

Bangladesh Bank's Accounts for 2013-2014

14.1 Financial results of Bangladesh Bank for FY14 has been prepared in accordance with International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board (IASB). Executive summary of Accounts of Bangladesh Bank (excluding SPCBL) is represented below.

Income

14.2 The total operating income of the Bank (excluding foreign currency revaluation gain/loss) for FY14 decreased by Taka 18.07 billion (32.66 percent) to Taka 37.26 billion compared to Taka 55.33 billion in FY13. Including increase in foreign currency revaluation gain/(loss), total operating income of the Bank increased by Taka 33.55 billion (199.11 percent) to Taka 50.40 billion compared to Taka 16.85 billion in FY13. The sources of income are set out in table 14.1.

Income from Foreign Currency Financial Assets

14.3 During FY14, Bank's income from the foreign currency financial assets decreased by Taka 0.44 billion (4.18 percent) to Taka 10.09 billion compared to Taka 10.53 billion in FY13 due to decrease in weighted average interest rate on investment of foreign currency.

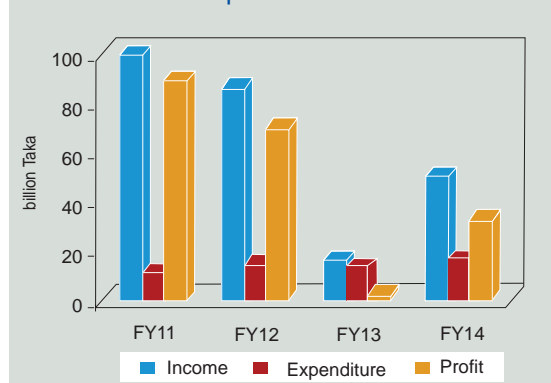
Income from Local Currency Financial Assets

14.4 Bank's income from local currency financial assets decreased by Taka 17.63

Table 13.1 Sources of income (billion Taka)

	FY14	FY13
Operating Income		
A. Income from foreign		
currency financial assets	10.09	10.53
Interest income	10.05	10.85
Commission and discounts	0.06	0.13
Loss on foreign		
currency financial asset	(0.02)	(0.45)
B. Income from local		
currency financial assets	27.17	44.80
Interest income	25.79	44.18
Commission & discounts	1.19	0.36
Dividend income & misc.	0.02	0.00
Other income	0.17	0.26
Total : (A+B)	37.26	55.33
C. Foreign exchange		
revaluation gain (loss)	13.14	(38.48)
Realised gain/(loss)	2.00	2.20
Unrealised gain/(loss)	11.14	(40.68)
Total : (A+B+C)	50.40	16.85

Chart 14.1 Bank's income, expenditure and profit



billion (39.35 percent) to Taka 27.17 billion in FY14 compared to Taka 44.80 billion in FY13. This was due to decrease in income from Government securities, repo investment and loans & advances to Government.

Foreign Currency Revaluation Gain

14.5 During FY14, the Bank made a gain on foreign currency revaluation. The total gain was Taka 13.14 billion. This was due to major foreign currencies hold by the Bank become stronger against the Bangladeshi Taka. This revaluation gain was transferred to the reserve account.

Expenditure

14.6 Total expenditure of the Bank increased by Taka 3.07 billion (22.23 percent) to Taka 16.88 billion in FY14 compared to Taka 13.81 billion in FY13. The increase in expenditure was mainly due to increase in note printing & administrative cost. The details of expenditure are shown in the table 14.2.

Financial Cost

14.7 Financial cost increased by Taka 1.73 billion (41.00 percent) to Taka 5.95 billion in FY14 compared to Taka 4.22 billion in FY13. This increase was due mainly to increase in payment of interest on Bangladesh Bank bill and reverse repo.

Other Expenses

14.8 Other expenses increased by Taka 1.34 billion (13.97 percent) to Tk. 10.93 billion in FY14 compared to Taka 9.59 billion in FY13. This increase was due mainly to increase in staff cost, rent and depreciation charged on property, plant & equipment of the Bank.

Table 14.2 Bank's expenditure (billion Taka)

Particulars	FY14	FY13
A. Financial cost	5.95	4.22
Expenses on foreign currency financial liabilities	0.24	0.35
Interest on foreign currency financial liabilities	0.19	0.29
Commission & other expenses on foreign currency financial liabilities	0.05	0.06
Expenses on local currency financial liabilities	5.71	3.87
Interest expense on local currency financial liabilities	2.86	1.15
Commission & other local currency financial liabilities	2.85	2.72
B. Other expenses	10.93	9.59
Note printing	3.89	3.37
General & administrative expenses	7.04	6.22
Total expenditure (A+B)	16.88	13.81

Profit for the Year

14.9 Operating profit of the Bank (including foreign currency revaluation gain/loss) increased by Taka 30.48 billion (1002.63 percent) to Taka 33.52 billion in FY14 compared to Taka 3.04 billion in FY13.

Other Comprehensive Income

14.10 During the year, the Bank made revaluation gain amounting to Taka 16.43 billion on gold, silver and land. This revaluation gain was taken into other comprehensive income and subsequently transferred to the reserve account. Revaluation gain arose due to increase in value of gold and silver in the international market and increase in value of land after revaluation.

Profit Appropriation

14.11 Out of Taka 33.52 billion, an amount of Taka 0.55 billion were transferred to statutory funds, Taka 13.14 billion to foreign

currency revaluation reserve; Taka 0.05 billion to Bangladesh Bank Disaster Management and Social Responsibility Fund and Taka 0.28 billion to asset renewal & replacement reserve. After adjusting loss on reclassification of foreign bonds of Taka 3.85 billion, Taka 15.64 billion were transferrable to the Government. Taka 0.01 billion was adjusted against dues from Government and the remaining amount of Taka 15.63 billion was transferred to the Government account which was less than Taka 20.67 billion from FY13.

Combined Balance Sheet of Banking and Issue Department

Assets

14.12 Foreign currency financial assets increased by Taka 481.80 billion (38.36 percent) to Taka 1737.74 billion in FY14 compared to Taka 1255.94 billion in FY13 due to increase in foreign reserves.

14.13 Local currency financial assets decreased by Taka 177.13 billion (38.17 percent) to Taka 286.95 billion in FY14 compared to Taka 464.08 billion in FY13. The result was mainly due to decrease in loans to Government and investment in repo.

14.14 Non financial assets of the Bank increased by Taka 11.84 billion to Taka 43.18 billion in FY14 from Taka 31.34 billion in FY13.

Liabilities

14.15 Foreign currency financial liabilities increased by Taka 29.46 billion (9.54 percent) to Taka 338.23 billion in FY14 from Taka 308.77 billion in FY13. This increase was due to increase in liabilities with IMF and increase in deposits from banks and financial institutions in the foreign currency clearing account.

Local currency financial liabilities increased by Taka 281.94 billion (22.39 percent) to Taka 1541.44 billion in FY14 compared to Taka 1259.50 billion in FY13 due to increase in notes in circulation, short term borrowings and deposits from banks and financial institutions in local currency.

Notes in Circulation

14.16 Notes in circulation increased by Taka 100.79 billion (13.50 percent) to Taka 847.17 billion in FY14 compared to Taka 746.38 billion in FY13. The liabilities for notes in circulation amounting to Taka 847.17 billion were backed by gold and silver of Taka 6.44 billion, of Taka 800.00 billion balance held outside Bangladesh, Government securities of Taka 10.21 billion, Bangladesh coins of Taka 0.52 billion and other domestic assets of Taka 30.00 billion.

Equity

14.17 Total equity of the Bank increased by Taka 5.11 billion to Taka 188.20 billion in FY14 compared to the previous year of Taka 183.09 billion. The equity of the bank is enumerated below:

- i. Capital of the bank remain unchanged at Taka 0.03 billion;
- ii. Retained earnings decreased by Taka 25.09 billion to Taka 15.64 billion in FY14 compared to Taka 40.73 billion in FY13;
- iii. Revaluation reserve increased by Taka 27.56 billion to Taka 101.12 billion in FY14 compared to Taka 73.56 billion in FY13;
- iv. Currency fluctuation reserve increased by Taka 2.00 billion to Taka 26.76 billion in FY14 compared to Taka 24.76 billion in FY13;

- v. Balance of statutory fund increased by Taka 0.55 billion to Taka 15.02 billion in FY14 compared to Taka 14.47 billion in FY13;
- vi. Non statutory fund decreased to Taka 14.22 billion from Taka 14.23 billion;
- vii. Other reserves increased to Taka 11.16 billion from Taka 11.06 billion;
- viii. General reserve remained unchanged at Taka 4.25 billion.

Foreign Currency Reserve

14.18 Foreign currency reserve increased by Taka 478.77 billion (40.20 percent) to Taka 1669.67 billion in FY14 compared to Taka 1190.90 billion in FY13.

Consolidation

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

Auditors

14.20 The financial statements of Bangladesh Bank for FY14 were audited as per International Standards on Auditing (ISA) by KPMG Lower Gulf Limited, Dubai & Rahman Rahman Huq, Bangladesh, Chartered Accountants

BANGLADESH BANK

AUDITED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 30 JUNE 2014

Report of the Independent Auditors To the Government of the People's Republic of Bangladesh

Report on the Financial Statements

We have audited the accompanying separate and consolidated financial statements (together referred to as "financial statements") of Bangladesh Bank ("the Bank") and its subsidiary ("the Group"), which comprise the separate and consolidated statements of financial position as at 30 June 2014, the separate and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 30 June 2014, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Lower Gulf Limited

Chartered Accountants, Dubai

24 August 2014

Rahman Rahman Huq

Chartered Accountants, Bangladesh

Bangladesh Bank
Consolidated Statement of Financial Position as at 30 June 2014

Assets	Notes	2014 Taka '000	2013 Taka '000
Foreign currency financial assets			
Foreign currency accounts	4	501,735,055	400,668,902
Foreign investments	5	933,017,193	619,498,073
Assets held with International Monetary Fund	6	148,468,110	129,535,058
Gold and silver	7	25,283,678	30,888,999
Claims from gold transactions	8	19,451,963	9,888,170
Foreign currency loans to banks	9	105,186,763	62,201,818
Other foreign currency financial assets	10	4,595,253	3,257,453
Total foreign currency financial assets		1,737,738,015	1,255,938,473
Local currency financial assets			
Taka coin and cash balances	11	1,356,424	912,090
Securities purchased under agreement to resell	12	980,000	32,690,170
Loans to the Government of Bangladesh	13	168,861,943	304,676,986
Local currency investments	14	8,385,472	8,221,755
Local currency loans to banks, financial institutions and employees	15	109,704,694	118,056,512
Other local currency financial assets	16	1,145,214	2,337,873
Total local currency financial assets		290,433,747	466,895,386
Total financial assets		2,028,171,762	1,722,833,859
Non-financial assets			
Property, plant and equipment	17	46,440,822	29,240,605
Intangible assets	18	678,242	911,915
Other non-financial assets	19	6,407,845	6,643,867
Total non-financial assets		53,526,909	36,796,387
Total assets		2,081,698,672	1,759,630,246
Liabilities & Equity			
Liabilities			
Foreign currency financial liabilities			
Foreign currency deposits from banks and financial institutions	20	149,897,536	140,040,206
Liabilities with International Monetary Fund	6	188,331,836	168,729,820
Total foreign currency financial liabilities		338,229,372	308,770,026
Local currency financial liabilities			
Notes in circulation	21	847,170,600	746,382,564
Short term borrowings	22	57,664,690	49,830,996
Local currency deposits from banks and financial institutions	23	443,782,003	371,149,908
Other local currency financial liabilities	24	193,316,773	92,953,477
Total local currency financial liabilities		1,541,934,067	1,260,316,945
Total liabilities		1,880,163,439	1,569,086,971
Equity			
Capital	25	30,000	30,000
Retained earnings	32	22,525,327	46,493,169
Revaluation reserves	26	107,116,613	74,903,095
Currency fluctuation reserve	27	26,760,236	24,759,279
Statutory funds	28	15,017,046	14,467,046
Non statutory funds	29	14,222,452	14,226,290
Other reserves	30	11,163,059	11,063,896
General reserve	31	4,700,500	4,600,500
Total equity		201,535,233	190,543,275
Total liabilities and equity		2,081,698,672	1,759,630,246

The accompanying notes from 1 to 56 form an integral part of these financial statements.

Badrul Haque Khan
General Manager
Accounts & Budgeting Department

Md. Abul Quasem
Deputy Governor

Dr. Atiur Rahman
Governor

Bangladesh Bank
Separate Statement of Financial Position as at 30 June 2014

Assets	Notes	2014 Taka '000	2013 Taka '000
Foreign currency financial assets			
Foreign currency accounts	4	501,735,055	400,668,902
Foreign investments	5	933,017,193	619,498,073
Assets held with International Monetary Fund	6	148,468,110	129,535,058
Gold and silver	7	25,283,678	30,888,999
Claims from gold transactions	8	19,451,963	9,888,170
Foreign currency loans to banks	9	105,186,763	62,201,818
Other foreign currency financial assets	10	4,595,253	3,257,453
Total foreign currency financial assets		1,737,738,015	1,255,938,473
Local currency financial assets			
Taka coin and cash balances	11.01	546,240	387,053
Securities purchased under agreement to resell	12	980,000	32,690,170
Loans to the Government of Bangladesh	13	168,861,943	304,676,986
Local currency investments	14.01	7,005,000	7,040,000
Local currency loans to banks, financial institutions and employees	15.01	108,628,077	117,087,464
Other local currency financial assets	16.01	929,682	2,199,827
Total local currency financial assets		286,950,942	464,081,500
Total financial assets		2,024,688,957	1,720,019,973
Non-financial assets			
Property, plant and equipment	17.01	38,700,785	26,192,222
Intangible assets	18	678,242	911,915
Other non-financial assets	19.01	3,800,104	4,232,592
Total non-financial assets		43,179,131	31,336,729
Total assets		2,067,868,089	1,751,356,702
Liabilities & Equity			
Liabilities			
Foreign currency financial liabilities			
Foreign currency deposits from banks and financial institutions	20	149,897,536	140,040,206
Liabilities with International Monetary Fund	6	188,331,836	168,729,820
Total foreign currency financial liabilities		338,229,372	308,770,026
Local currency financial liabilities			
Notes in circulation	21	847,170,600	746,382,564
Short term borrowings	22	57,664,690	49,830,996
Local currency deposits from banks and financial institutions	23	443,782,003	371,149,908
Other local currency financial liabilities	24.01	192,817,857	92,137,645
Total local currency financial liabilities		1,541,435,151	1,259,501,113
Total liabilities		1,879,664,523	1,568,271,139
Equity			
Capital	25	30,000	30,000
Retained earnings	32.01	15,643,831	40,733,254
Revaluation reserves	26.01	101,116,443	73,555,298
Currency fluctuation reserve	27	26,760,236	24,759,279
Statutory funds	28	15,017,046	14,467,046
Non statutory funds	29	14,222,452	14,226,290
Other reserves	30	11,163,059	11,063,896
General reserve	31.01	4,250,500	4,250,500
Total equity		188,203,567	183,085,563
Total liabilities and equity		2,067,868,089	1,751,356,702

The accompanying notes from 1 to 56 form an integral part of these financial statements.

Badrul Haque Khan
General Manager
Accounts & Budgeting Department

Md. Abul Quasem
Deputy Governor

Dr. Atiur Rahman
Governor

Bangladesh Bank
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2014

Income	Notes	2014 Taka '000	2013 Taka '000
Income on foreign currency financial assets			
Interest income on foreign currency financial assets	33	10,059,966	10,851,622
Commission and discounts on foreign currency financial assets	34	59,012	132,160
Loss on foreign currency financial assets		(24,989)	(453,441)
Total income on foreign currency financial assets		10,093,989	10,530,341
Income on local currency financial assets			
Interest income on local currency financial assets	36	26,119,080	44,424,947
Commission and discounts on local currency financial assets	37	1,191,498	360,455
Sales to other parties by subsidiary		2,017,634	2,232,875
Other income on local currency financial assets		184,838	285,616
Total income on local currency financial assets		29,513,049	47,303,893
Realised foreign exchange revaluation gain		2,000,957	2,196,927
Unrealised foreign exchange revaluation gain/(loss)		11,139,987	(40,676,687)
Total income		52,747,982	19,354,474
Expenses			
Expenses on foreign currency financial liabilities			
Interest expense on foreign currency financial liabilities	35	(195,267)	(290,541)
Commission and other expenses on foreign currency financial liabilities		(47,784)	(61,334)
Total expenses on foreign currency financial liabilities		(243,051)	(351,875.00)
Expenses on local currency financial liabilities			
Interest expense on local currency financial liabilities	38	(2,862,738)	(1,148,070)
Commission and other expenses on local currency financial liabilities	39	(2,854,002)	(2,723,926)
Total expenses on local currency financial liabilities		(5,716,740)	(3,871,996)
Other expenses			
General and administrative expenses	40	(12,245,517)	(11,194,373)
Total other expenses		(12,245,517)	(11,194,373)
Total expenses		(18,205,308)	(15,418,243)
Profit for year		34,542,674	3,936,230
Items that may be subsequently reclassified to profit or loss			
Other comprehensive income			
Gold revaluation gain/(loss)		4,099,233	(16,574,604)
Silver revaluation gain/(loss)		21,698	(136,807)
Property, plant and equipment revaluation gain		17,161,372	-
Total other comprehensive income		21,282,303	(16,711,411)
Total comprehensive income for year		55,824,977	(12,775,181)

The accompanying notes from 1 to 56 form an integral part of these financial statements.

Badrul Haque Khan
General Manager
Accounts & Budgeting Department

Md. Abul Quasem
Deputy Governor

Dr. Atiur Rahman
Governor

Bangladesh Bank
Separate Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2014

Income	Notes	2014 Taka '000	2013 Taka '000
Income on foreign currency financial assets			
Interest income on foreign currency financial assets	33	10,059,966	10,851,622
Commission and discounts on foreign currency financial assets	34	59,012	132,160
Loss on foreign currency financial assets		(24,989)	(453,441)
Total income on foreign currency financial assets		10,093,989	10,530,341
Income on local currency financial assets			
Interest income on local currency financial assets	36.01	25,789,022	44,180,442
Commission and discounts on local currency financial assets	37	1,191,498	360,455
Dividend income	14.02	25,000	-
Other income on local currency financial assets		165,889	261,938
Total income on local currency financial assets		27,171,408	44,802,835
Realised foreign exchange revaluation gain		2,000,957	2,196,927
Unrealised foreign exchange revaluation gain/(loss)		11,139,987	(40,676,687)
Total income		50,406,341	16,853,416
Expenses			
Expenses on foreign currency financial liabilities			
Interest expense on foreign currency financial liabilities	35	(195,267)	(290,541)
Commission and other expenses on foreign currency financial liabilities		(47,784)	(61,334)
Total expenses on foreign currency financial liabilities		(243,051)	(351,875)
Expenses on local currency financial liabilities			
Interest expense on local currency financial liabilities	38	(2,862,738)	(1,148,070)
Commission and other expenses on local currency financial liabilities	39	(2,854,002)	(2,723,926)
Total expenses on local currency financial liabilities		(5,716,740)	(3,871,996)
Other expenses			
Note printing expenses		(3,885,924)	(3,369,886)
General and administrative expenses	41	(7,042,372)	(6,215,608)
Total other expenses		(10,928,297)	(9,585,494)
Total expenses		(16,888,087)	(13,809,365)
Profit for year		33,518,254	3,044,051
Items that may be subsequently reclassified to profit or loss			
Other comprehensive income			
Gold revaluation gain/(loss)		4,099,233	(16,574,604)
Silver revaluation gain/(loss)		21,698	(136,807)
Property, plant and equipment revaluation gain		12,311,838	-
Total other comprehensive income		16,432,769	(16,711,411)
Total comprehensive income for year		49,951,023	(13,667,360)

The accompanying notes from 1 to 56 form an integral part of these financial statements.

Badrul Haque Khan
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 2014

Taka '000

Particulars	Non - distributable										Distributable		Total
	Capital	Revaluation reserve			Currency fluctuation reserve	Statutory fund	Non-statutory funds	Other reserves			Retained earnings		
		Gold and silver	Foreign currency accounts	Property, plant & equipment				Asset renewal & replacement reserve	Interest reserve	General reserve			
Balance as at 1 July 2012	30,000	28,141,123	89,550,848	23,556,886	22,562,352	13,917,046	14,266,067	2,517,324	8,258,328	4,500,500	41,710,052	249,010,526	
Dividend paid for 2011-2012	-	-	-	-	-	-	-	-	-	-	(36,742,319)	(36,742,319)	
Transferred to other funds	-	(16,711,413)	-	-	-	-	-	-	-	100,000	(100,000)	-	
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	44,612,919	(12,775,181)	
Appropriation of profit to other funds	-	-	(40,676,687)	-	2,196,927	550,000	-	191,506	62,100	-	(3,000,533)	-	
Adjustment against revaluation	-	-	(8,922,619)	(35,043)	-	-	(39,777)	34,638	-	-	13,050	(8,949,751)	
Balance as at 30 June 2013	30,000	11,429,710	39,951,542	23,521,843	24,759,279	14,467,046	14,226,290	2,743,468	8,320,428	4,600,500	46,493,169	190,543,275	
Dividend paid for 2012-2013	-	-	-	-	-	-	-	-	-	-	(36,302,026)	(36,302,026)	
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	(4,368,179)	(4,368,179)	
Transfer to general reserve	-	-	-	-	-	-	-	-	-	100,000	(100,000)	-	
Transfer to other funds	-	-	-	(197,161)	-	-	-	-	-	-	147,161	(50,000)	
Total comprehensive income for the year	-	4,120,931	11,139,987	17,161,372	2,000,957	550,000	50,000	279,000	(191,855)	-	20,714,584	55,824,977	
Adjustment against revaluation	-	-	-	(11,611)	-	-	(53,838)	12,018	-	-	(20,775)	(74,206)	
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	(4,038,607)	(4,038,607)	
Balance as at 30 June 2014	30,000	15,550,641	51,091,529	40,474,443	26,760,236	15,017,046	14,222,452	3,034,486	8,128,573	4,700,500	22,525,327	201,535,233	

Bangladesh Bank
Separate Statement of Changes in Equity
For the year ended 30 June 2014

Taka '000

Particulars	Non - distributable										Distributable		Total
	Capital	Revaluation reserve				Currency fluctuation reserve	Statutory fund	Non-statutory funds	Other reserves			Retained earnings	
		Gold and silver	Foreign currency accounts	Property, plant & equipment					Asset renewal & replacement reserve	Interest reserve	General reserve		
Balance as at 1 July 2012	30,000	28,141,123	89,550,848	22,209,089	22,562,352	13,917,046	14,266,067	2,517,324	8,258,328	4,250,500	36,742,319	242,444,996	
Dividend paid for 2011-2012	-	-	-	-	-	-	-	-	-	-	(36,742,319)	(36,742,319)	
Total comprehensive income for the year	-	(16,711,413)	(40,676,687)	-	-	-	-	-	-	-	43,720,740	(13,667,360)	
Appropriation of profit to other funds	-	-	-	-	2,196,927	550,000	-	191,506	62,100	-	(3,000,533)	-	
Adjustment against revaluation	-	-	(8,922,619)	(35,043)	-	-	(39,777)	34,638	-	-	13,047	(8,949,754)	
Balance as at 30 June 2013	30,000	11,429,710	39,951,542	22,174,046	24,759,279	14,467,046	14,226,290	2,743,468	8,320,428	4,250,500	40,733,254	183,085,563	
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	(4,368,179)	(4,368,179)	
Transferred to other funds	-	-	-	-	-	-	-	-	-	-	(50,000)	(50,000)	
Dividend paid for 2012-2013	-	-	-	-	-	-	-	-	-	-	(36,302,026)	(36,302,026)	
Total comprehensive income for the year	-	4,120,931	11,139,987	12,311,838	2,000,957	550,000	50,000	279,000	(191,855)	-	19,690,164	49,951,023	
Adjustment against revaluation	-	-	-	(11,611)	-	-	(53,838)	12,018	-	-	(20,775)	(74,206)	
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	(4,038,607)	(4,038,607)	
Balance as at 30 June 2014	30,000	15,550,641	51,091,529	34,474,273	26,760,236	15,017,046	14,222,452	3,034,486	8,128,573	4,250,500	15,643,831	188,203,567	

Bangladesh Bank
Consolidated Cash Flow Statement
For the year ended 30 June 2014

	2014 Taka '000	2013 Taka '000
Cash flows from operating activities		
Interest received	28,892,992	42,000,220
Interest paid	(3,058,005)	(1,438,611)
Received from customer	2,017,634	2,232,875
Fees, commission and other income received	1,435,347	743,185
Commission and discounts paid	(2,901,786)	(2,785,260)
Payments to employees and suppliers	(12,526,798)	(10,720,582)
Funds advanced from/(to) banks and employees	8,070,164	(6,228,494)
Decrease/(increase) in other assets	282,926	(384,785)
Currency issued	100,787,983	104,375,125
Increase in other liabilities	93,439,392	34,131,386
Net cash from operating activities	216,439,849	161,925,059
Cash flows from investing activities		
Investment income received	5,800,645	11,640,693
Increase in foreign treasury bills and bonds	(194,751,026)	(106,069,294)
Increase in other investments	(41,700,679)	(21,716,624)
Decrease in Government securities	135,815,043	68,390,882
Increase/(decrease) in foreign currency investment	13,140,944	(38,479,760)
Decrease in investments in debenture	33,333	33,333
Additions to property, plant and equipment	(899,806)	(1,350,063)
Settlement of liabilities with IMF	668,964	(13,073,812)
Net cash used in investing activities	(81,892,582)	(100,624,645)
Cash flows from financing activities		
Dividend paid to Government of Bangladesh	(36,302,026)	(36,742,319)
Net cash from financing activities	(36,302,026)	(36,742,319)
Net increase in cash and cash equivalents	98,245,240	24,558,095
Cash and cash equivalents as at 1 July	234,360,626	209,802,531
Cash and cash equivalents as at 30 June	332,605,866	234,360,626
Cash and cash equivalents include		
Foreign currency accounts	501,735,055	400,668,902
Foreign investments with maturity of three months or less	479,878,616	361,110,521
Taka coin and cash balances	1,356,424	912,143
Securities purchased under agreement to resell	980,000	32,690,170
Foreign currency deposits from banks and financial institutions	(149,897,536)	(140,040,206)
Short term borrowings	(57,664,690)	(49,830,996)
Deposits from banks and financial institutions	(443,782,003)	(371,149,908)
	332,605,866	234,360,626

Bangladesh Bank
Cash Flow Statement
For the year ended 30 June 2014

	2014 Taka '000	2013 Taka '000
Cash flows from operating activities		
Interest received	28,640,420	41,815,572
Interest paid	(3,058,005)	(1,438,611)
Fees, commission and other income received	1,416,398	719,507
Commission and discounts paid	(2,901,786)	(2,785,260)
Payments to employees and suppliers	(9,802,448)	(9,238,128)
Funds advanced from/(to) banks and employees	8,177,733	(5,987,215)
Decrease/(increase) in other assets	479,392	(561,119)
Currency issued	100,787,983	104,375,125
Increase in other liabilities	92,149,220	34,290,350
Net cash from operating activities	215,888,908	161,190,221
Cash flows from investing activities		
Dividends received	25,000.00	-
Investment income received	5,800,644.68	11,640,693
Increase in foreign treasury bills and bonds	(194,751,026.00)	(106,069,293)
Increase in other investments	(41,503,629.00)	(21,126,174)
Decrease in Government securities	135,815,043.01	68,390,882
Increase/(decrease) in foreign currency investment	13,140,944.31	(38,479,760)
Decrease in investments in debenture	35,000.00	33,333
Additions to property, plant and equipment	(857,729.30)	(1,266,035)
Settlement of liabilities with IMF	668,964.02	(13,073,812)
Net cash used in investing activities	(81,626,788)	(99,950,166)
Cash flows from financing activities		
Dividend paid to Government of Bangladesh	(36,302,026.00)	(36,742,319)
Net cash from financing activities	(36,302,026)	(36,742,319)
Net increase in cash and cash equivalents	97,960,093.39	24,497,736
Cash and cash equivalents as at 1 July	233,835,589.00	209,337,853
Cash and cash equivalents as at 30 June	331,795,682	233,835,589
Cash and cash equivalents includes		
Foreign currency accounts	501,735,055	400,668,902
Foreign investments with maturity of three months or less	479,878,616	361,110,521
Taka coin and cash balances	546,240	387,106
Securities purchased under agreement to resell	980,000	32,690,170
Foreign currency deposits from banks and financial institutions	(149,897,536)	(140,040,206)
Short term borrowings	(57,664,690)	(49,830,996)
Deposits from banks and financial institutions	(443,782,003)	(371,149,908)
	331,795,682	233,835,589

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

1. Reporting entity

Bangladesh Bank ("the Bank"), a body corporate, is the Central Bank of Bangladesh, established on the 16th day of December, 1971 under the Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972) to manage the monetary and credit system of Bangladesh with a view to stabilise domestic monetary value and maintain a competitive external par value of the Bangladesh Taka towards fostering growth and development of the country's productive resources in the best national interest. The Bank is domiciled in Bangladesh and the head office of the Bank is situated at Motijheel Commercial Area, Dhaka.

The main functions of the Bank as per Article 7A of Bangladesh Bank Order, 1972 are:

- to formulate and implement monetary policy;
- to formulate and implement intervention policies in the foreign exchange market;
- to give advice to the Government on the interaction of monetary policy with fiscal and exchange rate policy, on the impact of various policy measures on the economy and to propose legislative measures it considers necessary or appropriate to attain its
- to hold and manage the official foreign reserves of Bangladesh;
- to promote, regulate and ensure a secure and efficient payment system, including the issue of bank notes; and
- to regulate and supervise banking companies and financial institutions.

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

The Bank and its subsidiary, Securities Printing Corporation (Bangladesh) Ltd ("SPCL"), are collectively referred to as "the Group". Refer to note 3.01(a) and 14.02.

2. Basis of preparation

2.01 Statement of compliance

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

2.02 Basis of measurement

The financial statements are prepared on a historical cost basis except for the following material items in the Consolidated and Separate Statements of Financial Position ("Statement of Financial Position"):

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

- Gold, silver and claims from gold transactions are measured at fair value;
- Property, plant and equipment are measured at fair value;
- Liability for the defined benefit obligation is recognised as the present value of the defined benefit obligation;
- US Dollar treasury bills, foreign bonds are measured at fair value; and
- Govt. treasury bonds and bills, debentures - House Building Finance Corporation and shares of ICB Islamic Bank limited are measured at fair value.

2.03 Functional and presentation currency

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

2.04 Relationship between issue department and banking department

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

2.05 Use of estimates and judgments

Preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on going concern basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

2.06 Comparatives

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires an entity to correct material prior period errors retrospectively by restating the comparative amounts for prior period presented in which the error occurred. Hence the following corrections of errors were made to the comparative information in the financial statements with no effects on the financial statements as at 30 June 2014; - Reclassification of financial assets of Tk. 221 billion from fair value through profit or loss to held-to-maturity as at 30 June 2013.

Given the impracticability of determining the period specific effects of the above errors, only the prior period comparatives have been restated.

3 Significant accounting policies

Accounting policies set out below have been applied consistently except policy notes 3.29 to all periods presented in these financial statements by Group entities. Certain comparative amounts have been reclassified to conform with the current year's presentation.

3.01 Basis of consolidation

(a) Subsidiary

Subsidiary is an enterprise controlled by the parent entity. Control exists if and only if the parent has power over an entity, exposure or rights to variable returns from its involvements with the entity, the ability to use its power over the entity to affect the amount of its returns. 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. ("the Subsidiary") is the wholly owned subsidiary of Bangladesh Bank. It is responsible for printing and supplying Bangladesh Bank with currency notes based on the requirements from time to time. The subsidiary sells these notes to Bangladesh Bank at a specified mark-up agreed beforehand between Bangladesh Bank and subsidiary. Security Printing Corporation (Bangladesh) Ltd. also sells other security products to other parties.

(b) Transactions eliminated on consolidation

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

3.02 Foreign currency transactions

Transactions in foreign currencies are translated to Taka at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Taka at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Taka at foreign exchange rates ruling at the dates the fair values were determined and exchange difference are recognised in other comprehensive income. At the reporting date the exchange rate of Taka against major foreign currencies held by the Group used in preparing the financial statements were as follows:

Exchange rates	2014 Taka	2013 Taka
US Dollar	77.6300	77.7593
Australian Dollar	73.1973	71.0565
Canadian Dollar	72.7827	73.9087
EURO	106.3065	101.1804
Pound Sterling	132.8249	118.2252
CNY	12.5107	12.6782
JPY	0.7663	0.7834
SDR	120.0082	116.9500

3.03 Financial assets and liabilities

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

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

(a) Recognition and initial measurement

Loans and advances are initially recognised in the Statement of Financial Position on the date they are originated. Regular way purchases or sales of financial assets are recognised or derecognised, as applicable, on the settlement date at which the assets

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

are received or, as the case may be, delivered by the Group. All other financial assets and liabilities are initially recognised when the Group becomes party to the contractual provision of the instruments. Financial assets and liabilities are initially measured at fair value.

(b) Classification and subsequent measurement

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

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

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

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

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

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

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

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

(2) Held-to-maturity investments

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

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

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

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

Treasury bills and bonds of the Government of Bangladesh, foreign bonds, US dollar treasury bills and investment in debentures are classified as held to maturity investments.

As a part of Central Bank's functions for sound and smooth operation of monetary policy activities, some Government treasury bonds which were initially classified as held to maturity investments were reclassified as held for trading financial asset as per decision of the competent authority. In the current year, all held-to-maturity investments and held for trading financial assets have been reclassified as available-for-sale. Refer to note 2.06.

(3) Loans and receivables

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

- those that the Group intends to sell immediately or in near term, which are classified as held for trading, and those that the Group has, upon initial recognition, designated as at fair value through profit or loss;
- those that the Group has, upon initial recognition, designated as available for sale; or
- those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available for sale.

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

Taka coin and cash balances, foreign currency accounts, short term investments with overseas commercial banks, assets held with IMF, foreign currency loans to banks, interest receivable, ways and means advances, overdraft block and current

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

loans to Government of Bangladesh, securities purchased under agreement to resell, local currency loans to banks, financial institutions and employees and other local currency financial assets are classified as loans and receivables.

(4) Available-for-sale financial assets

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

Swift shares, gold and silver, claims from gold transactions and shares of ICB Islamic Bank Limited are classified as available-for-sale financial assets. Swift shares are measured at cost as there is no quoted market price for these shares. Shares of Security Printing Corporation (Bangladesh) Ltd. (SPCL) are measured at cost in the separate financial statement of the Bank in accordance with IAS 27 *Separate Financial Statements*.

(5) Financial liabilities carried at amortised cost

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

(c) *Amortised cost measurement principles*

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

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

(d) Fair value measurement principles

Policy applicable from 1 January 2013

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

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

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

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

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

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

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

Policy applicable before 1 January 2013

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 arms length basis.

If a market for a financial instrument is not active, the Group establishes fair value using 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, net present value techniques and discounted cash flow methods. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other observable current market data.

Assets and long positions are measured at bid price; liabilities and short positions are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and the counterparty, where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

(e) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in statement of other comprehensive income and subsequently transferred to 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 profit or loss. Gains and losses arising from a change in the fair value of financial assets and financial liabilities classified as at fair value through profit or loss

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2014

are recognised in the statement of profit or loss. Gains and losses on subsequent measurement of loans and receivables and held to maturity financial instruments are recognised in the statement of profit or loss.

(f) Derecognition

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

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

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

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

(g) Identification and measurement of impairment

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

Evidence of impairment is considered at both a specific asset level and collective level. All individually significant financial assets are assessed for specific impairment. All

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

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 profit or loss.

(h) Off-setting

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

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

3.04 Foreign currency accounts

Foreign currency accounts comprise balances held in the current accounts maintained with different central banks and foreign commercial banks in the designated foreign currency. These are measured at each reporting date by translating to the functional currency at the exchange rates prevailing on that date. Gains and losses arising upon translation are recognised in the statement of profit or loss and are subsequently transferred from retained earnings to revaluation reserve - foreign currency accounts and currency fluctuation reserve (refer to note 3.26 for accounting policy on foreign exchange gain/loss).

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

3.05 Foreign investments

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

3.06 Other foreign currency financial assets

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

3.07 Taka coin and cash balances

Taka coin and cash balances 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, cash and cash equivalents held with SPCBL and cash deposit with Sonali Bank Limited, Mymensingh branch.

3.08 Loans to the Government of Bangladesh

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

Ways and Means advance

When total payments to the Government exceed total deposits from the Government, the excess of payment over receipt, with a limit not exceeding Tk.40,000 million (2013: Tk. 20,000 million), is treated as Ways and Means advance with interest being charged thereon at the repo rate. Ways and Means advance is realised only after realisation of Government overdraft-current account balance in full.

Overdraft-current and block

Government borrowing in excess of the Tk. 40,000 million limit set for ways and means advances are recognised as overdraft-current. Interest is charged thereon at a rate one percent higher than the repo rate. Any recovery or surplus realised by the Bank from the Government is first applied to the overdraft-current account balance. Any surplus remaining after adjustment of the overdraft-current balance in full then applied to the ways and means advance.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

Overdraft block was formerly known as Government treasury bills. At the beginning of the financial year 2006-2007 the balance of Government treasury bills were transferred to overdraft-block account. From the financial year 2007 and onwards an amount of Taka 15,000 million are being repaid every year by the Government.

Treasury bills and bonds

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

3.09 Local currency investments

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

3.10 Local currency 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.

3.11 Gold and silver

Physical gold and silver holdings are stored at Bank of England and Motijheel branch of the Bank respectively. These holdings are stated at market value. Valuation gains and losses are reported under gold revaluation gain and silver revaluation gain in other comprehensive income. The gain or loss is then transferred to a revaluation reserve in statement of changes in equity.

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

3.12 Property, plant and equipment

(a) Recognition and measurement

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

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As at and for the year ended 30 June 2014

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

(b) Revaluation

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

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

The Bank revalued its land as at 30 June 2014 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer. The Bank has a policy to revalue all items of property, plant and equipment every five years.

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

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

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

(c) Subsequent costs

Cost of replacing a part of 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 profit or loss as incurred.

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(d) *Capital work in progress*

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

(e) *Depreciation*

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

	<u>Bank</u>	<u>Subsidiary (SPCL)</u>
Building and other construction	5%	2.5% - 20%
Mechanical and office equipment	10%	5% - 20%
Computer and networking	20%	-
Fixture and fittings	10%	10%
Motor vehicles	20%	20%
Electrical installation	20%	-
Gas installation	20%	-

3.13 **Intangible assets**

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

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

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

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

3.14 Securities borrowing, lending business and repurchase transactions

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

3.15 Employee benefits

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

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

3.16 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus, medical allowances, profit sharing plans or any others are 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 recognises expenses from these plans in the statement of profit or loss.

(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

Bangladesh Bank : Notes to the Financial Statements

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assets to pay all employee benefits relating to employee service in the current and prior periods.

(i) **Contributory provident fund**

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

(b) Defined benefit plans

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

(i) **General provident fund**

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 13% (2013: 12.5%). Any shortfall in the return from investments is funded by the Bank by charging in its statement of profit or loss.

(ii) **Pension scheme**

Employees are entitled to pension amounting to maximum of 80% of their last basic salary. 50% of the pension amount is paid as a lump sum computed at the rate of Taka 230 (2013: 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 115 (2013: Taka 100) per Taka 1 or to receive their pension monthly over the remaining lifetime.

All employees irrespective of joining date are entitled to medical allowance in cash (Taka 700 per month upto age 65 years and Taka 1,000 after 65 years) even after retirement as prescribed by the Government.

The Bank actuarially valued its pension liabilities as at 30 June 2012. The calculation was performed by a qualified actuary using the projected unit credit method. Actuarial gains or losses arising from the change in defined benefit obligation are recognised in other comprehensive income.

(iii) **Gratuity scheme**

On retirement the employees are entitled to receive two months of final basic salary for every year of service. Bank actuarially valued its gratuity scheme and

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of profit or loss when the plan amendment or curtailment occurs.

(iv) Leave encashment

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

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

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.

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

3.20 Notes in circulation

Currency issued by the 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.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

3.21 Government grants

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

3.22 Interest income and expenses

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

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

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

3.23 Commission and discounts

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

3.24 Dividend income

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

3.25 Foreign exchange gain/loss

Realised foreign exchange gain/loss is calculated using average cost methodology. At the end of each month, the change in the average cost balance is calculated on a currency by currency basis by applying (a) where there is a net increase in the currency position, the increase to the average value is the average rate for the month multiplied by the currency amount of the increase and (b) where there is a net decrease in the currency position, the decrease to the average value is calculated by 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.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

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

3.26 Income tax

(a) Bangladesh Bank

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

(b) Subsidiary

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

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

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

3.27 Subsequent events

Events after the reporting date that provide additional information about the Group's position at the reporting date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the reporting period which are not adjusting events are disclosed in the notes when material in compliance with IAS 10 Events after the Reporting Period. Up to the date the financial statements were authorised for issue, no events have occurred which require to disclosure in the financial statements.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

3.28 New standards and interpretations adopted

The Bank has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- a) IFRS 13 *Fair Value Measurement*.
- b) *Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7).
- c) IFRS 10 *Consolidated Financial Statements* (2011)
- d) IAS 19 *Employee Benefits* (2011)

The nature and the effects of the changes are explained below.

- a) IFRS 13 *Fair Value Measurement*.

In accordance with the transitional provision of IFRS 13, the Bank has applied the new definition of fair value as set out in note 3.03 (d), prospectively. The change had no significant impact on the measurements of the Bank's assets and liabilities, but the Bank has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Bank has provided the relevant comparative disclosures under those standards.

- b) *Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7).

Amendments to IFRS 7, 'Disclosures – Offsetting financial assets and financial liabilities' (the "Amendments to IFRS 7") require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

- c) IFRS 10 *Consolidated Financial Statements* (2011)

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. IFRS 10 (2011) introduces a new control model that focuses on whether the Bank has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. The change did not have a material impact on the Group's financial statements.

- d) IAS 19 *Employee Benefits* (2011)

As a result of IAS 19 (2011), the Group has changed the basis for determining the income or expense related to its defined benefit plans.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

Because of IAS 19 (2011), the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate to the net defined benefit liability (asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises interest cost on the defined benefit obligation, interest income on plan assets.

Previously, the Group determined interest income on plan assets based on their long term rate of expected return. The change did not have a material impact on the Group's financial statements.

The adoption of the new and amended standards and interpretations other than those explained above, did not have an impact on the financial position of the Bank during the year.

3.29 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013 and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank does not plan to adopt these standards early.

IFRS No.	Title	Effective for annual period beginning on or after
IFRS 9 (2013), (2010) and (2009) (together "IFRS 9")	Financial Instruments	(effective date to be finalised)
IAS 32 (Amendment)	Financial Instruments : Presentation	(effective 1 January 2014)
IFRIC 21	Levies	(effective 1 January 2014)

The standards which might have material impact on the Group financial statements in the period of initial application are as follows :

IFRS 9

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the assets contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value.

The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition,

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirement also establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39. The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, early application of IFRS 9 is permitted.

IAS 32 (Amendment)

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Early application is permitted. The Bank is evaluating the potential effect of the adoption of the amendments to IAS 32.

IFRIC 21

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when - and only when - the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have a material effect in the Group's financial statements.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

	2014 Taka '000	2013 Taka '000
4 Foreign currency accounts	501735055	400,668,902
The amount represents the equivalent accumulated value of different foreign currencies held with other central banks and balances of deposits with foreign commercial banks.		
5 Foreign investments		
Short term deposits with overseas commercial banks	492,050,716	315,427,920
US Dollar treasury bills	83,075,584	83,198,484
Foreign bonds	357,890,893	220,871,669
Total	933,017,193	619,498,073
6 International monetary fund related assets and liabilities		
Assets held with International Monetary Fund		
Quota	64,000,373	62,368,435
SDR holding	84,454,866	67,161,274
Interest receivable on SDR holding	12,871	5,349
Total	148,468,110	129,535,058
Liabilities with International Monetary Fund		
IMF Securities	62,320,401	62,489,313
IMF-1 & IMF-2 account	1,624,626	170,298
SDR allocation	61,252,784	59,691,863
IMF Extended credit facility	54,857,548	32,075,760
Loan under the Poverty Reduction and Growth Facility	8,266,285	14,297,198
Interest payable	10,192	5,388
Total	188,331,836	168,729,820

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

The quota of Bangladesh is its membership subscription. Quota is the amount of money that each IMF member country is required to contribute to the IMF. A member must pay its subscription in full upon joining the fund; upto 25 percent must be paid in SDRs or widely accepted currencies such as the US Dollar, the EURO, the YEN or the Pound Sterling), while the rest is paid in the member's own currency. The subscription is granted mainly by the issue of promissory notes in favour of the IMF and partly paid in reserve assets, partly by the Government of Bangladesh and partly by deposits to the IMF account maintained with the Bank.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

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

IMF related assets and liabilities were translated to Taka at the exchange rate ruling at 30 June 2014 (converted into Taka at the rate Taka 120.0082 per one SDR).

	2014	2013
	Taka '000	Taka '000
7 Gold and silver		
Gold	24,982,543	30,567,173
Silver	301,135	321,826
Total	25,283,678	30,888,999
8 Claims from gold transactions		
The amount represents claims against gold loan to Standard Chartered Bank, London.		
9 Foreign currency loans to banks		
Export Development Fund (EDF) Dollar investment	105,186,763	62,202,964
Central Bank of Iraq	296,164	296,164
Rupali Bank Karachi	11,040	11,020
Less: Provision for loan losses	(307,204)	(308,330)
Total	105,186,763	62,201,818
10 Other foreign currency financial assets		
Swift shares	80	80
Interest receivable	4,595,173	3,257,373
Total	4,595,253	3,257,453
11 Consolidated Taka coin and cash balances		
Taka coin	516,415	340,056
Cash balances	840,009	572,034
Total	1,356,424	912,090
11.01 Taka coin and cash balances		
Taka coin	516,415	340,056
Cash balances	29,825	46,997
Total	546,240	387,053
12 Securities purchased under agreement to resell	980,000	32,690,170

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 financial statements.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

13 Loans to the Government of Bangladesh	2014 Taka '000	2013 Taka '000
Ways and means advance	-	20,000,000
Overdraft - block (Note 13.01)	131,510,000	146,264,310
Overdraft - current	-	72,045,000
Treasury bills	2,327,168	3,367,132
Treasury bonds	35,024,775	63,000,544
Total	168,861,943	304,676,986

14 Consolidated local currency investments		
Debenture - House Building Finance Corporation	6,505,000	6,540,000
Short term money market investments *	1,868,910	1,670,193
Shares- ICB Islamic Bank Ltd.	7,452	7,452
Others	4,110	4,110
Total	8,385,472	8,221,755

*The amount represents the total amount of term deposit made by the Security Printing Corporation (Bangladesh) Ltd. to the different local commercial banks.

14.01 Local currency investments

Debenture - House Building Finance Corporation	6,505,000	6,540,000
Investment in subsidiary (Note 14.02)	500,000	500,000
Total	7,005,000	7,040,000

14.02 Investment in subsidiary

The Security Printing Corporation (Bangladesh) Ltd. ("SPCL") is the wholly owned subsidiary of the Bank. For the year ended 30 June 2013, SPCL declared a dividend of Tk. 25 million. No dividend has been declared for the year ended 30 June 2014.

15 Consolidated local currency loans to banks, financial institutions and employees

(i) Local currency loans to banks and financial institutions

State-owned banks		
Commercial banks	4,105,182	4,357,353
Specialised banks*	39,719,785	47,169,187
	43,824,967	51,526,540
Provision for impairment (Note 15.a)	(206,952)	(226,117)
	43,618,015	51,300,423
Other banks and financial institutions		
Private banks	2,634,900	6,740,398
Other loans and advances	28,601,184	26,882,308
	31,236,084	33,622,706
Interest receivable	7,595,016	7,645,498
Total (i)	82,449,115	92,568,627

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

	2014 Taka '000	2013 Taka '000
(ii) Local currency loans and advances to employees		
Loans and advances to employees	27,750,850	25,751,984
Provision for loan losses (Note 15.b)	(495,271)	(264,099)
Total (ii)	27,255,579	25,487,885
Total loans (i + ii)	109,704,694	118,056,512

*Please refer to details given after note 15.01(ii).

15.01 Local currency loans to banks, financial institutions and employees**(i) Local currency loans to banks and financial institutions**

State owned banks:

Commercial banks	4,105,182	4,357,353
Specialised banks *	39,719,785	47,169,187
	43,824,967	51,526,540
Provision for impairment (Note 15.a)	(206,952)	(226,117)
	43,618,015	51,300,423

Other banks and financial institutions:

Private banks	2,634,900	6,740,398
Other loans and advances	28,601,184	26,882,308
	31,236,084	33,622,706
Interest receivable	7,595,016	7,645,498
Total (i)	82,449,115	92,568,627

(ii) Local currency loans and advances to employees

Loans and advances to employees	26,674,233	24,782,936
Provision for loan losses (Note 15.b)	(495,271)	(264,099)
Total (ii)	26,178,962	24,518,837
Total loans (i + ii)	108,628,077	117,087,464

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

Banks

Bangladesh Krishi Bank
Rajshahi Krishi Unnayan Bank
Bangladesh Development Bank Limited
Bangladesh Small Industries and Commerce Bank Limited
Bangladesh Samabay Bank Limited

Specialised Sectors

Agricultural
Agricultural
Small and medium size investors
Financial small scale industries
Agricultural

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

	2014	2013
	Taka '000	Taka '000
15.a Provision for impairment		
Opening balance	226,117	475,869
Charged during the year	140,426	-
Released during the year	(159,591)	-
Total	206,952	475,869
15.b Provision for loan losses		
Opening balance	264,099	264,099
Charged during the year	231,172	-
Total	495,271	264,099
16 Consolidated other local currency financial assets		
Interest receivables	1,145,214	2,312,667
Unutilised CBSP fund (Note 16.02)	-	15,303
Asset sell clearing account	-	9,903
Total	1,145,214	2,337,873
16.01 Other local currency financial assets		
Interest receivables	929,682	2,174,621
Unutilised CBSP fund (Note 16.02)	-	15,303
Asset sell clearing account	-	9,903
Total	929,682	2,199,827
16.02 Unutilised Central Bank Strengthening Project fund (CBSP)		

Government of Bangladesh (GOB) signed a Credit Agreement with the International Development Agency (IDA) for a Project named Central Bank Strengthening Project (CBSP). The related Credit Reference is IDA 3792 BD and the Project was meant for "Improvement of efficiency of the Bank through functional reforms and large scale automation of its' business process". Subsequent to this agreement, a subsidiary Loan Agreement was signed between GOB and Bangladesh Bank to this effect for execution of the Project. The total cost of the project was Tk. 3,892 million (USD 55.60 million), of which IDA provided Tk. 3,060 million (USD 43.71 million) through Government and the rest Tk. 832 million (USD 11.88 million) was funded by the Bank. The project started in late 2003 and was completed on 30 April 2013.

The Bank has to repay the principal and the interest amount of the loan to Government within a tenure of 30 years. In the year end 2012-13 total dues against the Project was Tk. 2,837. 26 million on account of Government. The repayments will initiate after the schedules and process are finalised by the Government of Bangladesh. The Bank has accrued a provision of Tk. 90 million for the interest and Tk. 57.37 million for the principal amount of the loan.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

17 Consolidated other local currency financial assets

i) 2014

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
Cost										
As at 1 July 2013	21,369,423	4,213,240	3,740,394	1,571,693	153,163	231,548	122,370	811	1,513,391	32,916,033
Addition during the year	189,673	37,438	191,007	109,729	15,717	28,546	69,403	-	360,979	1,002,492
Valuation gain/(loss)	14,992,208	427,038	135,039							15,554,285
Transfers during the year	-	155,426	36,763	77,185	-	-	24,249	-	(293,623)	-
Disposals during the year	-	(3,244)	-	(77,364)	(10,751)	(18,805)	(1)	-	-	(110,165)
As at 30 June 2014	36,551,304	4,829,898	4,103,203	1,681,243	158,129	241,289	216,021	811	1,580,747	49,362,645
Accumulated depreciation										
As at 1 July 2013	-	1,160,200	1,624,978	664,772	67,454	92,075	65,315	634	-	3,675,428
Charge for the year	-	241,230	207,958	324,939	12,510	43,414	29,117	162	-	859,330
Disposals during the year	-	(462,443)	(1,144,584)	-	(4,553)	(1,355)	-	-	-	(1,612,935)
As at 30 June 2014	-	938,987	688,352	989,711	75,411	134,134	94,432	796	-	2,921,823
Net book value										
As at 30 June 2014	36,551,304	3,890,911	3,414,851	691,532	82,718	107,155	121,589	15	1,580,747	46,440,822
As at 30 June 2013	21,369,423	3,053,040	2,115,416	906,921	85,709	139,473	57,055	177	1,513,391	29,240,605

The Bank revalued its land as at 30 June 2014 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer. The Subsidiary's property, plant and equipment were revalued on 1 July 2013. Refer to note 3.13 (b).

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

ii) 2013

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
Cost										
As at 1 July 2012	21,369,423	4,145,921	3,604,473	1,350,528	143,553	179,347	109,289	811	735,923	31,639,268
Addition during the year	-	67,319	135,921	220,986	14,921	56,340	13,081	-	778,630	1,287,198
Transfers during the year	-	-	-	179	-	-	-	-	(179)	-
Disposals during the year	-	-	-	-	(5,311)	(4,139)	-	-	(983)	(10,433)
As at 30 June 2013	21,369,423	4,213,240	3,740,394	1,571,693	153,163	231,548	122,370	811	1,513,391	32,916,033
Accumulated depreciation										
As at 1 July 2012	-	961,852	1,453,043	376,164	57,380	59,419	43,555	472	-	2,951,885
Charge for the year	-	198,348	171,935	288,608	12,129	36,573	21,760	162	-	729,515
Disposals during the year	-	-	-	-	(2,055)	(3,917)	-	-	-	(5,972)
As at 30 June 2013	-	1,160,200	1,624,978	664,772	67,454	92,075	65,315	634	-	3,675,428
Net book value										
As at 30 June 2013	21,369,423	3,053,040	2,115,416	906,921	85,709	139,473	57,055	177	1,513,391	29,240,605
As at 30 June 2012	21,369,423	3,184,069	2,151,430	974,364	86,173	119,928	65,734	339	735,923	28,687,383

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.

Land includes Taka 17,080 million of lease hold land, all on standard terms of ninety-nine years.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

17.01 Property, plant and equipment

i) 2014

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
Cost										
As at 1 July 2013	20,391,193	3,433,198	836,902	1,571,693	114,802	214,337	122,370	811	1,512,152	28,197,458
Addition during the year	189,673	37,438	158,853	109,729	15,424	21,170	69,403	-	358,725	960,415
Valuation gain/(loss)	12,311,838	-	-	-	-	-	-	-	-	12,311,838
Transfers during the year	-	154,187	36,763	77,185	-	-	24,249	-	(292,384)	-
Disposals during the year	-	(3,244)	-	(77,364)	(10,751)	(18,805)	(1)	-	-	(110,165)
As at 30 June 2014	32,892,704	3,621,579	1,032,518	1,681,243	119,475	216,702	216,021	811	1,578,493	41,359,546
Accumulated depreciation										
As at 1 July 2013	-	698,937	465,232	664,772	35,234	75,112	65,315	634	-	2,005,236
Charge for the year	-	183,649	68,841	324,939	11,476	42,429	29,117	162	-	660,613
Disposals during the year	-	(1,180)	-	-	(4,553)	(1,355)	-	-	-	(7,088)
As at 30 June 2014	-	881,406	534,073	989,711	42,157	116,186	94,432	796	-	2,658,761
Net book value										
As at 30 June 2014	32,892,704	2,740,173	498,445	691,532	77,318	100,516	121,589	15	1,578,493	38,700,785
As at 30 June 2013	20,391,193	2,734,261	371,670	906,921	79,568	139,225	57,055	177	1,512,152	26,192,222

The Bank revalued its land as at 30 June 2014 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer.

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

ii) 2013

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
Cost										
As at 1 July 2012	20,391,193	3,365,879	785,368	1,350,528	105,666	161,047	109,289	811	734,940	27,004,721
Addition during the year	-	67,319	51,534	220,986	14,447	56,340	13,081	-	777,391	1,201,098
Transfers during the year	-	-	-	179	-	-	-	-	(179)	-
Disposals during the year	-	-	-	-	(5,311)	(3,050)	-	-	-	(8,361)
As at 30 June 2013	20,391,193	3,433,198	836,902	1,571,693	114,802	214,337	122,370	811	1,512,152	28,197,458
Accumulated depreciation										
As at 1 July 2012	-	521,292	398,137	376,164	26,189	42,308	43,555	472	-	1,408,117
Charge for the year	-	177,645	67,095	288,608	11,100	35,632	21,760	162	-	602,002
Disposals during the year	-	-	-	-	(2,055)	(2,828)	-	-	-	(4,883)
As at 30 June 2013	-	698,937	465,232	664,772	35,234	75,112	65,315	634	-	2,005,236
Net book value										
As at 30 June 2013	20,391,193	2,734,261	371,670	906,921	79,568	139,225	57,055	177	1,512,152	26,192,222
As at 30 June 2012	20,391,193	2,844,587	387,231	974,364	79,477	118,739	65,734	339	734,940	25,596,604

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.

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

18 Intangible assets	2014 Taka '000	2013 Taka '000
Intangible asset at cost	1,178,358	1,170,879
Accumulated amortisation	(623,255)	(382,103)
Capital work in progress	123,139	123,139
Total	678,242	911,915

Balance represents the accumulated value of enterprise resources planning, core banking software, enterprise data warehouse, bank automated clearing house, electronic fund transfers network (EFTN), credit information bureau (CIB) and Bank's in-house built softwares.

19 Consolidated other non financial assets

Prepayments and advances	924,283	364,909
Stock	4,891,562	5,369,470
Sundry debtors	592,000	909,488
Total	6,407,845	6,643,867

19.01 Other non-financial assets

Prepayments and advances	3,772,413	4,214,521
Stock	27,692	18,071
Total	3,800,104	4,232,592

20 Foreign currency deposits from banks and financial institutions

Foreign currency deposits from commercial banks	74,802,048	84,226,213
Asian Clearing Union (ACU)	75,093,095	55,813,993
Interest payable	2,393	-
Total	149,897,536	140,040,206

21 Notes in circulation

Notes in circulation	847,170,638	746,382,617
Bank notes in hand	(38)	(53)
Total	847,170,600	746,382,564

Notes in circulation represents currency issued having a claim on Bangladesh Bank. The denomination of notes in circulation as at 30 June 2014 was as under:

Value of notes	Number in pieces	2014	2013
		Value in Taka '000	Value in Taka '000
5 Taka coin	760,628,904	3,803,145	3,655,650
5 Taka note	709,548,583	3,547,743	3,566,151
10 Taka note	1,274,326,585	12,743,266	12,444,308
20 Taka note	357,962,575	7,159,252	5,943,991
50 Taka note	168,013,731	8,400,687	7,799,205
100 Taka note	689,308,409	68,930,841	65,034,817
500 Taka note	848,480,743	424,240,371	402,625,538
1000 Taka note	318,345,333	318,345,333	245,312,957
Total	5,126,614,863	847,170,638	746,382,617

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

	2014 Taka '000	2013 Taka '000
<p>Liability for notes in circulation is recorded at its face value in the statement of financial position. In accordance with Article 30 of Bangladesh Bank Order, 1972, these liabilities are supported by the following assets:</p>		
Gold	6,134,183	5,697,551
Silver	301,135	321,826
Balance held outside Bangladesh	800,000,000	550,000,000
Bangladesh Government securities	10,214,848	158,382,929
Bangladesh coins	516,415	340,056
Other loans and advances	30,004,056	31,640,255
Total	847,170,637	746,382,617

22 Short term borrowings

Securities sold under agreement to repurchase	37,930,000	25,000,000
Bangladesh Bank bills	19,734,690	24,830,996
Total	57,664,690	49,830,996

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

23 Local currency deposits from banks and financial institutions

State owned commercial banks	102,556,236	86,439,634
Government specialised banks	22,205,015	19,883,245
Private banks	288,472,651	239,328,831
Foreign banks	26,743,289	22,387,049
Financial institutions	3,804,812	3,111,149
Total	443,782,003	371,149,908

Deposits from banks and financial institutions comprise required reserve deposits, calculated at a rate of 6.5% (2013: 5.5%) on the bank's liability base, together with balances held for settlement purposes.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

	2014	Restated
	Taka '000	2013
		Taka '000
24 Consolidated other local currency financial liabilities		
Government deposits	41,199,148	5,007
Other deposits*	104,206,158	48,775,743
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	2,983,413	3,595,267
Interest suspense account	715	696
Deposits from donor agencies	21,422,994	18,588,225
Inter-branch adjustments (suspense)	437,732	471,100
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension**	5,738,714	5,710,641
Provision for gratuity**	1,553,726	1,774,885
Provision for leave encashment	1,664,214	1,705,840
Small and medium enterprise fund - Government	1,772,064	1,922,069
Loan from Govt of Bangladesh - Central bank strengthening project	2,764,580	2,837,257
DFID -RPP Project	391,272	770,819
Small and medium enterprise fund ADB-2	6,667,569	5,494,570
Deferred tax liability	594,810	700,650
Miscellaneous	456,806	348,670
Others - subsidiary	1,210,821	-
Total	193,316,773	92,953,477

24.01 Other local currency financial liabilities

Government deposits	41,199,148	5,007
Other deposits*	104,206,158	48,775,743
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	4,290,128	3,480,085
Interest suspense account	715	696
Deposits from donor agencies	21,422,994	18,588,225
Inter-branch adjustments (suspense)	437,732	471,100
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension**	5,738,714	5,710,641
Provision for gratuity**	1,553,726	1,774,885
Provision for leave encashment	1,664,214	1,705,840
Small and medium enterprise fund - Government	1,772,064	1,922,069
Loan from Govt of Bangladesh - Central bank strengthening project	2,764,580	2,837,257
DFID -RPP Project	391,272	770,819
Small and medium enterprise fund ADB-2	6,667,569	5,494,570
Miscellaneous	456,806	348,670
Total	192,817,857	92,137,645

*Other deposits comprise Bangladesh Government special Islamic Bonds fund deposit, employees provident fund deposit, liquidator bank deposit, schedule bank's insurance fund deposit, security deposit, employees co-operative societies deposits and other sundry deposits.

**Refer to note 52 for details.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

	2014 Taka '000	2013 Taka '000
25 Capital	30,000	30,000
At 30 June 2014 the authorised and subscribed capital as per Bangladesh Bank Order 1972, was Tk. 30 million (30 June 2013: Tk. 30 million). The entire capital of the Bank stands vested in and allocated to the Government as per Article 4(1) and 4(2) of the Order.		
26 Consolidated revaluation reserves		
Revaluation reserve - gold and silver	15,550,641	11,429,710
Revaluation reserve - foreign currency accounts	51,091,529	39,951,542
Revaluation reserve - property, plant & equipment	40,474,443	23,521,843
Total	107,116,613	74,903,095
26.01 Revaluation reserves		
Revaluation reserve - gold and silver (Note 26.02)	15,550,641	11,429,710
Revaluation reserve - foreign currency accounts (Note 26.03)	51,091,529	39,951,542
Revaluation reserve - property, plant and equipment	34,474,273	22,174,046
Total	101,116,443	73,555,298
26.02 Revaluation reserve - gold and silver		
Bank accounts for the gain/loss on revaluation of gold and silver in the statement of profit or loss and subsequently transferred to a separate account - revaluation reserve-gold and silver, which forms part of equity.		
26.0 Revaluation reserve - foreign currency accounts		
Bank accounts for the unrealised gain/loss on revaluation of foreign currency to the statement of profit or loss and subsequently transferred to a separate account - revaluation reserve-foreign currency, which forms part of equity.		
27 Currency fluctuation reserve	26,760,236	24,759,279
Bank credited the realised gain on revaluation of foreign currencies to the statement of profit or loss and transferred the same to a separate account - currency fluctuation reserve account, which forms part of equity.		
28 Statutory funds	<u>Note ref.</u>	
Rural credit fund	28.01	5,400,000
Agricultural credit stabilisation fund	28.02	5,400,000
Export credit fund	28.03	1,300,000
Industrial credit fund	28.04	2,037,852
Credit guarantee fund	28.05	879,194
Total		14,467,046
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 2014

		2014 Taka '000	2013 Taka '000
28.01 Rural credit fund			
<p>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.</p>			
28.02 Agricultural credit stabilisation fund			
<p>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.</p>			
28.03 Export credit fund			
<p>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.</p>			
28.04 Industrial credit fund			
<p>As per Article 62 of Bangladesh Bank Order, 1972 the fund was created for making of short term and medium term loans and advances to co-operative banks. An appropriation of Taka 150 million was made for this fund during the year.</p>			
28.05 Credit guarantee fund			
<p>As per clause 24 of Article 16 of Bangladesh Bank Order, 1972 the Fund was created by appropriating profit every year as per decision of the Board of Directors to cover the loss sustained by scheduled banks for making small loans to cottage industries. No appropriation was made for this fund during the year.</p>			
29 Non statutory funds	<u>Note ref.</u>		
Small and medium enterprise fund	29.01	6,000,000	6,000,000
Housing refinance fund		6,570,000	6,570,000
Human resources development fund	29.02	402,452	456,290
Monetary management fund	29.03	200,000	200,000
Rural agri product processing industries refinance fund		1,000,000	1,000,000
Disaster management and social responsibility fund		50,000	-
Total		14,222,452	14,226,290
29.01 Small and medium enterprise fund			
<p>These funds were created as per clause 24 of Article 16 of the Bangladesh Bank Order, 1972 for refinance to the schedule banks and financial institutions against the loans and advances given to the small enterprise sector and housing refinance scheme. Appropriation to those funds are made as per decision of the Board.</p>			

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

	2014	2013
	<u>Taka '000</u>	<u>Taka '000</u>
29.02 Human resources development fund		
<p>Human resources development fund was created as per clause 2(n) of Article 82 of Bangladesh Bank Order, 1972 and decision taken by the board of the Bank for development of efficiency of the Bank's officials by conducting seminar, symposium, training etc. in home and abroad. Appropriation of this fund was made from the dividend payable to Government for the year 2010-2011.</p>		
29.03 Monetary management fund		
<p>Monetary management fund was created as per decision of the Board of the Bank for sound and smooth operation of monetary policy activities. Appropriation of this fund was made from the dividend payable to Government for the year 2010-2011.</p>		
30 Other reserves		
Asset renewal and replacement reserve	3,034,485	2,743,468
Interest reserve (30.01)	8,128,574	8,320,428
Total	<u>11,163,059</u>	<u>11,063,896</u>
30.01 Interest reserve		
<p>This reserve was introduced in the financial year 2006-2007, and represents the interest accrued against the overdue loan of Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank.</p>		
31 Consolidated general reserve	<u>4,700,500</u>	<u>4,600,500</u>
31.01 General reserve	<u>4,250,500</u>	<u>4,250,500</u>
<p>As per Article 59 of Bangladesh Bank Order, 1972 securities of the value of Tk. 30 million was allocated by the Government and held by the Bank as the general reserve. Further an amount of Taka 4,220.5 million was transferred to the reserve from general provision.</p>		
32 Consolidated retained earnings		
Opening balance	46,493,169	41,710,052
Adjustment against due from Government	(11,829)	-
Adjustment against guarantee on behalf of Bangladesh Rural Development Board	-	-
Adjustment against guarantee on behalf of Rajshahi Krishi Unnayan Bank	(4,356,350)	-
Transfer to other funds	147,161	-
Payment made during the year	(36,302,026)	(36,742,319)
Prior year adjustment	(4,038,607)	-
Transferred to general reserve	(100,000)	(100,000)
Adjustment against revaluation	(20,775)	13,050
Current year's profit after appropriation	20,714,584	41,612,386
Closing balance	<u>22,525,327</u>	<u>46,493,169</u>

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

	2014 Taka '000	2013 Taka '000
32.01 Retained earnings		
Opening balance	40,733,254	36,742,319
Adjustment against due from Government	(11,829)	-
Adjustment against guarantee on behalf of Bangladesh Rural Development Board	-	-
Adjustment against guarantee on behalf of Rajshahi Krishi Unnayan Bank	(4,356,350)	-
Transfer to other funds	(50,000)	-
Payment made during the year	(36,302,026)	(36,742,319)
Prior year adjustment	(4,038,607)	-
Adjustment against revaluation	(20,775)	13,047
Current year's profit after appropriation	19,690,164	40,720,207
Closing balance	15,643,831	40,733,254
33 Interest income on foreign currency financial assets		
Loans to banks	906,507	748,248
Short term deposits with commercial banks	4,251,326	4,052,555
Bonds	4,708,983	5,850,911
US Dollar treasury bills	70,084	114,122
Claims from gold transactions	49,415	46,507
Others	73,651	39,279
Total	10,059,966	10,851,622
34 Commission and discounts on foreign currency financial assets		
Commission on foreign currency operations	58,777	131,507
Others	235	653
Total	59,012	132,160
35 Interest expenses on foreign currency financial liabilities		
Deposits	75,507	149,523
Asian Clearing Union (ACU)	28,425	43,660
Paid to IMF	62,688	80,905
Interest on central bank strengthening project	28,647	16,453
Total	195,267	290,541
36 Consolidated interest income on local currency financial assets		
Securities purchased under agreement to resell	1,427,784	6,719,369
Government securities	6,762,343	9,919,238
Loans and advance to Government	12,738,650	21,536,309
Debentures	318,881	349,353
Loans to banks financial institution and employees	4,597,680	5,703,407
Short term money market deposits	273,742	197,271
Total	26,119,080	44,424,947

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

	2014 Taka '000	2013 Taka '000
36.01 Interest income on local currency financial assets		
Securities purchased under agreement to resell	1,427,784	6,719,369
Government securities	6,762,343	9,919,238
Loans and advance to Government	12,738,650	21,536,309
Debentures	318,881	349,353
Loans to banks financial institution and employees	4,541,364	5,656,173
Total	25,789,022	44,180,442
37 Commission and discounts on local currency financial assets		
Commission income from Government	3,639	4,376
Miscellaneous commission income	865,931	356,079
Valuation gain on treasury bonds	321,928	-
Total	1,191,498	360,455
38 Interest expense on local currency financial liabilities		
Bangladesh Bank bills	2,354,814	1,121,003
Securities sold under agreement to repurchase	507,924	27,067
Total	2,862,738	1,148,070
39 Commission and other expenses on local currency financial liabilities		
Agency charges	2,409,580	2,407,926
Under writing commission on treasury bills & bonds	415,000	316,000
Interest on deposit from Undisbursed Agri Credit	29,422	-
Total	2,854,002	2,723,926
40 Consolidated general and administrative expenses		
Staff costs (Note 40.01)	4,318,603	3,806,403
Depreciation	859,329	729,515
Amortisation	241,152	205,974
Directors' fees	741	762
Audit fees	12,350	10,750
Stationery	89,234	73,939
Rent, electricity etc.	292,347	208,491
Remittance of treasure	53,287	54,499
Donations	116,178	128,499
Telephone	89,265	53,048
Repairs	401,983	327,318
Materials	3,126,660	3,040,824
Provision for Workers' Profit Participation Fund	76,152	75,165
Income tax and value addition tax	1,267,741	1,215,551
Deferred tax	(105,840)	47,216
Miscellaneous	1,406,334	1,216,419
Total	12,245,517	11,194,373

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

	2014	2013
	Taka '000	Taka '000
40.01 Staff costs		
Salary	1,694,105	1,321,094
House rent	499,839	447,821
Contribution to contributory provident fund	(6,632)	34,491
Pension and gratuity	157,834	1,839
Leave encashment	11,301	64,921
General and incentive bonus	804,973	732,056
Income tax paid to Government	6,055	52,772
Medical expenses	247,982	190,993
Training	140,144	217,402
Travel expenses	166,062	146,644
Lunch	300,183	264,508
Other staff costs	296,757	331,862
Total	4,318,603	3,806,403
41 General and administrative expenses		
Staff costs (Note 41.01)	3,827,842	3,453,817
Depreciation	660,613	602,002
Amortisation	241,152	205,974
Directors' fee	523	497
Audit fee	12,075	10,500
Stationery	89,234	73,939
Rent	215,528	142,046
Remittance of treasure	53,287	54,499
Donations	116,178	128,499
Telephone	89,265	53,048
Repairs	389,274	314,969
Miscellaneous	1,347,400	1,175,818
Total	7,042,372	6,215,608
41.01 Staff costs		
Salary	1,479,790	1,169,113
House rent	499,839	447,821
Contribution to contributory provident fund	(6,632)	34,491
Pension and gratuity	-	(20,397)
Leave encashment	-	57,921
General and incentive bonus	739,320.98	678,071
Income tax paid to Government	6,055	52,772
Medical expenses	239,678	185,289
Training	140,144	217,402
Travel expenses	166,062.04	146,644
Lunch	266,827.95	234,747
Other staff costs	296,756.97	249,943
Total	3,827,842	3,453,817

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

42 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 Group'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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Bangladesh Bank's recognised instruments are carried at cost or current market value, which approximates net fair value.

The Group 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.

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

The Group is subject to an annual audit by two external auditors who are appointed and their remuneration fixed by the Government as prescribed in Article 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 Audit Committee reports to the Board of Directors on its activities.

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

	2014 Taka '000	2013 Taka '000
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(ii) Operational risk

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

(iii) Credit risk

Credit risk is the risk of financial loss to the Group arising from a counterparty to a financial instrument failing to discharge its contractual 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, is 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, with mitigents to credit risk including both the Bank's rigorous monitoring activities and, in many cases, guarantees from the government.

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:

Consolidated

Bangladesh	402,266,602	533,876,205
Other Asian countries	334,189,781	222,203,342
United States of America	950,043,003	680,356,599
Europe	324,018,757	269,949,561
Australia	17,653,619	16,448,204
Total	2,028,171,762	1,722,833,911

Bank

Bangladesh	398,783,797	531,062,268
Other Asian countries	334,189,781	222,203,342
United States of America	950,043,003	680,356,599
Europe	324,018,757	269,949,561
Australia	17,653,619	16,448,203
Total	2,024,688,957	1,720,019,973

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

43 Consolidated credit exposures by credit rating

Following tables represents the Group'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 excellent credit quality but are rated lower than Aaa. Aa1 indicates the higher end of Aa category, Aa2 indicates mid range ranking of Aa category and Aa3 indicates lower end of Aa category. For short term deposits P-1 indicates banks rated prime -1 for deposits, and offers superior credit quality and a very strong capacity for timely payment of short -term deposit obligations; ST-1 indicates the highest capacity for timely repayment of obligations; ST-2 indicates a strong capacity for timely repayment of obligations and ST-3 indicates average capacity for timely repayment of obligations.

Credit Rating	2014		2013	
	Amount (Taka '000)	% of financial assets	Amount (Taka '000)	% of financial assets

i) Foreign currency financial assets

Foreign currency accounts	P-1	501,735,055	24.74%	400,668,902	23.26%
Short term deposits with overseas commercial banks	P-1	492,050,716	24.26%	315,427,920	18.31%
US Dollar treasury bills	Aaa	83,075,584	4.10%	83,198,484	4.83%
Foreign bonds	Aaa	238,757,503	11.77%	98,168,247	5.70%
Foreign bonds	Aa,A1,A2	13,181,747	0.65%	16,241,544	0.94%
Foreign bonds	A3,A+	8,197,165	0.40%	19,255,734	1.12%
Foreign bonds	Aa1,Aa2	48,078,469	2.37%	4,686,327	0.27%
Foreign bonds	Aa3	24,486,189	1.21%	13,034,994	0.76%
Foreign bonds	A-, B, BB, BBB etc.	25,189,820	1.24%	69,484,823	4.03%
Foreign currency loans to banks	-	105,186,763	5.19%	62,201,818	3.61%
Gold and silver	A-1	25,283,678	1.25%	30,888,999	1.79%
Claims from gold transactions	P-2	19,451,963	0.96%	9,888,170	0.57%
Assets held with International Monetary Fund	-	148,468,110	7.32%	129,535,058	7.52%
Other foreign currency financial assets	-	4,595,253	0.23%	3,257,453	0.19%
Total		1,737,738,015	85.68%	1,255,938,473	72.90%

ii) Local currency financial assets

Loans to the Government of Bangladesh	Ba3	168,861,943	8.33%	304,676,986	17.68%
Securities purchased under agreement to resell	-	980,000	0.05%	32,690,170	1.90%
Local currency investments	-	8,385,472	0.41%	8,221,755	0.48%
Local currency loans to banks, financial institutions and employees	-	109,704,694	5.41%	118,056,512	6.85%
Other local currency financial assets	-	1,145,214	0.06%	2,337,873	0.14%
Taka coin and cash balances	-	1,356,424	0.07%	912,090	0.05%
Total		290,433,747	14.32%	466,895,386	27.10%
Total financial assets (i+ii)		2,028,171,762	100.00%	1,722,833,859	100.00%

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

43.01 Credit exposures by credit rating

Credit Rating	2014		2013	
	Amount (Taka '000)	% of financial assets	Amount (Taka '000)	% of financial assets

i) Foreign currency financial assets

Foreign currency accounts	P-1	501,735,055	24.78%	400,668,902	23.29%
Short term investments with overseas commercial banks	P-1	492,050,716	24.30%	315,427,921	18.34%
US Dollar treasury bills	P-1	83,075,584	4.10%	83,198,484	4.84%
Foreign bonds	Aaa	238,757,503	11.79%	98,168,247	5.71%
Foreign bonds	Aa,A1,A2	13,181,747	0.65%	16,241,544	0.94%
Foreign bonds	A3,A+	8,197,165	0.40%	19,255,734	1.12%
Foreign bonds	Aa1,Aa2	48,078,469	2.37%	4,686,327	0.27%
Foreign bonds	Aa3	24,486,189	1.21%	13,034,994	0.76%
Foreign bonds	A-, B, BB, BBB etc.	25,189,820	1.24%	69,484,823	4.04%
Foreign currency loans to banks	-	105,186,763	5.20%	62,201,818	3.62%
Gold and silver	A-1	25,283,678	1.25%	30,888,999	1.80%
Claims from gold transactions	P-2	19,451,963	0.96%	9,888,170	0.57%
Assets held with International Monetary Fund	-	148,468,110	7.33%	129,535,058	7.53%
Other foreign currency financial assets	-	4,595,253	0.23%	3,257,453	0.19%
Total		1,737,738,015	85.83%	1,255,938,473	73.02%

ii) Local currency financial assets

Loans to the Government of Bangladesh	Ba3	168,861,943	8.34%	304,676,986	17.71%
Securities purchased under agreement to resell	-	980,000	0.05%	32,690,170	1.90%
Local currency investments	-	7,005,000	0.35%	7,040,000	0.41%
Local currency loans to banks, financial institutions and employees	-	108,628,077	5.37%	117,087,464	6.81%
Other local currency financial assets	-	929,682	0.05%	2,199,827	0.13%
Taka coin and cash balances	-	546,240	0.03%	387,053	0.02%
Total		286,950,942	14.17%	464,081,500	26.98%
Total financial assets (i+ii)		2,024,688,957	100.00%	1,720,019,973	100.00%

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

43.01 Collateral held and other credit enhancements, and their financial effect

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

	2014		2013	
	Amount (Taka '000)	Principal type of Collateral	Amount (Taka '000)	Principal type of Collateral
i) Foreign currency financial assets				
Foreign currency loans to banks	105,186,762	None	62,201,818	None
Claims from gold transactions	19,451,963	None	9,888,170	None
Assets held with International Monetary Fund	148,468,110	None	129,535,058	None
ii) Local currency financial assets				
Loans to the Government of Bangladesh	168,861,943	None	304,676,986	None
Securities purchased under agreement to resell	980,000	Marketable securities	32,690,170	Marketable securities
Local currency loans to banks, financial institutions and employees	109,704,694	- Government guarantee-Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortgage of property	118,056,512	- Government guarantee-Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortgage of property

44 Consolidated interest rate risk

Interest rate risk is the risk of loss arising from changes in interest rates. The Group is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. Since the primary objective of the Bank is to achieve and maintain price stability, it determines at its own discretion the monetary policy that it will implement and the monetary policy instruments that is going to use in order to achieve and maintain price stability. Bank's interest sensitivity position based on contractual re-pricing arrangements as on 30 June 2014 is presented below. It includes the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing of maturity dates. Assets and liabilities will mature or re-price within the following period:

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

44 Consolidated interest rate risk

i) As at 30 June 2014

Taka '000

Particulars	Balance as at 30 June 2014	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	501,735,055	501,735,055	-	-	-	0.02%
Foreign investments	933,017,193	479,878,616	146,197,324	306,941,253	-	1.52%
Assets held with International Monetary Fund	148,468,110	84,454,866	12,871	-	64,000,373	0.06%
Gold and silver	25,283,678	25,283,678	-	-	-	n/a
Claims from gold transactions	19,451,963	-	19,451,963	-	-	0.36%
Foreign currency loans to banks	105,186,763	-	105,186,763	-	-	1.09%
Other foreign currency financial assets	4,595,253	-	4,595,253	-	-	n/a
Total Foreign currency financial assets	1,737,738,015	1,091,352,215	275,444,174	306,941,253	64,000,373	

Local currency financial assets

Taka coin and cash balances	1,356,424	1,356,424	-	-	-	n/a
Securities purchased under agreement to resell	980,000	980,000	-	-	-	11.86%
Loans to the Government of Bangladesh	168,861,943	4,500,000	18,084,206	122,271,208	24,006,529	8.92%
Local currency investments	8,385,472	250,000	4,050,472	3,280,000	805,000	7.09%
Local currency loans to banks, financial institutions and employees	109,704,694	2,934,320	12,673,653	35,245,395	58,851,326	4.03%
Other local currency financial assets	1,145,214	-	-	-	-	n/a
Total Local currency financial assets	290,433,747	10,020,744	34,808,331	160,796,603	83,662,855	
Total financial assets	2,028,171,762	1,101,372,959	310,252,505	467,737,856	147,663,228	

Liabilities

Foreign currency financial liabilities

Foreign currency deposits from banks and financial institutions	149,897,536	149,897,536	-	-	-	0.08%
Liabilities with International Monetary Fund	188,331,836	3,833,497	2,496,600	14,048,010	167,953,729	0.04%
Total foreign currency financial liabilities	338,229,372	153,731,033	2,496,600	14,048,010	167,953,729	

Local currency financial liabilities

Notes in circulation	847,170,600	-	-	-	-	n/a
Short term borrowings	57,664,690	57,664,690	-	-	-	5.67%
Local currency deposits from banks and financial institutions	443,782,003	-	-	-	-	n/a
Other local currency financial liabilities	193,316,773	-	-	-	-	n/a
Total local currency financial liabilities	1,541,934,067	57,664,690	-	-	-	
Total financial liabilities	1,880,163,439	211,395,723	2,496,600	14,048,010	167,953,729	

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 2014

44 Consolidated interest rate risk**ii) As at 30 June 2013**

Taka '000

Particulars	Balance as at 30 June 2013	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	400,668,902	400,668,902	-	-	-	0.20%
Foreign investments	619,498,073	361,110,522	87,839,457	170,548,094	-	1.98%
Assets held with International Monetary Fund	129,535,058	67,161,274	5,349	-	62,368,435	0.33%
Gold and silver	30,888,999	30,888,999	-	-	-	n/a
Claims from gold transactions	9,888,170	-	9,888,170	-	-	0.33%
Foreign currency loans to banks	62,201,818	-	62,201,818	-	-	1.53%
Other foreign currency financial assets	3,257,453	-	-	-	-	n/a
Total Foreign currency financial assets	1,255,938,473	859,829,697	159,934,794	170,548,094	62,368,435	

Local currency financial assets

Taka coin and cash balances	912,090	912,090	-	-	-	n/a
Securities purchased under agreement to resell	32,690,170	32,690,170	-	-	-	9.63%
Loans to the Government of Bangladesh	304,676,986	97,163,242	17,844,151	85,199,436	104,470,157	9.70%
Local currency investments	8,221,755	-	2,065,000	5,724,303	432,452	6.88%
Local currency loans to banks, financial institutions and employees	118,056,512	4,807,353	28,319,817	59,441,457	25,487,885	4.87%
Other local currency financial assets	2,337,873	-	-	-	-	n/a
Total Local currency financial assets	466,895,386	135,572,855	48,228,968	150,365,196	130,390,494	
Total financial assets	1,722,833,859	995,402,552	208,163,762	320,913,290	192,758,929	

Liabilities**Foreign currency financial liabilities**

Foreign currency deposits from banks and financial institutions	140,040,206	140,040,206	-	-	-	0.14%
Liabilities with International Monetary Fund	168,729,820	2,901,782	3,519,361	10,482,616	151,826,061	0.05%
Total foreign currency financial liabilities	308,770,026	142,941,988	3,519,361	10,482,616	151,826,061	

Local currency financial liabilities

Notes in circulation	746,382,564	-	-	-	-	n/a
Short term borrowings	49,830,996	49,830,996	-	-	-	5.07%
Local currency deposits from banks and financial institutions	371,149,908	-	-	-	-	n/a
Other local currency financial liabilities	92,953,477	-	-	-	-	n/a
Total local currency financial liabilities	1,260,316,945	49,830,996	-	-	-	
Total financial liabilities	1,569,086,971	192,772,984	3,519,361	10,482,616	151,826,061	

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 2014

44.01 Interest rate risk

i) As at 30 June 2014

Taka '000

Particulars	Balance as at 30 June 2014	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	501,735,055	501,735,055	-	-	-	0.02%
Foreign investments	933,017,193	479,878,616	146,197,324	306,941,253	-	1.52%
Assets held with International Monetary Fund	148,468,110	84,454,866	12,871	-	64,000,373	0.06%
Gold and silver	25,283,678	25,283,678	-	-	-	n/a
Claims from gold transactions	19,451,963	-	19,451,963	-	-	0.36%
Foreign currency loans to banks	105,186,763	-	105,186,763	-	-	1.09%
Other foreign currency financial assets	4,595,253	-	-	-	-	n/a
Total Foreign currency financial assets	1,737,738,015	1,091,352,215	270,848,921	306,941,253	64,000,373	

Local currency financial assets

Taka coin and cash balances	546,240	546,240	-	-	-	n/a
Securities purchased under agreement to resell	980,000	980,000	-	-	-	11.86%
Loans to the Government of Bangladesh	168,861,943	4,500,000	18,084,206	122,271,208	24,006,529	8.92%
Local currency investments	7,005,000	250,000	2,170,000	328,000	1,305,000	4.89%
Local currency loans to banks, financial institutions and employees	108,628,077	2,934,320	12,673,653	35,245,395	57,774,709	4.01%
Other local currency financial assets	929,682	-	-	-	-	n/a
Total Local currency financial assets	286,950,942	9,210,560	32,927,859	160,796,603	83,086,238	
Total financial assets	2,024,688,957	1,100,562,775	303,776,780	467,737,856	147,086,611	

Liabilities

Foreign currency financial liabilities

Foreign currency deposits from banks and financial institutions	149,897,536	149,897,536	-	-	-	0.08%
Liabilities with International Monetary Fund	188,331,836	3,833,497	2,496,600	14,048,010	167,953,729	0.04%
Total foreign currency financial liabilities	338,229,372	153,731,033	2,496,600	14,048,010	167,953,729	

Local currency financial liabilities

Notes in circulation	847,170,600	-	-	-	-	n/a
Short term borrowings	57,664,690	57,664,690	-	-	-	5.67%
Local currency deposits from banks and financial institutions	443,782,003	-	-	-	-	n/a
Other local currency financial liabilities	192,817,857	-	-	-	-	n/a
Total local currency financial liabilities	1,541,435,151	57,664,690	-	-	-	
Total financial liabilities	1,879,664,523	211,395,723	2,496,600	14,048,010	167,953,729	

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 2014

44.01 Interest rate risk

i) As at 30 June 2013

Taka '000

Particulars	Balance as at 30 June 2013	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	400,668,902	400,668,902	-	-	-	0.20%
Foreign investments	619,498,073	361,110,522	87,839,457	170,548,095	-	1.98%
Assets held with International Monetary Fund	129,535,058	67,161,274	5,349	-	62,368,435	0.33%
Gold and silver	30,888,999	30,888,999	-	-	-	n/a
Claims from gold transactions	9,888,170	-	9,888,170	-	-	0.33%
Foreign currency loans to banks	62,201,818	-	62,201,818	-	-	1.53%
Other foreign currency financial assets	3,257,453	-	-	-	-	n/a
Total Foreign currency financial assets	1,255,938,473	859,829,697	159,934,794	170,548,095	62,368,435	

Local currency financial assets

Taka coin and cash balances	387,106	387,106	-	-	-	n/a
Securities purchased under agreement to resell	32,690,170	32,690,170	-	-	-	9.63%
Loans to the Government of Bangladesh	304,676,986	97,163,242	17,844,151	85,199,436	104,470,157	9.70%
Local currency investments	7,040,000	-	2,065,000	4,050,000	925,000	4.95%
Local currency loans to banks, financial institutions and employees	117,087,464	4,807,353	28,319,817	59,441,457	24,518,837	4.86%
Other local currency financial assets	2,199,827	-	-	-	-	n/a
Total Local currency financial assets	464,081,553	135,047,871	48,228,968	148,690,893	129,913,994	
Total financial assets	1,720,020,026	994,877,568	208,163,762	319,238,988	192,282,429	

Liabilities

Foreign currency financial liabilities

Foreign currency deposits from banks and financial institutions	140,040,206	140,040,206	-	-	-	0.14%
Liabilities with International Monetary Fund	168,729,820	2,901,782	3,519,361	10,482,616	151,826,061	0.05%
Total foreign currency financial liabilities	308,770,026	142,941,988	3,519,361	10,482,616	151,826,061	

Local currency financial liabilities

Notes in circulation	746,382,564	-	-	-	-	n/a
Short term borrowings	49,830,996	49,830,996	-	-	-	0.05%
Local currency deposits from banks and financial institutions	371,149,908	-	-	-	-	n/a
Other local currency financial liabilities	92,137,645	-	-	-	-	n/a
Total local currency financial liabilities	1,259,501,113	49,830,996	-	-	-	
Total financial liabilities	1,568,271,139	192,772,984	3,519,361	10,482,616	151,826,061	

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 2014

45 Consolidated liquidity risk

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately.

To mitigate this risk, the Group has diversified funding sources and assets are managed with liquidity in mind.

The table below summaries the maturity profile of the Group's financial assets and liabilities based on the contractual repayment date determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date.

Assets and liabilities will mature within the following periods:

i) As at 30 June 2014

Taka '000

Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
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Foreign currency financial assets

Foreign currency accounts	501,735,055	-	-	-	-	501,735,055
Foreign investments	32,802	479,845,814	146,197,324	306,941,253	-	933,017,193
Assets held with International Monetary Fund	84,454,866	-	12,871	-	64,000,373	148,468,110
Gold and silver	25,283,678	-	-	-	-	25,283,678
Claims from gold transactions	-	-	19,451,963	-	-	19,451,963
Foreign currency loans to banks	-	-	105,186,763	-	-	105,186,763
Other foreign currency financial assets	-	-	4,595,253	-	-	4,595,253
Total	611,506,401	479,845,814	275,444,174	306,941,253	64,000,373	1,737,738,015

Local currency financial assets

Taka coin and cash balances	1,356,424	-	-	-	-	1,356,424
Securities purchased under agreement to resell	980,000	-	-	-	-	980,000
Loans to the Government of Bangladesh	-	4,500,000	18,084,206	122,271,208	24,006,529	168,861,943
Local currency investments	-	250,000	4,050,472	3,280,000	805,000	8,385,472
Local currency loans to banks, financial institutions and employees	-	2,934,320	12,673,653	35,245,395	58,851,326	109,704,694
Other local currency financial assets	-	-	1,145,214	-	-	1,145,214
Total	2,336,424	7,684,320	35,953,545	160,796,603	83,662,855	290,433,747

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

Taka '000

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Non-financial assets						
Property, plant and equipment	-	-	1,580,747	1,003,009	43,857,066	46,440,822
Intangible asset	-	-	123,139	555,103	-	678,242
Other domestic assets	924,283	-	592,000	4,891,562	-	6,407,845
Total	924,283	-	2,295,886	6,449,674	43,857,066	53,526,909
Total assets	614,767,108	487,530,134	313,693,605	474,187,530	191,520,294	2,081,698,672
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	149,897,536	-	-	-	-	149,897,536
Liabilities with International Monetary Fund	2,432,041	1,401,456	2,496,600	14,048,010	167,953,729	188,331,836
Total	152,329,577	1,401,456	2,496,600	14,048,010	167,953,729	338,229,372
Local currency financial liabilities						
Notes in circulation	847,170,600	-	-	-	-	847,170,600
Short term borrowings	57,664,690	-	-	-	-	57,664,690
Local currency deposits from banks and financial institutions	443,782,003	-	-	-	-	443,782,003
Other local currency financial liabilities	41,199,148	-	109,432,934	42,684,694	-	193,316,776
Total	1,389,816,441	-	109,432,934	42,684,694	-	1,541,934,069
Total liabilities	1,542,146,018	1,401,456	111,929,534	56,732,704	167,953,729	1,880,163,441
Capital and reserve	-	-	-	-	201,535,233	201,535,233
Total liability and equity	1,542,146,018	1,401,456	111,929,534	56,732,704	369,488,962	2,081,698,674
Gap analysis						
Maturity gap	(927,378,910)	486,128,678	201,764,071	417,454,826	23,566,565	201,535,230

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

45 Consolidated liquidity risk

Taka '000

ii) As at 30 June 2013

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
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Foreign currency financial assets

Foreign currency accounts	400,668,902	-	-	-	-	400,668,902
Foreign investments	150,959,334	210,151,187	87,839,457	170,548,095	-	619,498,073
Assets held with International Monetary Fund	67,161,274	-	5,349	-	62,368,435	129,535,058
Gold and silver	30,888,999	-	-	-	-	30,888,999
Claims from gold transactions	-	-	9,888,170	-	-	9,888,170
Foreign currency loans to banks	-	-	62,201,818	-	-	62,201,818
Other foreign currency financial assets	-	-	3,257,453	-	-	3,257,453
Total	649,678,509	210,151,187	163,192,247	170,548,095	62,368,435	1,255,938,473

Local currency financial assets

Taka coin and cash balances	912,090	-	-	-	-	912,090
Securities purchased under agreement to resell	32,690,170	-	-	-	-	32,690,170
Loans to the Government of Bangladesh	20,000,000	77,163,242	17,844,151	85,199,436	104,470,157	304,676,986
Local currency investments	-	-	2,065,000	5,724,303	432,452	8,221,755
Local currency loans to banks, financial institutions and employees	-	4,807,353	28,319,817	59,441,457	25,487,885	118,056,512
Other local currency financial assets	-	-	2,337,873	-	-	2,337,873
Total	53,602,260	81,970,595	50,566,841	150,365,196	130,390,494	466,895,386

Other non-financial assets

Property, plant and equipment	-	-	1,513,391	-	27,727,214	29,240,605
Intangible asset	-	-	123,139	-	788,776	911,915
Other domestic assets	364,909	-	909,488	5,369,470	-	6,643,867
Total	364,909	-	2,546,018	5,369,470	28,515,990	36,796,387
Total assets	703,645,678	292,121,782	216,305,106	326,282,761	221,274,919	1,759,630,246

Foreign currency financial liabilities

Foreign currency deposits from banks and financial institutions	140,040,206	-	-	-	-	140,040,206
Liabilities with International Monetary Fund	170,298	2,731,484	3,519,361	10,482,616	151,826,061	168,729,820
Total	140,210,504	2,731,484	3,519,361	10,482,616	151,826,061	308,770,026

Local currency financial liabilities

Notes in circulation	746,382,617	-	-	-	-	746,382,617
Short term borrowings	49,830,996	-	-	-	-	49,830,996
Deposits from banks and financial institutions	371,149,908	-	-	-	-	371,149,908
Other local currency financial liabilities	-	-	92,953,477	-	-	92,953,477
Total	1,167,363,521	-	92,953,477	-	-	1,260,316,998
Total liabilities	1,307,574,025	2,731,484	96,472,838	10,482,616	151,826,061	1,569,087,024
Capital and reserve	-	-	-	-	190,543,275	190,543,275
Total liability and equity	1,307,574,025	2,731,484	96,472,838	10,482,616	342,369,336	1,759,630,299
Gap analysis						
Maturity gap	(603,928,347)	289,390,298	119,832,268	315,800,145	69,448,858	190,543,222

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

45.01 Liquidity risk

Taka '000

i) As at 30 June 2014

Foreign currency financial assets

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign currency accounts	501,735,055	-	-	-	-	501,735,055
Foreign investments	32,802	479,845,814	146,197,324	306,941,253	-	933,017,193
Assets held with International Monetary Fund	84,454,866	-	12,871	-	64,000,373	148,468,110
Gold and silver	25,283,678	-	-	-	-	25,283,678
Claims from gold transactions	-	-	19,451,963	-	-	19,451,963
Foreign currency loans to banks	-	-	105,186,763	-	-	105,186,763
Other foreign currency financial assets	-	-	4,595,253	-	-	4,595,253
Total	611,506,401	479,845,814	275,444,174	306,941,253	64,000,373	1,737,738,015

Local currency financial assets

Taka coin and cash balances	546,240	-	-	-	-	546,240
Securities purchased under agreement to resell	980,000	-	-	-	-	980,000
Loans to the Government of Bangladesh	-	4,500,000	18,084,206	122,271,208	24,006,529	168,861,943
Local currency investments	250,000	-	2,170,000	3,280,000	1,305,000	7,005,000
Local currency loans to banks, financial institutions and employees	-	2,934,320	12,673,653	35,245,395	57,774,709	108,628,077
Other local currency financial assets	-	-	929,682	-	-	929,682
Total	1,776,240	7,434,320	33,857,541	160,796,603	83,086,238	286,950,942

Non-financial assets

Property, plant and equipment	-	-	1,578,493	990,970	36,131,322	38,700,785
Intangible asset	-	-	123,139	555,103	-	678,242
Other domestic assets	3,772,413	-	-	27,692	-	3,800,104
Total	3,772,413	-	1,701,632	1,573,765	36,131,322	43,179,131
Total assets	617,055,054	487,280,134	311,003,347	469,311,621	183,217,933	2,067,868,089

Foreign currency financial liabilities

Foreign currency deposits from banks and financial institutions	149,897,536	-	-	-	-	149,897,536
Liabilities with International Monetary Fund	1,624,626	2,208,871	2,496,600	14,048,010	167,953,729	188,331,836
Total	151,522,162	2,208,871	2,496,600	14,048,010	167,953,729	338,229,372

Local currency financial liabilities

Notes in circulation	847,170,600	-	-	-	-	847,170,600
Short term borrowings	57,664,690	-	-	-	-	57,664,690
Local currency deposits from banks and financial institutions	443,782,003	-	-	-	-	443,782,003
Other local currency financial liabilities	41,199,148	-	108,934,018	42,684,691	-	192,817,857
Total	1,389,816,441	-	108,934,018	42,684,691	-	1,541,435,151
Total liabilities	1,541,338,603	2,208,871	111,430,618	56,732,701	167,953,729	1,879,664,523

Capital and reserve

Capital and reserve	-	-	-	-	188,203,567	188,203,567
Total liability and equity	1,541,338,603	2,208,871	111,430,618	56,732,701	356,157,296	2,067,868,089

Gap analysis

Maturity gap	(924,283,549)	485,071,263	199,572,729	412,578,920	15,264,204	188,203,566
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Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

45.01 Liquidity risk

Taka '000

ii) As at 30 June 2013

Foreign currency financial assets

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign currency accounts	400,668,902	-	-	-	-	400,668,902
Foreign investments	150,959,334	210,151,187	87,839,457	170,548,095	-	619,498,073
Assets held with International Monetary Fund	67,161,274	-	5,349	-	62,368,435	129,535,058
Gold and silver	30,888,999	-	-	-	-	30,888,999
Claims from gold transactions	-	-	9,888,170	-	-	9,888,170
Foreign currency loans to banks	-	-	62,201,818	-	-	62,201,818
Other foreign currency financial assets	-	-	3,257,453	-	-	3,257,453
Total	649,678,509	210,151,187	163,192,247	170,548,095	62,368,435	1,255,938,473

Local currency financial assets

Taka coin and cash balances	387,106	-	-	-	-	387,106
Securities purchased under agreement to resell	32,690,170	-	-	-	-	32,690,170
Loans to the Government of Bangladesh	20,000,000	77,163,242	17,844,151	85,199,436	104,470,157	304,676,986
Local currency investments	-	-	2,065,000	4,050,000	925,000	7,040,000
Local currency loans to banks, financial institutions and employees	-	4,807,353	28,319,817	59,441,457	24,518,837	117,087,464
Other local currency financial assets	-	-	2,199,827	-	-	2,199,827
Total	53,077,276	81,970,595	50,428,795	148,690,893	129,913,994	464,081,553

non-financial assets

Property, plant and equipment	-	-	1,512,152	-	24,680,070	26,192,222
Intangible asset	-	-	123,139	788,776	-	911,915
Other domestic assets	4,214,521	-	-	18,071	-	4,232,592
Total	4,214,521	-	1,635,291	806,847	24,680,070	31,336,729
Total assets	706,970,306	292,121,782	215,256,333	320,045,835	216,962,499	1,751,356,755

Foreign currency financial liabilities

Foreign currency deposits from banks and financial institutions	140,040,206	-	-	-	-	140,040,206
Liabilities with International Monetary Fund	170,298	2,731,484	3,519,361	10,482,616	151,826,061	168,729,820
Total	140,210,504	2,731,484	3,519,361	10,482,616	151,826,061	308,770,026

Local currency financial liabilities

Notes in circulation	746,382,564	-	-	-	-	746,382,564
Short term borrowings	49,830,996	-	-	-	-	49,830,996
Deposits from banks and financial institutions	371,149,908	-	-	-	-	371,149,908
Other local currency financial liabilities	-	-	92,137,645	-	-	92,137,645
Total	1,167,363,468	-	92,137,645	-	-	1,259,501,113
Total liabilities	1,307,573,972	2,731,484	95,657,006	10,482,616	151,826,061	1,568,271,139

Capital and reserve	-	40,733,254	-	-	142,352,309	183,085,563
Total liability and equity	1,307,573,972	43,464,738	95,657,006	10,482,616	294,178,370	1,751,356,702
Gap analysis						
Maturity gap	(600,603,666)	289,390,298	119,599,327	309,563,219	65,136,438	183,085,616

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

46 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. Decision of the Investment Committee and dealing practices approved by the Investment Committee serve as operational guidelines for Bangladesh Bank's reserve management and investments. The guidelines are directed towards managing different types of risks, while earning a reasonable return. There is an approved benchmark for investment in terms of currency composition, portfolio duration and proportion of different assets within a band. Dealers/portfolio managers afford best to comply with this benchmark and continually rebalance the investment portfolio to follow the benchmark daily/weekly as approved by the Investment Committee.

Foreign currency monetary assets and liabilities

i) As at 30 June 2014

Taka '000

Particulars	US\$ equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Japanese Yen equivalent	Canadian \$ equivalent	Australian \$ equivalent	Chinese Yuan Renminbi equivalent	SDR equivalent	Others equivalent
Assets										
Held in other Central Banks and cash deposit abroad	449,191,353	-	41,371,602	1,779,969.7	7,208,389	923,089	146,192	843,123	-	271,338
Short term deposits in overseas commercial banks	338,244,163	-	26,577,179	53,811,550.0	-	23,688,692	32,671,149	1,504,615	-	15,553,368
Treasury bills	83,075,583	-	-	-	-	-	-	-	-	-
Foreign bonds	261,786,922	-	57,253,584	18,022,727.1	-	3,636,843	11,702,732	5,488,084	-	-
Gold and silver	-	25,283,678	-	-	-	-	-	-	-	-
Loan to other banks	105,186,763	-	-	-	-	-	-	-	-	-
Claims from gold transaction	-	19,451,963	-	-	-	-	-	-	-	-
Interest receivable	3,104,213	-	897,789	147,713.0	-	72,602	332,462	18,048	-	22,346
Asset held with IMF	-	-	-	-	-	-	-	-	148,468,110	-
Other foreign assets	-	-	-	-	-	-	-	-	-	80
Total	1,240,588,997	44,735,641	126,100,154	73,761,960	7,208,389	28,321,226	44,852,535	7,853,870	148,468,110	15,847,132
Liabilities										
Deposits from other banks	148,615,380	-	763,722	505,776	8,851	3,806	-	-	-	-
Liabilities to IMF	-	-	-	-	-	-	-	-	-	-
Securities	-	-	-	-	-	-	-	-	62,320,401	-
Loan under poverty reduction and growth facility	-	-	-	-	-	-	-	-	8,266,285	-
SDR allocation	-	-	-	-	-	-	-	-	61,252,784	-
Extended credit facility	-	-	-	-	-	-	-	-	54,857,548	-
Others	-	-	-	-	-	-	-	-	1,634,818	-
Total	148,615,380	-	763,722	505,776	8,851	3,806	-	-	188,331,836	-
Net	1,091,973,617	44,735,641	125,336,432	73,256,184	7,199,538	28,317,420	44,852,535	7,853,870	(39,863,726)	15,847,132

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

46 Currency risk

ii) As at 30 June 2013

Taka '000

Particulars	US\$ equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Japanese Yen equivalent	Canadian \$ equivalent	Australian \$ equivalent	Chinese Yuan Renminbi equivalent	SDR equivalent	Others equivalent
Assets										
Held in other Central Banks and cash deposit abroad	313,536,314	-	78,632,814	2,721,504	3,686,957	199,980	1,795,048	53,953	-	42,332
Short term deposits in overseas commercial banks	215,089,539	-	-	51,964,362	-	12,090,588	23,023,762	818,182	-	12,441,488
Treasury bills	83,198,484	-	-	-	-	-	-	-	-	-
Foreign bonds	147,302,148	-	39,721,907	12,673,184	-	4,481,289	14,313,099	2,380,041	-	-
Gold and silver	-	30,888,999	-	-	-	-	-	-	-	-
Loan to other banks	62,201,818	-	-	-	-	-	-	-	-	-
Claims from gold transaction	-	9,888,170	-	-	-	-	-	-	-	-
Interest receivable	1,970,416	17,670	749,123	127,121	-	38,161	340,830	14,052	5,349	-
Asset held with IMF	-	-	-	-	-	-	-	-	129,529,709	-
Other foreign assets	-	-	-	-	-	-	-	-	-	80
Total	823,298,719	40,794,839	119,103,844	67,486,171	3,686,957	16,810,018	39,472,739	3,266,228	129,535,058	12,483,900
Liabilities										
Deposits from other banks	136,683,238	-	627,781	562,085	2,163,272	3,830	-	-	-	-
Liabilities to IMF	-	-	-	-	-	-	-	-	62,489,313	-
Securities & Emergency Natural Disaster Assistance	-	-	-	-	-	-	-	-	14,297,198	-
Loan under poverty reduction and growth facility	-	-	-	-	-	-	-	-	59,691,863	-
SDR allocation	-	-	-	-	-	-	-	-	32,075,760	-
Extended credit facility	-	-	-	-	-	-	-	-	175,686	-
Others	-	-	-	-	-	-	-	-	-	-
Total	136,683,238	-	627,781	562,085	2,163,272	3,830	-	-	168,729,820	-
Net	686,615,481	40,794,839	118,476,063	66,924,086	1,523,685	16,806,188	39,472,739	3,266,228	(39,194,762)	12,483,900

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

47 Sensitivity Analysis

At 30 June 2014, if interest rates had been 100 basis points lower with all other variables constant, profit for the year would have been Tk. 18,666 million lower (2013: Tk. 16,430 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 Tk. 18,666 million higher (2013: Tk.16,430 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 2014 if the Taka had weakened 10 per cent against the principal currencies in its foreign reserves portfolio with all other variables held constant, profit for the year would have been Tk. 1,314 million higher, (2013: Tk.3,848 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 Tk. 1,314 million, (2013: Tk.3,848 million). Profit is very sensitive to changes in exchange rate movements. The bank as part of its core functions holds substantial foreign currency assets.

i) Consolidated 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 are disclosed according to their classification under IAS 39 - Financial Instruments: Recognition & Measurement. The following tables summarise the carrying amounts and fair values of those financial assets and liabilities carried at fair value and not carried at fair value.

	Carrying value		Fair value	
	2014	2013	2014	2013
Financial assets				
Foreign investments	933,017,193	619,498,073	400,668,902	619,498,073
Gold and silver	25,283,678	30,888,999	619,498,073	30,888,999
Loans to the Government of Bangladesh	37,351,943	66,367,676	129,535,058	66,367,676
Local currency investments	8,385,472	8,221,755	30,888,999	8,221,755
Financial assets - at amortised cost				
Foreign currency accounts	501,735,055	400,668,902	9,888,170	400,668,902
Assets held with International Monetary Fund	148,468,110	129,535,058	62,201,818	129,535,058
Claims from gold transactions	19,451,963	9,888,170	3,257,453	9,888,170
Foreign currency loans to banks	105,186,763	62,201,818	304,676,986	62,201,818
Other foreign currency financial assets	4,595,253	3,257,453	32,690,170	3,257,453
Loans to the Government of Bangladesh	131,510,000	238,309,310	8,221,755	238,309,310
Securities purchased under agreement to resell	980,000	32,690,170		32,690,170
Local currency loans to banks, financial institutions and employees	109,704,694	118,056,512	118,056,512	118,056,512
Other local currency financial assets	1,145,214	2,337,873	2,337,873	2,337,873
Taka coin and cash balances	1,356,424	912,090	912,143	912,090

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

	Carrying value		Fair value	
	2014	2013	2014	2013
Financial liabilities - at amortised cost				
Liabilities with International Monetary Fund	188,331,836	168,729,820	188,331,836	168,729,820
Deposits from banks and financial institutions	593,679,539	511,190,114	593,679,539	511,190,114
Notes in circulation	847,170,600	746,382,564	847,170,600	746,382,564
Short term borrowings	57,664,690	49,830,996	57,664,690	49,830,996
Other local currency financial liabilities	193,316,773	92,953,477	193,316,773	92,953,477

ii) Fair value

Financial assets - at fair value

Foreign investments	933,017,193	619,498,073	933,017,193	619,498,073
Gold and silver	25,283,678	30,888,999	25,283,678	30,888,999
Loans to the Government of Bangladesh	37,351,943	66,367,676	37,351,943	66,367,676
Local currency investments	7,005,000	7,040,000	7,005,000	7,040,000

Financial assets - at amortised cost

Foreign currency accounts	501,735,055	400,668,902	501,735,055	400,668,902
Assets held with International Monetary Fund	148,468,110	129,535,058	148,468,110	129,535,058
Claims from gold transactions	19,451,963	9,888,170	19,451,963	9,888,170
Foreign currency loans to banks	105,186,763	62,201,818	105,186,763	62,201,818
Other foreign currency financial assets	4,595,253	3,257,453	4,595,253	3,257,453
Loans to the Government of Bangladesh	131,510,000	238,309,310	131,510,000	238,309,310
Securities purchased under agreement to resell	980,000	32,690,170	980,000	32,690,170
Local currency loans to banks, financial institutions and employees	108,628,077	117,087,464	108,628,077	117,087,464
Other local currency financial assets	929,682	2,199,827	929,682	2,199,827
Taka coin and cash balances	546,240	387,053	546,240	912,143

Financial liabilities

Liabilities with International Monetary Fund	188,331,836	168,729,820	188,331,836	168,729,820
Deposits from banks and financial institutions	593,679,539	511,190,114	593,679,539	511,190,114
Notes in circulation	847,170,600	746,382,564	847,170,600	746,382,564
Short term borrowings	57,664,690	49,830,996	57,664,690	49,830,996
Other local currency financial liabilities	192,817,857	92,137,645	192,817,857	92,137,645

Determination of fair value of financial assets

The fair value of foreign securities available-for-sale is based on quoted market prices, at the financial position date (2013: foreign securities held to maturity at amortised cost). Local currency financial investments includes shares in SPCL with a value of BDT 500,000,000 (2013: 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. Management believes that the fair value of these shares are their carrying value.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

Government securities (overdraft-block and current) are carried at cost as the interest accrued is recovered on a daily basis. Other Government securities (Govt. treasury bills and bonds) available-for-sale are carried at fair value (2013: other Government securities (Govt. treasury bills and bonds were carried at amortised cost). Loans to banks, financial institutions and employees are carried at amortised cost and are net of provisions for impairment. The fair value approximates their carrying value.

48 Consolidated classification of financial instruments

Analysis of financial assets and liabilities by fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1:

Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.

Level 2:

Valuation techniques based on observable input, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:

Valuation techniques using significant non-observable inputs. This category includes all instruments where the valuation technique includes inputs based on unobservable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

i) **As at 30 June 2014****Financial Assets**

Taka '000

Items	Loans and receivables	Held-to-maturity	Assets at fair value through profit or loss	Available-for-sale
Taka coin and cash balances	1,356,424	-	-	-
Foreign currency accounts	501,735,055	-	-	-
Foreign investments:				
Short term deposits with overseas commercial banks	492,050,716	-	-	-
US Dollar Treasury Bills	-	-	-	83,075,584
Foreign Bonds	-	-	-	357,890,893
Asset held with IMF	148,468,110	-	-	-
Gold and silver	-	-	-	25,283,678
Claims from gold transaction	-	-	-	19,451,963
Foreign currency loans to banks	105,186,763	-	-	-
Other foreign assets:				
Swift shares	-	-	-	80
Interest receivable	4,595,173	-	-	-
Loans to the Government:				
Overdraft - block (Government treasury bills)	131,510,000	-	-	-
Overdraft - current	-	-	-	-
Treasury bills	-	-	-	2,327,168
Treasury bonds	-	-	-	35,024,775
Securities purchased under agreement to resell	980,000	-	-	-
Investments:				
Debenture - House Building Finance Corporation	-	-	-	6,505,000
Short term money market investments	-	-	-	1,873,020
Share of ICB Islamic Bank Limited	-	-	-	7,452

Local currency loans to banks, financial institutions and employees:

Taka '000

Items	Loans and receivables	Carried at amortised cost	Liabilities through profit or loss	Total
Loan to Commercial banks	4,105,182	-	-	-
Loan to Specialised banks	39,512,833	-	-	-
Loan to Private banks	2,634,900	-	-	-
Other loans and advances	28,601,184	-	-	-
Interest receivable	7,595,016	-	-	-
Loans and advances to employees	27,255,579	-	-	-
Other local currency financial assets	1,145,214	-	-	-
Total	1,496,732,149	-	-	531,439,613
Interest/Commission received	28,571,308	8,590,110	94,997	49,415
Financial liabilities				
Liabilities with IMF		188,331,836	-	188,331,836
Deposits from banks and financial institutions:				
Foreign currency deposits by commercial banks		74,804,441	-	74,804,441
Asian Clearing Union (ACU)		75,093,095	-	75,093,095
Notes in circulation		847,170,600	-	847,170,600
Local currency deposits from banks and financial institution		443,782,003	-	443,782,003
Short term borrowings		57,664,690	-	57,664,690
Total		1,686,846,665	-	1,686,846,665
Interest/commission paid		(5,959,791)	-	(5,959,791)

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

ii) As at 30 June 2013

Financial Assets

Taka '000

Items	Loans and receivables	Held-to-maturity	Assets at fair value through profit or loss	Available-for-sale
Taka coin and cash balances	912,090	-	-	-
Foreign currency accounts	400,668,902	-	-	-
Foreign investments:				
Short term deposits with overseas commercial banks	315,427,920	-	-	-
US Dollar Treasury Bills	-	83,198,484	-	-
Foreign Bonds*	-	220,871,669	-	-
Asset held with IMF	129,535,058	-	-	-
Gold and silver	-	-	-	30,888,999
Claims from gold transaction	-	-	-	9,888,170
Foreign currency loans to banks	62,201,818	-	-	-
Other foreign assets:				
Swift shares	-	-	-	80
Interest receivable	3,257,373	-	-	-
Loans to the Government				
Ways and means advance	20,000,000	-	-	-
Overdraft - block (Government treasury bills)	146,264,310	-	-	-
Overdraft - current	72,045,000	-	-	-
Treasury bills	-	3,367,132	-	-
Treasury bonds	-	63,000,544	-	-
Securities purchased under agreement to resell	32,690,170	-	-	-
Investments in shares and debentures:				
Debenture-House Building Finance Corporation	-	6,540,000	-	-
Short term money market investments	-	1,674,303	-	-
Share of ICB Islamic Bank Limited	-	-	-	7,452
Local currency loans to banks, financial institutions and employees:				
Loan to Commercial banks	4,357,353	-	-	-
Loan to Specialised banks	46,943,070	-	-	-
Loan to Private banks	6,740,398	-	-	-
Other loans and advances	26,882,308	-	-	-
Interest receivable	7,645,498	-	-	-
Loans and advances to employees	25,487,885	-	-	-
Other local currency financial assets	2,337,873	-	-	-
Total	1,303,397,026	378,652,132	-	40,784,701
Interest/Commission received	41,810,273	10,579,984	5,397,470	46,507

Financial Liabilities

Taka '000

Items	Carried at amortised cost	Liabilities through profit or loss	Total
Liabilities with IMF	168,729,820	-	168,729,820
Deposits from banks and financial institutions:			
Foreign currency deposits by commercial banks	84,226,213	-	84,226,213
Asian Clearing Union (ACU)	55,813,993	-	55,813,993
Notes in circulation	746,382,617	-	746,382,617
Deposits from banks and financial institution	371,149,908	-	371,149,908
Short term borrowings	49,830,996	-	-
Total	1,476,133,547	-	1,476,133,547
Interest/commission paid	(4,223,871)	-	(4,223,871)

*Foreign bonds held as at 30 June 2013 were classified as assets at fair value through profit or loss in the prior year financial statements. Refer to note 2.06

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

48.01 Classification of financial instruments

i) As at 30 June 2014

Financial Assets Taka '000

Items	Loans and receivables	Held-to-maturity	Assets at fair value through profit or loss	Available-for-sale	Total
Taka coin and cash balances	546,240	-	-	-	546,240
Foreign currency accounts	501,735,055	-	-	-	501,735,055
Foreign investments:					
Short term deposits with overseas commercial banks	492,050,716	-	-	-	492,050,716
US Dollar Treasury Bills	-	-	-	83,075,584	83,075,584
Foreign Bonds	-	-	-	357,890,893	357,890,893
Assets held with International Monetary Fund	148,468,110	-	-	-	148,468,110
Gold and silver	-	-	-	25,283,678	25,283,678
Claims from gold transactions	-	-	-	19,451,963	19,451,963
Foreign currency loans to banks	105,186,763	-	-	-	105,186,763
Other foreign assets:					
Swift share	-	-	-	80	80
Interest receivable	4,595,173	-	-	-	4,595,173
Loans to the Government:					
Ways and means advance	-	-	-	-	-
Overdraft - block	131,510,000	-	-	-	131,510,000
Overdraft - current	-	-	-	-	-
Treasury bills	-	-	-	2,327,168	2,327,168
Treasury bonds	-	-	-	35,024,775	35,024,775
Securities purchased under agreement to resell	980,000	-	-	-	980,000
Local currency investments					
Debenture - HBFC	-	-	-	6,505,000	6,505,000
Investment in subsidiary	-	-	-	500,000	500,000
Local currency loans to banks, financial institutions and employees					
Loan to Commercial banks	4,105,182	-	-	-	4,105,182
Loan to Specialised banks	39,512,833	-	-	-	39,512,833
Loan to Private banks	2,634,900	-	-	-	2,634,900
Other loans and advances	28,601,184	-	-	-	28,601,184
Interest receivable	7,595,016	-	-	-	7,595,016
Loans and advances to employees	26,178,962	-	-	-	26,178,962
Other local currency financial assets	929,682	-	-	-	929,682
Total	1,494,629,816	-	-	530,059,141	2,024,688,958
Interest/commission received	25,289,950	11,541,410	94,997	74,415	37,000,772

Financial Liabilities Taka '000

Items	Carried at amortized cost	Liabilities through profit or loss	Total
Liabilities with IMF	188,331,836	-	188,331,836
Deposits from banks and financial institutions:			
Foreign currency deposits from banks and financial institutions	74,804,441	-	74,804,441
Asian Clearing Union (ACU)	75,093,095	-	75,093,095
Notes in circulation	847,170,600	-	847,170,600
Short term borrowings	57,664,690	-	57,664,690
Local currency deposits from banks and financial institutions	443,782,003	-	443,782,003
Total	1,686,846,665	-	1,686,846,665
Interest/commission paid	(5,959,791)	-	(5,959,791)

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

ii) As at 30 June 2013

Financial Assets

Taka '000

Items	Loans and receivables	Held-to-maturity	Assets at fair value through profit or loss	Available-for-sale	Total
Taka coin and cash balances	387,053	-	-	-	387,053
Foreign currency accounts	400,668,902	-	-	-	400,668,902
Foreign investments:					
Short term deposits with overseas commercial banks	315,427,920	-	-	-	315,427,920
US Dollar Treasury Bills	-	83,198,484	-	-	83,198,484
Foreign Bonds	-	220,871,669	-	-	220,871,669
Asset held with IMF	129,535,058	-	-	-	129,535,058
Gold and silver	-	-	-	30,888,999	30,888,999
Claims from gold transactions	-	-	-	9,888,170	9,888,170
Foreign currency loans to banks	62,201,818	-	-	-	62,201,818
Other foreign assets:					
Swift share	-	-	-	80	80
Interest receivable	3,257,373	-	-	-	3,257,373
Loans to the Government:					
Ways and means advance	20,000,000	-	-	-	20,000,000
Overdraft - block (Govt. treasury bills)	146,264,310	-	-	-	146,264,310
Overdraft - current	72,045,000	-	-	-	72,045,000
Treasury bills	-	3,367,132	-	-	3,367,132
Treasury bonds	-	63,000,544	-	-	63,000,544
Securities purchased under agreement to resell	32,690,170	-	-	-	32,690,170
Local currency investments					
Debenture - HBFC	-	6,540,000	-	-	6,540,000
Investment in subsidiary	-	-	-	500,000	500,000
Local currency loans to banks, financial institutions and employees					
Loan to Commercial banks	4,357,353	-	-	-	4,357,353
Loan to Specialised banks	46,943,070	-	-	-	46,943,070
Loan to Private banks	6,740,398	-	-	-	6,740,398
Other loans and advances	26,882,308	-	-	-	26,882,308
Interest receivable	7,645,498	-	-	-	7,645,498
Loans and advances to employees	24,518,837	-	-	-	24,518,837
Other local currency financial assets	2,199,827	-	-	-	2,199,827
Total	1,301,764,895	376,977,829	-	41,277,249	1,720,019,973
Interest/commission received	39,506,486	10,382,713	5,397,470	46,507	55,333,176

Financial Liabilities

Taka '000

Items	Carried at amortized cost	Liabilities through profit or loss	Total
Liabilities with IMF	168,729,820	-	168,729,820
Deposits from banks and financial institutions:			
Foreign currency deposits by commercial banks	84,226,213	-	84,226,213
Asian Clearing Union (ACU)	55,813,993	-	55,813,993
Notes in circulation	746,382,617	-	746,382,617
Local currency deposits from banks and financial institutions	371,149,908	-	371,149,908
Short term borrowings	49,830,996	-	49,830,996
Total	1,476,133,547	-	1,426,302,551
Interest/commission paid	(4,223,871)	-	(4,223,871)

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

49 Consolidated classification of financial instrument

Financial instruments measured at fair value - fair value hierarchy

i) As at 30 June 2014

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Financial Assets

Taka '000

Items	Note	Level 1	Level 2	Level 3	Total
Foreign investments:					
US Dollar Treasury Bills	5	83,075,584	-	-	83,075,584
Foreign Bonds	5	357,890,893	-	-	357,890,893
Gold and silver	7	25,283,678	-	-	25,283,678
Claims from gold transaction	8	19,451,963	-	-	19,451,963
Other foreign assets:					
Swift shares	10	-	-	80	80
Loans to the Government:					
Treasury bills	13	-	2,327,168	-	2,327,168
Treasury bonds	13	-	35,024,775	-	35,024,775
Local currency investments:					
Short term money market investments	14	-	1,873,020	-	1,873,020
Share of ICB Islamic Bank Limited	14	7,452	-	-	7,452
Total		485,709,570	39,224,963	80	524,934,613

ii) As at 30 June 2013

Taka '000

Items	Note	Level 1	Level 2	Level 3	Total
Foreign investments:					
US Dollar Treasury Bills	5	83,198,484	-	-	83,198,484
Foreign Bonds	5	220,871,669	-	-	220,871,669
Gold and silver	7	30,888,999	-	-	30,888,999
Claims from gold transaction	8	9,888,170	-	-	9,888,170
Other foreign assets:					
Swift shares	10	-	-	80	80
Loans to the Government:					
Treasury bills	13	-	3,367,132	-	3,367,132
Treasury bonds	13	-	63,000,544	-	63,000,544
Local currency investments:					
Short term money market investments	14	-	1,674,303	-	1,674,303
Share of ICB Islamic Bank Limited	14	7,452	-	-	7,452
Total		344,854,774	68,041,979	80	412,896,833

Level 3 fair value measurements

As at 30 June 2014 and 30 June 2013, the Group holds level 3 financial instruments only on Swift shares. The management believes that the fair value of these shares is equal to its carrying amount. A level 3 reconciliation table have not been disclosed as no change in fair value of investment from last year. (2013: No change in fair value)

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

Financial instruments not measured at fair value

These include taka coins and cash balances, foreign currency accounts, short term deposits with overseas commercial banks, assets held with IMF, foreign currency loans to banks, interest receivable, loans to government, securities purchased under agreement to resell, debentures in House Building Finance Corporation, short term money market investments, local currency financial assets and local currency loans to banks, financial institutions and employees. These are measured under level 2 of fair value hierarchy, as the management believes that the fair value of those instruments are equal to their carrying amounts.

i) As at 30 June 2014

Financial assets

Taka '000

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Taka coin and cash balances	-	1,356,424	-	1,356,424	1,356,424
Foreign currency accounts	-	501,735,055	-	501,735,055	501,735,055
Foreign investments:					
Short term deposits with overseas commercial banks	-	492,050,716	-	492,050,716	492,050,716
Asset held with IMF	-	148,468,110	-	148,468,110	148,468,110
Foreign currency loans to banks	-	105,186,763	-	105,186,763	105,186,763
Interest receivable	-	4,595,173	-	4,595,173	4,595,173
Loans to the government					
Overdraft - current	-	-	-	-	-
Securities purchased under agreement to resell	-	980,000	-	980,000	980,000
Investments:					
Debentures in House Building Finance Corporation	-	6,505,000	-	6,505,000	6,505,000
Short term money market investments	-	1,868,910	-	1,868,910	1,868,910
Local currency loans to banks, financial institutions and employees:					
Loan to commercial banks	-	4,105,182	-	4,105,182	4,105,182
Loan to specialized banks	-	39,512,833	-	39,512,833	39,512,833
Loan to private banks	-	2,634,900	-	2,634,900	2,634,900
Other loans and advances	-	28,601,184	-	28,601,184	28,601,184
Interest receivable	-	1,145,214	-	1,145,214	1,145,214
Loans and advances to employees	-	27,255,579	-	27,255,579	27,255,579
Other local currency financial assets	-	1,145,214	-	1,145,214	1,145,214
Total	-	1,367,146,257	-	1,367,146,257	1,367,146,257

Financial assets

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Liabilities with IMF	-	188,331,836	-	188,331,836	188,331,836
Deposits from banks and financial institutions:					
Foreign currency deposits by commercial banks	-	74,804,441	-	74,804,441	74,804,441
Asian Clearing Union (ACU)	-	75,093,095	-	75,093,095	75,093,095
Notes in circulation	-	847,170,600	-	847,170,600	847,170,600
Local currency deposits from banks and financial institution	-	443,782,003	-	443,782,003	443,782,003
Short term borrowings	-	57,664,690	-	57,664,690	57,664,690
Total	-	1,686,846,665	-	1,686,846,665	1,686,846,665

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

ii) As at 30 June 2013

Financial assets

Taka '000

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Foreign currency accounts	-	912,090	-	912,090	912,090
Foreign investments:	-	400,668,902	-	400,668,902	400,668,902
Short term deposits with overseas commercial banks	-		-		
Asset held with IMF	-	315,427,920	-	315,427,920	315,427,920
Foreign currency loans to banks	-	129,535,058	-	129,535,058	129,535,058
Interest receivable	-	62,201,818	-	62,201,818	62,201,818
Loans to the government:	-	3,257,373	-	3,257,373	3,257,373
Overdraft - block (Government treasury bills)	-		-		
Overdraft - current	-	146,264,310	-	146,264,310	146,264,310
Securities purchased under agreement to resell	-	72,045,000	-	72,045,000	72,045,000
Investments:	-	32,690,170	-	32,690,170	32,690,170
Debentures in House Building Finance Corporation	-		-		
Short term money market investments	-	6,540,000	-	6,540,000	6,540,000
Local currency loans to banks, financial institutions and employees:	-	1,670,193	-	1,670,193	1,670,193
Loan to commercial banks	-	4,357,353	-	4,357,353	4,357,353
Loan to specialized banks	-	46,943,070	-	46,943,070	46,943,070
Loan to private banks	-	6,740,398	-	6,740,398	6,740,398
Other loans and advances	-	26,882,308	-	26,882,308	26,882,308
Interest receivable	-	7,645,498	-	7,645,498	7,645,498
Loans and advances to employees	-	25,487,885	-	25,487,885	25,487,885
Other local currency financial assets	-	2,337,873	-	2,337,873	2,337,873
Total	-	1,291,607,219	-	1,291,607,219	1,291,607,219

Financial assets

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Liabilities with IMF	-	168,729,820	-	168,729,820	168,729,820
Deposits from banks and financial institutions:	-		-		
Foreign currency deposits by commercial banks	-	84,226,213	-	84,226,213	84,226,213
Asian Clearing Union (ACU)	-	55,813,993	-	55,813,993	55,813,993
Notes in circulation	-	746,382,564	-	746,382,564	746,382,564
Local currency deposits from banks and financial institution	-	371,149,908	-	371,149,908	371,149,908
Short term borrowings	-	49,830,996	-	49,830,996	49,830,996
Total	-	1,476,133,494	-	1,476,133,494	1,476,133,494

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

49.01 Classification of financial instrument

Financial instruments measured at fair value - fair value hierarchy

i) As at 30 June 2014

Financial assets

Taka '000

Items	Note	Level 1	Level 2	Level 3	Total
Foreign investments:					
US Dollar Treasury Bills	5	83,075,584	-	-	83,075,584
Foreign Bonds	5	357,890,893	-	-	357,890,893
Gold and silver	7	25,283,678	-	-	25,283,678
Claims from gold transaction	8	19,451,963	-	-	19,451,963
Other foreign assets:					
Swift shares	10	-	-	80	80
Loans to the Government:					
Treasury bills	13	-	2,327,168	-	2,327,168
Treasury bonds	13	-	35,024,775	-	35,024,775
Local currency investments:					
Investment in subsidiary	14.02	-	-	500,000	500,000
Total		485,702,118	37,351,943	500,080	523,554,141

ii) As at 30 June 2013

Taka '000

Items	Note	Level 1	Level 2	Level 3	Total
Foreign investments:					
US Dollar Treasury Bills	5	83,198,484	-	-	83,198,484
Foreign Bonds	5	220,871,669	-	-	220,871,669
Gold and silver	7	30,888,999	-	-	30,888,999
Claims from gold transaction	8	9,888,170	-	-	9,888,170
Other foreign assets:					
Swift shares	10	-	-	80	80
Loans to the Government:					
Treasury bills	13	-	3,367,132	-	3,367,132
Treasury bonds	13	-	63,000,544	-	63,000,544
Local currency investments:					
Investment in subsidiary	14.02	-	-	500,000	500,000
Total		344,847,322	66,367,676	500,080	411,715,078

Level 3 fair value measurements

As at 30 June 2014 and 30 June 2013, the Bank holds level 3 financial instruments only on shares in the Subsidiary. The management believes that the fair value of these shares is equal to its carrying amount. A level 3 fair value hierarchy reconciliation table have not been disclosed as there is no movement in fair value of securities.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

Financial instruments not measured at fair value

These include taka coins and cash balances, foreign currency accounts, short term deposits with overseas commercial banks, assets held with IMF, foreign currency loans to banks, interest receivable, loans to government, securities purchased under agreement to resell, debentures in House Building Finance Corporation, short term money market investments, local currency financial assets and local currency loans to banks, financial institutions and employees. These are measured under level 2 of fair value hierarchy, since the management believes that the fair value of those instruments are equal to their carrying amounts.

i) As at 30 June 2014

Financial assets

Taka '000

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Taka coin and cash balances	-	546,240	-	546,240	546,240
Foreign currency accounts	-	501,735,055	-	501,735,055	501,735,055
Foreign investments:				-	-
Short term deposits with overseas commercial banks	-	492,050,716	-	492,050,716	492,050,716
Asset held with IMF	-	148,468,110	-	148,468,110	148,468,110
Foreign currency loans to banks	-	105,186,763	-	105,186,763	105,186,763
Interest receivable	-	4,595,173	-	4,595,173	4,595,173
Loans to the government				-	-
Overdraft - current	-	-	-	-	-
Securities purchased under agreement to resell	-	980,000	-	980,000	980,000
Investments:				-	-
Debentures in House Building Finance Corporation	-	6,505,000	-	6,505,000	6,505,000
Local currency loans to banks, financial institutions and employees				-	-
Loan to commercial banks	-	4,105,182	-	4,105,182	4,105,182
Loan to specialised banks	-	39,512,833	-	39,512,833	39,512,833
Loan to private banks	-	2,634,900	-	2,634,900	2,634,900
Other loans and advances	-	28,601,184	-	28,601,184	28,601,184
Interest receivable	-	7,595,016	-	7,595,016	7,595,016
Loans and advances to employees	-	26,178,962	-	26,178,962	26,178,962
Other local currency financial assets	-	929,682	-	929,682	929,682
Total		1,369,624,816	-	1,369,624,816	1,369,624,816

Financial assets

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Liabilities with IMF	-	188,331,836	-	188,331,836	188,331,836
Deposits from banks and financial institutions:				-	-
Foreign currency deposits by commercial banks	-	74,804,441	-	74,804,441	74,804,441
Asian Clearing Union (ACU)	-	75,093,095	-	75,093,095	75,093,095
Notes in circulation	-	847,170,600	-	847,170,600	847,170,600
Local currency deposits from banks and financial institution	-	443,782,003	-	443,782,003	443,782,003
Short term borrowings	-	57,664,690	-	57,664,690	57,664,690
Total		1,686,846,665	-	1,686,846,665	1,686,846,665

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

ii) As at 30 June 2013

Financial assets

Taka '000

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Taka coin and cash balances	-	387,053	-	387,053	387,053
Foreign currency accounts	-	400,668,902	-	400,668,902	400,668,902
Foreign investments:				-	-
Short term deposits with overseas commercial banks	-	315,427,920	-	315,427,920	315,427,920
Asset held with IMF	-	129,535,058	-	129,535,058	129,535,058
Foreign currency loans to banks	-	62,201,818	-	62,201,818	62,201,818
Interest receivable	-	3,257,373	-	3,257,373	3,257,373
Loans to the government:					
Overdraft - current	-	72,045,000	-	72,045,000	72,045,000
Securities purchased under agreement to resell	-	32,690,170	-	32,690,170	32,690,170
Investments:				-	-
Debentures in House Building Finance Corporation	-	6,540,000	-	6,540,000	6,540,000
Local currency loans to banks, financial institutions and employees					
Loan to commercial banks	-	4,357,353	-	4,357,353	4,357,353
Loan to specialized banks	-	46,943,070	-	46,943,070	46,943,070
Loan to private banks	-	6,740,398	-	6,740,398	6,740,398
Other loans and advances	-	26,882,308	-	26,882,308	26,882,308
Interest receivable	-	7,645,498	-	7,645,498	7,645,498
Loans and advances to employees	-	24,518,837	-	24,518,837	24,518,837
Other local currency financial assets	-	2,199,827	-	2,199,827	2,199,827
Total	-	1,142,040,585	-	1,142,040,585	1,142,040,585

Financial assets

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Liabilities with IMF	-	168,729,820	-	168,729,820	168,729,820
Deposits from banks and financial institutions:				-	-
Foreign currency deposits by commercial banks	-	84,226,213	-	84,226,213	84,226,213
Asian Clearing Union (ACU)	-	55,813,993	-	55,813,993	55,813,993
Notes in circulation	-	746,382,564	-	746,382,564	746,382,564
Local currency deposits from banks and financial institution	-	371,149,908	-	371,149,908	371,149,908
Short term borrowings	-	49,830,996	-	49,830,996	49,830,996
Total	-	1,476,133,494	-	1,476,133,494	1,476,133,494

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

50 Contingent liabilities

The Bank had contingent liabilities for guarantees outstanding as at 30 June 2014 amounting to Taka 106,819 million (2013: 73,094 million) in favour of International Islamic Trade Finance Corporation which is secured by counter guarantees from the Government of Bangladesh.

The Bank had six pending litigation against which the estimated possible liability was Taka 120.83 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.

51 Operating segments

The Bank's primary function as a central bank is the implementation of monetary policy in one geographical area-Bangladesh. The Bank operations comprise a single operating segment for the purpose of IFRS operating segments. The Bank has significant foreign currency financial liability and foreign currency financial assets as part of its foreign reserves management and domestic market operation activities. While the Bank is required by the Bangladesh Bank Order to report revenue and expenses by references to the functions carried out by the Bank, these activities do not constitute separate operating segments for the purpose of IFRS 8.

52 Actuarial valuation of defined benefit plans

The Bank at first carried actuarial valuation for the pension fund and gratuity fund during the year 2003-2004. The common practice of the Bank is to have a full valuation in every three years or if new national pay-scale is declared. Second time full actuarial valuation was done in the year 2005-2006 due to declaration of new pay-scale. Last actuarial valuation was made in the year 2011-2012 as no actuarial valuation companies were available in the current year. Before last valuation assumptions were made based on previous recommendations. In the year 2011-2012 actuarial valuation was done by the actuarial firm (AIR Consulting). According to the valuation report, the estimated obligation of the pension fund as at 30 June 2012 was Taka 4,745,764 thousand and for gratuity fund was Taka 1,069,800 thousand. For the year 2013 and 2014 the obligations were calculated based on the recommendation made by the actuarial firm.

As at 30 June 2014 the obligation for pension fund and gratuity fund was calculated to Taka 5,738,754 thousand and Taka 1,269,878 thousand respectively. As the gratuity fund has excess balance the shortfall for pension fund was transferred from gratuity fund. As a result, the Bank did not expense any additional amounts in this year. The excess balance in gratuity fund is kept on for future adjustment. The balance of the funds is as under:

Particulars	Pension plans		Gratuity plans	
	2013-2014	2012-2013	2013-2014	2012-2013
Taka '000				
Amounts recognised in the reporting date				
Balance at the beginning of the year	5,710,641	6,105,346	1,774,885	1,888,124
Paid during the year	(150,627)	(394,705)	(42,459)	(113,239)
Current year's contribution/transfer	178,700	-	(178,700)	-
Balance of the fund	5,738,714	5,710,641	1,553,726	1,774,885

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

Actuarial assumptions		Taka '000			
Particulars	Pension plans		Gratuity plans		
	2013-2014	2012-2013	2013-2014	2012-2013	
Discount rate	11.50%	11.50%	11.50%	11.50%	
Salary growth rate	8%	8%	8%	8%	

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

Sensitivity

If the discount rate had been 100 basis points lower with all other variables constant, contribution for pension fund and gratuity fund for the year would have been Taka 49.49 million and Taka 11.05 million higher respectively, arising mainly as a result of lower discount income. Conversely, if discount rate had been 100 basis point higher with all other variables held constant, contribution for the same during the year would have been Taka 49.49 million and Taka 11.05 million lower arising mainly as a result of higher discount income. Discount rate is very sensitive for calculation of contribution.

53 Capital commitments

As at 30 June 2014, the Bank had outstanding capital commitments of Taka. 27.90 million with respect to different computer and networking packages (2013: 14.40 million) and Taka 8.85 million for installation of mechanical equipments (2013: Nil).

54 Related parties transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Bank, related parties, as defined in International Accounting Standard No. 24, include directors and officers of the Bank, and companies of whom they are principal owners and key management personnel. Banking transactions are entered into with related parties on agreed terms and conditions on an arms length basis.

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

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

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

	2014 Outstanding Taka'000	2014 Average	2013 Outstanding Taka'000	2013 Average
Outstanding balances with the government of Bangladesh				
Ways and means advance	-	10,000,000	20,000,000	20,000,000
Overdraft - block (refer note 13.01)	131,510,000	138,887,155	146,264,310	153,887,155
Overdraft - current	-	36,022,500	72,045,000	75,146,000
Treasury bills	2,327,168	2,847,150	3,367,132	30,912,078
Treasury bonds	35,024,775	49,012,660	63,000,544	58,927,194
Other assets (interest receivable)	781,134	1,284,140	1,787,145	1,592,496
	169,643,077	238,053,604	306,464,131	340,464,923

Other liabilities:

Deposits	41,199,148	20,602,078	5,007	5,049
Loan from government of Bangladesh	2,764,580	2,800,919	2,837,257	2,400,097
	43,963,728	23,402,996	2,842,264	2,405,146

Balances related to subsidiary (Security Printing Corporation)

Other assets (Prepayments and advances)	3,299,119	3,574,366	3,849,612	3,346,401
Other liabilities (sundry creditors)	1,692,073	1,483,314	1,274,555	1,327,491

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

	2014 Taka'000	2013 Taka'000
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Income and expenses related to government

Interest income	19,500,993	31,455,547
Commission received	3,639	4,376
	19,504,632	31,459,923

Expenses

Agency charges	2,409,580	2,407,926
Under writing commission on treasury bills and bonds	415,000	316,000
	2,824,580	2,723,926

Income and expenses related to subsidiary (Security Printing Corporation)

Dividend income	25,000	-
Note printing expenses	3,885,924	3,369,886

Key management personnel

Salaries, wages and other benefits (refer note 54.06)	3,969	3,334
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Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

54.01 Transactions with Government and Government controlled enterprises

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

- (a) Acting as the fiscal agent, banker and financial advisor of the Government; the Bank is the depository of the Government and or its agents or institutions and provides banking services to Government and Government departments and corporations;
- (b) Acting as the agent of the Government or its agencies and institutions, provide guarantees, participate in loans to Government or related institutions and foreign reserve;
- (c) The Bank does not ordinarily collect any commission, fees, or other charges for services which it renders to the Government and related entities;
- (d) Acting as the agent of the Government, the Bank issues securities of Government, purchases any unsubscribed portion of any issue and amounts set aside for the Bank; and
- (e) As the agent of the Government manages public debt and foreign reserves. During the year, the Bank received an amount of Taka 2,731.44 billion (in 2013 : Tk. 2,276.80 billion) and paid Taka 2,598.21 billion (in 2013: 2,270.61 billion) on behalf of the Government. As at 30 June 2014, total outstanding balance was Taka 168.86 billion.
- (f) Assets under management:

	2014 Taka'000	2013 Taka'000
Japan Debt Relief Grant	1,106,605	1,132,448

The Bank acts as agent on behalf of Government of Bangladesh for managing the Japan Debt Relief Grant.

54.02 Transactions with entities in which the Bank has significant investments

During the year, the Bank received debenture interest from House Building Finance Corporation (HBFC) amounting to Tk. 318.88 million included in the interest income.

Bangladesh Bank : Notes to the Financial Statements As at and for the year ended 30 June 2014

54.03 Transactions with controlled entities

During the year, as a part of its business operations the Bank incurred expense of Taka 3,885.92 million (2013: Taka 3,369.89 million) as note printing cost to the Security Printing Corporation, Bangladesh Ltd. which is included in the statement of profit or loss of the Bank. It is a 100% owned subsidiary of the Bank. These transactions are eliminated in preparing consolidated financial statements. During the year, the Security Printing Corporation, Bangladesh Ltd paid dividend amounting to Taka 25 million (2013: nil) as per decision of their Board.

54.04 Transactions with retirement benefit plans

During the year, the Group was not required to contribute any amount to the retirement benefit plans (consisting of contribution to pension plans including widow/widowers), as a sufficient reserve is available as per the actuarial valuation report. Amounts of balances held in the financial statements maintained by these retirement benefit plans are given in note 52.

54.05 Board of Directors of Bangladesh Bank and Key Management Personnel

- (a) Dr. Atiur Rahman - appointed as the Chairman of the Board of Directors and also as the Governor of the Bangladesh Bank for a period of four years from 1 May 2009. Further he was reappointed on 1 May 2013 for a period up to 2 August 2016.
- (b) Mr. Md. Abul Quasem - appointed as a Director of the Board of Bangladesh Bank on 13 February 2012 for a period until further order and also holds the post of Deputy Governor, Bangladesh Bank.
- (c) Dr. Mustafa Kamal Mujeri - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years and holds the post of Executive Director, Bangladesh Institute of Development Studies, Sher-E-Bangla Nagar, Dhaka. Further reappointed on 11 March 2013 for a period up to 10 March 2016.
- (d) Prof. Sanat Kumar Saha - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. Further reappointed on 11 March 2013 for a period up to 10 March 2016. He is an Ex-professor, Rajshahi University, Rajshahi.
- (e) Dr. Sadiq Ahmed - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. Further reappointed on 11 March 2013 for a period up to 10 March 2016. He is an Ex-Director, World Bank, USA & Vice Chairman, Policy Research Institute, Banani, Dhaka.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

- (f) Prof. Hannana Begum - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. Further reappointed on 11 March 2013 for a period up to 10 March 2016. She is an Ex-Principal, Eden College, Dhaka.
- (g) Mr. Fazle Kabir - appointed as a Director of the Board of Bangladesh Bank on 22 August 2012 for a period until further order and holds the post of Secretary, Finance Division, Ministry of Finance, Govt. of the Peoples Republic of Bangladesh.
- (h) Mr. Md. Ghulam Hussain - appointed as a Director of the Board of Bangladesh Bank on 13 November 2012 for a period until further order and holds the post of Secretary, Internal Resources Division and Chairman, National Board of Revenue, Govt. of the Peoples Republic of Bangladesh.
- (i) Dr. M Aslam Alam - appointed as a Director of the Board of Bangladesh Bank on 13 November 2012 for a period until further order and holds the post of Secretary, Banking and Financial Institution Division, Ministry of Finance, Govt. of the Peoples Republic of Bangladesh.

54.06 Remuneration of members of the Board of Directors and Key management personnel

Members of the Board of Directors received remuneration totaling Tk. 523,392 (2013: Tk. 497,084) and the Governor received salary totaling Tk. 590,400 (2013: Tk. 492,000). In addition, the Governor availed a free furnished house for his residence and full time transport facility. Other key management personnel of the Bank received salary totaling Tk. 2,855,520 (2013: Tk. 2,345,200) and in addition, they availed official residence as well as transport.

55 Events after the reporting date

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

56 Directors' responsibility for financial reporting

The Board of Directors approved the financial statement on 27 August 2014.