion in FY10 and Taka 313.5 billion in FY11), investment in repo and loans to banks, financial

institutions and employees (total Taka 184.8 billion in FY11 and Taka 90.6 billion in FY10).

13.14 Non financial assets of the Bank increased from Taka 32.2 billion in FY10 to Taka 64.8 billion in FY11 due to revaluation of gold and silver.

### Liabilities

13.15 On the liabilities side, foreign currency financial liabilities increased by Taka 51.6 billion (26.4 percent) to Taka 246.8 billion in FY11 from Taka 195.2 billion in FY10. The increase was due to increase in liabilities with IMF and increase in deposits from banks and financial institutions in foreign currency clearing account and liabilities with Asian Clearing Union (ACU).

13.16 Local currency financial liabilities increased by Taka 133.6 billion (17.6 percent) to Taka 891.1 billion in FY11 compared to Taka 757.5 billion in FY10 due to increase in Notes in Circulation and deposits from banks and financial institution in local currency.

13.17 Non financial liabilities decreased by Taka 11.2 billion (18.9 percent) to Taka 48.1 billion in FY11 compared to Taka 59.3 billion in FY10. Profit payable to the Government increased by Taka 10.5 billion (172.1 percent) to Taka 16.6 billion in FY11 compared to Taka 6.1 billion in FY10.

### Equity

13.18 Total equity of the bank increased by Taka 82.7 billion to Taka 163.1 billion in FY11 compared to the previous year of Taka 80.4 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 remained unchanged at Taka 22.1 billion;
- III. Appreciation on Gold and silver reserves increased from Taka 8.8 billion to Taka 19.9 billion;

- IV. Foreign currency revaluation reserves stood at Taka 63.3 billion;
- V. Balance of statutory fund increased from Taka 12.8 billion to Taka 13.3 billion;
- VI. General reserve remained unchanged at Taka 4.3 billion;
- VII. Interest reserve increased from Taka 6.9 billion to Taka 7.6 billion;
- VIII. Asset renewal and replacement reserve increased from Taka 1.6 billion to Taka 1.9 billion;
- IX. Currency fluctuation reserve increased from Taka 10.8 billion to Taka 17.1 billion;
- X. Balance of non statutory fund increased from 13.0 billion to Taka 13.6 billion

### Foreign Currency Reserve

13.19 Foreign currency reserve increased by Taka 62.9 billion (8.42 percent) to Taka 810.0 billion in FY11 compared to Taka 747.1 billion in FY10.

### Notes in Circulation

13.20 Notes in circulation increased by Taka 99.7 billion to Taka 599.2 billion in FY11 compared to Taka 499.5 billion in FY10. The liabilities for notes in circulation amounting to Taka 599.2 billion were backed by Gold and Silver Taka 7.1 billion, foreign currencies Taka 400.0 billion, Government Securities Taka 156.9 billion, Bangladesh Coins Taka 0.3 billion and other Domestic assets Taka 34.9 billion.

### Auditors

13.21 The financial statements of Bangladesh Bank for the FY11 were audited as per International Standards on Auditing (ISA) by ACNABIN Chartered Accountants, an independent member firm of Baker Tilly International and Syful Shamsul Alam & Co. Chartered Accountants, a member of UHY international.

# **BANGLADESH BANK**

REPORT AND FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 30 JUNE 2011

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

We have audited the accompanying consolidated financial statements of Bangladesh Bank and its subsidiary (the "Group") as well as the financial statements of Bangladesh Bank ("the Bank") which comprise the statement of financial position as at 30 June 2011 and the statement of comprehensive income, statement of changes in equity, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the subsidiary, the Security Printing Corporation (Bangladesh) Ltd., was audited by Ahmad & Akhtar, Chartered Accountants.

The financial statements of the Bank for the year ended 30 June 2010 were jointly audited by A. Qasem & Co., Chartered Accountants and Hoda Vasi Chowdhury & Co., Chartered Accountants who issued unqualified opinion on 23 August 2010.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements of the Group and the financial statements of the Bank present fairly, in all material respects, the financial position of the Group as well as the Bank as at 30 June 2011 and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

**ACNABIN**

Chartered Accountants

Dhaka, 21 August 2011

**Syful Shamsul Alam & Co.**

Chartered Accountants

**Bangladesh Bank**  
**Consolidated Statement of Financial Position As at 30 June 2011**

Assets	Notes	2011 Taka '000	2010 Taka '000
<b>Foreign currency financial assets</b>			
Foreign currency accounts	4	176,508,754	204,176,852
Foreign investments	5	489,768,954	474,499,768
Assets held with IMF	6	48,347,972	45,592,263
Other foreign assets (Figures of 2010 restated)	7	63,933,212	19,434,804
		<b>778,558,892</b>	<b>743,703,687</b>
<b>Local currency financial assets</b>			
Cash and cash equivalents	8a	582,900	243,260
Loans to the government	9	313,529,793	217,882,034
Investment in Repo		84,156,909	-
Investments in shares and debentures	10a	7,828,089	9,446,881
Loans to banks, financial institutions and employees	11a	101,162,902	90,877,265
		<b>507,260,593</b>	<b>318,449,440</b>
<b>Total financial assets</b>		<b>1,285,819,485</b>	<b>1,062,153,127</b>
<b>Non financial assets</b>			
Gold & silver	12	34,558,891	5,350,004
Property, plant and equipment	13a	28,513,824	26,666,748
Capital work in progress		723,096	51,103
Other domestic assets (Figures of 2010 restated)	14a	6,797,696	4,068,025
		<b>70,593,507</b>	<b>36,135,880</b>
<b>Total assets</b>		<b>1,356,412,992</b>	<b>1,098,289,007</b>
<b>Liabilities</b>			
<b>Foreign currency financial liabilities</b>			
Liabilities with the IMF	6	105,583,852	88,363,476
Deposits from banks and financial institutions	15	139,817,884	105,674,057
Other foreign liabilities	16	1,465,192	1,248,274
		<b>246,866,928</b>	<b>195,285,807</b>
<b>Local currency financial liabilities</b>			
Notes in circulation	17	599,157,730	499,479,657
Short term borrowings	18	-	21,387,466
Deposits from banks and financial institutions	19	291,958,033	236,625,764
		<b>891,115,763</b>	<b>757,492,887</b>
<b>Total financial liabilities</b>		<b>1,137,982,691</b>	<b>952,778,694</b>
<b>Non financial liabilities</b>			
Other domestic liabilities (Figures of 2010 restated)	20a	49,495,375	60,000,710
		<b>49,495,375</b>	<b>60,000,710</b>
<b>Total liabilities</b>		<b>1,187,478,066</b>	<b>1,012,779,404</b>
<b>Equity</b>			
Capital	21	30,000	30,000
Revaluation reserve - gold and silver	22	19,919,424	8,798,020
Revaluation reserve - foreign currency accounts	23	63,257,814	-
Currency fluctuation reserve	24	17,124,310	10,810,630
Revaluation reserve - property, plant and equipment		22,945,457	22,982,993
Statutory funds	25	13,367,046	12,817,046
Non statutory funds	26	13,570,000	13,000,000
Asset renewal and replacement reserve		1,873,941	1,609,956
Interest reserve	27	7,581,628	6,883,328
General reserve	28a	4,450,500	4,400,500
Retained earnings		4,814,806	4,177,130
		<b>168,934,926</b>	<b>85,509,603</b>
<b>Total liabilities and equity</b>		<b>1,356,412,992</b>	<b>1,098,289,007</b>

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

Md. Abul Quasem  
Deputy Governor

Dr. Atiur Rahman  
Governor

**Bangladesh Bank**  
**Statement of Financial Position As at 30 June 2011**

<b>Assets</b>	<b>Notes</b>	<b>2011 Taka '000</b>	<b>2010 Taka '000</b>
<b>Foreign currency financial assets</b>			
Foreign currency accounts	4	176,508,754	204,176,852
Foreign investments	5	489,768,954	474,499,768
Assets held with IMF	6	48,347,972	45,592,263
Other foreign assets (Figures of 2010 restated)	7	63,933,212	19,434,804
		<u>778,558,892</u>	<u>743,703,687</u>
<b>Local currency financial assets</b>			
Cash and cash equivalents	8	306,339	242,237
Loans to the government	9	313,529,793	217,882,034
Investment in Repo		84,156,909	-
Investments in shares and debentures	10	7,176,667	7,730,000
Loans to banks, financial institutions and employees	11	100,693,039	90,650,176
		<u>505,862,747</u>	<u>316,504,447</u>
<b>Total financial assets</b>		<u>1,284,421,639</u>	<u>1,060,208,134</u>
<b>Non financial assets</b>			
Gold & silver	12	34,558,891	5,350,004
Property, plant and equipment	13	25,277,155	24,756,136
Capital work in progress		715,353	46,825
Other domestic assets (Figures of 2010 restated)	14	4,241,528	2,107,491
		<u>64,792,927</u>	<u>32,260,456</u>
<b>Total assets</b>		<u>1,349,214,566</u>	<u>1,092,468,590</u>
<b>Liabilities</b>			
<b>Foreign currency financial liabilities</b>			
Liabilities with the IMF	6	105,583,852	88,363,476
Deposits from banks and financial institutions	15	139,817,884	105,674,057
Other foreign liabilities	16	1,465,192	1,248,274
		<u>246,866,928</u>	<u>195,285,807</u>
<b>Local currency financial liabilities</b>			
Notes in circulation	17	599,157,730	499,479,657
Short term borrowings	18	-	21,387,466
Deposits from banks and financial institutions	19	291,958,033	236,625,764
		<u>891,115,763</u>	<u>757,492,887</u>
<b>Total financial liabilities</b>		<u>1,137,982,691</u>	<u>952,778,694</u>
<b>Non financial liabilities</b>			
Other domestic liabilities (Figures of 2010 restated)	20	48,100,858	59,296,526
		<u>48,100,858</u>	<u>59,296,526</u>
<b>Total liabilities</b>		<u>1,186,083,549</u>	<u>1,012,075,220</u>
<b>Equity</b>			
Capital	21	30,000	30,000
Revaluation reserve - gold and silver	22	19,919,424	8,798,020
Revaluation reserve - foreign currency accounts	23	63,257,814	-
Currency fluctuation reserve	24	17,124,310	10,810,630
Revaluation reserve - property, plant and equipment		22,156,354	22,193,890
Statutory funds	25	13,367,046	12,817,046
Non statutory funds	26	13,570,000	13,000,000
Asset renewal and replacement reserve		1,873,941	1,609,956
Interest reserve	27	7,581,628	6,883,328
General reserve	28	4,250,500	4,250,500
Retained earnings		-	-
		<u>163,131,017</u>	<u>80,393,370</u>
<b>Total liabilities and equity</b>		<u>1,349,214,566</u>	<u>1,092,468,590</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

Md. Abul Quasem  
Deputy Governor

Dr. Atiur Rahman  
Governor



**Bangladesh Bank**  
**Consolidated Statement of Comprehensive Income**  
For the year ended 30 June 2011

Income	Notes	2011 Taka '000	2010 Taka '000
<b>Income from foreign currency financial assets</b>			
Interest income (Figures of 2010 restated)	29	9,537,443	4,244,964
Commission and discounts	30	104,433	18,447
		<u>9,641,876</u>	<u>4,263,411</u>
<b>Income from local currency financial assets</b>			
Interest income (Figures of 2010 restated)	33a	19,156,880	11,829,436
Commission and discounts	34	377,055	484,734
Sales		1,468,926	1,563,176
Miscellaneous income		8,904	21,003
		<u>21,011,765</u>	<u>13,898,349</u>
<b>Realised foreign exchange revaluation gain</b>		6,313,680	2,843,732
<b>Total income</b>		<u>36,967,321</u>	<u>21,005,492</u>
<b>Expenses</b>			
<b>Expenses on foreign currency financial liabilities</b>			
Interest expense	31	(448,689)	(445,876)
Commission and other expenses	32	(1,102,955)	(96,759)
		<u>(1,551,644)</u>	<u>(542,635)</u>
<b>Expenses on local currency financial liabilities</b>			
Interest expense	35	(57,401)	(121,452)
Commission and other expenses	36	(1,841,800)	(978,391)
		<u>(1,899,201)</u>	<u>(1,099,843)</u>
<b>Other expenses</b>			
Provision for impairment		417,250	494,997
General and administrative expenses	37a	(8,077,947)	(6,436,988)
		<u>(7,660,697)</u>	<u>(5,941,991)</u>
<b>Total expenses</b>		<u>(11,111,542)</u>	<u>(7,584,469)</u>
<b>Profit for the year</b>		<u>25,855,779</u>	<u>13,421,023</u>
<b>Other comprehensive income</b>			
Gold revaluation gain		10,894,718	2,394,394
Silver revaluation gain		226,686	65,632
Unrealised foreign exchange revaluation gain/ (loss)		63,257,814	(22,929,235)
Revaluation gain - property, plant and equipment		-	1,146,287
		<u>74,379,218</u>	<u>(19,322,922)</u>
<b>Total comprehensive income for the year</b>		<u>100,234,997</u>	<u>(5,901,899)</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

Md. Abul Quasem  
Deputy Governor

Dr. Atiur Rahman  
Governor

**Bangladesh Bank**  
**Consolidated Statement of Comprehensive Income**  
For the year ended 30 June 2011

Income	Notes	2011 Taka '000	2010 Taka '000
<b>Income from foreign currency financial assets</b>			
Interest income (Figures of 2010 restated)	29	9,537,443	4,244,964
Commission and discounts	30	104,433	18,447
		<u>9,641,876</u>	<u>4,263,411</u>
<b>Income from local currency financial assets</b>			
Interest income (Figures of 2010 restated)	33	18,983,961	11,610,648
Commission and discounts	34	377,055	484,734
Dividend income		50,000	62,500
Miscellaneous income		971	4,157
		<u>19,411,987</u>	<u>12,162,039</u>
<b>Realised foreign exchange revaluation gain</b>		6,313,680	2,843,732
<b>Total income</b>		<u>35,367,543</u>	<u>19,269,182</u>
<b>Expenses</b>			
<b>Expenses on foreign currency financial liability</b>			
Interest expense	31	(448,689)	(445,876)
Commission and other expenses	32	(1,102,955)	(96,759)
		<u>(1,551,644)</u>	<u>(542,635)</u>
<b>Expenses on local currency financial liability</b>			
Interest expense	35	(57,401)	(121,452)
Commission and other expenses	36	(1,841,800)	(978,391)
<b>Other expenses</b>			
Provision for impairment		417,250	494,997
General and administrative expenses	37	(7,165,846)	(5,243,479)
		<u>(6,748,596)</u>	<u>(4,748,482)</u>
<b>Total expenses</b>		<u>(10,199,441)</u>	<u>(6,390,960)</u>
<b>Profit for the year</b>		<u>25,168,102</u>	<u>12,878,222</u>
<b>Other comprehensive income</b>			
Gold revaluation gain		10,894,718	2,394,394
Silver revaluation gain		226,686	65,632
Unrealised foreign exchange revaluation gain/ (loss)		63,257,814	(22,929,235)
Revaluation gain - property, plant and equipment		-	1,146,287
		<u>74,379,218</u>	<u>(19,322,922)</u>
<b>Total comprehensive income for the year</b>		<u>99,547,320</u>	<u>(6,444,700)</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

Md. Abul Quasem  
Deputy Governor

Dr. Atiur Rahman  
Governor

**Bangladesh Bank**  
**Consolidated Statement of Changes in Equity**  
For the year ended 30 June 2011

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								
<b>Balance as at 1 July 2009</b>	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 (Restated)	-	2,460,027	(22,929,235)	1,146,287	2,843,732	550,000	2,000,000	159,556	658,500	-	7,209,234	(5,901,899)
Adjustment of foreign currency revaluation	-	-	6,000,607	-	(6,000,607)	-	-	-	-	-	-	-
Adjustment against depreciation	-	-	-	(72,454)	-	-	-	-	-	-	-	(72,454)
Dividend payable for FY10	-	-	-	-	-	-	-	-	-	-	(6,120,804)	(6,120,804)
Dividend payable in respect of prior year adjustment	-	-	-	-	-	-	-	-	-	-	(545,629)	(545,629)
<b>Balance as at 30 June 2010</b>	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
Transferred to general reserve	-	-	-	-	-	-	-	-	-	50,000	(50,000)	-
Total comprehensive income for the year	-	11,121,404	63,257,814	-	6,313,680	550,000	570,000	226,449	698,300	-	17,497,349	100,234,996
Adjustment against revaluation	-	-	-	(37,536)	-	-	-	37,536	-	-	-	-
Dividend payable for FY11	-	-	-	-	-	-	-	-	-	-	(16,809,673)	(16,809,673)
<b>Balance as at 30 June 2011</b>	<b>30,000</b>	<b>19,919,244</b>	<b>63,257,814</b>	<b>229,45,457</b>	<b>17,124,310</b>	<b>13,367,046</b>	<b>13,570,000</b>	<b>1,873,941</b>	<b>76,81,628</b>	<b>44,50,500</b>	<b>4,814,806</b>	<b>16,89,34,926</b>

**Bangladesh Bank**  
**Statement of Changes in Equity**  
For the year ended 30 June 2011

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	Property, plant & equipment								
<b>Balance as at 1 July 2009</b>	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 (Restated)		2,460,027	(22,929,235)	1,146,287	2,843,732	550,000	2,000,000	159,556	658,500	-	6,666,433	(6,444,700)
Adjustment of foreign currency revaluation	-	-	6,000,607	-	(6,000,607)	-	-	-	-	-	-	-
Adjustment against depreciation				(72,454)								(72,454)
Dividend payable for FY10	-	-	-	-	-	-	-	-	-	-	(6,120,804)	(6,120,804)
Dividend payable in respect of prior year adjustment	-	-	-	-	-	-	-	-	-	-	(545,629)	(545,629)
<b>Balance as at 30 June 2010</b>	30,000	8,798,020	-	22,193,890	10,810,630	12,817,046	13,000,000	1,609,956	6,883,328	4,250,500	-	80,393,370
Total comprehensive income for the year	-	11,121,404	63,257,814	-	6,313,680	550,000	570,000	226,449	698,300	-	16,809,673	99,547,320
Adjustment against revaluation	-	-	-	(37,536)	-	-	-	37,536	-	-	-	-
Dividend payable for FY11	-	-	-	-	-	-	-	-	-	-	(16,809,673)	(16,809,673)
<b>Balance as at 30 June 2011</b>	<b>30,000</b>	<b>19,919,424</b>	<b>63257814</b>	<b>22156354</b>	<b>17,124,310</b>	<b>13,367,046</b>	<b>13,570,000</b>	<b>1,873,941</b>	<b>7581628</b>	<b>4250500</b>	<b>-</b>	<b>163,131,017</b>

<b>Bangladesh Bank</b>		
<b>Statement of Cash Flows</b>		
For the year ended 30 June 2011		
	<b>2011</b>	<b>2010</b>
	<b>Taka '000</b>	<b>Taka '000</b>
<b>A) Cash flows from operating activities</b>		
Interest received	19,091,999	12,616,473
Interest paid	(534,784)	(577,024)
Receipts from customers	1,468,926	1,563,176
Fees, commission and other income received	524,096	553,791
Commission and discounts paid	(2,619,554)	(752,460)
Income tax paid	(357,582)	(351,251)
Payments to employees and suppliers	(6,243,590)	(5,851,476)
<b>Increase/ (Decrease) in operating assets:</b>		
Funds advanced to customers	(9,751,883)	(3,592,289)
Other assets	(2,494,990)	(881,573)
<b>Increase/ (Decrease) in operating liabilities:</b>		
Deposits from commercial banks	89,693,014	10,722,899
Other liabilities	(22,642,285)	15,830,686
<b>Net cash inflow/(outflow) from operating activities</b>	<b>66,133,367</b>	<b>29,280,952</b>
<b>B) Cash flows from investments activities</b>		
Investments Income	8,335,833	1,590,864
Investments in foreign treasury bills and bonds	11,730,999	(82,236,360)
Other Investments	(154,606,572)	(12,356,867)
Investment in Govt. securities	(95,647,759)	66,858,989
Short term investments	(17,154,961)	28,690,854
Investments in foreign currencies	97,239,592	(138,916,109)
Investments in Debentures	553,333	350,833
Additions of property, plant & equipment	(2,878,662)	(1,015,054)
IMF outstanding	14,464,667	(7,465,788)
<b>Net cash provided by/(used in) investing activities</b>	<b>(137,963,530)</b>	<b>(144,498,638)</b>
<b>C) Cash flows from financing activities</b>		
Payments of surplus to the Government	(6,120,804)	(17,327,506)
Notes in Circulation	99,678,073	109,778,245
Short term borrowings	(21,387,466)	21,387,466
	<b>72,169,803</b>	<b>113,838,205</b>
<b>Net increase in cash and cash equivalents</b>	<b>339,640</b>	<b>(1,379,481)</b>
Opening cash & cash equivalents	243,260	1,622,741
<b>Closing cash &amp; cash equivalents</b>	<b>582,900</b>	<b>243,260</b>

**Bangladesh Bank**  
**Cash Flow Statement**  
For the year ended 30 June 2011

	2011 Taka '000	2010 Taka '000
<b>A. Cash flows from operating activities</b>		
Interest received	18,917,210	12,378,630
Interest paid	(534,784)	(577,024)
Fees, commission and other income received	480,802	1,585,127
Commission and discounts paid	(2,944,755)	(1,075,150)
Payments to employees and suppliers	(6,424,186)	(4,894,062)
Increase/ (Decrease) in operating assets:		
Funds advanced to customers	(9,509,109)	(3,365,200)
Other assets	(1,897,485)	(331,646)
<b>Increase/( Decrease) in operating liabilities:</b>		
Deposits from commercial banks	89,693,014	10,722,899
Other liabilities	(22,369,811)	14,850,789
<b>Net cash inflow/(outflow) from operating activities</b>	<b>65,410,896</b>	<b>29,294,363</b>
<b>B. Cash flows from investments activities</b>		
Dividends received	-	62,500
Investments Income	8,385,833	1,590,864
Investments in foreign treasury bills and bonds	11,730,999	(82,236,360)
Other Investments	(155,672,031)	(11,351,580)
Investments in Govt. Securities	(95,647,759)	66,858,989
Short term investments	(17,154,961)	28,690,854
Investments in foreign currencies	97,239,592	(138,916,109)
Investments in Debentures	553,333	350,833
Additions of property, plant & equipment	(1,416,270)	(613,511)
IMF outstanding	14,464,667	(7,465,788)
<b>C. Cash flows from financing activities</b>	<b>(137,516,597)</b>	<b>(143,029,308)</b>
Payments of surplus to the Government	(6,120,804)	(17,327,506)
Notes in Circulation	99,678,073	109,778,245
Short term borrowings	(21,387,466)	21,387,466
	<b>72,169,803</b>	<b>113,838,205</b>
<b>Net increase in cash and cash equivalents</b>	<b>64,102</b>	<b>103,260</b>
Opening cash & cash equivalents	242,237	138,977
<b>Closing cash &amp; cash equivalents</b>	<b>306,339</b>	<b>242,237</b>

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

As at and for the year ended 30 June 2011

### **1 Reporting entity**

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

The consolidated financial statements were authorised for issue by the Board of directors on 24 August 2011.

#### **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 amortised cost.
- Loans to banks, financial institutions and employees are measured at amortised cost.
- Gold and silver are measured at fair value.
- Property, plant and equipment are measured at revalued amounts.
- Foreign bonds, US Dollar and Treasury Bill are measured at fair value.

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

As at and for the year ended 30 June 2011

### **2.3 Functional and presentation currency**

The financial statements are presented in Bangladesh Taka (Taka/Tk/BDT), which is the Bank's functional currency. 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 restated/rearranged 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 unrealised gains arising from inter-Group transactions are eliminated in preparing the consolidated financial statements.



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

As at and for the year ended 30 June 2011

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

Financial assets and liabilities are initially measured at fair value plus transaction cost if any, 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. Financial assets or financial liabilities are classified as held for trading if:

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

## **Bangladesh Bank : Notes to the Financial Statements** As at and for the year ended 30 June 2011

- (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).

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, gold investment 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:

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

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

### **As at and for the year ended 30 June 2011**

- (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, foreign currency accounts, short term investment with overseas commercial banks, investment in debenture, loans to other banks in foreign currencies, Government of Bangladesh overdraft, loans and advances to government and loans and advances to banks, financial institutions and staff 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 SPCL 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 and are measured at fair value at each reporting date. At the reporting date, liabilities with IMF were classified as financial liabilities carried at fair value.

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

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

#### (c) *Amortised cost measurement principles*

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

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

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2011

*(d) Fair value measurement principles*

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

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

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

*(g) Identification and measurement of impairment*

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

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

### **As at and for the year ended 30 June 2011**

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 arise upon translation are recognised in the statement of comprehensive income as other comprehensive income and are subsequently transferred from other comprehensive income to revaluation reserve - foreign currency accounts.

### **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

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

### **As at and for the year ended 30 June 2011**

at a discount and interest bearing foreign bonds. These are measured at 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 arising upon translation are recognised in the statement of comprehensive income as other comprehensive income and are subsequently transferred from other comprehensive income 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) as a banker to 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 as other comprehensive income and are then transferred from other comprehensive income 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.

### **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

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

### **As at and for the year ended 30 June 2011**

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 Taka 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 Taka 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 is 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 subsidiary's investment in shares of the ICB Islamic Bank Ltd. Investment in debentures and shares are measured at cost.

#### **3.11 Loans to banks, financial institutions and employees**

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

#### **3.12 Gold and silver**

Gold Comprises gold held at Motijheel branch and at Bank of England and the silver

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

As at and for the year ended 30 June 2011

comprises 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, labour and direct overheads used in construction and installation.
- (iii) Mechanical equipment, fixture and fittings and motor vehicles were revalued on the basis of replacement costs.

#### *(c) Subsequent costs*

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

#### *(d) Capital Work in progress*

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



## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2011

### (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	20%	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

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2011

expected to be paid under short-term cash bonus or profit sharing plans and charged as expenses in the statement of comprehensive income.

### 3.17 Post employment benefits

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

#### (a) *Defined contribution plans*

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

##### (i) *Contributory provident fund*

The Bank and employees contribute to the fund. The Bank's obligations for contributions to the above fund are 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 recognised 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

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

As at and for the year ended 30 June 2011

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. Unutilised leave is encashable on retirement and provided for in full in the accounts for FY11. Medical allowance is payable for each employee and accounted for on a cash basis.

### **3.19 Provisions**

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

- (i) A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of past event, it is probable that an 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 favour 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

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

### **As at and for the year ended 30 June 2011**

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.

#### **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**

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

The difference between unrealised revaluation reserve account and the ledger balance is accounted as realised exchange gain for the period.

Realised foreign exchange revaluation gain has been recognised as part of the profit for the year with the comparative figure rearranged to confirm with current year's presentation.

#### **3.25 Income tax**

##### *(a) Bangladesh Bank*

As per section 75 of the Bangladesh Bank Order 1972 the Bank shall not be liable to pay any income tax, super-tax or business profit tax on any of its income, profits or gains.

##### *(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.

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

### **As at and for the year ended 30 June 2011**

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 2011

	2011 Taka '000	2010 Taka '000
<b>4 Foreign currency accounts</b>	<b>176,508,754</b>	<b>204,176,852</b>
The amount represents the equivalent accumulated value of different foreign currencies held with other central banks and balances on overnight deposits with commercial banks.		
<b>5 Foreign investments</b>		
Short term investments with overseas commercial banks	231,046,039	213,891,078
US Dollar treasury bills	123,938,249	166,666,087
Gold investment	14,458,023	4,612,799
Foreign bonds	120,326,643	89,329,804
	<b>489,768,954</b>	<b>474,499,768</b>
These figures should be read in conjunction with additional disclosures in note no. 44 & 44a.		
<b>6 IMF related assets and liabilities</b>		
<b>Assets</b>		
Quota	63,018,905	54,815,493
Less: Security account	(53,177,858)	(51,891,930)
IMF No 1 A/C	(9,792,494)	(2,891,147)
Reserve tranche	<b>48,553</b>	<b>32,416</b>
SDR holding	48,299,419	45,559,847
	<b>48,347,972</b>	<b>45,592,263</b>
<b>Liabilities</b>		
IMF No 2 A/C & Emergency Natural Disaster Assistance	15,756,906	6,907,532
SDR allocation	60,641,092	52,462,218
Loan under the Poverty Reduction and Growth Facility	29,185,854	28,993,726
	<b>105,583,852</b>	<b>88,363,476</b>

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

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

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

IMF related assets and liabilities were translated to Taka at the exchange rate ruling at 30 April 2011 except SDR allocation and Loan under the Poverty Reduction and Growth Facility. SDR allocation and Loan under the Poverty Reduction and Growth Facility were translated to Taka at

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2011

the exchange rate ruling at the reporting date 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.

<b>7 Other foreign assets</b>		
Loans to other banks (Note - 7.1)	61,695,813	18,113,398
Swift shares	80	80
Interest receivable	2,545,608	1,628,927
	<u>64,241,501</u>	<u>19,742,405</u>
Less: Provision for loan losses	(308,289)	(307,601)
Total other assets	<u><u>63,933,212</u></u>	<u><u>19,434,804</u></u>

Interest income for an aggregate amount of Taka 21,977 on short term deposit with commercial banks for the months of May and June 2010 were not wrongly accounted in the year FY10. This has been added as prior year adjustment

#### 7.1 Loans to other banks

EDF Dollar investment	29,690,076	17,805,797
FC overdraft	31,697,448	-
Central Bank of Iraq	296,164	296,164
Rupali Bank Karachi	12,125	11,437
	<u>61,695,813</u>	<u>18,113,398</u>

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

<b>8 Cash and cash equivalents</b>	<u><u>306,339</u></u>	<u><u>242,237</u></u>
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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.

<b>8a Consolidated cash and cash equivalents</b>	<u><u>582,900</u></u>	<u><u>243,260</u></u>
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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.

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2011

	2011 Taka '000	2010 Taka '000
Ways and means advance	10,000,000	-
Overdraft - block (government treasury bills)	176,510,000	191,510,000
Overdraft - current	97,277,800	-
Treasury bills	1,132,472	1,491,163
Treasury bonds	28,609,521	24,880,871
	<b>313,529,793</b>	<b>217,882,034</b>

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	6,676,667	7,230,000
Investment in subsidiary (Note 10.1)	500,000	500,000
	<b>7,176,667</b>	<b>7,730,000</b>

**10.1 Investment in subsidiary**

The security Printing Corporation (Bangladesh) Ltd. Wholly owned subsidiary of the Bank.

**10a Consolidated investments**

Debenture - House Building Finance Corporation	6,676,667	7,230,000
Short term money market investments	1,139,860	1,242,888
Shares- ICB Islamic Bank Ltd.	7,452	7,452
Others	4110	966541
	<b>7,828,089</b>	<b>9,446,881</b>

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

**11 Loans to banks, financial institutions and employees**

**(i) Loans to banks and financial institutions**

State owned banks:		
Commercial banks	4,866,643	59,269
Specialised banks	52,791,644	52,545,102
	<b>57,658,287</b>	<b>52,604,371</b>
Provision for impairment	(811,438)	(1,228,688)
	<b>56,846,849</b>	<b>51,375,683</b>
Other banks and financial institutions:		
Private banks	4,397,260	3,249,109
Other Loans and advances	14,084,721	13,829,757
	18,481,981	17,078,866
Interest receivable	7,600,024	7,484,208
	<b>82,928,854</b>	<b>75,938,757</b>

**(ii) Loans and advances to employees**

Loans and advances to employees	18,028,326	14,976,248
Provision for loan losses	(264,141)	(264,829)
	17,764,185	14,711,419
<b>Total loans ( i + ii )</b>	<b>100,693,039</b>	<b>90,650,176</b>

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 2011

	<b>2011</b>	<b>2010</b>
	<b>Taka '000</b>	<b>Taka '000</b>
<b>11a Consolidated loans to banks, financial institutions and employees</b>		
<b>(i) Loans to banks and financial institutions</b>		
State owned banks:		
Commercial banks	4,866,643	59,269
Specialised banks	52,791,644	52,545,102
	<b>57,658,287</b>	<b>52,604,371</b>
Provision for impairment	(811,438)	(1,228,688)
	<b>56,846,849</b>	<b>51,375,683</b>
Other banks and financial institutions:		
Private banks	4,397,260	3,249,109
Other loans and advances	14,084,721	13,829,757
	<b>18,481,981</b>	<b>17,078,866</b>
Interest receivable	7,600,024	7,484,208
	<b>82,928,854</b>	<b>75,938,757</b>
<b>(ii) Loans and advances to employees</b>		
Loans and advances to employees	18,498,189	15,203,337
Provision for loan losses	(264,141)	(264,829)
	<b>18,234,048</b>	<b>14,938,508</b>
<b>Total loans ( i + ii )</b>	<b>101,162,902</b>	<b>90,877,265</b>
These figures should be read in conjunction with additional disclosures in note no.44 & 44a.		
<b>12 Gold and silver</b>		
Gold	34,092,773	5,110,572
Silver	466,118	239,432
	<b>34,558,891</b>	<b>5,350,004</b>

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2011

#### 13 Property, plant and equipment

Taka '000

Particulars	Cost/Revalued amount				Rate	Depreciation			Carrying value	
	As at 1 July 2010	Addition during the year	Disposal/ transfer during the year	As at 30 June 2011		As at 1 July 2010	Charged during the year/ adjustment	Accumulated depreciation as at 30 June 2011	As at 30 June 2011	As at 30 June 2010
Land	20,391,193			20,391,193	-	-	-	-	20,391,193	20,391,193
Building	3,303,048	46,825	-	3,349,873	5%	133,849	131,254	265,103	3,084,770	3,169,199
Mechanical equipment*	1,091,730	1,317,001	702,713	1,706,018	10%-20%	69,718	26,219	95,937	1,610,081	1,022,012
Fixture and fittings	81,421	9,597	396	90,622	10%	8,261	7,943	16,204	74,418	73,160
Motor vehicles	58,929	18,250	1,211	75,968	20%	9,354	12,974	22,328	53,640	49,575
Electrical installation	61,045	24,597	87	85,555	20%	10,672	12,298	22,970	62,585	50,373
Gas installation	780	-		780	20%	156	156	312	468	624
	<b>24,988,146</b>	<b>1,416,270</b>	<b>704,407</b>	<b>25,700,009</b>		<b>232,010</b>	<b>190,844</b>	<b>422,854</b>	<b>25,277,155</b>	<b>24,756,136</b>

Land as at 30 June 2009 and plant and equipment as at 1 July 2009 were revalued by M/S Ahmed & Akhter, Chartered Accountants.

\* During the year cost of software & hardware under Central Bank Strengthening Project (CBSP) BDT 691,846 thousand has been re-classified as Capital work in progress and the balance BDT 10,867 thousand has been disposed of.

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2011

**13a Consolidated property, plant and equipment**

Taka '000

Particulars	Cost/Revalued amount				Rate	Depreciation			Carrying value	
	As at 1 July 2010	Addition during the year	Disposal during the year	As at 30 June 2011		As at 1 July 2010	Charged during the year/ adjustment	Accumulated depreciation as at 30 June 2011	As at 30 June 2011	As at 30 June 2010
Land	21,369,423	-	-	21,369,423	-	-	-	-	21,369,423	21,369,423
Building	4,067,564	49,629	-	4,117,193	5%	517,378	159,660	677,038	3,440,155	3,550,186
Mechanical equipment*	2,444,903	2,775,737	702,713	4,517,927	10% - 20%	885,605	130,422	1,016,027	3,501,900	1,559,298
Fixture and fittings	118,002	10,449	396	128,055	10%	34,177	10,542	44,719	83,336	83,825
Motor vehicles	79,929	18,250	2,501	95,678	20%	26,910	12,811	39,721	55,957	53,019
Electrical installation	61,045	24,597	87	85,555	20%	10,672	12,298	22,970	62,585	50,373
Gas installation	780	-	-	780	20%	156	156	312	468	624
	<b>28,141,646</b>	<b>2,878,662</b>	<b>705,697</b>	<b>30,314,611</b>		<b>1,474,898</b>	<b>325,889</b>	<b>1,800,787</b>	<b>28,513,824</b>	<b>26,666,748</b>

\* During the year cost of software & hardware under Central Bank Strengthening Project (CBSP) BDT 691,846 thousand has been re-classified as Capital work in progress and the balance BDT 10,867 thousand has been disposed of.

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2011

	2011 Taka '000	2010 Taka '000
<b>14 Other domestic assets</b>		
Interest receivables	1,136,342	900,478
Prepayments and advances	3,029,251	1,132,125
Stock	37,288	30,532
Inter-branch adjustments (suspense)	8,180	-
Unutilised CBSP fund (Note-14.1)	30,467	44,356
	<u><b>4,241,528</b></u>	<u><b>2,107,491</b></u>

Interest receivable for an aggregate amount of Taka 523,652 were wrongly not accounted in the year FY10. This has been added as prior year adjustment.

**14.1 Utilisation of CBSP fund**

Bangladesh Bank is implementing Central Bank Strengthening Project (CBSP) (IDA credit no. 3792 BD) with the financial assistance from International Development Association (IDA) in order to improving the efficiency of the Bank through functional reforms and large scale automation of its business process. The total cost of the project is Taka 38,920.02 lacs (USD 55.60 million), of which IDA will provide Taka 30,600.04 lacs (USD 43.71 million) and the rest Taka 8,319.98 lacs (USD 11.88 million) will be borne by Bangladesh Bank. The project started in late 2003 and expected to be completed by 31 December 2011. The project cost was revised twice and a third revise proposal is sent for approval of the planning commission. Out of Taka 30,600.04 lacs upto 30 June 2011 Bangladesh Bank received Taka 6,965.02 lacs through direct payment and Taka 5,484.07 lacs through replenishment total Taka 12,449.09 lacs from IDA. Upto 30 June 2011 Bangladesh Bank used Taka 12,144.42 lacs from the fund and Taka 304.67 lacs remain unutilised.

**14a Consolidated other domestic assets**

Interest receivables	1,174,699	940,706
Prepayments and advances	783,997	522,644
Stock	3,677,858	1,871,550
Inter-branch adjustments (suspense)	8,180	-
Unutilised CBSP Fund	30,467	44,356
Sundry debtors	1,122,495	688,769
	<u><b>6,797,696</b></u>	<u><b>4,068,025</b></u>

**15 Deposits from banks and financial institutions**

Foreign currency deposits by commercial banks	77,665,247	63,675,478
Asian Clearing Union (ACU)	62,152,637	41,998,579
	<u><b>139,817,884</b></u>	<u><b>105,674,057</b></u>

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

<b>16 Other foreign liabilities</b>	<u><b>1,465,192</b></u>	<u><b>1,248,274</b></u>
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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.

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2011

<b>17</b>	<b>Notes in circulation</b>	<b>2011</b> <b>Taka '000</b>	<b>2010</b> <b>Taka '000</b>
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Notes in circulation represents currency issued having a claim on Bangladesh Bank. The denomination of notes in circulation as at 30 June 2011 was as under:

Value of notes	2011	
	Number in pieces	Amount
5 Taka coin	669,684,704	3,348,424
5 Taka note	575,554,613	2,877,773
10 Taka note	1,017,178,229	10,171,782
20 Taka note	163,330,544	3,266,611
50 Taka note	127,082,459	6,354,123
100 Taka note	637,316,529	63,731,653
500 Taka note	724,615,553	362,307,777
1000 Taka note	147,099,588	147,099,588
	<b>4,061,862,219</b>	<b>599,157,730</b>

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

Gold	6,624,560	5,110,572
Silver	466,118	239,432
Balance held outside Bangladesh	400,000,000	250,000,000
Bangladesh government securities	156,873,028	207,983,702
Bangladesh coins	303,769	235,696
Other loans and advances	34,890,255	35,910,255
	<b>599,157,730</b>	<b>499,479,657</b>

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
	-	<b>21,387,466</b>

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	64,162,728	54,666,129
Government specialised banks	13,071,525	18,116,901
Private banks	193,494,367	146,218,617
Foreign banks	19,350,914	15,682,851
Financial institutions	1,878,499	1,941,266
	<b>291,958,033</b>	<b>236,625,764</b>

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 2011

	<b>2011</b>	<b>2010</b>
	<b>Taka '000</b>	<b>Taka '000</b>
<b>20 Other domestic liabilities</b>		
Government deposits	5,047	2,929,545
Surplus profit payable to government (Note 20.1)	17,355,302	6,666,433
Other deposits	10,136,353	29,404,690
Bank notes adjusting account - demonetised Pakistani notes	3,230	18,540
Sundry creditors account	2,361,590	1,838,780
Interest suspense account	631	631
Deposits from donor agencies	6,911,556	9,368,342
Inter-branch adjustments (suspense)	-	60,697
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension	2,968,230	2,752,599
Provision for gratuity	1,871,230	1,731,923
Provision for leave encashment	1,622,507	1,300,003
Provision for legal obligation	-	9,327
Small and Medium Enterprise Fund - Government	2,631,922	2,087,834
Loan from Government of Bangladesh (CBSP)	1,433,115	744,586
DFID -RPP Project	447,048	-
Miscellaneous	104,289	133,788
	<b>48,100,858</b>	<b>59,296,526</b>
<b>20a Consolidated other domestic liabilities</b>		
Government deposits	5,047	2,929,545
Surplus profit payable to government (Note 20.1)	17,355,302	6,666,433
Other deposits	10,136,354	29,404,690
Bank notes adjusting account - demonetised Pakistani notes	3,230	18,540
Sundry creditors account	2,731,741	1,283,660
Interest suspense account	631	631
Deposits from donor agencies	6,911,556	9,368,342
Inter-branch adjustments (suspense)	-	60,697
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension	2,968,230	2,752,599
Provision for gratuity	1,871,230	1,731,923
Provision for leave encashment	1,622,507	1,300,003
Provision for legal obligation	-	9,327
Small and Medium Enterprise Fund - Government	2,631,922	2,087,834
Loan from Government of Bangladesh (CBSP)	1,433,115	744,586
DFID -RPP Project	447,048	-
Deferred tax liability	604,455	515,487
Miscellaneous	104,289	133,788
Others - subsidiary	419,910	743,817
	<b>49,495,375</b>	<b>60,000,710</b>

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2011

	2011 Taka '000	2010 Taka '000
<b>20.1 Surplus profit payable to government</b>		
Opening balance	6,666,433	17,327,506
Adjustment against amount due to government	(12,855)	(600)
Payments made during the year (Note-20.2)	(6,107,949)	(17,326,906)
Share of current year's profit	16,809,673	6,120,804
Dividend payable in respect of prior year adjustment	-	545,629
Closing balance	<u>17,355,302</u>	<u>6,666,433</u>
<b>20.2</b>		
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.		
<b>21 Capital</b>	<u>30,000</u>	<u>30,000</u>
At 30 June 2011 the authorised and subscribed capital as per Bangladesh Bank Order 1972, was Taka 30 million. The entire capital of the Bank stands vested in and allocated to the Government as per para 4(1) & 4(2) of the Order.		
<b>22 Revaluation reserve - gold and silver</b>	<u>19919424</u>	<u>8,798,020</u>
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.		
<b>23 Revaluation reserve - foreign currency accounts</b>	<u>63,257,814</u>	<u>-</u>
The Bank credited the gain on revaluation of foreign currency to the statement of comprehensive income and subsequently transferred to a separate account - revaluation reserve-foreign currency, which forms part of equity.		
<b>24 Currency fluctuation reserve</b>	<u>17,124,310</u>	<u>10,810,630</u>
The Bank credited the realised gain on revaluation of foreign currencies to the statement of comprehensive income and transferred the same to a separate account - currency fluctuation reserve account, which forms part of equity.		
<b>25 Statutory funds</b>		
Rural credit fund	25.1	4,800,000
Agricultural credit stabilisation fund	25.2	4,600,000
Export credit fund	25.3	1,300,000
Industrial credit fund	25.4	1,587,852
Credit guarantee fund	25.5	879,194
	<u>13,367,046</u>	<u>12,817,046</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.

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2011

#### 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.

#### 25.5 Credit guarantee fund

As per clause 24 of Article 16 of Bangladesh Bank Order, 1972 the Fund was created by appropriating profit every year as per decision of the Board of Directors to cover the loss sustained by scheduled banks for making small loans to cottage industries. No appropriation was made for this fund during the year.

#### 26 Non statutory funds

Small and Medium Enterprise Fund - Bank	6,000,000	6,000,000
Housing refinance fund	<u>7,570,000</u>	<u>7,000,000</u>
	<u><b>13,570,000</b></u>	<u><b>13,000,000</b></u>

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.

<b>27 Interest reserve</b>	<u><b>7,581,628</b></u>	<u><b>6,883,328</b></u>
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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.

<b>28 General reserve</b>	<u><b>4,250,500</b></u>	<u><b>4,250,500</b></u>
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As per Article 59 of Bangladesh Bank Order, 1972 securities of the value of Taka 30 million was allocated by the government and held by the Bank as the general reserve. Further an amount of Taka 4,220.5 million was transferred to the reserve from general provision.



**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2011

	2011 Taka '000	2010 Taka '000
<b>28a Consolidated general reserve</b>	<b>4,450,500</b>	<b>4,400,500</b>
<b>29 Interest Income - foreign currency operations</b>		
Foreign currency	496,220	426,624
Short term deposits with commercial banks	3,333,945	1,468,523
Bonds	5,410,418	1,958,209
Interest on US Dollar treasury bills	278,249	391,593
Others	18,611	15
	<b>9,537,443</b>	<b>4,244,964</b>
Interest income for an aggregate amount of Taka 21,977 on short term deposit with commercial banks for the months of May and June 2010 were not wrongly accounted in the year FY10. This has been added as prior year adjustment.		
<b>30 Commission and discounts - foreign currency operations</b>		
Exchange gain	<b>104,433</b>	<b>18,447</b>
<b>31 Interest expenses - foreign currency operations</b>		
Deposits	139,428	129,072
Asian Clearing Union (ACU)	56,845	38,521
Paid to IMF	241,679	271,783
Interest on CBSP	10,737	6,500
	<b>448,689</b>	<b>445,876</b>
<b>32 Commission and other expenses - foreign currency operations</b>		
IMF - SDR allocation charges	257,239	96,759
Revaluation loss on bonds	842,578	-
ACU tax charge	184	-
Loss on foreign currency sell	2,954	-
	<b>1,102,955</b>	<b>96,759</b>
<b>33 Interest income - domestic operations</b>		
Trading securities	11,885,940	8,002,629
Ways and means	176,431	58,415
Debentures	349,501	367,384
Demand loans and employee advances	3,666,884	3,017,071
Repo	2,905,205	165,149
	<b>18,983,961</b>	<b>11,610,648</b>

Interest receivable for an aggregate amount of Taka 523,652 were wrongly not accounted in the year FY10. This has been added as prior year adjustment.

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2011

	2011 Taka '000	2010 Taka '000
<b>33a Consolidated interest income - domestic operations</b>		
Trading securities	11,885,940	8,002,629
Ways and means	176,431	58,415
Debentures	349,501	367,384
Demand loans and employee advances	3,685,579	3,023,018
Repo	2,905,205	165,149
Short term money market deposits	154,224	212,841
	<b>19,156,880</b>	<b>11,829,436</b>
<b>34 Commission and discounts - domestic operations</b>		
Commission	5,655	6,437
Others	371,400	478,297
	<b>377,055</b>	<b>484,734</b>
<b>35 Interest paid on Bangladesh Bank bills</b>	<b>57,401</b>	<b>121,452</b>
<b>36 Commission and other expenses - domestic operations</b>		
Commission paid on short term borrowings-reverse repo	72,860	67,214
Agency charges	1,587,829	779,014
Under writing commission on treasury bills & bonds	150,052	112,651
CDBL charge	31,059	19,512
	<b>1,841,800</b>	<b>978,391</b>
<b>37 General and administrative expenses</b>		
Staff costs (Note 37.1)	3,706,783	2,156,584
Depreciation of plant and equipment	188,509	159,556
Note printing	2,071,058	1,434,373
Directors' fee	299	200
Audit fee	2,600	2,600
Stationery	54,008	44,352
Rent	99,022	87,089
Remittance of treasure	45,830	22,439
Travel expenses	14,871	15,154
Donations	74,638	70,159
Telephone	14,168	15,873
Lunch	169,702	162,794
Staff bus	36,747	31,236
Repairs	88,112	75,426
Miscellaneous	599,499	965,644
	<b>7,165,846</b>	<b>5,243,479</b>

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2011

	2011 Taka '000	2010 Taka '000
<b>37.1 Staff costs</b>		
Salary	1,118,682	1,016,038
House rent	432,771	282,596
Contribution to contributory provident fund	(105,401)	(33,310)
Pension and gratuity	999,598	100,145
Leave encashment	490,983	129,258
General and incentive bonus	527,690	334,518
Income tax paid to government	53,344	41,726
Medical expenses	139,636	120,937
Other staff costs	49,480	164,676
	<b>3,706,783</b>	<b>2,156,584</b>
<b>37a Consolidated general and administration expenses</b>		
Staff costs (Note 37a.1)	3,970,768	2,383,834
Depreciation of property, plant and equipment	324,844	249,756
Directors' fees	621	416
Audit fees	2,800	2,800
Stationery	54,008	44,352
Rent, electricity etc.	140,372	87,089
Remittance of treasure	45,830	22,439
Travel expenses	14,871	15,154
Donations	74,638	70,159
Telephone	14,168	15,873
Lunch	192,740	183,560
Staff bus	36,747	31,236
Repairs	96,235	86,482
Materials	1,974,619	1,809,501
Provision for WPPF	62,328	50,345
Income tax	357,582	351,251
Deffered tax	88,968	
Miscellaneous	625,808	1,032,741
	<b>8,077,947</b>	<b>6,436,988</b>
<b>37a.1 Staff costs</b>		
Salary	1,249,168	1,125,613
House rent	432,771	282,596
Contribution to contributory provident fund	(105,401)	(33,310)
Pension and gratuity	1,013,454	120,934
Leave encashment	490,983	151,149
General and incentive bonus	569,493	359,296
Income tax paid to government	53,344	41,726
Medical expenses	143,858	120,937
Other staff costs	123,098	214,893
	<b>3,970,768</b>	<b>2,383,834</b>

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

### **As at and for the year ended 30 June 2011**

#### **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 statement of financial position.

##### **(ii) Operational risk**

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

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2011

	<b>2011</b>	<b>2010</b>
	<b>Taka '000</b>	<b>Taka '000</b>

**(iii) Credit risk**

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

**(iv) Credit risk management**

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

**(v) Concentration of credit exposure**

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

**Bank**

Government of Bangladesh	313,529,793	217,882,034
Other Sovereign issuers	420,773,646	460,172,743
Overseas financial institutions	357,785,246	245,102,308
Other banks & financial institutions in Bangladesh	192,026,615	136,786,835
Others	306,339	242,237
	<b>1,284,421,639</b>	<b>1,060,186,157</b>

**Consolidated**

Government of Bangladesh	313,529,793	217,882,034
Other Sovereign issuers	420,773,646	460,172,743
Overseas financial institutions	357,785,246	245,102,308
Other banks & financial institutions in Bangladesh	193,147,900	138,730,805
Others	582,900	243,260
	<b>1,285,819,485</b>	<b>1,062,131,150</b>

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	505,862,747	354,911,106
Asia	306,918,195	173,645,959
United States of America	279,729,592	340,588,331
Europe	175,961,807	177,309,200
Australia	15,949,298	13,731,561
	<b>1,284,421,639</b>	<b>1,060,186,157</b>

**Consolidated**

Bangladesh	507,260,593	356,856,099
Asia	306,918,195	173,645,959
United States of America	279,729,592	340,588,331
Europe	175,961,807	177,309,200
Australia	15,949,298	13,731,561
	<b>1,285,819,485</b>	<b>1,062,131,150</b>

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2011

#### 39 Credit exposures by credit rating

The following tables represent 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	2011		2010	
	Amount (Taka '000)	% of financial assets	Amount (Taka '000)	% of financial assets

#### i) Foreign currency financial assets

Cash balances with central banks	P-1	176,508,754	13.74%	204,176,852	19.26%
Short term investment	P-1	220,590,889	17.18%	199,393,161	18.81%
Short term investment	ST-1	1,969,902	0.15%	3,611,351	0.34%
Short term investment	ST-2	7,742,919	0.60%	10,191,553	0.96%
Short term investment	ST-3	742,329	0.06%	695,013	0.07%
Foreign bonds	Aaa	31,049,276	2.42%	89,329,804	8.43%
Foreign bonds	Aa	20,427,291	1.59%	-	0.00%
Foreign bonds	Aa1	3,821,290	0.30%	-	0.00%
Foreign bonds	Aa2	5,938,632	0.46%	-	0.00%
Foreign bonds	Aa3	1,855,823	0.14%	-	0.00%
Foreign bonds	A+,B,BB,BBB etc.	57,234,331	4.46%	-	0.00%
Gold investment	A-1	14,458,023	1.13%	4,612,799	0.44%
IMF related assets	NR	48,347,972	3.76%	45,592,263	4.30%
Others	NR	63,933,212	4.98%	19,434,804	1.83%
		<b>778,558,892</b>	<b>60.62%</b>	<b>743,703,687</b>	<b>70.15%</b>

#### ii) Local currency financial assets

Cash balances	NR	306,339	0.02%	242,237	0.02%
Loans to government	NR	313,529,793	24.41%	217,882,034	20.55%
Investments in Repo	NR	84,156,909	6.55%	-	0.00%
Investments	NR	7,176,667	0.56%	7,730,000	0.73%
Loans to banks, fin. institution & employees	NR	100,693,039	7.84%	90,650,176	8.55%
		<b>505,862,747</b>	<b>39.39%</b>	<b>316,504,447</b>	<b>29.85%</b>
Total financial assets (i+ii)		<b>1,284,421,639</b>	<b>100.00%</b>	<b>1,060,208,134</b>	<b>100.00%</b>

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2011

Credit Rating	2011		2010	
	Amount (Taka '000)	% of financial assets	Amount (Taka '000)	% of financial assets

**39a Consolidated credit exposures by credit rating**

**i) Foreign currency financial assets**

Cash balances with central banks	P-1	176,508,754	13.73%	204,176,852	19.22%
Short term investment	P-1	220,590,889	17.16%	199,393,161	18.77%
Short term investment	ST-1	1,969,902	0.15%	3,611,351	0.34%
Short term investment	ST-2	7,742,919	0.60%	10,191,553	0.96%
Short term investment	ST-3	742,329	0.06%	695,013	0.07%
US Dollar treasury bills	P-1	123,938,249	9.64%	166,666,087	15.69%
Foreign bonds	Aaa	31,049,276	2.41%	89,329,804	8.41%
Foreign bonds	Aa	20,427,291	1.59%	-	0.00%
Foreign bonds	Aa1	3,821,290	0.30%	-	0.00%
Foreign bonds	Aa2	5,938,632	0.46%	-	0.00%
Foreign bonds	Aa3	1,855,823	0.14%	-	0.00%
Foreign bonds	A+,B,BB,BBB etc	57,234,331	4.45%	-	0.00%
Gold investment	A-1	14,458,023	1.12%	4,612,799	0.43%
IMF related assets	NR	48,347,972	3.76%	45,592,263	4.29%
Others	NR	63,933,212	4.97%	19,434,804	1.83%
		<b>778,558,892</b>	<b>60.55%</b>	<b>743,703,687</b>	<b>70.02%</b>

**ii) Local currency financial assets**

Cash balances	NR	582,900	0.05%	243,260	0.02%
Loans to government	NR	313,529,793	24.38%	217,882,034	20.51%
Investments in Repo	NR	84,156,909	6.55%	-	0.00%
Investments	NR	7,828,089	0.61%	9,446,881	0.89%
Loans to banks, fin. institution & employees	NR	101,162,902	7.87%	90,877,265	8.56%
		<b>507,260,593</b>	<b>39.45%</b>	<b>318,449,440</b>	<b>29.98%</b>
<b>Total financial assets (i+ii)</b>		<b>1,285,819,485</b>	<b>100%</b>	<b>1,062,153,127</b>	<b>100.00%</b>

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2011

#### 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 2011 is presented below. It includes the Bangladesh Bank's financial statements at carrying amounts, categorized by the earlier of contractual re-pricing of maturity dates. Assets and liabilities will mature or re-price within the following period:

Particulars	Balance as at 30 June 2011	Floating interest %	Re-pricing period				Weighted average interest
			0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
			Taka '000				
<b>Assets</b>							
<b>Foreign currency financial assets</b>							
Foreign currency accounts	176,508,754		176,508,754	-	-	-	0.26%
Foreign investments	489,768,954		301,345,049	83,504,270	104,919,635	-	1.78%
Assets held with IMF	48,347,972		48,299,419	-	-	48,553	0.36%
Other foreign assets (Figures of 2010 restated)	63,933,212		34,243,056	29,690,076	-	80	1.36%
	778,558,892		560,396,278	113,194,346	104,919,635	48,633	
Cash and cash equivalents	306,339		306,339				-
Loans to the government	313,529,793		108,410,272	15,000,000	75,469,490	114,650,031	5.06%
Investments in Repo	84,156,909		84,156,909	-	-	-	3.43%
Investments in shares and debentures	7,176,667		-	155,000	5,081,667	1,940,000	4.74%
Loans to banks, financial institutions and employees	100,693,039	5%	5,069,992	4,227,529	28,224,646	63,170,872	3.10%
	505,862,747		197,943,512	19,382,529	108,775,803	179,760,903	
<b>Total financial assets</b>	<b>1,284,421,639</b>		<b>758,339,790</b>	<b>132,576,875</b>	<b>213,695,438</b>	<b>179,809,536</b>	



## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2011

Taka '000

Particulars	Balance as at 30 June 2011	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	105,583,852		4,804,657	10,446,877	29,848,154	60,484,164	0.21%
Deposits from banks and financial institutions	139,817,884		139,817,884	-	-	-	0.20%
Others foreign liabilities	1,465,192		-	-	-	1,465,192	-
	246,866,928		144,622,541	10,446,877	29,848,154	61,949,356	

**Local currency financial liabilities**

Notes in circulation	599,157,730		599,157,730		-	-	-
Deposits from banks and financial institutions	291,958,033		291,958,033		-	-	-
	891,115,763	-	891,115,763	-	-	-	-
<b>Total financial liabilities</b>	<b>1,137,982,691</b>		<b>1,035,738,304</b>	<b>10,446,877</b>	<b>29,848,154</b>	<b>61,949,356</b>	

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 2011

#### 40a Consolidated interest rate risk

Taka '000

Particulars	Balance as at 30 June 2011	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	176,508,754		176,508,754	-	-	-	0.26%
Foreign investments	489,768,954		301,345,049	83,504,270	104,919,635	-	1.78%
Assets held with IMF	48,347,972		48,299,419	-	-	48,553	0.36%
Other foreign assets (Figures of 2010 restated)	63,933,212		34,243,056	29,690,076		80	1.36%
	778,558,892		560,396,278	113,194,346	104,919,635	48,633	

##### Local currency financial assets

Cash and cash equivalents	582,900		582,900				-
Loans to government	313,529,793		108,410,272	15,000,000	75,469,490	114,650,031	5.06%
Investments in Repo	84,156,909		-	-	-	-	3.43%
Investments	7,828,089		585,765	709,095	5,085,777	1,447,452	5.89%
Loans to banks, financial institutions and employees	101,162,902	5%	5,069,992	4,227,529	28,224,646	63,640,735	3.11%
	507,260,593		114,648,929	19,936,624	108,779,913	179,738,218	
<b>Total financial assets</b>	<b>1,285,819,485</b>		<b>675,045,207</b>	<b>133,130,970</b>	<b>213,699,548</b>	<b>179,786,851</b>	

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2011

Taka '000

Particulars	Balance as at 30 June 2011	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 IMF	105,583,852		4,804,657	10,446,877	29,848,154	60,484,164	
Deposits from banks and financial institutions	139,817,884		139,817,884	-	-	-	
Others foreign liabilities	1,465,192		-	-	-	1,465,192	-
<b>Total foreign currency financial liabilities</b>	<b>246,866,928</b>		<b>144,622,541</b>	<b>10,446,877</b>	<b>29,848,154</b>	<b>61,949,356</b>	

**Local currency financial liabilities**

Notes in circulation	599,157,730	-	599,157,730	-	-	-	-
Deposits from banks and financial institutions	291,958,033	-	291,958,033	-	-	-	-
<b>Total local currency financial liabilities</b>	<b>891,115,763</b>	<b>-</b>	<b>891,115,763</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>1,137,982,691</b>		<b>1,035,738,304</b>	<b>-</b>	<b>-</b>	<b>61,949,356</b>	<b>-</b>

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 2011

#### 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 statement of financial position date to the contractual maturity date.

Assets and liabilities will mature within the following periods:

	Taka '000					
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
<b>Foreign currency financial assets</b>						
Foreign currency accounts	176,508,754	-	-	-	-	176,508,754
Foreign investments	243,697,048	57,648,001	83,504,270	104,919,635	-	489,768,954
Assets held with IMF	48,299,419	-	-	-	48,553	48,347,972
Other Foreign Assets	31,697,448	2,545,608	29,690,076	-	80	63,933,212
	<b>500,202,669</b>	<b>60,193,609</b>	<b>113,194,346</b>	<b>104,919,635</b>	<b>48,633</b>	<b>778,558,892</b>
<b>Local currency financial assets</b>						
Cash and cash equivalents	306,339	-	-	-	-	306,339
Loans to government	107,277,800	1,132,472	15,000,000	75,469,490	114,650,031	313,529,793
Investments in Repo	84,156,909	-	-	-	-	84,156,909
Investments in shares and debentures	-	-	155,000	5,081,667	1,940,000	7,176,667
Loans to banks, financial institutions and employees	403,348	4,666,644	4,227,529	28,224,646	63,170,872	100,693,039
	<b>192,144,396</b>	<b>5,799,116</b>	<b>19,382,529</b>	<b>108,775,803</b>	<b>179,760,903</b>	<b>505,862,747</b>
<b>Non-financial assets</b>						
Gold and silver	34,558,891	-	-	-	-	34,558,891
Property, plant and equipment	-	-	-	1,698,710	23,578,445	25,277,155
Capital work in progress	-	715,353	-	-	-	715,353
	<b>38,334,868</b>	<b>723,533</b>	<b>426,904</b>	<b>1,729,177</b>	<b>23,578,445</b>	<b>64,792,927</b>
<b>Total assets</b>	<b>730,681,933</b>	<b>66,716,258</b>	<b>133,003,779</b>	<b>215,424,615</b>	<b>203,387,981</b>	<b>1,349,214,566</b>

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2011

Taka '000

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
<b>Foreign currency financial liabilities</b>						
Liabilities with the IMF	2,764,374	2,040,283	10,446,877	29,848,154	60,484,164	105,583,852
Deposits from banks and financial institutions	139,817,884	-	-	-	-	139,817,884
Others foreign liabilities	-	-	-	-	1,465,192	1,465,192
	<b>142,582,258</b>	<b>2,040,283</b>	<b>10,446,877</b>	<b>29,848,154</b>	<b>61,949,356</b>	<b>246,866,928</b>
<b>Local currency financial liabilities</b>						
Notes in circulation	599,157,730	-	-	-	-	599,157,730
Deposits from banks and financial institutions	291,958,033	-	-	-	-	291,958,033
	<b>891,115,763</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>891,115,763</b>
<b>Local currency non financial liabilities</b>						
Others domestic liabilities	5,047	17,355,302	2,411,351	10,137,282	18,191,876	48,100,858
<b>Total liabilities</b>	<b>1,033,703,068</b>	<b>19,395,585</b>	<b>12,858,228</b>	<b>39,985,436</b>	<b>80,141,232</b>	<b>1,186,083,549</b>
Capital and reserve	-	-	-	-	163,131,017	163,131,017
<b>Total liability and equity</b>	<b>1,033,703,068</b>	<b>19,395,585</b>	<b>12,858,228</b>	<b>39,985,436</b>	<b>243,272,249</b>	<b>1,349,214,566</b>
<b>Gap analysis</b>						
Gap per individual band	(303,021,135)	47,320,673	120,145,551	175,439,179	(39,884,268)	-

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2011

**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
<b>Foreign currency financial assets</b>						
Foreign currency accounts	176,508,754	-	-	-	-	176,508,754
Foreign investments	243,697,048	57,648,001	83,504,270	104,919,635	-	489,768,954
Assets held with IMF	48,299,419	-	-	-	48,553	48,347,972
Other foreign assets	31,697,448	2,545,608	29,690,076	-	80	63,933,212
	<b>500,202,669</b>	<b>60,193,609</b>	<b>113,194,346</b>	<b>104,919,635</b>	<b>48,633</b>	<b>778,558,892</b>
<b>Local currency financial assets</b>						
Cash and cash equivalents	582,900	-	-	-	-	582,900
Loans to government	107,277,800	1,132,472	15,000,000	75,469,490	114,650,031	313,529,793
Investments in Repo	84,156,909	-	-	-	-	84,156,909
Investments in shares and debentures	150,552	435,213	709,095	5,085,777	1,447,452	7,828,089
Loans to banks, financial institutions and employees	403,348	4,666,644	4,227,529	28,224,646	63,640,735	101,162,902
	<b>192,571,509</b>	<b>6,234,329</b>	<b>19,936,624</b>	<b>108,779,913</b>	<b>179,738,218</b>	<b>507,260,593</b>
<b>Other non-financial assets</b>						
Gold and silver	34,558,891	-	-	-	-	34,558,891
Property, plant and equipment	-	-	-	3,592,846	24,920,978	28,513,824
Capital work in progress	-	723,096	-	-	-	723,096
Other Local assets	811,976	8,180	5,947,073	30,467	-	6,797,696
	<b>35,370,867</b>	<b>731,276</b>	<b>5,947,073</b>	<b>3,623,313</b>	<b>24,920,978</b>	<b>70,593,507</b>
<b>Total assets</b>	<b>728,145,045</b>	<b>67,159,214</b>	<b>139,078,043</b>	<b>217,322,861</b>	<b>204,707,829</b>	<b>1,356,412,992</b>

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2011

Taka '000

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
<b>Foreign currency financial liabilities</b>						
Liabilities with the IMF	2,764,374	2,040,283	10,446,877	29,848,154	60,484,164	105,583,852
Deposits from banks and financial institutions	139,817,884	-	-	-	-	139,817,884
Others foreign liabilities	-	-	-	-	1,465,192	1,465,192
	<b>142,582,258</b>	<b>2,040,283</b>	<b>10,446,877</b>	<b>29,848,154</b>	<b>61,949,356</b>	<b>246,866,928</b>
<b>Local currency financial liabilities</b>						
Notes in circulation	599,157,730	-	-	-	-	599,157,730
Deposits from banks and financial institutions	291,958,033	-	-	-	-	291,958,033
	<b>891,115,763</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>891,115,763</b>
<b>Local currency non-financial liabilities</b>						
Others domestic liabilities	5,047	17,355,302	2,485,688	10,741,737	18,907,600	49,495,374
<b>Total liabilities</b>	<b>1,033,703,068</b>	<b>19,395,585</b>	<b>12,932,565</b>	<b>40,589,891</b>	<b>80,856,956</b>	<b>1,187,478,065</b>
Capital and reserve	-	-	-	-	168,934,927	1,187,478,065
<b>Total liability and equity</b>	<b>1,033,703,068</b>	<b>19,395,585</b>	<b>12,932,565</b>	<b>40,589,891</b>	<b>249,791,883</b>	<b>1,356,412,992</b>
<b>Gap analysis</b>						
<b>Gap per individual band</b>	<b>(305,558,023)</b>	<b>47,763,629</b>	<b>126,145,478</b>	<b>176,732,970</b>	<b>(45,084,054)</b>	<b>-</b>

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2011

#### 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

Particulars	USD equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Yen equivalent	C\$ equivalent	AUD equivalent	SDR equivalent	Others equivalent
<b>Assets</b>									
Held in other Central Banks and cash deposit abroad	102,483,458	-	69,284,125	2,351,457	691,258	673,107	966,343	-	59,006
Short term investment in overseas commercial banks	88,534,201	14,458,023	52,807,283	61,618,308	1,465,193	3,485,606	22,754,127	-	381,321
Treasury bills	123,938,249	-	-	-	-	-	-	-	-
Foreign bonds	76,496,507	-	13,441,571	11,027,978	-	4,366,946	14,993,641	-	-
Loan to other banks	61,387,524	-	-	-	-	-	-	-	80
Interest receivable	1,504,286	-	588,260	83,823	-	16,721	331,657	20,861	-
Asset held with IMF	-	-	-	-	-	-	-	48,347,972	-
<b>Total</b>	<b>454,344,225</b>	<b>14,458,023</b>	<b>136,121,239</b>	<b>75,081,566</b>	<b>2,156,451</b>	<b>8,542,380</b>	<b>39,045,768</b>	<b>48,368,833</b>	<b>440,407</b>
<b>Liabilities</b>									
Deposits from other banks	75,706,138	-	1,061,587	887,982	9,540	-	-	-	-
Liabilities to IMF	-	-	-	-	-	-	-	15,756,906	-
Loan under poverty reduction and growth facility	-	-	-	-	-	-	-	60,641,092	-
SDR allocation	-	-	-	-	-	-	-	29,185,854	-
Others-JDR balance	-	-	-	-	1,465,192	-	-	-	-
<b>Total</b>	<b>137,858,775</b>	<b>-</b>	<b>1,061,587</b>	<b>887,982</b>	<b>1,474,732</b>	<b>-</b>	<b>-</b>	<b>105,583,852</b>	<b>-</b>
<b>Net</b>	<b>316,485,450</b>	<b>14,458,023</b>	<b>135,059,652</b>	<b>74,193,584</b>	<b>681,719</b>	<b>8,542,380</b>	<b>39,045,768</b>	<b>(57,215,019)</b>	<b>440,407</b>



## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2011

#### 43 Sensitivity Analysis

At 30 June 2011, if interest rates had been 100 basis points lower with all other variables constant, profit for the year would have been 11,723 million Taka lower (2010: Taka 9762 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 11,723 million Taka higher (2010: Taka 9762 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 2011 if the Taka had weakened 10.0 percent against the principal currencies in its foreign reserves portfolio with all other variables held constant profit for the year would have been 6,957 million Taka higher, (2010: Taka 2,008 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 6,657 million, (2010: Taka 2,008 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	
	2011	2010	2011	2010
<b>Financial assets</b>				
Foreign currency accounts	176,508,754	204,176,852	176,508,754	204,176,852
Foreign investments	489,768,954	474,499,768	489,768,954	474,499,768
IMF related assets	48,347,972	45,592,263	48,347,972	45,592,263
Other foreign assets	63,933,212	19,434,804	63,933,212	19,434,804
Loans to government	313,529,793	217,882,034	313,529,793	217,882,034
Investments in Repo	84,156,909	-	84,156,909	-
Investments in shares and debentures	7,176,667	7,730,000	7,176,667	7,730,000
Loans to banks and financial institution	100,693,039	90,650,176	100,693,039	90,650,176
Cash and cash equivalent	306,339	242,237	306,339	242,237
<b>Financial liabilities</b>				
Liabilities with IMF	105,583,852	88,363,476	105,583,852	88,363,476
Deposits from banks and fin. institutions	431,775,917	342,299,821	431,775,917	342,299,821
Notes in circulation	599,157,730	499,479,657	599,157,730	499,479,657
Short term borrowing	-	21,387,466	-	21,387,466
Other foreign liabilities	1,465,192	1,248,274	1,465,192	1,248,274

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2011

**43a Consolidated fair value**

	Carrying value		Fair value	
	2011	2010	2011	2010
<b>Financial assets</b>				
Foreign currency accounts	176,508,754	204,176,852	176,508,754	204,176,852
Foreign investments	489,768,954	474,499,768	489,768,954	474,499,768
IMF related assets	48,347,972	45,592,263	48,347,972	45,592,263
Other foreign assets	63,933,212	19,434,804	63,933,212	19,434,804
Loans to government	313,529,793	217,882,034	313,529,793	217,882,034
Investments in Repo	84,156,909	-	84,156,909	-
Consolidated investments	7,828,089	9,446,881	7,828,089	9,446,881
Loans to banks and financial institutions	101,162,902	90,877,265	101,162,902	90,877,265
Cash and cash equivalent	582,900	243,260	582,900	243,260
<b>Financial liabilities</b>				
Liabilities with IMF	105,583,852	88,363,476	105,583,852	88,363,476
Deposits from banks and fin. institutions	431,775,917	342,299,821	431,775,917	342,299,821
Notes in circulation	599,157,730	499,479,657	599,157,730	499,479,657
Short term borrowings	-	21,387,466	-	21,387,466
Other foreign liabilities	1,465,192	1,248,274	1,465,192	1,248,274

**Determination of fair value of financial assets**

The fair value of foreign securities held to maturity is based on quoted market prices, at the financial position date. As explained in note 3.3 b(4), available-for-sale securities are SPC shares with a value of BDT 500,000,000 (2010: 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 2011

#### 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	Total
<b>Cash and cash equivalents</b>	306,339	-	-	-	306,339
<b>Foreign currency accounts</b>	176,508,754	-	-	-	176,508,754
<b>Foreign investments:</b>					
Short term investments with overseas commercial banks	231,046,039	-	-	-	231,046,039
US Dollar Treasury Bills	-	-	123,938,249	-	123,938,249
Gold investment	-	14,458,023	-	-	14,458,023
Foreign Bonds	-	-	120,326,643	-	120,326,643
<b>Asset held with IMF</b>	-	-	48,347,972	-	48,347,972
<b>Other foreign assets:</b>					
Loans to other banks	61,387,524	-	-	-	61,387,524
Swift share	-	-	-	80	80
Interest receivable	2,545,608	-	-	-	2,545,608
<b>Loans to government:</b>					
Ways and means advance	10,000,000	-	-	-	10,000,000
Overdraft - block (government treasury bills)	176,510,000	-	-	-	176,510,000
Overdraft - current	97,277,800	-	-	-	97,277,800
Treasury bills	-	1,132,472	-	-	1,132,472
Treasury bonds	-	28,609,521	-	-	28,609,521
<b>Investment in REPO</b>	84,156,909	-	-	-	84,156,909
<b>Investments in shares and debentures:</b>					
Debenture - HBFC	6,676,667	-	-	-	6,676,667
Investment in subsidiary	-	-	-	500,000	500,000
<b>Loans to banks and financial institutions:</b>					4,866,643
Loan to Commercial banks	4,866,643	-	-	-	-
Loan to Specialised banks	51,980,206	-	-	-	51,980,206
Loan to Private banks	4,397,260	-	-	-	4,397,260
Other loans and advances	14,084,721	-	-	-	14,084,721
Interest receivable	7,600,024	-	-	-	7,600,024
Loans and advances to employees	17,764,185	-	-	-	17,764,185
<b>Total</b>	<b>947,108,679</b>	<b>44,200,016</b>	<b>292,612,864</b>	<b>500,080</b>	<b>1,284,421,639</b>
<b>Interest/commission received</b>	<b>20,099,800</b>	<b>2,598,807</b>	<b>6,353,473</b>	<b>-</b>	<b>29,052,080</b>

Taka '000

Items	Carried at amortized cost	Liabilities through profit or loss	Total
<b>Financial Liabilities</b>	105,583,852	-	105,583,852
<b>Liabilities with IMF</b>			
<b>Deposits from banks and financial institutions:</b>			
Foreign currency deposits by commercial banks	77,665,247	-	77,665,247
Asian Clearing Union (ACU)	62,152,637	-	62,152,637
<b>Other foreign liabilities</b>	1,465,192	-	1,465,192
<b>Notes in circulation</b>	599,157,730	-	599,157,730
<b>Deposits from banks and financial institution</b>	291,958,033	-	291,958,033
<b>Total</b>	<b>1,137,982,691</b>	<b>-</b>	<b>1,137,982,691</b>
<b>Interest / commission paid</b>	<b>3,450,845</b>	<b>-</b>	<b>3,450,845</b>

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2011

#### 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	Total
<b>Cash and cash equivalents</b>	582,900	-	-	-	582,900
<b>Foreign currency accounts</b>	176,508,754	-	-	-	176,508,754
<b>Foreign investments:</b>					-
Short term investments with overseas commercial banks	231,046,039	-	-	-	231,046,039
US Dollar Treasury Bills	-	-	123,938,249	-	123,938,249
Gold investment	-	14,458,023	-	-	14,458,023
Foreign Bonds	-	-	120,326,643	-	120,326,643
<b>Asset held with IMF</b>	-	-	48,347,972	-	48,347,972
<b>Other foreign assets:</b>					-
Loans to other banks	61,387,524	-	-	-	61,387,524
Swift share	-	-	-	80	80
Interest receivable	2,545,608	-	-	-	2,545,608
<b>Loans to the government</b>					-
Ways and means advance	10,000,000	-	-	-	10,000,000
Overdraft - block (government treasury bills)	176,510,000	-	-	-	176,510,000
Overdraft - current	97,277,800	-	-	-	97,277,800
Treasury bills	-	1,132,472	-	-	1,132,472
Treasury bonds	-	28,609,521	-	-	28,609,521
<b>Investment in REPO</b>	84,156,909	-	-	-	84,156,909
<b>Investments in shares and debentures:</b>					-
Debenture - House Building Finance Corporation	6,676,667	-	-	-	6,676,667
Short term money market investments	-	1,143,970	-	-	1,143,970
Share of ICB Islamic Bank Limited	-	-	-	7,452	7,452
<b>Loans to banks and financial institutions:</b>					-
Loan to Commercial banks	4,866,643	-	-	-	4,866,643
Loan to Specialized banks	51,980,206	-	-	-	51,980,206
Loan to Private banks	4,397,260	-	-	-	4,397,260
Other loans and advances	14,084,721	-	-	-	14,084,721
Interest receivable	7,600,024	-	-	-	7,600,024
Loans and advances to employees	18,234,048	-	-	-	18,234,048
<b>Total</b>	<b>947,855,103</b>	<b>45,343,986</b>	<b>292,612,864</b>	<b>7,532</b>	<b>1,285,819,485</b>
<b>Interest/commission received</b>	<b>21,537,421</b>	<b>2,760,964</b>	<b>6,353,473</b>	<b>-</b>	<b>30,651,858</b>

##### Financial Liabilities

Taka '000

Items	Carried at amortised cost	Liabilities through profit or loss	Total
<b>Liabilities with IMF</b>	105,583,852	-	105,583,852
<b>Deposits from banks and financial institutions:</b>			
Foreign currency deposits by commercial banks	77,665,247	-	77,665,247
Asian Clearing Union (ACU)	62,152,637	-	62,152,637
<b>Other foreign liabilities</b>	1,465,192	-	1,465,192
<b>Notes in circulation</b>	599,157,730	-	599,157,730
<b>Deposits from banks and financial institution</b>	291,958,033	-	291,958,033
<b>Total</b>	<b>1,137,982,691</b>	<b>-</b>	<b>1,137,982,691</b>
<b>Interest/commission paid</b>	<b>3,450,845</b>	<b>-</b>	<b>3,450,845</b>

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

As at and for the year ended 30 June 2011

### **45 Contingent liabilities**

The Bank had contingent liabilities for guarantees outstanding as at 30 June 2011 amounting to Taka 41,570 million (2010: 46,566 million) secured by counter guarantees from the Government of Bangladesh.

The Bank had 4 pending litigations against which possible liability was Taka 6.68 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 percent on the balance of the contributed amount. In the event that the return from securities is lower than the committed return of 12.5 percent 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 percent on the balance of the fund. In the event, when the return from securities is lower than the committed return of 12.5 percent 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 2011

#### (b) Pension scheme

The employees are entitled to get pension amounting to maximum 80% of their last basic salary. 50% of the pension amount is paid as a lump sum computed at the rate of Taka 200 per Taka 1 surrendered from the pension. Employees may choose to surrender the remaining 50% for a lump sum payment computed at the rate of Taka 100 per Taka1 or to receive their pension monthly over the remaining lifetime.

All employees irrespective of joining date are entitled to Taka 700 per month as medical allowance in cash and a maximum of Taka1,000 per year in the form of medicine even after retirement.

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

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

#### 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 FY04 and then in the year FY06. Later on the Bank appointed an actuarial firm (Z. Halim and Associates) to calculate actuarial valuation of pension and gratuity scheme for the year FY09. 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. Pay fixation for all employees of the Bank was delayed and the Bank was not able to provide pay information to the actuarial firm as on 1 July 2009 and they were again requested to calculate the valuation as of 30 June 2010. Accordingly information/data as requested by the actuarial firm were supplied to them. But they did not submit the report. During the year the Bank provide a lump sum amount to those funds. The balance of the funds is as under:

Particulars	Pension plans		Gratuity plans	
	2010-2011	2009-2010	2010-2011	2009-2010
<b>Amounts recognised in the reporting date</b>				
Balance at the beginning of the year	2,752,599	2,910,350	1,731,923	1,730,197
Paid during the year	(534,369)	(207,751)	(110,693)	(48,274)
Transferred to other fund / adjustment	-	-	-	-
Current year's provision	750,000	50,000	250,000	50,000
Balance of the fund	<b>2,968,230</b>	<b>2,752,599</b>	<b>1,871,230</b>	<b>1,731,923</b>

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 2011

### **48 Capital commitment**

As at 30 June 2011 the Bank had outstanding capital commitment with respect to different civil constructions amounting to Taka 522.65 million (2010: Taka 2.0 million). The Bank also committed to incur capital expenditure of Taka 613.61million 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 1,449.02 billion and paid Taka.1,556.30 billion on behalf of government. As at 30 June 2011, total outstanding balance was Taka 313.53 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 Taka 349 million included in the interest income.

#### **49.3 Transactions with retirement benefit plans**

The Bank contribute Taka 1,000 million from the charges account to the retirement benefit plans (consisting of contribution to pension plans including widow/widowers). Amounts of balances held in the financial statements maintained by these retirement benefit plans are given in note 47.

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

As at and for the year ended 30 June 2011

### **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 People's Republic of Bangladesh.
- (d) Dr. Nasiruddin Ahmed - appointed as the Director of the Board of Bangladesh Bank on 22 April 2009 for a period until further order and hold the post of Secretary, Internal Resources Division & Chairman, National Board of Revenue, Govt. of the People's Republic of Bangladesh, Shegunbagicha, Dhaka.
- (e) Dr. Mustafa Kamal Mujeri - appointed as the Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years and hold the post of Director General, 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, U S A & Vice Chairman, Policy Research Institute, Banani, Dhaka.
- (h) Prof. Hannana Begum - appointed as the Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. She is an Ex-Principal, Eden College, Dhaka.
- (i) Mr. Md. Shafiqur Rahman Patwari - appointed as the Director of the Board of Bangladesh Bank on 22 March 2010 for a period until further order and hold the post of Secretary, Bank and Financial Institutions Division, Ministry of Finance, Government of the People's 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 percent share of the Bank and the entire profit of the Bank's is transmitted to the Government at the end of the year.



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

As at and for the year ended 30 June 2011

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

Members of the Board of Directors received remuneration totaling Taka 298,909 and the Governor received salary totaling Taka 504,000. 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 Taka 1,440,000. 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.