

Bangladesh Bank's Accounts for 2017-2018

14.1 Financial statements of Bangladesh Bank for FY18 have been prepared in accordance with International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board (IASB). Executive summary of Financial statements of Bangladesh Bank (excluding its subsidiary-SPCBL) is represented below.

Income

14.2 The total operating income of the Bank (excluding foreign currency revaluation gain/loss) for FY18 increased by BDT 14.54 billion (37.08 percent) to BDT 53.75 billion compared to BDT 39.21 billion in FY17. On the other hand total operating income of the bank including FC revaluation increased by BDT 33.82 billion (31.12 percent) to BDT 142.48 than that of previous year. The sources of income are set out in table 14.1.

Income from Foreign Currency Financial Assets

14.3 During FY18, Bank's income from the foreign currency financial assets increased by BDT 15.18 billion (53.94 percent) to BDT 43.32 billion compared to BDT 28.14 billion in FY17 due to increase in weighted average interest rate on investment of foreign currency.

Income from Local Currency Financial Assets

14.4 Bank's income from local currency financial assets decreased by BDT 0.64 billion (5.78 percent) to BDT 10.43 billion in FY18 compared to BDT 11.07 billion in FY17. This can be attributed to the decreased interest income from Banks, Financial Institutions and Employees.

Table 14.1 Bangladesh Bank's Income

	(In billion BDT)	
	FY18	FY17
Operating Income		
A. Income from foreign currency financial assets	43.32	28.14
Interest income	43.06	27.49
Commission and discounts	0.26	0.65
B. Income from local currency financial assets	10.43	11.07
Interest income	9.18	10.09
Commission & discounts	0.72	0.77
Dividend income & misc.	0.30	0.15
Other Income	0.23	0.06
Total : (A+B)	53.75	35.02
C. Foreign exchange revaluation gain/(loss)	88.73	69.45
Realised gain/(loss)	2.00	0.95
Unrealised gain/(loss)	86.73	68.50
Total : (A+B+C)	142.48	108.66

Source: Accounts and Budgeting Department, Bangladesh Bank

Table 14.2 Bangladesh Bank's Expenditure

	(In billion BDT)	
Particulars	FY 18	FY17
A. Financial cost	14.57	15.62
Expenses on foreign currency financial liabilities	2.34	1.09
Interest on foreign currency financial liabilities	2.17	0.86
Commission & other expenses on foreign currency financial liabilities	0.22	0.23
Expenses on local currency financial liabilities	12.23	14.53
Interest expense on local currency financial liabilities	5.61	9.44
Commission & other local currency financial liabilities	6.62	5.09
B. Other expenses	31.26	18.17
Note printing	4.28	4.31
General & administrative expenses	26.98	13.86
Total expenditure (A+B)	45.83	33.79

Source: Accounts and Budgeting Department, Bangladesh Bank

Foreign Currency Revaluation Gain

14.5 During FY18, the Bank made a gain of BDT 88.73 billion on foreign currency revaluation. The efficient management of the Foreign Currency reserve is the reason behind this gain.

Expenditure

14.6 Total expenditure of the Bank increased by BDT 12.04 billion (35.63 percent) to BDT 45.83 billion in FY18 compared to BDT 33.79 billion in FY17. Bank kept provision for retirement benefit BDT 10.60 billion and incurred higher interest payment against FC Liability. The details of expenditure are shown in the Table 14.2.

Financial Expenses

14.7 Financial expenses decreased by BDT 1.05 billion (6.72 percent) to BDT 14.57 billion in FY18 compared to BDT 15.62 billion in previous FY17. This was mainly due to decrease in interest payments on local currency financial liabilities.

Other Expenses

14.8 Other expenses increased by BDT 13.09 billion (72.04 percent) to BDT 31.26 billion in FY18 compared to BDT 18.17 billion in FY17. Such significant increase was due to provision for employee benefit and impairment loss in compliance with IFRS.

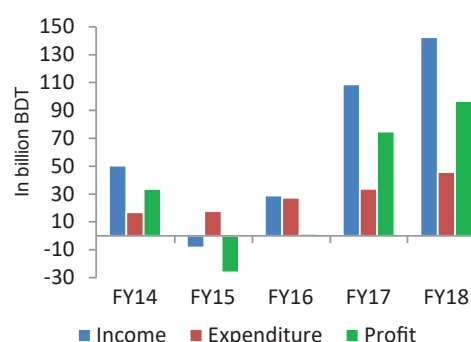
Profit for the Year

14.9 Operating profit of the Bank (excluding foreign currency revaluation gain/loss) is BDT 7.92 billion in FY18 compared to BDT 5.42 billion in FY17. Operating Profit of the Bank (including foreign currency revaluation gain/loss) is BDT 96.65 billion in FY18 compared to BDT 74.87 billion in previous year. BB's income, expenditure and profit are shown in Chart 14.1.

Other Comprehensive Income

14.10 During the year, the Bank incurred revaluation loss amounting to BDT 12.62 billion on gold, silver, financial instruments and Property, Plant & Equipment (PP&E). This revaluation loss was transferred to the reserve

Chart 14.1 Trends in BB's Income, Expenditure and Profit



Source: Accounts and Budgeting Department, Bangladesh Bank.

account. Revaluation loss arose mainly due to decrease in value of financial instruments in the international market.

Profit Appropriation

14.11 Out of BDT 7.92 billion profit, an amount of BDT 0.55 billion were transferred to statutory funds, BDT 0.10 billion to Bangladesh Bank Disaster Management and Social Responsibility Fund and BDT 0.38 billion to asset renewal & replacement reserve. BDT 0.01 billion was adjusted against dues from Government. After this adjustment BDT 6.89 billion was transferred to the Government account which was BDT 2.38 billion more than FY17.

Statement of Financial Position of Banking and Issue Department

Assets

14.12 Foreign currency financial assets increased by BDT 52.03 billion (1.85 percent) to BDT 2,871.72 billion in FY18 compared to BDT 2,819.69 billion in FY17 due to increase in EDF investment.

14.13 Local currency financial assets increased by BDT 89.94 billion (33.73 percent) to BDT 356.59 billion in FY18 compared to BDT 266.65 billion in FY17. The result was mainly

due to increase in loans to Government in various forms and other local currency financial assets.

14.14 Non financial assets of the Bank decreased by BDT 1.89 billion to BDT 40.00 billion in FY18.

Liabilities

14.15 Foreign currency financial liabilities increased by BDT 51.80 billion (12.83 percent) to BDT 455.47 billion in FY18 from BDT 403.67 billion in FY17. This was mainly due to increase in deposits from bank and financial institutions in foreign currency.

14.16 Local currency financial liabilities increased by BDT 8.85 billion (0.35 percent) to BDT 2,528.35 billion in FY18 compared to BDT 2,519.50 billion in FY17 due to increase in notes in circulation and deposits from banks and financial institution in local currency.

Notes in Circulation

14.17 Notes in circulation increased by BDT 36.84 billion (2.46 percent) to BDT 1,534.13 billion in FY18 compared to BDT 1,497.29 billion in FY17. Notes in circulation (BDT 1,534.13 billion) were backed BDT 7.97 billion by gold and silver, BDT 1,470.00 billion by approved foreign currency reserve, BDT 21.31 billion by Bangladesh Government securities, BDT 4.97 billion by Bangladesh coins and BDT 29.88 billion by other domestic assets.

Equity

14.18 Total equity of the Bank increased by BDT 79.44 billion to BDT 284.50 billion in FY18 compared to BDT 205.06 billion in the previous year. The equity of the bank is enumerated below:

- i. Capital of the bank remain unchanged at BDT 0.03 billion;

- ii. Retained earnings increased by BDT 1.97 billion to BDT 6.90 billion in FY18 compared to BDT 4.93 billion in FY17;
- iii. Revaluation reserve increased by BDT 74.54 billion to BDT 201.34 billion in FY18 compared to BDT 126.80 billion in FY17;
- iv. Currency fluctuation reserve increased by BDT 2 billion to BDT 28.76 billion in FY18 compared to BDT 26.76 billion in FY17;
- v. Balance of statutory fund decreased by BDT 0.95 billion to BDT 15.72 billion in FY18 compared to BDT 16.67 billion in FY17 as fund was reallocated from Industrial Credit Fund to Rural Agri-product Processing Industries Refinance Fund;
- vi. Non statutory fund increased to BDT 15.65 billion from BDT 14.15 billion;
- vii. Other reserves increased to BDT 11.85 billion from BDT 11.47 billion;
- viii. General reserve of the bank remain unchanged at BDT 4.25 billion.

Foreign Currency Reserve

14.19 Foreign currency reserve increased by BDT 58.59 billion (2.17 percent) to BDT 2,758.08 billion in FY18 compared to BDT 2,699.49 billion in FY17.

Consolidation

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

Auditors

14.21 The financial statements of Bangladesh Bank for FY18 were audited as per International Standards on Auditing (ISA) by Syful Shamsul Alam & Co., Chartered Accountants, Bangladesh and ACNABIN, Chartered Accountants, Bangladesh.

BANGLADESH BANK

AUDITED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 30 JUNE 2018

Independent Auditors' Report

To the Government of the People's Republic of Bangladesh

Opinion

We have audited the accompanying consolidated and separate financial statements (together referred to as "financial statements") of Bangladesh Bank ("the Bank") and its subsidiary ("the Group"), which comprise the consolidated and separate statements of financial position as at 30 June 2018, the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 30 June 2018, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in Note - 2.01.

Basis for Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters:

1. In Note-2.01 to the financial statements, the Bank discloses the compliance status of International Financial Reporting Standards.
2. In Note - 10 to the financial statements, the Bank discloses why it believes BDT 5,224 million of the Bank's funds paid out through unauthorized transactions in February 2016 are recoverable.
3. In Note -16.1, 17 & 25.04 to the financial statements, the Bank includes revaluation reserve which relates to the revaluation of its 1,591 non-financial assets (any item of PPE or intangible asset having cost/ revalued amount of over Tk.100,000) on 31 January 2018. However, the Bank has accounted for revaluation gain of BDT. 618,038,580 against BDT. 607,730,782 as per the Revaluation Report, resulting in an excess revaluation reserve of BDT. 10,307,797 due to non-adjustment of 53 revalued assets in its financial statements. Additionally, net revaluation gain has been accounted for in the Other Comprehensive Income instead of recognising the loss on revaluation separately in Profit & Loss, which is a non-compliance of para 40 of IAS-16.

In addition to above, the Bank has not considered the remaining life of the revalued assets as suggested by the independent valuer. Finally, the Bank has not transferred excess depreciation arising out of the increased value of the revalued assets, which is a non-compliance of para-41 of IAS-16.

Key Audit Matters

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

1. Foreign Investments

The Bank's assets held in foreign investments amounted to BDT2.271.95 billion, equivalent to 70% of the Bank's total assets, which is significantly material to the financial statements. These investments are held with overseas commercial banks for periods of less than one year in different types of investment categories. The valuation and presentation of the foreign investments in the financial statements pose significant audit risk.

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

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

The Bank's disclosures about foreign investments are included in Note 3.06 and Note 5 to the financial statements.

2. Balances with International Monetary Fund (IMF)

The Bank's assets held with International Monetary Fund (IMF) as on the closing date amounted to BDT 223.65 billion, equivalent to 7% of total assets, which is material to the financial statements. Due to the unique structure, terms and valuation of these assets, it was considered significant to our audit.

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

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

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

3. Valuation of Gold & Silver

Bangladesh Bank maintains gold & silver as stock and investment, equivalent to BDT 47.25 billion, which is one of the asset backing for Notes in Circulation. The valuation of these gold and silver are carried out in line with the international market which is subject to market volatility and other external economic factors. Given the unique nature of the asset, the valuation methodology adopted and associated risks, it was considered significant to our audit.

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

The Bank's disclosures about gold & silver are included in Note 3.12, Note 7 and Note 8 to the financial statements.

4. Foreign Currency Loans to Banks

The Bank's assets held with foreign currency loans to banks amounted to BDT 264.53 billion, equivalent to 8% of total assets, which is material to the financial statements.

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

- Testing the effectiveness of controls over the existence of loans through external confirmations from respective banks and evaluation of the assets held with EDF, LTFF and GTF Investments —(both IDA and BB Source) in BDT using the exchange rate prevailing at 30 June 2018. We also matched the calculated figure with the amounts disclosed in the financial statements of the Bank for the year ended 30 June 2018.
- Checking as to whether the interest calculation is automated or not. We observed that EDF interests are calculated automatically in TCS and e-Refinance software and subsequently confirmed the balance of interest from TCS and e-Refinance software against the General Ledgers.

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

5. Transactions with Government of Bangladesh

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

The Bank's assets held as Loans to the Government of Bangladesh amounted to BDT 217.67 billion, equivalent to 7% of total assets, which is material to the financial statements. These investments are held with the Government of Bangladesh which have a period of both less or more than one year.

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

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

The Bank's disclosures about Loans to the Government of Bangladesh are included in Note 3.09 and Note 12 to the financial statements.

6. Notes in Circulation

Bangladeshi banknotes on issue relate directly to one of the Bangladesh Bank's key roles, the issuance of currency, as defined in the Bangladesh Bank Order-1972 and is a key audit matter due to:

- high interest to the users of the financial statements;
- the balance is significant relative to the Bangladesh Bank's Statement of Financial Position; and
- complexity in assessing the accuracy of the liability for Bangladeshi banknotes on issue that are placed in circulation in the economy.

The balance of Bangladeshi banknotes on issue represents the value of all bank notes on issue in Bangladesh and the liability is measured at face value of all Bangladeshi bank notes issued less any bank notes cancelled/ destroyed.

To audit the Bangladeshi banknotes on issue, we performed the following audit procedures:

- Tested those general controls which are relevant to the accurate recording of the issuance and return of bank notes within the system responsible for recording the balance of Bangladeshi banknotes on issue.
- We performed a comparison of current year movements against prior year patterns. We also performed a trend analysis on Bangladeshi banknotes on issue against prior periods focusing on the number of notes issued by denomination.
- Our procedures also included an assessment of the asset backing maintained by Bangladesh Bank in line with section 30 of the Bangladesh Bank Order, 1972 and reviewed the process to determine the demand for notes and the ordering process for printing notes.
- Our audit procedures included communicating with the concerned department to understand the note issue process and carrying out physical inspection of assets held at the Bank premises against Notes in Circulation on a sample basis.

The Bank's disclosures about Notes in Circulation are included in Note 20 to the financial statements.

Other Matters

- The financial statements of Bangladesh Bank for the year ended 30 June 2017 were audited by A. Qasem & Co., Chartered Accountants and Syful Shamsul Alam & Co., Chartered Accountants, who expressed an unmodified opinion with an emphasis of matter on those statements on 23 August 2017; and
- The financial statements of the subsidiary, The Security Printing Corporation Bangladesh Limited has been audited jointly by us and has been properly reflected in the consolidated financial statements.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the Terms of Reference (ToR) issued by the Ministry of Finance - Financial Institutions Division, Government of the People's Republic of Bangladesh, we also report the following:

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

ACNABIN

Chartered Accountants
Bangladesh

28 AUG 2018

Dated, Dhaka, Bangladesh.

Syful Shamsul Alam & Co.

Chartered Accountants

BANGLADESH BANK
Consolidated Statement Of Financial Position As at 30 June 2018

Particulars	Notes	2018 Taka '000	2017 (Restat- ed) Taka '000	2016 (Restat- ed) Taka '000
ASSETS				
Foreign currency financial assets				
Foreign currency accounts	4	46,318,237	34,888,457	45,017,497
Foreign investments	5	2,271,947,298	2,304,806,144	2,034,674,417
Assets held with International Monetary Fund	6.01	223,651,193	213,841,975	208,949,924
Gold and silver	7	23,992,347	11,383,556	7,278,889
Claims from gold transactions	8	23,254,853	33,811,041	38,849,350
Foreign currency loans to banks	9	264,534,094	206,294,007	132,234,324
Other foreign currency financial assets	10	18,024,960	14,662,058	13,292,207
Total foreign currency financial assets		2,871,722,982	2,819,687,238	2,480,296,608
Local currency financial assets				
Taka coin and cash balances	11	15,235,267	16,613,648	16,684,618
Securities purchased under agreement to resell		-	-	8,480,000
Loans to the Government of Bangladesh	12	217,670,210	138,717,001	199,109,179
Local currency investments	13	6,729,972	4,831,164	5,357,256
Local currency loans to banks, financial institutions and employees	14	108,990,048	106,179,145	105,593,068
Other local currency financial assets	15	11,075,508	2,696,899	3,798,283
Total local currency financial assets		359,701,005	269,037,857	339,022,404
Total financial assets		3,231,423,987	3,088,725,095	2,819,319,012
Non-financial assets				
Property, plant and equipment	16	48,070,487	47,747,324	47,271,620
Intangible assets	17	244,387	316,051	310,986
Other non-financial assets	18	6,165,052	7,802,066	8,049,643
Total non-financial assets		54,479,926	55,865,441	55,632,249
Total assets		3,285,903,913	3,144,590,536	2,874,951,261
LIABILITIES & EQUITY				
LIABILITIES				
Foreign currency financial liabilities				
Deposits from banks and financial institutions	19	210,767,642	172,154,298	147,635,399
Liabilities with International Monetary Fund	6.02	244,700,108	231,519,873	230,167,566
Total foreign currency financial liabilities		455,467,750	403,674,171	377,802,965
Local currency financial liabilities				
Notes in circulation	20	1,534,131,824	1,497,287,018	1,307,303,718
Deposits from banks and financial institutions	21	787,946,162	733,927,114	608,937,407
Short term borrowings	22	87,947,138	182,618,016	263,401,402
Other local currency financial liabilities	23	119,389,539	106,398,960	158,750,420
Total local currency financial liabilities		2,529,414,663	2,520,231,108	2,338,392,946
Total liabilities		2,984,882,413	2,923,905,279	2,716,195,911
EQUITY				
Capital	24	30,000	30,000	30,000
Retained earnings	31	18,838,181	16,018,300	16,770,502
Revaluation reserves	25	205,079,608	130,588,848	69,327,757
Currency fluctuation reserve	26	28,761,325	26,763,473	25,812,199
Statutory funds	27	15,717,046	16,667,046	16,117,046
Non statutory funds	28	15,645,941	14,147,191	14,167,170
Other reserves	29	11,848,899	11,469,899	11,630,176
General reserve	30	5,100,500	5,000,500	4,900,500
Total equity		301,021,500	220,685,257	158,755,350
Total liabilities and equity		3,285,903,913	3,144,590,536	2,874,951,261

The accompanying notes from 1 to 48 form an integral part of these financial statements.

Md. Forkan Hossain
General Manager
Accounts & Budgeting Department

Abu Hena Mohd. Razee Hassan
Deputy Governor

Fazle Kabir
Governor

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

BANGLADESH BANK
Separate Statement Of Financial Position As at 30 June 2018

Particulars	Notes	2018 Taka '000	2017 Taka '000
ASSETS			
Foreign currency financial assets			
Foreign currency accounts	4	46,318,237	34,888,457
Foreign investments	5	2,271,947,298	2,304,806,144
Assets held with International Monetary Fund	6.01	223,651,193	213,841,975
Gold and silver	7	23,992,347	11,383,556
Claims from gold transactions	8	23,254,853	33,811,041
Foreign currency loans to banks	9	264,534,094	206,294,007
Other foreign currency financial assets	10	18,024,960	14,662,058
Total foreign currency financial assets		2,871,722,982	2,819,687,238
Local currency financial assets			
Taka coin and cash balances	11.01	4,990,420	4,897,629
Loans to the Government of Bangladesh	12	217,670,210	138,717,001
Local currency investments	13.01	15,945,000	15,945,000
Local currency loans to banks, financial institutions and employees	14.01	107,412,881	104,815,819
Other local currency financial assets	15.01	10,573,535	2,277,941
Total local currency financial assets		356,592,046	266,653,390
Total financial assets		3,228,315,028	3,086,340,628
Non-financial assets			
Property, plant and equipment	16.01	39,232,410	38,650,495
Intangible assets	17	244,387	316,051
Other non-financial assets	18.01	527,330	2,923,214
Total non-financial assets		40,004,127	41,889,760
Total assets		3,268,319,155	3,128,230,388
LIABILITIES & EQUITY			
LIABILITIES			
Foreign currency financial liabilities			
Deposits from banks and financial institutions	19	210,767,642	172,154,298
Liabilities with International Monetary Fund	6.02	244,700,108	231,519,873
Total foreign currency financial liabilities		455,467,750	403,674,171
Local currency financial liabilities			
Notes in circulation	20	1,534,131,824	1,497,287,018
Deposits from banks and financial institutions	21	787,946,162	733,927,114
Short term borrowings	22	87,947,138	182,618,016
Other local currency financial liabilities	23.01	118,325,488	105,664,349
Total local currency financial liabilities		2,528,350,612	2,519,496,497
Total liabilities		2,983,818,362	2,923,170,668
EQUITY			
Capital	24	30,000	30,000
Retained earnings	31.01	6,902,868	4,928,228
Revaluation reserves	25.01	201,344,214	126,803,383
Currency fluctuation reserve	26	28,761,325	26,763,473
Statutory funds	27	15,717,046	16,667,046
Non statutory funds	28	15,645,941	14,147,191
Other reserves	29	11,848,899	11,469,899
General reserve	30.01	4,250,500	4,250,500
Total equity		284,500,793	205,059,720
Total liabilities and equity		3,268,319,155	3,128,230,388

The accompanying notes from 1 to 48 form an integral part of these financial statements.

Md. Forkan Hossain
General Manager
Accounts & Budgeting Department

Abu Hena Mohd. Razee Hassan
Deputy Governor

Fazle Kabir
Governor

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

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

For the year ended 30 June 2018

Particulars	Notes	2018 Taka '000	2017 Taka '000
INCOME			
Income on foreign currency financial assets			
Interest income	32	43,054,899	27,488,594
Commission and discounts	33	262,991	650,076
Total income on foreign currency financial assets		43,317,890	28,138,670
Income from local currency financial assets			
Interest income	35	10,144,512	10,968,626
Commission and discounts	36	716,480	765,733
Sales to other parties by subsidiary		1,646,693	1,709,097
Other income		244,860	99,165
Total income from local currency financial assets		12,752,545	13,542,621
Total income		56,070,435	41,681,291
EXPENSES			
Expenses on foreign currency financial liabilities			
Interest expense	34	(2,171,398)	(859,304)
Commission and other expenses		(166,411)	(228,401)
Total expenses on foreign currency financial liabilities		(2,337,809)	(1,087,705)
Expenses on local currency financial liabilities			
Interest expense	38	(5,610,358)	(9,444,872)
Commission and other expenses	39	(6,621,333)	(5,085,749)
Total expenses on local currency financial liabilities		(12,231,691)	(14,530,621)
Other expenses			
General and administrative expenses	40	(32,038,984)	(18,951,460)
Total other expenses		(32,038,984)	(18,951,460)
Total expenses		(46,608,484)	(34,569,786)
Foreign currency revaluation gain/(loss) - unrealised		86,732,597	68,501,409
Foreign currency revaluation gain/(loss) - realised		1,997,852	951,274
Profit before tax		98,192,400	76,564,188
Current tax expense		(626,737)	(582,990)
Deferred tax income/(expense)		(23,200)	41,331
Profit for the year		97,542,463	76,022,529
Items that may be subsequently reclassified to profit or loss			
Other comprehensive income			
Gold revaluation gain/(loss)		2,050,689	(1,485,280)
Silver revaluation gain/(loss)		1,914	(19,161)
Revaluation gain/(loss) on financial instruments		(15,287,469)	(5,447,919)
Property, plant and equipment revaluation gain		618,039	-
Total other comprehensive income		(12,616,828)	(6,952,360)
Total comprehensive income for the year		84,925,635	69,070,169

The accompanying notes from 1 to 48 form an integral part of these financial statements.

Md. Forkan Hossain
General Manager
Accounts & Budgeting Department

Abu Hena Mohd. Razee Hassan
Deputy Governor

Fazle Kabir
Governor

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

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

For the year ended 30 June 2018

Particulars	Notes	2018 Taka '000	2017 Taka '000
INCOME			
Income on foreign currency financial assets			
Interest income	32	43,054,899	27,488,594
Commission and discounts	33	262,991	650,076
Total income on foreign currency financial assets		43,317,890	28,138,670
Income from local currency financial assets			
Interest income	35.01	9,186,887	10,093,085
Commission and discounts	36	716,480	765,733
Dividend income		300,000	150,000
Other income	37	227,417	64,187
Total income from local currency financial assets		10,430,784	11,073,005
Total income		53,748,674	39,211,675
EXPENSES			
Expenses on foreign currency financial liabilities			
Interest expense	34	(2,171,398)	(859,304)
Commission and other expenses		(166,411)	(228,401)
Total expenses on foreign currency financial liabilities		(2,337,809)	(1,087,705)
Expenses on local currency financial liabilities			
Interest expense	38	(5,610,358)	(9,444,872)
Commission and other expenses	39	(6,621,333)	(5,085,749)
Total expenses on local currency financial liabilities		(12,231,691)	(14,530,621)
Other expenses			
Note printing expenses		(4,280,495)	(4,311,107)
General and administrative expenses	40.01	(26,981,836)	(13,864,291)
Total other expenses		(31,262,331)	(18,175,398)
Total expenses		(45,831,831)	(33,793,724)
Foreign currency revaluation gain/(loss) - unrealised		86,732,597	68,501,409
Foreign currency revaluation gain/(loss) - realised		1,997,852	951,274
Profit for the year		96,647,292	74,870,634
Items that may be subsequently reclassified to profit or loss			
Other comprehensive income			
Gold revaluation gain/(loss)		2,050,689	(1,485,280)
Silver revaluation gain/(loss)		1,914	(19,161)
Revaluation gain/(loss) on financial instruments		(15,287,469)	(5,447,919)
Property, plant and equipment revaluation gain		618,039	-
Total other comprehensive income		(12,616,828)	(6,952,360)
Total comprehensive income for the year		84,030,464	67,918,274

The accompanying notes from 1 to 48 form an integral part of these financial statements.

Md. Forkan Hossain
General Manager
Accounts & Budgeting Department

Abu Hena Mohd. Razee Hassan
Deputy Governor

Fazle Kabir
Governor

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

BANGLADESH BANK
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

Particulars	Non - distributable											Equity		
	Capital	Gold and silver	Revaluation reserves				Currency fluctuation reserve	Statutory funds	Non-statutory funds	Other reserves			Distributable	
			Foreign currency accounts	Financial Instruments	Property, plant & equipment	Asset renewal & replacement reserve				Interest reserve	General reserve			Retained earnings
Balance as at 1 July 2016	30,000	16,184,505	9,227,026	5,606,233	40,474,443	25,812,199	16,117,046	14,167,170	3,618,485	8,011,691	4,900,500	15,759,609	159,908,908	
Prior year adjustments :														
Revaluation surplus wrongly credited in 2013-2014	-	-	-	-	(1,605,847)	-	-	-	-	-	-	-	(1,605,847)	
Recognition of Deferred Tax Liability for capital gain on land previously not recognised	-	-	-	-	(109,758)	-	-	-	-	-	-	-	(109,758)	
Transfer to R/E for depreciation against revalued assets during 2014-2015	-	-	-	-	(479,031)	-	-	-	-	-	-	479,031	-	
Reversal of deferred tax liability against depreciation charged on revaluation reserve for the period from 2013-2014 to 2015-2016	-	-	-	-	30,186	-	-	-	-	-	-	(30,186)	-	
Reversal of deferred tax liability for wrong accounting base	-	-	-	-	-	-	-	-	-	-	-	562,047	562,047	
Balance as at 1 July 2016 (restated)	30,000	16,184,505	9,227,026	5,606,233	38,309,992	25,812,199	16,117,046	14,167,170	3,618,485	8,011,691	4,900,500	16,770,502	158,755,350	
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(13,219)	(13,219)	
Dividend paid for 2015-2016	-	-	-	-	-	-	-	-	-	-	-	(6,769,360)	(6,769,360)	
Total comprehensive income for the year	-	(1,504,441)	68,501,409	(5,447,919)	-	951,274	-	-	(489,577)	-	-	7,059,423	69,070,169	
Utilisation of funds	-	-	-	-	-	-	-	(119,979)	-	-	-	-	(119,979)	
Adjustment against revaluation (restated)	-	-	-	(237,704)	(50,254)	-	-	-	-	-	-	50,254	(237,704)	
Appropriation of profit to other funds	-	-	-	-	-	-	550,000	100,000	329,300	-	100,000	(1,079,300)	-	
Balance as at 30 June 2017	30,000	14,680,064	77,728,435	(79,390)	38,259,738	26,763,473	16,667,046	14,147,191	3,947,785	7,522,114	5,000,500	16,018,300	220,685,256	
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(417,799)	(417,799)	
Dividend paid for 2016-2017	-	-	-	-	-	-	-	-	-	-	-	(4,510,430)	(4,510,430)	
Prior Year Adjustment	-	-	-	-	-	-	-	-	-	-	-	15,026	15,026	
Total comprehensive income for the year	-	2,052,603	86,732,597	(15,287,469)	618,039	1,997,852	-	-	-	-	-	8,812,014	84,925,635	
Reallocation	-	-	-	-	-	-	(1,500,000)	1,500,000	-	-	-	-	-	
Utilisation of funds	-	-	-	-	-	-	(101,250)	-	-	-	-	-	(101,250)	
Adjustment against revaluation	-	-	-	425,062	(50,070)	-	-	-	-	-	-	50,070	425,062	
Appropriation of profit to other funds	-	-	-	-	-	-	550,000	100,000	379,000	-	100,000	(1,129,000)	-	
Balance as at 30 June 2018	30,000	16,732,667	164,461,032	(14,941,797)	38,827,707	28,761,325	15,717,046	15,645,941	4,326,785	7,522,114	5,100,500	18,838,181	301,021,500	

BANGLADESH BANK
SEPARATE STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2018

Particulars	Non - distributable										Distributable		Equity
	Non - distributable										Distributable		
	Capital	Gold and silver	Foreign currency accounts	Financial Instruments	Property, plant & equipment	Currency fluctuation reserve	Statutory funds	Non-statutory funds	Asset renewal & replacement reserve	Interest reserve	General reserve	Retained earnings	
Balance as at 1 July 2016	30,000	16,184,505	9,227,026	5,606,233	34,474,273	25,812,199	16,117,046	14,167,170	3,618,485	8,011,691	4,250,500	6,782,579	144,281,708
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(13,219)	(13,219)
Dividend paid for 2015-2016	-	-	-	-	-	-	-	-	-	-	-	(6,769,360)	(6,769,360)
Total comprehensive income for the year	-	(1,504,441)	68,501,403	(5,447,919)	-	951,274	-	-	(489,577)	-	-	5,907,528	67,918,274
Utilisation of funds	-	-	-	-	-	-	-	(119,979)	-	-	-	-	(119,979)
Adjustment against revaluation	-	-	-	(237,704)	-	-	-	-	-	-	-	-	(237,704)
Appropriation of profit to other funds	-	-	-	-	-	-	550,000	100,000	329,300	-	-	(979,300)	-
Balance as at 30 June 2017	30,000	14,680,064	77,728,435	(79,390)	34,474,273	26,763,473	16,667,046	14,147,191	3,947,785	7,522,114	4,250,500	4,928,228	205,059,720
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(417,799)	(417,799)
Dividend paid for 2016-2017	-	-	-	-	-	-	-	-	-	-	-	(4,510,430)	(4,510,430)
Prior Year Adjustment	-	-	-	-	-	-	-	-	-	-	-	15,026	15,026
"Total comprehensive income for the year"	-	2,052,603	86,732,597	(15,287,469)	618,039	1,997,852	-	-	-	-	-	7,916,843	84,030,464
Reallocation	-	-	-	-	-	-	(1,500,000)	1,500,000	-	-	-	-	-
Utilisation of funds	-	-	-	-	-	-	-	(101,250)	-	-	-	-	(101,250)
Adjustment against revaluation	-	-	-	425,062	-	-	-	-	-	-	-	-	425,062
Appropriation of profit to other funds	-	-	-	-	-	-	550,000	100,000	379,000	-	-	(1,029,000)	-
Balance as at 30 June 2018	30,000	16,732,667	164,461,032	(14,941,797)	35,092,312	28,761,325	15,717,046	15,645,941	4,326,785	7,522,114	4,250,500	6,902,868	284,500,793

BANGLADESH BANK
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

Particulars	2018 Taka '000	2017 Taka '000
Cash flows from operating activities		
Interest received	37,850,490	24,358,906
Interest paid	(7,594,520)	(10,208,307)
Received from customer	1,800,959	436,401
Fees, commission and other income received	1,220,044	1,453,924
Commission and discounts paid	(6,787,743)	(5,314,150)
Payments to employees, suppliers, govt. etc.	(29,626,952)	(17,434,196)
Funds advanced from/(to) banks and employees	(9,860,271)	(1,340,199)
(Increase)/decrease in other assets	(162,266)	2,601,925
Currency issued	36,844,805	189,983,300
Increase/(decrease) in other liabilities	12,574,915	(51,984,548)
Net cash from operating activities	36,259,461	132,553,056
Cash flows from investing activities		
Investment income received	20,131,769	12,695,204
(Increase)/decrease in foreign treasury bills and bonds	(13,065,761)	(448,659,670)
(Increase)/decrease in other investments	(67,571,373)	(75,530,888)
(Increase)/decrease in Government securities	(78,953,209)	60,392,178
(Increase)/decrease in foreign currency investment	88,730,449	69,452,683
(Increase)/decrease in investments in debenture	(2,112,648)	526,092
Additions to property, plant and equipment	(651,669)	(2,629,210)
Disposal of property, plant and equipment	5,117	1,133,493
Settlement of liabilities with IMF	3,329,148	(3,588,727)
Net cash used in investing activities	(50,158,178)	(386,208,845)
Cash from financing activities		
Dividend paid to the Government of Bangladesh	(4,928,229)	(6,782,579)
Net cash (used in)/from financing activities	(4,928,229)	(6,782,579)
Net increase/(decrease) in cash and cash equivalents	(18,826,946)	(260,438,368)
Cash and cash equivalents as at 1 July	86,616,991	347,055,359
Cash and cash equivalents as at 30 June	67,790,045	86,616,991
Cash and cash equivalents include		
Foreign currency accounts	46,318,237	34,888,457
Foreign investments with maturity of three months or less	1,092,679,226	1,123,741,424
Taka coin and cash balances	15,235,267	16,613,649
Foreign currency deposits from banks and financial institutions	(210,549,385)	(172,081,409)
Short term borrowings	(87,947,138)	(182,618,016)
Deposits from banks and financial institutions	(787,946,162)	(733,927,114)
Cash and cash equivalents as at 30 June	67,790,045	86,616,991

BANGLADESH BANK
SEPARATE STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

Particulars	2018 Taka '000	2017 Taka '000
Cash flows from operating activities		
Interest received	37,850,490	24,352,651
Interest paid	(7,594,520)	(10,208,307)
Fees, commission and other income received	1,204,360	1,419,217
Commission and discounts paid	(6,787,743)	(5,314,150)
Payments to employees and suppliers	(28,115,976)	(16,537,559)
Funds advanced from/(to) banks and employees	(9,646,430)	(1,232,889)
(Increase)/decrease in other assets	(162,266)	2,601,925
Currency issued	36,844,805	189,983,300
Increase/(decrease) in other liabilities	12,574,915	(51,984,548)
Net cash from operating activities	36,167,634	133,079,640
Cash flows from investing activities		
Dividends received	300,000	150,000
Investment income received	19,257,158	11,878,955
(Increase)/decrease in foreign treasury bills and bonds	(13,065,761)	(448,659,670)
(Increase)/decrease in other investments	(67,571,373)	(75,530,888)
(Increase)/decrease in Government securities	(78,953,209)	60,392,178
(Increase)/decrease in foreign currency investment	88,730,449	69,452,683
(Increase)/decrease in investments in debenture	-	770,000
Additions to property, plant and equipment	(624,949)	(1,158,103)
Disposal of property, plant and equipment	3,359	12,620
(Increase)/decrease in settlement with IMF	3,329,148	(3,588,727)
Net cash used in investing activities	(48,595,178)	(386,280,952)
Cash from financing activities		
Dividend paid to the Government of Bangladesh	(4,928,229)	(6,782,579)
Net cash (used in)/from financing activities	(4,928,229)	(6,782,579)
Net increase/(decrease) in cash and cash equivalents	(17,355,773)	(259,983,891)
Cash and cash equivalents as at 1 July	74,900,971	334,884,862
Cash and cash equivalents as at 30 June	57,545,198	74,900,971
Cash and cash equivalents includes		
Foreign currency accounts	46,318,237	34,888,457
Foreign investments with maturity of three months or less	1,092,679,226	1,123,741,424
Taka coin and cash balances	4,990,420	4,897,629
Foreign currency deposits from banks and financial institutions	(210,549,385)	(172,081,409)
Short term borrowings	(87,947,138)	(182,618,016)
Deposits from banks and financial institutions	(787,946,162)	(733,927,114)
Cash and cash equivalents as at 30 June	57,545,198	74,900,971

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

1 Reporting entity

Bangladesh Bank (“the Bank”), a body corporate, is the Central Bank of Bangladesh, established on the 16th day of December, 1971 under the Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972). The Bank is domiciled in Bangladesh and the head office of the Bank is situated at Motijheel C/A, Dhaka-1000.

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

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

The Bank has exclusive agency arrangement with Sonali Bank Limited for carrying out certain specific treasury related functions across the country. As at 30 June 2018, 632 branches of Sonali Bank Limited were engaged in daily treasury functions under the referred agency arrangement with the Bank.

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

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

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

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

The Bank has a fully owned subsidiary company named The Security Printing Corporation (Bangladesh) Ltd. (“SPCBL” or “the subsidiary”) which was formed on 22nd April, 1992 for the purpose of printing and supplying of currency notes. The Bank and its subsidiary are collectively referred to as “the Group”. Refer to note 3.01 and 13.01.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

2 Basis of preparation of the financial statements

2.01 Statement of compliance

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

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

* This year 1,591 Fixed assets have been revaluated on 31 January, 2018 based on an independent valuer, S.F.Ahmed & Co. After getting the report by end of June,2018, we are in process of updating the fixed asset module in SAP based on the valuation report to comply with IAS 16. Total procedure will be completed by FY19.

** Bangladesh Bank has revalued IMF Securities Account using the SDR exchange rate prevailing as on 30th April, 2018 to agree with the balances shown in the financial statements of IMF.

*** Gold owned by the Bank is majorly invested internationally. The whole amount is considered as part of it's International reserve. In addition, gold is regarded as asset back up against circulation as per BB order. Since it is part of international reserve and not used as a commodity which is traded during the normal course of business, gold is fair valued and the gains or losses are transferred to the Statement of Profit or Loss and Other Comprehensive Income.

**** The Bank holds 11,998,994 shares in SPCBL out of total 12,000,000 shares. However, Bangladesh Bank is the beneficial owner of all these shares. In a strict sense, the non-controlling interest (NCI) comes to BDT 2,390,986 only as on 30 June, 2018. Since the NCI is not material, and according to the commercial substance the beneficial owner is the Bank, the Bank does not recognise non-controlling interest.

2.02 Basis of measurement

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

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

2.03 Functional and presentation currency

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

2.04 Relationship between Issue Department and Banking Department

Under the Bangladesh Bank Order, 1972, issue of bank notes shall be conducted by the Bank in an Issue Department, which shall be separated and kept wholly distinct from the Banking Department. Accordingly, the Issue Department is solely concerned with the note issue and the assets backing the issue. The Banking Department comprises all other activities of the Bank. The separation into departments is made within the Bank and reports on both the Banking and Issue Departments (together referred as "statement of affairs") are made internally and submitted to the Ministry of Finance throughout the year at weekly interval. The annual financial statements are prepared on a combined basis to include all the assets and liabilities of the Bank. The assets backing the note issue as at the year end are disclosed in note 20.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

2.05 Use of estimates and judgments

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

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

2.06 Comparative information

In presentation of the financial statements, comparative information in respect of the previous year have been given in accordance with IAS-1 & IAS-8. The narrative and descriptive information have been given in notes to the financial statements, where relevant, for the understanding of the current year's financial statements.

2.07 Restatement/Reclassification

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires an entity to correct material prior period errors retrospectively by restating the comparative amounts for prior period presented in which the error occurred. While preparing the consolidated financial statements for the year ended 30 June, 2018, such prior period errors of SPCBL were identified. And accordingly, comparative figures have been restated.

3 Significant accounting policies

Accounting policies set out below have been applied consistently to all periods presented in these financial statements by the Group entities.

3.01 Basis of consolidation

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

Subsidiary

The Security Printing Corporation (Bangladesh) Ltd. (SPCBL) is the subsidiary of the Bank. The Bank holds 11,998,994 shares in SPCBL. For compliance with the requirements of the minimum number of seven shareholders of a public limited company as per The Companies Act-1994, 1000 shares were allotted to the Governor of Bangladesh Bank, and, Deputy Governor of Bangladesh bank, Managing Director of The SPCBL, Secretary of Financial Institution Division of Ministry of Finance, Additional secretary of Ministry of Home Affairs, Joint Secretary of Internal Resources Division and Director General of Bangladesh Postal Department were allotted one share each. However, Bangladesh Bank is the beneficial owner of all these shares. In a strict sense, The non-controlling interest (NCI) comes to BDT 2,390,986 only as on 30 June, 2018. Since the NCI is not material, and according to the commercial substance the beneficial owner is the Bank, the Bank does not recognise non-controlling interest. SPCBL is responsible for printing and supplying the Bank with bank notes based on the requirements from time to time. It sells these notes to the Bank at a specified mark-up agreed beforehand between the Bank and SPCBL. SPCBL is also engaged in printing of security products for other parties besides the Bank.

Transactions eliminated on consolidation

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

3.02 Foreign currency transactions

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

Foreign currency	Exchange rates (in Taka)	
	2018	2017
US Dollar	83.722	80.599
Australian Dollar	61.971	61.948
Canadian Dollar	63.764	62.181
EURO	97.812	92.068
Pound Sterling	110.571	104.980
CNY	12.620	11.891
JPY	0.757	0.717
SDR	117.763	112.145
SGD	61.443	58.575
SEK	9.358	9.564

3.03 Foreign exchange gain/loss

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

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

3.04 Financial assets and liabilities

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

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

(a) Recognition and initial measurement

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

(b) Classification and subsequent measurement

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

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

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

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

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

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

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

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

(2) Held-to-maturity investments

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

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

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

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

(3) Loans and receivables

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

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

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

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

(4) Available-for-sale financial assets

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

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

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

(5) Financial liabilities carried at amortised cost

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

(c) Amortised cost measurement principles

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

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

(d) Fair value measurement principles

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

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

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.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

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

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

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

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

(e) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in other comprehensive income (OCI). When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in OCI is transferred to the statement of profit or loss. Gains and losses arising from a change in the fair value of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in the statement of profit or loss. Gains and losses on subsequent measurement of loans and receivables and held to maturity financial instruments are recognised in the statement of profit or loss.

(f) De-recognition

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 de-recognition that is created or retained by the Group is recognised as a separate asset or liability. On de-recognition 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.

Bangladesh Bank : Notes to the Financial Statements

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

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

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

(g) Identification and measurement of impairment

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

Evidence of impairment is considered at both a specific asset level and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

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.

Bangladesh Bank : Notes to the Financial Statements

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(h) Off-setting

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

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

3.05 Foreign currency accounts

Foreign currency accounts comprise balances held in the current accounts maintained with different central banks and foreign commercial banks in the designated foreign currency. These are measured at each reporting date by translating to the functional currency at the exchange rates prevailing on that date. Gains and losses arising upon translation are recognised in the statement of profit or loss and are subsequently transferred from retained earnings to revaluation reserve - foreign currency accounts and currency fluctuation reserve (refer to note 3.03 for accounting policy on foreign exchange gain/loss).

3.06 Foreign investments

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

3.07 Other foreign currency financial assets

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

3.08 Taka coin and cash balances

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

3.09 Loans to the Government of Bangladesh

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

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Ways and Means Advance (WMA)

When total payments to the Government exceed total deposits from the Government, the excess of payment over receipt, with a limit not exceeding BDT.40,000 million (2017: BDT. 40,000 million), is treated as WMA with interest being charged thereon at the reverse repo rate. WMA is realised only after full recovery of Government overdraft-current account balance.

Overdraft - current and block

Government borrowing in excess of the BDT. 40,000 million limit set for WMA are recognised as overdraft-current with a limit not exceeding BDT. 40,000 million (2017: BDT. 40,000 million). Interest is charged thereon at a rate one percent higher than the reverse repo rate. Any recovery or surplus realised by the Bank from the Government is first applied to the overdraft-current account balance. Any surplus remaining after full recovery of overdraft-current account balance is then adjusted against WMA.

Overdraft block was formerly known as Government treasury bills. At the beginning of the FY07 the balance of Government treasury bills was transferred to overdraft-block account. From the financial year 2007 and onwards an amount of BDT 15,000 million has been repaid every year by the Government. Interest is charged thereon at the rate of 91 day treasury bill.

Treasury bills and bonds

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

3.10 Local currency investments

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

3.11 Local currency loans to banks, financial institutions and employees

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

3.12 Gold and silver

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

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

3.13 Property, plant and equipment (PPE)

(a) Recognition and measurement

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

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

(b) Revaluation

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

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

The Bank revalued its land as at 30 June 2014 and subsequently other items of PPE were revalued as at 31 January 2018 by an independent valuer, S.F. Ahmed & Co. 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, furniture and fixtures, mechanical equipment, motor vehicles, computer & networking, artifacts and currency museum, intangible assets, electrical installation and gas installation were revalued using a combination of approaches which include depreciated replacement cost for building and civil construction and market considerations for other assets.

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.

(c) Subsequent costs

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

(d) Capital work in progress

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

Bangladesh Bank : Notes to the Financial Statements

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(e) Depreciation

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

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

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

(f) Borrowing cost capitalisation

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

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

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

(g) Impairment

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

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

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

3.14 Intangible assets and their amortisation

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

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

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

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

3.15 Securities borrowing, lending business and repurchase transactions

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

3.16 Employee benefits

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

- (a) a liability (accrued expense) when an employee has provided service in exchange for employee benefits to be paid in the future; and

Bangladesh Bank : Notes to the Financial Statements

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- (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

3.17 Short-term employee benefits

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

3.18 Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. The Group operates a number of post-employment benefit plans and recognises expenses for these plans in the statement of profit or loss.

(a) Defined contribution plans

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

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

(b) Defined benefit plans

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

- (i) **General Provident Fund (GPF)**
Employees contribute at various rates (within 5-25%) of their basic salaries to the fund. No contributions are made by the Bank for the above fund. The provident fund invests in various securities and the Bank has committed a return of 13% (2017: 13%). Any shortfall in the return from investments is funded by the Bank by charging in its statement of profit or loss.
- (ii) **Pension scheme**
Employees are entitled to pension amounting to maximum of 90% (2017: 90%) of their last basic salary. 50% of the pension amount is paid as a lump sum computed at the rate of BDT. 230 (2017: Tk. 230) per BDT. 1 surrendered from the pension. Employees will receive their pension monthly over the remaining lifetime against remaining 50% of the pension amount .

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

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

The Bank actuarially valued its pension liabilities as at 30 June 2016. 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

The Bank actuarially valued its gratuity scheme and measured its liability for defined benefit obligation as at 30 June 2016. The calculation was performed by a qualified actuary using the projected unit credit method. Actuarial gains or losses arising from the change in defined benefit obligation are recognised in the statement of profit or loss and other comprehensive income.

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

(iv) Leave encashment

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

3.19 Other long-term employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service. All employees after retirement are entitled a maximum of BDT 1,000 per year in the form of medicine.

3.20 Provisions

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

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations a reliable estimate can be made of the amount of the obligation.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

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.

3.21 Notes in circulation

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

3.22 Government grants

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

3.23 Interest income and expenses

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

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

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

3.24 Commission and discounts

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

3.25 Dividend income

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

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. Present applicable income tax rate is 35%.

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

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

3.27 Subsequent events

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

3.28 New accounting standards and changes in accounting policy

The Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

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

(a) IFRS 9 Financial Instruments

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

(b) IFRS 15 Revenue from Contracts with Customers

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

	2018	2017
	BDT '000	BDT '000
4 Foreign currency accounts		
Represents the equivalent accumulated value of different foreign currencies held with other central banks and balances of deposits with foreign commercial banks.		
Balance held with		
Other central banks	19,720,963	16,795,787
Foreign commercial banks	26,597,274	18,092,670
Total	46,318,237	34,888,457
5 Foreign investments		
Overnight investment	235,616,222	214,600,368
Short term deposits with overseas commercial banks	837,176,395	928,877,704
US Dollar treasury bills	82,138,522	79,806,111
Foreign bonds	1,117,016,159	1,081,521,961
Total	2,271,947,298	2,304,806,144
6 International Monetary Fund related assets and liabilities		
6.01 Assets held with International Monetary Fund		
Quota	125,605,909	119,614,070
Quota(IMF) paid by Government*	(14,546,567)	(14,546,567)
SDR holding	112,393,962	108,661,765
Interest receivable on SDR holding	197,889	112,707
Total	223,651,193	213,841,975
*The amount represents 25% of increased quota amount (SDR 533.30 million) which was paid in foreign currency debiting directly from government account. The quota increase was effected in 2016.		
6.02 Liabilities with International Monetary Fund		
IMF securities	109,682,417	100,851,183
IMF-1 and IMF-2 account	1,604,981	1,607,087
SDR allocation	60,106,792	57,239,454
IMF Extended Credit Facility (ECF)	73,210,323	71,768,423
Interest payable	95,595	53,726
Total	244,700,108	231,519,873

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

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

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

Bangladesh Bank has revalued IMF Securities, IMF 1 & 2 Account using the SDR exchange rate prevailing as on 30th April, 2018 to agree with the balances shown in the financial statements of IMF. The other three accounts namely SDR Allocation, IMF Extended Credit Facility etc. were translated to Taka at the exchange rate ruling at 30 June 2018.

7 Gold and silver

	2018 BDT '000	2017 BDT '000
Gold	23,764,209	11,157,332
Silver	228,138	226,224
Total	23,992,347	11,383,556
8 Claims from gold transactions	23,254,853	33,811,041

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

9 Foreign currency loans to banks

Export Development Fund (EDF) Dollar investment	251,151,388	198,295,935
LTFE Investment under FSSP	13,371,782	7,998,072
Green Transformation Fund	10,924	-
Rupali Bank Karachi*	9,674	10,823
Less: Provision for loan losses (for Rupali Bank Karachi)	(9,674)	(10,823)
Total	264,534,094	206,294,007

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

	2018 BDT '000	2017 BDT '000
10 Other foreign currency financial assets		
Swift shares	80	80
Interest receivable	12,800,736	9,437,834
Other receivable*	5,224,144	5,224,144
Total	18,024,960	14,662,058

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

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

The Bank has initiated procedures to recover the heisted amount. On the basis of mutual legal assistance request of Bangladesh Bank, now the Philippine Department of Justice has been extending all sorts of legal assistance along with appointing government lawyer in the Philippine court on behalf of Bangladesh for recovery of the heisted amount of Bangladesh. Furthermore, the Bangko Sentral ng Pilipinas has fined RCBC BDT 1,650 million (BDT equivalent of Peso 1,000 million) in connection with the above transactions. The Bank has recovered BDT 1,141.23 million (taka equivalent of USD 14.54 million) in the last year(FY17) in addition to earlier recovered BDT 5.36 million (BDT equivalent of USD 0.07 million). Account frozen order and asset preservation order has been issued by respective Philippine court as well as civil forfeiture case is under process against stolen monies. Bangladesh Bank, Federal Reserve Bank of New York & Federal Bureau of Investigation of USA are also working on it collaboratively. The Bank's management concurs with external legal counsel who is confident of recovery. Considering the above facts, remaining unrecovered amounts are being reported as other foreign currency financial assets in these financial statements since the recovery process is underway.

11 Consolidated Taka coin and cash balances		
Taka coin	4,970,100	4,857,974
Cash balances (separate)	20,320	39,655
Cash balances (SPCBL)	10,244,847	11,716,019
Total	15,235,267	16,613,648

11.01 Taka coin and cash balances

Taka coin	4,970,100	4,857,974
Cash balances	20,320	39,655
Total	4,990,420	4,897,629

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

	2018 BDT '000	2017 BDT '000
12 Loans to the Government of Bangladesh		
Ways and means advance (WMA)	40,000,000	30,155,600
Overdraft - current (ODC)	27,839,100	-
Overdraft - block (ODB)	41,850,000	56,850,000
Treasury bills	48,816,816	8,116,472
Treasury bonds	59,164,294	43,594,929
Total	217,670,210	138,717,001
13 Consolidated local currency investments		
Short term money market investments*	2,777,520	878,712
Debenture - BHBFC	3,945,000	3,945,000
Shares- ICB Islamic Bank Limited**	7,452	7,452
Total	6,729,972	4,831,164
*These represent the total amount of term deposits by SPCBL with different local commercial banks.		
**SPCBL holds 745,200 shares of Tk.10 each of ICB Islamic Bank Ltd. (Formerly the Oriental Bank Ltd.) as per Bangladesh Bank Circular No - BRPD (R-1) 651/9(10)/2007-446 dated 2 August 2007.		
13.01 Local currency investments		
Debenture - BHBFC	3,945,000	3,945,000
Investment in subsidiary	12,000,000	12,000,000
Total	15,945,000	15,945,000
14 Consolidated local currency loans to banks, financial institutions and employees		
(i) Local currency loans to banks and financial institutions		
State owned banks:		
Commercial banks	4,325,171	4,764,329
Specialised banks*	39,620,579	27,959,832
	43,945,750	32,724,161
Provision for impairment (Note 14.a)	(7,015,005)	(480,559)
	36,930,745	32,243,602
Other banks and financial institutions:		
Private banks	3,100,500	3,146,800
Other loans and advances	31,724,743	29,578,717
	34,825,243	32,725,517
Interest receivable	701,194	7,731,998
Total (i)	72,457,182	72,701,117
(ii) Local currency loans and advances to employees		
Loans and advances to employees	37,069,631	33,996,229
Provision for loan losses (Note 14.b)	(536,765)	(518,201)
Total (ii)	36,532,866	33,478,028
Total loans (i+ii)	108,990,048	106,179,145

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

	2018 BDT '000	2017 BDT '000
14.01 Local currency loans to banks, financial institutions and employees		
(i) Local currency loans to banks and financial institutions		
State owned banks:		
Commercial banks	4,325,171	4,764,329
Specialised banks*	39,620,579	27,959,832
	43,945,750	32,724,161
Provision for impairment (Note 14.a)	(7,015,005)	(480,559)
	36,930,745	32,243,602
Other banks and financial institutions:		
Private banks	3,100,500	3,146,800
Other loans and advances	31,724,743	29,578,717
	34,825,243	32,725,517
Interest receivable	701,194	7,731,998
Total (i)	72,457,182	72,701,117
(ii) Local currency loans and advances to employees		
Loans and advances to employees	35,492,464	32,632,903
Provision for loan losses (Note 14.b)	(536,765)	(518,201)
Total (ii)	34,955,699	32,114,702
Total loans (i+ii)	107,412,881	104,815,819

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

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

14.a Provision for impairment

Opening balance	480,559	64,362
Charges/(Released) during the year	6,534,446	416,197
Total	7,015,005	480,559

14.b Provision for loan losses

Opening balance	518,201	269,881
Charged/(Released) during the year	18,564	248,320
Total	536,765	518,201

Provision for impairment is an asset type account which is kept against possible future loss on interest from loans. The released amount is due to write back of provision of rescheduled demand loan. Provision for loan losses is also an asset type account maintained for adjusting loss (both principal and interest) from staff advance.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

	2018 BDT '000	2017 BDT '000
15 Consolidated other local currency financial assets		
Unutilised Financial Sector Support Project (FSSP) Fund (Note 24.04)	9,325,855	1,085,413
Interest receivables (Bangladesh bank)	1,247,680	1,192,528
Interest receivables (SPCBL)	497,837	414,822
Others	4,136	4,136
Total	11,075,508	2,696,899
15.01 Other local currency financial assets		
Unutilised Financial Sector Support Project (FSSP) Fund (Note 24.04)	9,325,855	1,085,413
Interest receivables	1,247,680	1,192,528
Total	10,573,535	2,277,941

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

16 Property, Plant and Equipment

Consolidated

30 June 2018

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Artifacts & Currency Museum	Low value assets	Capital work in progress	BDT '000		
													Total	Total	
Cost															
As at 1 July 2017	36,551,304	5,398,161	5,778,383	1,852,769	1,204,195	276,377	491,584	2,012	42,319	-	58,813	3,261,275	54,917,192		
Addition during the year	-	65,153	24,539	47,832	40,449	17,282	2,512	-	12,169	40	4,829	402,124	616,929		
Transfers during the year	-	98,986	9,910	132,228	-	-	16,926	-	-	-	-	(258,050)	-		
Disposals during the year	-	(4,286)	-	-	(2,796)	(7,715)	-	-	-	-	-	-	(14,797)		
Revaluation Adjustment	-	776,287	(66,115)	(749)	(92,500)	42,768	(7,040)	404	-	-	-	-	653,055		
As at 30 June 2018	36,551,304	6,334,301	5,746,716	2,032,080	1,149,348	328,712	503,982	2,416	54,488	40	63,642	3,405,349	56,172,379		
Accumulated depreciation															
As at 1 July 2017	-	1,725,685	1,357,613	1,702,949	239,227	234,230	241,564	1,485	5,144	-	56,125	-	5,564,022		
Prior year revaluation adjustment	-	461,263	1,144,584	-	-	-	-	-	-	-	-	-	1,605,847		
Restated Balance as at 1 July 2017	-	2,186,948	2,502,197	1,702,949	239,227	234,230	241,564	1,485	5,144	-	56,125	-	7,169,869		
Charge for the year	-	321,432	302,638	81,924	119,583	25,855	78,349	241	9,961	1	4,219	-	944,202		
Disposals during the year	-	(1,779)	-	-	(2,796)	(7,605)	-	-	-	-	-	-	(12,180)		
As at 30 June 2018	-	2,506,602	2,804,835	1,784,872	356,013	252,481	319,913	1,726	15,105	1	60,344	-	8,101,892		
Net book value															
As at 30 June 2018	36,551,304	3,827,699	2,941,881	247,208	793,335	76,231	184,069	690	39,383	-	3,298	3,405,349	48,070,487		
As at 30 June 2017 (Adjusted)	36,551,304	3,211,213	3,276,186	149,820	964,969	42,147	250,020	527	37,175	-	2,688	3,261,275	47,747,324		

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

30 June 2017	BDT '000												
Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Artifacts & Currency Museum	Low value assets	Capital work in progress	Total
Cost													
As at 1 July 2016	36,551,304	5,237,826	4,311,750	1,825,721	1,156,624	258,604	419,464	2,012	19,172	-	57,235	3,719,895	53,559,607
Addition during the year	-	50,924	354,354	32,673	47,572	17,773	54,628	-	20,821	-	3,397	791,490	1,373,631
Transfers during the year	-	109,411	1,120,629	-	-	-	17,744	-	2,325	-	-	(1,250,110)	-
Disposals during the year	-	-	(8,351)	(5,624)	-	-	(253)	-	-	-	(1,818)	-	(16,046)
As at 30 June 2017	36,551,304	5,398,161	5,775,383	1,852,769	1,204,195	276,377	491,584	2,012	42,319	-	58,813	3,261,275	54,917,192
Accumulated depreciation													
As at 1 July 2016	-	1,453,961	1,097,048	1,597,872	125,109	199,059	165,673	1,242	239	-	41,937	-	4,682,141
Charge for the year	-	271,724	268,915	110,689	114,117	35,171	76,144	243	4,905	-	15,997	-	897,905
Disposals during the year	-	-	(8,350)	(5,613)	-	-	(253)	-	-	-	(1,809)	-	(16,025)
As at 30 June 2017	-	1,725,685	1,357,613	1,702,949	239,227	234,230	241,564	1,485	5,144	-	56,125	-	5,564,021
Net book value													
As at 30 June 2017	36,551,304	3,672,476	4,420,770	149,820	964,969	42,147	250,020	527	37,174	-	2,688	3,261,275	49,353,170
As at 30 June 2016	36,551,304	3,783,865	3,214,702	227,848	1,031,515	59,545	253,791	771	19,933	-	15,298	3,719,895	48,877,467

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

16.01 Property, Plant and Equipment Separate

30 June 2018

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Artifacts & Currency Museum	Low value assets	Capital work in progress	BDT '000		
													Total	Total	
Cost															
As at 1 July 2017	32,892,704	4,183,084	1,149,309	1,852,769	1,164,105	243,515	491,584	2,012	42,319	-	58,813	1,255,591	43,335,805		
Addition during the year	-	63,672	15,203	47,832	39,634	8,282	2,512	-	12,169	40	4,829	396,037	590,209		
Transfers during the year	-	98,986	9,910	132,228	-	-	16,926	-	-	-	-	(258,050)	-		
Disposals during the year	-	(4,286)	-	-	-	(4,685)	-	-	-	-	-	-	(8,971)		
Revaluation Adjustment	-	776,287	(66,115)	(749)	(92,500)	42,768	(7,040)	404	-	-	-	-	653,055		
As at 30 June 2018	32,892,704	5,117,742	1,108,307	2,032,080	1,111,238	289,880	503,982	2,416	54,488	40	63,642	1,393,578	44,570,098		
Accumulated depreciation															
As at 1 July 2017	-	1,492,597	770,807	1,702,949	202,718	211,919	241,564	1,485	5,144	-	56,125	-	4,685,308		
Charge for the year	-	262,462	81,748	81,924	118,373	21,456	78,349	241	9,961	1	4,219	-	658,733		
Disposals during the year	-	(1,779)	-	-	-	(4,575)	-	-	-	-	-	-	(6,354)		
As at 30 June 2018	-	1,753,281	852,554	1,784,873	321,091	228,800	319,913	1,726	15,105	1	60,344	-	5,337,687		
Net book value															
As at 30 June 2018	32,892,704	3,364,461	255,753	247,207	790,147	61,080	184,069	690	39,383	39	3,298	1,393,578	39,232,410		
As at 30 June 2017	32,892,704	2,690,487	378,502	149,820	961,387	31,596	250,020	527	37,175	-	2,688	1,255,591	38,650,495		

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Artifacts & Currency Museum	Low value assets	Capital work in progress	Total
BDT '000													
30 June 2017													
Cost													
As at 1 July 2016	32,892,704	4,022,749	1,143,203	1,825,721	1,117,415	232,015	419,464	2,012	19,172	-	57,235	593,608	42,325,298
Addition during the year	-	50,924	11,030	32,673	46,690	11,500	54,628	-	20,821	-	3,397	791,463	1,023,127
Transfers during the year	-	109,411	-	-	-	-	17,744	-	2,325	-	-	(129,481)	-
Disposals during the year	-	-	(4,924)	(5,624)	-	-	(253)	-	-	-	(1,818)	-	(12,620)
As at 30 June 2017	32,892,704	4,183,084	1,149,309	1,852,769	1,164,105	243,515	491,584	2,012	42,319	-	58,813	1,255,591	43,335,805
Accumulated depreciation													
As at 1 July 2016	-	1,279,805	691,206	1,597,873	89,741	179,620	165,673	1,242	239	-	41,937	-	4,047,336
Charge for the year	212,792	84,525	110,689	112,977	32,299	76,144	243	4,905	-	-	15,997	-	650,571
Disposals during the year	-	-	(4,924)	(5,613)	-	-	(253)	-	-	-	(1,809)	-	(12,598)
As at 30 June 2017	-	1,492,597	770,807	1,702,949	202,718	211,919	241,564	1,485	5,144	-	56,125	-	4,665,309
Net book value													
As at 30 June 2017	32,892,704	2,690,487	378,502	149,820	961,387	31,596	250,020	527	37,175	-	2,688	1,255,591	38,650,495
As at 30 June 2016	32,892,704	2,742,944	451,997	227,848	1,027,674	52,395	253,791	770	19,933	-	15,298	593,608	38,277,961

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

	2018 BDT '000	2017 BDT '000
17 Intangible assets		
Intangible asset at cost	1,392,184	1,392,030
Revaluation Adjustment	(35,016)	-
Accumulated amortisation	(1,276,276)	(1,204,888)
Capital work in progress	163,495	128,909
Total	244,387	316,051
<p>Balance represents the accumulated value of Enterprise Resources Planning (ERP), Core Banking Solutions (CBS), Enterprise Data Warehouse (EDW), Real Time Gross Settlement (RTGS), Bangladesh Automated Clearing House (BACH), Bangladesh Electronic Fund Transfers Network (BEFTN), Credit Information Bureau (CIB) and Bank's in-house built software.</p>		
18 Consolidated other non-financial assets		
Prepayments and advances	1,000,995	1,408,111
Stock	3,955,514	5,483,846
Sundry debtors	1,208,543	910,109
Total	6,165,052	7,802,066
18.01 Other non-financial assets		
Prepayments and advances	478,109	2,881,746
Stock (Printed books, forms and papers, office supplies and stock of medicine)	49,221	41,468
Total	527,330	2,923,214
19 Deposits from banks and financial institutions		
Foreign currency deposits from commercial banks	104,744,648	89,879,045
Asian Clearing Union (ACU)	105,804,737	82,202,364
Interest payable on ACU	218,257	72,889
Total	210,767,642	172,154,298
20 Notes in circulation		
Notes in circulation	1,534,131,899	1,497,287,073
Cash in hand	(75)	(55)
Total	1,534,131,824	1,497,287,018

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

Denomination	Number in pieces	2018	2017
10 Taka note	1,400,816,267	14,008,163	13,130,995
20 Taka note	630,715,155	12,614,303	11,457,029
50 Taka note	304,702,137	15,235,107	13,806,669
100 Taka note	870,679,244	87,067,924	82,554,987
500 Taka note	1,225,844,330	612,922,165	590,771,540
1000 Taka note	792,284,237	792,284,237	785,565,853
Total	5,225,041,370	1,534,131,899	1,497,287,073

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

	2018 BDT '000	2017 BDT '000
Liability for notes in circulation is recorded at its face value in the statement of financial position. In accordance with Article 30 of Bangladesh Bank Order, 1972, this liability is supported by the following assets:		
Gold	7,740,874	7,403,264
Silver	228,138	226,224
Approved foreign exchange	1,470,000,000	1,390,000,000
Bangladesh Government securities	21,313,349	64,920,173
Taka coin	4,970,100	4,857,974
Other loans and advances	29,879,438	29,879,438
Total	1,534,131,899	1,497,287,073

21 Deposits from banks and financial institutions

State owned commercial banks	256,628,110	205,978,567
Government specialised banks	22,796,467	17,012,936
Private banks	460,678,535	468,964,745
Foreign banks	40,316,085	35,340,860
Financial institutions	7,508,276	6,594,308
Other banks	18,689	35,698
Total	787,946,162	733,927,114

Deposits from banks and financial institutions comprise required reserve deposits Cash Reserve Ratio (CRR) calculated at a rate of 5.5% (2017: 6.5%) on the bank's liability base, together with balances held for settlement purposes.

22 Short term borrowings

Bangladesh Bank bills	87,947,138	182,618,016
Total	87,947,138	182,618,016

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

23 Consolidated other local currency financial liabilities

Government deposits	5,020	5,087
Other deposits (Note 24.02)	21,266,466	42,154,704
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	5,369,090	4,376,993
Interest suspense account	105,556	741
Deposits from donor agencies	36,030,744	25,971,295
Inter branch adjustments (suspense)	(324,219)	(265,218)
Credit guarantee scheme for small industrial investors	248,808	248,808

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

	2018 BDT '000	2017 BDT '000
Provision for pension*	18,115,072	8,693,786
Provision for gratuity*	1,977,221	2,083,081
Provision for leave encashment	2,179,883	1,582,432
Small and medium enterprise fund - Government	1,178,896	1,178,896
Loan from Govt of Bangladesh - Central Bank Strengthening Project (Note-24.03)	2,535,077	2,592,453
Loan from Govt of Bangladesh-Fin. Sector Support Project (Note-23.04)	21,534,142	8,602,549
Small and medium enterprise fund ADB-2	48,177	279,702
Deferred tax liability(prior year balance restated)	594,368	571,167
Others - subsidiary	1,203,471	1,286,746
Fund for small investor affected in capital market	7,318,537	7,032,507
Total	119,389,539	106,398,960
23.01 Other local currency financial liabilities		
Government deposits	5,020	5,087
Other deposits (Note 23.02)	21,266,466	42,154,704
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	6,440,782	5,827,915
Interest suspense account	105,556	741
Deposits from donor agencies	36,030,744	25,971,295
Inter branch adjustments (suspense)	(324,219)	(265,218)
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension*	18,115,072	8,693,786
Provision for gratuity*	1,872,395	1,908,033
Provision for leave encashment	1,946,804	1,429,861
Small and medium enterprise fund - Government	1,178,896	1,178,896
Loan from Govt of Bangladesh - Central Bank Strengthening Project (Note-23.03)	2,535,077	2,592,453
Loan from Govt of Bangladesh-Fin. Sector Support Project (Note-23.04)	21,534,142	8,602,549
Small and medium enterprise fund ADB-2	48,177	279,702
Fund for small investor affected in capital market	7,318,537	7,032,507
Total	118,325,488	105,664,349

*Refer to note 44 for details.

23.02 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.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

23.03 Central Bank Strengthening Project fund (CBSP) - Liability

Government of Bangladesh (GoB) signed a Credit Agreement with the International Development Association (IDA) for a Project named Central Bank Strengthening Project (CBSP). The related Credit Reference is IDA 3792 BD and the Project was meant for "Improvement of efficiency of the Bank through functional reforms and large scale automation of its' business process". Subsequent to this agreement, a subsidiary loan agreement was signed between GoB and the Bank to this effect for execution of the project. The total cost of the project was BDT. 3,892 million (USD 55.60 million), of which IDA provided Tk. 3,060 million (USD 43.71 million) through Government and the rest BDT. 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 starting from December 01, 2013 to June 01, 2043 as per revised schedule

23.04 Financial Sector Support Project (FSSP)

Government of Bangladesh (GoB) signed a credit agreement with the International Development Association (IDA) for a Project named Financial Sector Support Project (FSSP) for amount of SDR 213,400,000. The related credit reference is 5664 BD and the Project was meant for "Improvement of the recipient's financial market infrastructure, the regulatory and oversight capacity of the project implementing entity and access to long term financing for private firms in Bangladesh". Subsequent to this agreement, a subsidiary loan agreement was signed between GoB and Bangladesh Bank on August 27, 2015 to this effect for execution of the Project. The Project is scheduled to close on September 30, 2020. The subsidiary loan will be denominated in taka and the Bank has to repay the principal and the interest amount of the loan to Government within a tenure of 38 years including a grace period of 6 years for each disbursement from the proceeds of the credit.

	2018 BDT '000	2017 BDT '000
24 Capital	30,000	30,000
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.		
25 Consolidated revaluation reserves		
Revaluation reserve - gold and silver (Note 25.02)	16,732,667	14,680,065
Revaluation reserve - foreign currency accounts (Note 25.03)	164,461,032	77,728,435
Revaluation reserve - property, plant and equipment (Note 26.04) (restated)	38,827,706	38,259,738
Revaluation reserve - financial instruments (Note 25.05)	(14,941,797)	(79,390)
Total	205,079,608	130,588,848

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

	2018 BDT '000	2017 BDT '000
25.01 Revaluation reserves		
Revaluation reserve - gold and silver (Note 25.02)	16,732,667	14,680,065
Revaluation reserve - foreign currency accounts (Note 25.03)	164,461,032	77,728,435
Revaluation reserve - property, plant and equipment (Note 25.04)	35,092,312	34,474,273
Revaluation reserve - financial instruments (Note 25.05)	(14,941,797)	(79,390)
Total	201,344,214	126,803,383
25.02 Revaluation reserve - gold and silver		
The Bank accounts for the gain/loss on revaluation of gold and silver in the statement of profit or loss and other comprehensive income subsequently transferred to a separate account - revaluation reserve-gold and silver, which forms part of equity.		
25.03 Revaluation reserve - foreign currency accounts		
The Bank accounts for the unrealised gain/loss on revaluation of foreign currency to the statement of profit or loss and other comprehensive income subsequently transferred to a separate account - revaluation reserve-foreign currency, which forms part of equity.		
25.04 Revaluation reserve - property, plant and equipment		
The Group accounts for the gain/loss on revaluation of property, plant and equipment in the statement of profit or loss and other comprehensive income subsequently transferred to a separate account - revaluation reserve - property, plant and equipment, which forms part of equity.		
25.05 Revaluation reserve - financial instruments		
The Bank accounts for the gain/loss on revaluation of financial instruments in the statement of profit or loss and other comprehensive income subsequently transferred to a separate account - revaluation reserve- financial instrument, which forms part of equity.		
26 Currency fluctuation reserve	28,761,325	26,763,473
The Bank credited the realised gain on revaluation of foreign currencies to the statement of profit or loss and other comprehensive income and transferred the same to a separate account - currency fluctuation reserve account, which forms part of equity.		
27 Statutory funds	Note	
Rural credit fund	27.01	6,200,000
Agricultural credit stabilisation fund	27.02	6,000,000
Export credit fund	27.03	1,300,000
Industrial credit fund	27.04	1,137,852
Credit guarantee fund	27.05	879,194
Total		16,667,046

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

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.

27.01 Rural credit fund

This fund was created as per Article 60(1) of Bangladesh Bank Order, 1972 for making of short term, medium term and long term loans and advances to co-operative bank, scheduled bank and rural credit agencies. An appropriation of Taka 200 million was made for this fund during the year.

27.02 Agricultural credit stabilisation fund

This fund was created as per Article 61 of Bangladesh Bank Order, 1972 for making of loans and advances to apex co-operative banks. An appropriation of Taka 200 million was made for this fund during the year.

27.03 Export credit fund

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

27.04 Industrial credit fund

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

27.05 Credit guarantee fund

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

			2018 BDT '000	2017 BDT '000
28	Non statutory funds	Note		
	Small and medium enterprise fund	28.01	7,000,000	7,000,000
	Housing refinance fund		4,660,000	5,570,000
	Human resources development fund	28.02	275,941	277,191
	Monetary management fund	28.03	200,000	200,000
	Rural agri product processing industries refinance fund	28.04	3,410,000	1,000,000
	Disaster management and social responsibility fund	28.05	100,000	100,000
	Total		15,645,941	14,147,191

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

28.01 Small and medium enterprise fund

This fund was created as per clause 24 of Article 16 of the Bangladesh Bank Order, 1972 for refinancing facilities to the schedule banks and financial institutions against loans and advances given to the small enterprise sector and housing refinance scheme. Appropriation to those funds are made as per decision of the Board.

28.02 Human resources development fund

Human resources development fund was created as per clause 2(n) of Article 82 of Bangladesh Bank Order, 1972 and decision taken by the Board of the Bank for development of efficiency of the Bank's officials by conducting seminar, symposium, training etc. at home and abroad. Appropriation to this fund was made from the dividend payable to Government for the year 2010-2011.

28.03 Monetary management fund

Monetary management fund was created as per decision of the Board of the Bank for sound and smooth operation of monetary policy activities. Appropriation to this fund was made from the dividend payable to Government for the year 2010-2011.

28.04 Rural agri product processing industries refinance fund

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

28.05 Disaster management and social responsibility fund

This fund was created by the approval of Board of Directors (6th meeting of 2013), minutes no. -BD-341(2013-06)/50 on 17 June, 2013. Primarily, the fund, BDT. 50 million as donation, was collected from Bangladesh Bank's 2012-2013 profit and subsequently BDT. 50 million will be deducted from each year's profit transferring the amount to this fund. From financial year 2014-2015, Tk. 100 million has been contributed deducting from each year's profit.

	2018 BDT '000	2017 BDT '000
29 Other reserves		
Asset renewal and replacement reserve (29.01)	4,326,785	3,947,785
Interest reserve (29.02)	7,522,114	7,522,114
Total	11,848,899	11,469,899

29.01 Asset renewal and replacement reserve

Every year an amount equivalent to depreciation charge against buildings and installations is transferred to this fund during profit appropriation.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

	2018	2017
	BDT '000	BDT '000
29.02 Interest reserve		
It was introduced in the financial year 2006-2007 as per decision of the Board and represents the interest accrued against the overdue loan of Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank.		
30 Consolidated general reserve		
Bangladesh Bank (separate) (Note 30.01)	4,250,500	4,250,500
The Security Printing Corporation (Bangladesh) Ltd. (SPCBL)	850,000	750,000
Total	5,100,500	5,000,500
30.01 General reserve	4,250,500	4,250,500
As per Article 59 of Bangladesh Bank Order, 1972 securities having value of BDT. 30 million was allocated by the Government and held by the Bank as the general reserve. Further an amount of BDT 4,220.5 million was transferred to the reserve from general provision over the years.		
31 Consolidated retained earnings		
Opening balance	16,018,300	16,770,502
Prior year adjustment	15,026	-
Adjustment against due from Government	(417,799)	(13,219)
Appropriation of profit to other funds	(1,029,000)	(979,300)
Dividend paid	(4,510,430)	(6,769,360)
Transferred to general reserve	(100,000)	(100,000)
Adjustment against revaluation	50,070	50,254
Profit for the period	8,812,014	7,059,423
Closing balance	18,838,181	16,018,300
31.01 Retained earnings		
Opening balance	4,928,228	6,782,579
Prior year adjustment	15,026	-
Adjustment against due from Government	(417,799)	(13,219)
Appropriation of profit to other funds	(1,029,000)	(979,300)
Dividend paid	(4,510,430)	(6,769,360)
Profit for the period	7,916,843	5,907,528
Closing balance	6,902,868	4,928,228
32 Interest income		
Loans to banks	7,988,057	4,378,742
Short term deposits with commercial banks	14,476,611	10,078,214
Bonds	18,461,611	12,243,124
US Dollar treasury bills	1,129,345	380,093
Claims from gold transactions	67,886	90,065
Others	931,390	318,356
Total	43,054,899	27,488,594

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

	2018 BDT '000	2017 BDT '000
33 Commission and discounts		
Commission on foreign currency operations	51,214	189,060
Others	211,777	461,016
Total	262,991	650,076
34 Interest expenses on foreign currency financial liabilities		
Deposits	780,046	416,894
Asian Clearing Union (ACU)	931,236	288,887
IMF	447,795	153,523
Central Bank Strengthening Project	12,321	-
Total	2,171,398	859,304
35 Consolidated interest income on local currency financial assets		
Securities purchased under agreement to resell	3,990	21,254
Government securities	3,412,587	3,184,242
Loans and advance to Government	2,398,663	2,502,143
Debentures	195,572	207,511
Loans to banks financial institution and employees	3,250,065	4,250,297
Short term money market deposits	883,636	803,178
Total	10,144,512	10,968,626
35.01 Interest income		
Securities purchased under agreement to resell	3,990	21,254
Government securities	3,412,587	3,184,242
Loans and advance to Government	2,398,663	2,502,143
Debentures	195,572	207,511
Loans to banks financial institution and employees	3,176,075	4,177,935
Total	9,186,887	10,093,085
36 Commission and discounts		
Commission income from Government	10,821	11,048
Miscellaneous commission income	705,659	754,685
Total	716,480	765,733
37 Other income		
Exchange A/C (local income)	24	36
Exchange A/C-Remittance Sold (local)	2	2
Exchange A/C-T T discount (local)	4	16
Exchange earned account	559	458
Gain on asset sale or de-recognition	2,529	244
Grant income	-	2,357
Penal Interest	224,300	61,074
Total	227,417	64,187

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

	2018 BDT '000	2017 BDT '000
38 Interest expense		
Bangladesh Bank bills	5,504,539	9,395,598
Interest Expense- FSSP	105,819	49,274
Total	5,610,358	9,444,872
39 Commission and other expenses		
Agency charges (Note 39.01)	6,462,772	4,966,800
Under writing commission on treasury bills & bonds (Note 39.02)	142,190	116,207
Other expenses	16,371	2,742
Total	6,621,333	5,085,749
39.01 Agency charges		
Agency charges paid to Sonali Bank Limited for acting as agent of Bangladesh Bank.		
39.02 Under writing commission on treasury bills & bonds		
Underwriting commission paid to primary dealers for issuing Govt. treasury bill and bond.		
40 Consolidated general and administrative expenses		
Staff costs (Note 40 (a))	18,359,097	11,346,929
Depreciation	944,202	897,905
Amortisation (intangible assets)	71,388	129,912
Directors' fees	1,142	962
Audit fees	8,869	8,594
Stationery	78,921	103,377
Rent, electricity etc.	388,151	352,485
Remittance of treasure	45,982	45,171
Donations	209,917	216,749
Telephone	108,122	102,450
Repairs & maintenance	375,154	255,413
Materials	3,057,144	3,127,665
Provision for Workers' Profit Participation Fund	97,111	97,029
Income tax and Value Added Tax	558,029	555,126
Miscellaneous	7,735,754	1,711,692
Total	32,038,983	18,951,460

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

	2018 BDT '000	2017 BDT '000
40 (a) Staff costs		
Salary	2,714,446	2,722,620
House rent	997,361	988,873
Contribution to contributory provident fund	383,431	990,401
Pension and gratuity	10,600,000	3,322,100
Leave encashment	955,947	520,000
General and incentive bonus	983,097	1,210,144
Medical expenses	404,608	344,795
Training	199,568	136,131
Travel expenses	361,067	309,517
Lunch	301,829	289,251
Other staff costs	457,743	513,097
Total	18,359,097	11,346,929
40.01 General and administrative expenses		
Staff costs (Note 40.01(a))	17,477,989	10,443,141
Depreciation	658,732	650,571
Amortization	71,388	129,912
Directors' fee	663	382
Audit fee	8,294	8,294
Stationery	75,898	100,918
Rent	277,807	251,382
Remittance of treasure	45,425	44,759
Donations	188,543	196,082
Telephone	107,521	101,782
Repairs	353,116	238,750
Miscellaneous	7,716,459	1,698,318
Total	26,981,835	13,864,291
40.01(a) Staff costs		
Salary	2,425,619	2,433,162
House rent	997,361	988,873
Contribution to contributory provident fund	178,990	767,951
Pension and gratuity	10,600,000	3,322,100
Leave encashment	853,400	470,000
General and incentive bonus	903,498	1,079,788
Medical expenses	394,688	337,407
Training	198,462	135,602
Travel expenses	347,359	296,576
Lunch	266,211	255,219
Other staff costs	312,401	356,463
Total	17,477,989	10,443,141

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

41 Financial instruments-Fair values and risk management

41.1 a. Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Consolidated **BDT '000**

Particulars	30 June 2018				Fair value			Total
	Loans and receivables	Held-to-maturity	Fair value through profit or loss	Carrying amount	Level 1	Level 2	Level 3	
Financial assets measured at fair value								
US Dollar Treasury bills	-	-	-	82,138,522	82,138,522	-	-	82,138,522
Foreign bonds	-	-	-	1,117,016,159	1,117,016,159	-	-	1,117,016,159
Gold and silver	-	-	-	23,992,347	23,992,347	-	-	23,992,347
Claims from gold transaction	-	-	-	23,254,853	23,254,853	-	-	23,254,853
Treasury bills	-	-	-	48,816,816	48,816,816	-	-	48,816,816
Treasury bonds	-	-	-	59,164,294	59,164,294	-	-	59,164,294
Swift shares	-	-	-	80	80	-	-	80
Debtenture - House Building Finance Corporation	-	-	-	3,945,000	3,945,000	-	-	3,945,000
				1,358,328,071	1,246,401,881	111,926,110	80	1,358,328,071
Financial assets not measured at fair value								
Taka coin and cash balances	15,235,267	-	-	-	-	-	-	-
Foreign currency accounts	46,318,237	-	-	-	-	-	-	-
Overnight investment	235,616,222	-	-	-	-	-	-	-
Short term deposits with overseas commercial banks	637,176,395	-	-	-	-	-	-	-
Asset held with IMF	223,651,193	-	-	-	-	-	-	-
Foreign currency loans to banks	264,534,094	-	-	-	-	-	-	-
Interest receivable	12,800,736	-	-	-	-	-	-	-
Other receivable	5,224,144	-	-	-	-	-	-	-
Ways and means advance	40,000,000	-	-	-	-	-	-	-
Overdraft - block	41,850,000	-	-	-	-	-	-	-
Overdraft - current	27,839,100	-	-	-	-	-	-	-
Short term money market investments	2,777,520	-	-	-	-	-	-	-
Share of ICB Islamic Bank Limited	7,452	-	-	-	-	-	-	-
Loan to commercial banks	4,325,171	-	-	-	-	-	-	-
Loan to specialised banks	33,006,271	-	-	-	-	-	-	-
Loan to private banks	3,100,500	-	-	-	-	-	-	-
Other loans and advances	31,324,046	-	-	-	-	-	-	-
Interest receivable	701,194	-	-	-	-	-	-	-
Loans and advances to employees	36,532,866	-	-	-	-	-	-	-
Other local currency financial assets	11,075,508	-	-	-	-	-	-	-
	1,873,095,915							1,873,095,915
Financial liabilities measured at fair value								
Nil	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Liabilities with IMF	-	-	-	244,700,108	244,700,108	-	-	244,700,108
Foreign currency deposits by commercial banks	-	-	-	104,744,648	104,744,648	-	-	104,744,648
Asian Clearing Union (ACU)	-	-	-	106,022,995	106,022,995	-	-	106,022,995
Notes in circulation	-	-	-	1,534,131,824	1,534,131,824	-	-	1,534,131,824
Local currency deposits from banks and financial institutions	-	-	-	787,946,162	787,946,162	-	-	787,946,162
Short term borrowings	-	-	-	87,947,138	87,947,138	-	-	87,947,138
				2,865,492,875	2,865,492,875			2,865,492,875

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2018

Particulars	30 June 2017						Total	Fair value			Total	
	Carrying amount			Fair value				Level 1	Level 2	Level 3		
	Loans and receivables	Held-to-maturity	Fair value through profit or loss	Available-for-sale	Other financial liabilities	Total						
Financial assets measured at fair value												
US Dollar Treasury bills	-	-	-	79,806,111	-	-	79,806,111	-	-	-	-	79,806,111
Foreign bonds	-	-	-	1,081,521,961	-	-	1,081,521,961	-	-	-	-	1,081,521,961
Gold and silver	-	-	-	11,383,556	-	-	11,383,556	-	-	-	-	11,383,556
Claims from gold transaction	-	-	-	33,811,041	-	-	33,811,041	-	-	-	-	33,811,041
Treasury bills	-	-	-	8,116,472	-	-	8,116,472	-	8,116,472	-	-	8,116,472
Treasury bonds	-	-	-	43,594,929	-	-	43,594,929	-	43,594,929	-	-	43,594,929
Swift shares	-	-	-	80	-	-	80	-	-	80	-	80
Debtenture - House Building Finance Corporation	-	-	-	3,945,000	-	-	3,945,000	-	3,945,000	-	-	3,945,000
Share of ICB Islamic Bank Limited	-	-	-	7,452	-	-	7,452	-	-	7,452	-	7,452
				1,262,186,602			1,262,186,602		55,656,401		80	1,262,186,601
Financial assets not measured at fair value												
Taka coin and cash balances	16,613,648	-	-	-	-	-	16,613,648	-	-	-	-	-
Foreign currency accounts	34,888,457	-	-	-	-	-	34,888,457	-	-	-	-	-
Overnight investment	214,600,368	-	-	-	-	-	214,600,368	-	-	-	-	-
Short term deposits with overseas commercial banks	928,877,704	-	-	-	-	-	928,877,704	-	-	-	-	-
Asset held with IMF	213,841,975	-	-	-	-	-	213,841,975	-	-	-	-	-
Foreign currency loans to banks	206,294,007	-	-	-	-	-	206,294,007	-	-	-	-	-
Interest receivable	9,437,834	-	-	-	-	-	9,437,834	-	-	-	-	-
Other receivable	5,224,144	-	-	-	-	-	5,224,144	-	-	-	-	-
Ways and means advance	30,155,600	-	-	-	-	-	30,155,600	-	-	-	-	-
Overdraft - block	56,850,000	-	-	-	-	-	56,850,000	-	-	-	-	-
Short term money market investments (restated)	878,712	-	-	-	-	-	878,712	-	-	-	-	-
Loan to commercial banks	4,764,329	-	-	-	-	-	4,764,329	-	-	-	-	-
Loan to specialised banks	27,959,832	-	-	-	-	-	27,959,832	-	-	-	-	-
Loan to private banks	3,146,800	-	-	-	-	-	3,146,800	-	-	-	-	-
Other loans and advances	29,578,717	-	-	-	-	-	29,578,717	-	-	-	-	-
Interest receivable	7,731,998	-	-	-	-	-	7,731,998	-	-	-	-	-
Loans and advances to employees	33,478,028	-	-	-	-	-	33,478,028	-	-	-	-	-
Other local currency financial assets	2,696,899	-	-	-	-	-	2,696,899	-	-	-	-	-
	1,827,019,051						1,827,019,051					
Financial liabilities measured at fair value												
Nil	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value												
Liabilities with IMF	-	-	-	-	-	-	231,519,873	-	-	-	-	231,519,873
Foreign currency deposits by commercial banks	-	-	-	-	-	-	89,879,045	-	-	-	-	89,879,045
Asian Clearing Union (ACU)	-	-	-	-	-	-	82,202,364	-	-	-	-	82,202,364
Notes in circulation	-	-	-	-	-	-	1,497,287,018	-	-	-	-	1,497,287,018
Local currency deposits from banks and financial institutions	-	-	-	-	-	-	733,927,114	-	-	-	-	733,927,114
Short term borrowings	-	-	-	-	-	-	182,618,016	-	-	-	-	182,618,016
							2,817,433,430					2,817,433,430

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

Separate

Particulars	30 June 2018										BDT '000	
	Loans and receivables	Held-to-maturity	Carrying amount		Other financial liabilities	Total	Fair value			Total		
			Fair value through profit or loss	Available-for-sale			Level 1	Level 2	Level 3			
Financial assets measured at fair value												
US Dollar Treasury bills	-	-	-	82,138,522	-	82,138,522	-	-	-	-	82,138,522	-
Foreign bonds	-	-	-	1,117,016,159	-	1,117,016,159	-	-	-	-	1,117,016,159	-
Gold and silver	-	-	-	23,992,347	-	23,992,347	-	-	-	-	23,992,347	-
Claims from gold transaction	-	-	-	23,254,853	-	23,254,853	-	-	-	-	23,254,853	-
Treasury bills	-	-	-	48,816,816	-	48,816,816	-	-	-	-	48,816,816	-
Treasury bonds	-	-	-	59,164,294	-	59,164,294	-	-	-	-	59,164,294	-
Swift shares	-	-	-	80	-	80	-	-	-	80	-	-
Investment in subsidiary	-	-	-	12,000,000	-	12,000,000	-	-	-	-	12,000,000	-
Debtenture - House Building Finance Corporation	-	-	-	3,945,000	-	3,945,000	-	-	-	-	3,945,000	-
				1,370,328,071		1,370,328,071					1,370,328,071	
Financial assets not measured at fair value												
Taka coin and cash balances	4,990,420	-	-	-	-	4,990,420	-	-	-	-	-	-
Foreign currency accounts	46,318,237	-	-	-	-	46,318,237	-	-	-	-	-	-
Overnight investment	235,616,222	-	-	-	-	235,616,222	-	-	-	-	-	-
Short term deposits with overseas commercial banks	837,176,395	-	-	-	-	837,176,395	-	-	-	-	-	-
Asset held with IMF	223,651,193	-	-	-	-	223,651,193	-	-	-	-	-	-
Foreign currency loans to banks	264,534,094	-	-	-	-	264,534,094	-	-	-	-	-	-
Interest receivable	12,800,736	-	-	-	-	12,800,736	-	-	-	-	-	-
Other receivable	5,224,144	-	-	-	-	5,224,144	-	-	-	-	-	-
Ways and means advance	41,850,000	-	-	-	-	41,850,000	-	-	-	-	-	-
Overdraft - block	27,839,100	-	-	-	-	27,839,100	-	-	-	-	-	-
Overdraft - current	4,325,171	-	-	-	-	4,325,171	-	-	-	-	-	-
Loan to commercial banks	33,006,271	-	-	-	-	33,006,271	-	-	-	-	-	-
Loan to specialised banks	3,100,500	-	-	-	-	3,100,500	-	-	-	-	-	-
Loan to private banks	31,324,046	-	-	-	-	31,324,046	-	-	-	-	-	-
Other loans and advances	701,194	-	-	-	-	701,194	-	-	-	-	-	-
Interest receivable	34,955,699	-	-	-	-	34,955,699	-	-	-	-	-	-
Loans and advances to employees	10,573,535	-	-	-	-	10,573,535	-	-	-	-	-	-
Other local currency financial assets	1,857,986,957	-	-	-	-	1,857,986,957	-	-	-	-	-	-
Financial liabilities measured at fair value												
Nil	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value												
Liabilities with IMF	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency deposits by commercial banks	-	-	-	244,700,108	-	244,700,108	-	-	-	-	-	-
Asian Clearing Union (ACU)	-	-	-	104,744,648	-	104,744,648	-	-	-	-	-	-
Notes in circulation	-	-	-	106,022,995	-	106,022,995	-	-	-	-	-	-
Local currency deposits from banks and financial institutions	-	-	-	1,534,131,824	-	1,534,131,824	-	-	-	-	-	-
Short term borrowings	-	-	-	787,946,162	-	787,946,162	-	-	-	-	-	-
				87,947,138	-	87,947,138	-	-	-	-	-	-
				2,865,492,875		2,865,492,875						

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

Particulars	30 June 2017						Total	Fair value			Total	
	Carrying amount							Total	Level 1	Level 2		Level 3
	Loans and receivables	Held-to-maturity	Fair value through profit or loss	Available-for-sale	Other financial liabilities							
Financial assets measured at fair value												
US Dollar Treasury bills	-	-	-	79,806,111	-	-	79,806,111	79,806,111	-	-	-	79,806,111
Foreign bonds	-	-	-	1,081,521,961	-	-	1,081,521,961	1,081,521,961	-	-	-	1,081,521,961
Gold and silver	-	-	-	11,383,556	-	-	11,383,556	11,383,556	-	-	-	11,383,556
Claims from gold transaction	-	-	-	33,811,041	-	-	33,811,041	33,811,041	-	-	-	33,811,041
Treasury bills	-	-	-	8,116,472	-	-	8,116,472	8,116,472	-	-	-	8,116,472
Treasury bonds	-	-	-	43,594,929	-	-	43,594,929	43,594,929	-	-	-	43,594,929
Swift shares	-	-	-	80	-	-	80	80	-	-	80	80
Investment in subsidiary	-	-	-	12,000,000	-	-	12,000,000	12,000,000	-	-	12,000,000	12,000,000
Debtenture - House Building Finance Corporation	-	-	-	3,945,000	-	-	3,945,000	3,945,000	-	-	-	3,945,000
				1,274,179,150			1,274,179,150	1,274,179,150			12,000,080	1,274,179,150
Financial assets not measured at fair value												
Taka coin and cash balances	4,897,629	-	-	-	-	-	4,897,629	4,897,629	-	-	-	-
Foreign currency accounts	34,888,457	-	-	-	-	-	34,888,457	34,888,457	-	-	-	-
Overnight investment	214,600,368	-	-	-	-	-	214,600,368	214,600,368	-	-	-	-
Short term deposits with overseas commercial banks	928,877,704	-	-	-	-	-	928,877,704	928,877,704	-	-	-	-
Asset held with IMF	213,841,975	-	-	-	-	-	213,841,975	213,841,975	-	-	-	-
Foreign currency loans to banks	206,294,007	-	-	-	-	-	206,294,007	206,294,007	-	-	-	-
Interest receivable	9,437,834	-	-	-	-	-	9,437,834	9,437,834	-	-	-	-
Other receivable	5,224,144	-	-	-	-	-	5,224,144	5,224,144	-	-	-	-
Ways and means advance	30,155,600	-	-	-	-	-	30,155,600	30,155,600	-	-	-	-
Overdraft - block	56,850,000	-	-	-	-	-	56,850,000	56,850,000	-	-	-	-
Loan to commercial banks	4,764,329	-	-	-	-	-	4,764,329	4,764,329	-	-	-	-
Loan to specialised banks	27,959,832	-	-	-	-	-	27,959,832	27,959,832	-	-	-	-
Loan to private banks	3,146,800	-	-	-	-	-	3,146,800	3,146,800	-	-	-	-
Other loans and advances	29,578,717	-	-	-	-	-	29,578,717	29,578,717	-	-	-	-
Interest receivable	7,731,988	-	-	-	-	-	7,731,988	7,731,988	-	-	-	-
Loans and advances to employees	32,114,702	-	-	-	-	-	32,114,702	32,114,702	-	-	-	-
Other local currency financial assets	2,277,941	-	-	-	-	-	2,277,941	2,277,941	-	-	-	-
	1,812,642,036						1,812,642,036	1,812,642,036				
Financial liabilities measured at fair value												
Nil												
Financial liabilities not measured at fair value												
Liabilities with IMF	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency deposits by commercial banks	-	-	-	-	231,519,873	-	231,519,873	231,519,873	-	-	-	-
Asian Clearing Union (ACU)	-	-	-	-	89,879,045	-	89,879,045	89,879,045	-	-	-	-
Notes in circulation	-	-	-	-	82,202,364	-	82,202,364	82,202,364	-	-	-	-
Local currency deposits from banks and financial institutions	-	-	-	-	1,497,287,018	-	1,497,287,018	1,497,287,018	-	-	-	-
Short term borrowings	-	-	-	-	733,927,114	-	733,927,114	733,927,114	-	-	-	-
					182,618,016		182,618,016	182,618,016				
					2,817,433,430		2,817,433,430	2,817,433,430				

As at 30 June 2018 and 30 June 2017, the Group holds level 3 financial instruments only on Swift shares. Management believes that the fair value of these shares is equal to its carrying amount. A Level 3 reconciliation table has not been disclosed as no change in fair value of investment from last year.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

41.1 b. Measurement of fair values

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

Fair value of foreign securities available-for-sale is based on quoted market prices, at the financial position date (2017: foreign securities available-for-sale at fair value). Local currency financial investments includes shares in SPCBL with a value of BDT 12,000,000,000 (2017: BDT 12,000,000,000) & Debentures of HBFC with a value of BDT 3,945,000,000 (2017: BDT 4,715,000,000) for which fair value cannot be reliably determined as they are not traded in the active market and there are no similar instruments with similar characteristics. Management believes that the fair value of these shares are their carrying value.

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

41.2 Financial Risk Management

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

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

Risk management framework

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

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

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

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

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

I. Credit Risk

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

a. Concentration of credit exposure

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

BDT '000

Particulars	2018		2017	
	Consolidated	Separate	Consolidated	Separate
Bangladesh	665,728,728	662,619,769	679,598,187	677,213,720
Other Asian countries	522,369,335	522,369,335	919,220,699	919,220,699
United States of America	756,983,743	756,983,743	715,436,328	715,436,328
Europe	448,120,706	448,120,706	361,921,076	361,921,076
Australia	119,335,868	119,335,868	412,103,737	412,103,737
Others	718,885,607	718,885,607	445,068	445,068
Total	3,231,423,987	3,228,315,028	3,088,725,095	3,086,340,628

b. Credit exposures by credit rating

Following tables represents the Group's foreign currency financial assets (excluding foreign currency loans to banks) mainly based on Moody's credit rating of the issuer (or equivalent Moody's rating in case of rating by other agencies). For long term deposits Aaa is the highest quality rating possible and indicates that the entity has an exceptional credit quality and have the smallest degree of risk; Aa is excellent credit quality but are rated lower than Aaa. Aa1 indicates the higher end of Aa category, Aa2 indicates mid range ranking of Aa category and Aa3 indicates lower end of Aa category. For short term deposits P-1 indicates banks rated prime -1 for deposits, and offers superior credit quality and a very strong capacity for timely payment of short-term deposit obligations; ST-1 indicates the highest capacity for timely repayment of obligations; ST-2 indicates a strong capacity for timely repayment of obligations and ST-3 indicates average capacity for timely repayment of obligations.

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

Consolidated

BDT '000

Particulars	Credit Rating	2018		2017	
		Amount	% of financial assets	Amount	% of financial assets
i) Foreign currency financial assets					
Foreign currency accounts	P-1	46,318,237	1.44%	34,888,457	1.13%
Overnight investment	P-1	235,616,222	7.35%	214,600,368	6.96%
Short term deposits with overseas commercial banks	P-1	837,176,395	26.10%	928,877,704	30.12%
US Dollar treasury bills	P-1	82,138,522	2.56%	79,806,111	2.59%
Foreign bonds	Aaa	790,190,231	24.64%	792,445,237	25.69%
Foreign bonds	Aa1, Aa2, Aa3	149,787,316	4.67%	147,859,930	4.79%
Foreign bonds	A1, A2, A3	68,797,910	2.14%	54,051,238	1.75%
Foreign bonds	B1, Ba1, Baa1, Baa2, Baa3	108,240,702	3.37%	87,165,556	2.83%
Foreign currency loans to banks	A	29,176,195	0.91%	4,334,870	0.14%
Foreign currency loans to banks	Aaa to Aa	233,910,792	7.29%	170,675,910	5.53%
Foreign currency loans to banks	Baa, Ba, B	1,321,338	0.04%	2,894,115	0.09%
Foreign currency loans to banks	Unrated	125,768	0.00%	35,339,436	1.15%
Claims from gold transactions	Aa2	23,254,853	0.73%	33,811,041	1.10%
Assets held with International Monetary Fund	Unrated	223,651,193	6.97%	213,841,975	6.93%
Other foreign currency financial assets	Unrated	18,024,960	0.56%	14,662,058	0.48%
Total		2,847,730,634	88.79%	2,815,254,006	91.28%
ii) Local currency financial assets					
Loans to the Government of Bangladesh	Ba3	217,670,210	6.79%	138,717,001	4.50%
Local currency investments	-	6,729,972	0.21%	4,835,300	0.16%
Loans to banks, financial institutions	A	19,728,171	0.62%	3,496,481	0.11%
Loans to banks, financial institutions	Aaa to Aa	19,264,225	0.60%	14,538,830	0.47%
Loans to banks, financial institutions	Ba to B	133,727	0.00%	198,047	0.01%
Loans to banks, financial institutions	Baa	218,436	0.01%	270,741	0.01%
Loans to banks, financial institutions	Unrated	33,112,624	1.03%	54,197,018	1.76%
Loans to employees	-	36,532,866	1.14%	33,478,028	1.09%
Other local currency financial assets	-	11,075,508	0.35%	2,692,763	0.09%
Taka coin and cash balances	-	15,235,267	0.47%	16,613,648	0.54%
Total		359,701,006	11.21%	269,037,857	8.72%
Total financial assets (i+ii)		3,207,431,640	100.00%	3,084,291,863	100.00%

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

Separate

BDT '000

Particulars	Credit Rating	2018		2017	
		Amount	% of financial assets	Amount	% of financial assets
i) Foreign currency financial assets					
Foreign currency accounts	P-1	46,318,237	1.45%	34,888,457	1.13%
Overnight investment	P-1	235,616,222	7.35%	214,600,368	6.96%
Short term deposits with overseas commercial banks	P-1	837,176,395	26.13%	928,877,704	30.14%
US Dollar treasury bills	P-1	82,138,522	2.56%	79,806,111	2.59%
Foreign bonds	Aaa	790,190,231	24.66%	792,445,237	25.71%
Foreign bonds	Aa1, Aa2, Aa3	149,787,316	4.67%	147,859,930	4.80%
Foreign bonds	A1, A2, A3	68,797,910	2.15%	54,051,238	1.75%
Foreign bonds	B1, Ba1, Baa1, Baa2, Baa3	108,240,702	3.38%	87,165,556	2.83%
Foreign currency loans to banks	A	29,176,195	0.91%	4,334,870	0.14%
Foreign currency loans to banks	Aaa to Aa	233,910,792	7.30%	170,675,910	5.54%
Foreign currency loans to banks	Baa, Ba, B	1,321,338	0.04%	2,894,115	0.09%
Foreign currency loans to banks	Unrated	125,768	0.00%	35,339,436	1.15%
Claims from gold transactions	Aa2	23,254,853	0.73%	33,811,041	1.10%
Assets held with International Monetary Fund	Unrated	223,651,193	6.98%	213,841,975	6.94%
Other foreign currency financial assets	Unrated	18,024,960	0.56%	14,662,058	0.48%
Total		2,847,730,634	88.87%	2,815,254,006	91.35%
ii) Local currency financial assets					
Loans to the Government of Bangladesh	Ba3	217,670,210	6.79%	138,717,001	4.50%
Local currency investments	Unrated	15,945,000	0.50%	15,945,000	0.52%
Loans to banks, financial institutions	A	19,728,171	0.62%	3,496,481	0.11%
Loans to banks, financial institutions	Aaa to Aa	19,264,225	0.60%	14,538,830	0.47%
Loans to banks, financial institutions	Ba to B	133,727	0.00%	198,047	0.01%
Loans to banks, financial institutions	Baa	218,436	0.01%	270,741	0.01%
Loans to banks, financial institutions	Unrated	33,112,624	1.03%	54,197,018	1.76%
Loans to employees	-	34,955,699	1.09%	32,114,702	1.04%
Other local currency financial assets	-	10,573,535	0.33%	2,277,941	0.07%
Taka coin and cash balances	-	4,990,420	0.16%	4,897,629	0.16%
Total		356,592,047	11.13%	266,653,390	8.65%
Total financial assets (i+ii)		3,204,322,681	100%	3,081,907,396	100%

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

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

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

Taka '000

Particulars	2018		2017	
	Amount	Principal type of Collateral	Amount	Principal type of Collateral
i) Foreign currency financial assets				
Foreign currency loans to banks	264,534,094	None	206,294,007	None
Claims from gold transactions	23,254,853	None	33,811,041	None
Assets held with International Monetary Fund	223,651,193	None	213,841,975	None
ii) Local currency financial assets				
Loans to the Government of Bangladesh	217,670,210	None	138,717,001	None
Local currency loans to banks, financial institutions and employees	108,990,048	- Government guarantee - Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortgage of property"	106,179,145	"-Government guarantee - Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortgage of property"

II. Liquidity risk

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

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

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

Consolidated

30 June 2018						BDT '000
Particulars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Foreign currency financial assets						
Foreign currency accounts	46,318,237	-	-	-	-	-
Foreign investments	535,139,985	557,539,241	441,203,797	738,064,276	-	-
Assets held with International Monetary Fund	112,393,962	197,889	-	-	-	111,059,342
Gold and silver	23,992,347	-	-	-	-	-
Claims from gold transactions	23,254,853	-	-	-	-	-
Foreign currency loans to banks	125,768	337,820	252,241,801	6,632,545	5,196,159	-
Total	741,225,152	558,074,950	693,445,597	744,696,821	116,255,500	-
Local currency financial assets						
Taka coin and cash balances	15,235,267	-	-	-	-	-
Loans to the Government of Bangladesh	70,240,948	29,956,089	38,997,585	51,432,929	27,042,659	-
Local currency investments	-	-	5,057,520	650,000	1,022,452	-
Local currency loans to banks, financial institutions and employees	5,176,473	9,330,724	19,141,365	32,948,569	42,392,917	-
Total	90,652,688	39,286,814	63,196,471	85,031,498	70,458,028	-
Total financial assets	831,877,840	597,361,764	756,642,068	829,728,319	186,713,528	-
Foreign currency financial liabilities						
Deposits from banks and financial institutions	210,767,642	-	-	-	-	-
Liabilities with International Monetary Fund	1,604,981	1,172,219	6,459,745	51,677,899	183,785,264	-
Total	212,372,623	1,172,219	6,459,745	51,677,899	183,785,264	-
Local currency financial liabilities						
Notes in circulation	1,534,131,824	-	-	-	-	-
Deposits from banks and financial institutions	787,946,162	-	-	-	-	-
Short term borrowings	87,947,138	-	-	-	-	-
Other local currency financial liabilities	21,724	1,748,347	13,689,487	49,125,991	54,803,990	-
Total	2,410,046,848	1,748,347	13,689,487	49,125,991	54,803,990	-
Total financial liabilities	2,622,419,471	2,920,567	20,149,232	100,803,890	238,589,254	-
Maturity gap	(1,790,541,631)	594,441,198	736,492,836	728,924,429	(51,875,725)	-

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

30 June 2017	BDT '000				
Particulars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Foreign currency financial assets					
Foreign currency accounts	34,888,457	-	-	-	-
Foreign investments	447,570,929	676,170,495	420,910,825	760,153,895	-
Assets held with International Monetary Fund	108,661,765	112,707	-	-	105,067,503
Gold and silver	11,383,556	-	-	-	-
Claims from gold transactions	18,486,546	-	15,324,495	-	-
Foreign currency loans to banks	24,516,575	64,029,534	109,793,481	4,073,765	3,880,653
Total	645,507,827	740,312,737	546,028,801	764,227,660	108,948,156
Local currency financial assets					
Taka coin and cash balances	16,613,648	-	-	-	-
Loans to the Government of Bangladesh	33,485,678	-	26,993,379	59,584,179	18,653,765
Local currency investments	-	-	1,528,712	2,280,000	1,026,588
Local currency loans to banks, financial institutions and employees	1,747,393	10,052,759	17,814,893	31,234,056	45,330,045
Total	51,846,720	10,052,759	46,336,983	93,098,235	65,010,398
Total financial assets	697,354,547	750,365,495	592,365,784	857,325,894	173,958,553
Foreign currency financial liabilities					
Deposits from banks and financial institutions	172,154,298	-	-	-	-
Liabilities with International Monetary Fund	1,607,087	53,726	2,050,530	44,086,352	183,722,179
Total	173,761,385	53,726	2,050,530	44,086,352	183,722,179
Local currency financial liabilities					
Notes in circulation	1,497,287,018	-	-	-	-
Short term borrowings	182,618,016	-	-	-	-
Deposits from banks and financial institutions	733,927,114	-	-	-	-
Other local currency financial liabilities	16,673,961	1,110,023	30,605,947	30,003,124	24,683,650
Total	2,430,506,109	1,110,023	30,605,947	30,003,124	24,683,650
Total financial liabilities	2,604,267,494	1,163,748	32,656,477	74,089,476	208,405,829
Maturity gap	(1,906,912,947)	749,201,747	559,709,307	783,236,418	(34,447,275)

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

Separate

30 June 2018

BDT '000

Particulars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Foreign currency financial assets					
Foreign currency accounts	46,318,237	-	-	-	-
Foreign investments	535,139,985	557,539,241	441,203,797	738,064,276	-
Assets held with International Monetary Fund	112,393,962	197,889	-	-	111,059,342
Gold and silver	23,992,347	-	-	-	-
Claims from gold transactions	23,254,853	-	-	-	-
Foreign currency loans to banks	125,768	337,820	252,241,801	6,632,545	5,196,159
Total	741,225,152	558,074,950	693,445,597	744,696,821	116,255,500
Local currency financial assets					
Taka coin and cash balances	4,990,420	-	-	-	-
Loans to the Government of Bangladesh	70,240,948	29,956,089	38,997,585	51,432,929	27,042,659
Local currency investments	-	-	2,280,000	650,000	13,015,000
Local currency loans to banks, financial institutions and employees	5,176,473	9,330,724	19,141,365	32,948,569	40,815,750
Total	80,407,841	39,286,814	60,418,950	85,031,498	80,873,409
Total financial assets	821,632,993	597,361,764	753,864,547	829,728,320	197,128,909
Foreign currency financial liabilities					
Deposits from banks and financial institutions	210,767,642	-	-	-	-
Liabilities with International Monetary Fund	1,604,981	1,172,219	6,459,745	51,677,899	183,785,264
Total	212,372,623	1,172,219	6,459,745	51,677,899	183,785,264
Local currency financial liabilities					
Notes in circulation	1,534,131,824	-	-	-	-
Deposits from banks and financial institutions	787,946,162	-	-	-	-
Short term borrowings	87,947,138	-	-	-	-
Other local currency financial liabilities	1,093,416	1,153,979	12,486,016	49,125,991	54,466,085
Total	2,411,118,540	1,153,979	12,486,016	49,125,991	54,466,085
Total financial liabilities	2,623,491,163	2,326,198	18,945,761	100,803,890	238,251,349
Maturity gap	(1,801,858,170)	595,035,565	734,918,786	728,924,430	(41,122,440)

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

30 June 2017

BDT '000

Particulars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Foreign currency financial assets					
Foreign currency accounts	34,888,457	-	-	-	-
Foreign investments	447,570,929	676,170,495	420,910,825	760,153,895	-
Assets held with International Monetary Fund	108,661,765	112,707	-	-	105,067,503
Gold and silver	11,383,556	-	-	-	-
Claims from gold transactions	18,486,546	-	15,324,495	-	-
Foreign currency loans to banks	24,516,575	64,029,534	109,793,481	4,073,765	3,880,653
Total	645,507,827	740,312,737	546,028,801	764,227,660	108,948,156
Local currency financial assets					
Taka coin and cash balances	4,897,629	-	-	-	-
Securities purchased under agreement to resell	33,485,678	-	26,993,379	59,584,179	18,653,765
Loans to the Government of Bangladesh	-	-	650,000	2,280,000	13,015,000
Local currency investments	1,747,393	10,052,759	17,814,893	31,234,056	43,966,719
Local currency loans to banks, financial institutions and employees	40,130,701	10,052,759	45,458,271	93,098,235	75,635,483
Total	685,638,528	750,365,495	591,487,072	857,325,894	184,583,639
Total financial assets	949,387,535	721,264,306	322,539,063	662,466,795	167,918,436
Foreign currency financial liabilities					
Deposits from banks and financial institutions	172,154,298	-	-	-	-
Liabilities with International Monetary Fund	1,607,087	53,726	2,050,530	44,086,352	183,722,179
Total	173,761,385	53,726	2,050,530	44,086,352	183,722,179
Local currency financial liabilities					
Notes in circulation	1,497,287,018	-	-	-	-
Short term borrowings	182,618,016	-	-	-	-
Deposits from banks and financial institutions	733,927,114	-	-	-	-
Other local currency financial liabilities	18,124,883	-	29,319,200	30,003,124	24,356,030
Total	2,431,957,031	-	29,319,200	30,003,124	24,356,030
Total financial liabilities	2,605,718,416	53,726	31,369,730	74,089,476	208,078,209
Maturity gap	(1,920,079,888)	750,311,770	560,117,342	783,236,418	(23,494,570)

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

III. Market risk

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

a) Currency risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In Bangladesh Bank, foreign exchange reserve management and investment functions are guided by an Investment Committee. Decision of the Investment Committee and dealing practices approved by the Investment Committee serve as operational guidelines for Bangladesh Bank's reserve management and investments. The guidelines are directed towards managing different types of risks, while earning a reasonable return. There is an approved benchmark for investment in terms of currency composition, portfolio duration and proportion of different assets within a band. Dealers/portfolio managers afford best to comply with this benchmark and continually rebalance the investment portfolio to follow the benchmark daily/weekly as approved by the Investment Committee.

Foreign currency monetary assets and liabilities

30 June 2018	Particulars	BDT '000									
		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	25,836,132	-	4,085,196	2,728,622	11,132,560	1,285,480	388,268	464,189	-	397,790
	Overnight investment	233,767,731	-	1,848,491	-	-	-	-	-	-	-
	Short term deposits in overseas commercial banks	649,545,955	-	-	81,696,382	-	31,929,179	40,061,957	32,010,370	-	1,932,552
	Treasury bills	82,138,522	-	-	-	-	-	-	-	-	-
	Foreign bonds	969,503,992	-	104,474,530	27,850,824	-	3,788,155	9,952,204	1,446,454	-	-
	Loan to other banks	264,534,093	-	-	-	-	-	-	-	-	-
	Claims from gold transaction	-	23,254,853	-	-	-	-	-	-	-	-
	Interest receivable	10,783,926	40,579	1,064,803	318,908	-	99,134	287,694	202,920	-	2,772
	Asset held with IMF	-	-	-	-	-	-	-	-	223,651,193	-
	Total	2,236,110,352	23,295,432	111,473,020	112,594,736	11,132,560	37,101,947	50,690,123	34,123,933	223,651,193	2,333,115
Liabilities											
	Deposits from other banks, financial institutions and ACU	207,416,668	-	2,988,668	354,831	7,284	191	-	-	-	-
	Liabilities to IMF	-	-	-	-	-	-	-	-	244,700,108	-
	Total	207,416,668	-	2,988,668	354,831	7,284	191	-	-	244,700,108	-
	Net	2,028,693,684	23,295,432	108,484,353	112,239,905	11,125,276	37,101,756	50,690,123	34,123,933	(21,048,915)	2,333,115

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

30 June 2017											BDT '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	14,508,076	-	2,975,869	3,176,438	10,760,074	468,696	421,410	2,165,595	-	412,298	
Overnight Investment	213,917,275	-	683,093	-	-	-	-	-	-	-	
Short term deposits in overseas commercial banks	761,182,426	-	920,889	66,286,395	-	30,898,426	41,411,848	26,346,595	-	1,831,124	
Treasury bills	79,806,111	-	-	-	-	-	-	-	-	-	
Foreign bonds	935,352,757	-	97,074,539	34,921,721	-	4,365,810	7,396,778	2,410,355	-	-	
Loan to other banks	206,294,007	-	-	-	-	-	-	-	-	-	
Claims from gold transaction	-	33,811,041	-	-	-	-	-	-	-	-	
Interest receivable	12,813,607	40,765	1,063,451	333,880	-	66,328	211,220	130,629	-	2,178	
Asset held with IMF	-	-	-	-	-	-	-	-	213,841,975	-	
Total	2,223,874,260	33,851,806	102,717,841	104,718,434	10,760,074	35,799,260	49,441,256	31,053,174	213,841,975	2,245,600	
Liabilities											
Deposits from other banks, financial institutions and ACU	170,440,209	-	1,382,443	322,402	9,059	185	-	-	-	-	
Liabilities to IMF	-	-	-	-	-	-	-	-	231,519,873	-	
Total	170,440,209	-	1,382,443	322,402	9,059	185	-	-	231,519,873	-	
Net	2,053,434,051	33,851,806	101,335,398	104,396,033	10,751,015	35,799,075	49,441,256	31,053,174	(17,677,898)	2,245,600	

Currency risk sensitivity analysis

During the year, if the Taka had weakened 10 per cent against the principal currencies in its foreign reserves portfolio with all other variables held constant, profit for the year would have been Tk. 8,873 million higher, (2017: Tk.6,934 million). Conversely, if the Taka had strengthened 10 per cent against the same currencies with all other variables held constant, the Bank would have experienced a decrease of profit for the year of Tk. 8,873 million higher, (2017: Tk.6,934 million). Profit/Loss is very sensitive to changes in exchange rate movements. The bank as part of its core functions holds substantial foreign currency assets.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

b) Interest rate risk

Interest rate risk is the risk of loss arising from changes in interest rates. The Group is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. Since the primary objective of the Bank is to achieve and maintain price stability, it determines at its own discretion the monetary policy that it will implement and the monetary policy instruments that is going to use in order to achieve and maintain price stability. Bank's interest sensitivity position based on contractual re-pricing arrangements as on 30 June 2018 is presented below. It includes the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing of maturity dates. The table below summaries all financial instruments in their re-pricing period, which is equivalent to the remaining term of maturity:

Consolidated

30 June, 2018						BDT '000
Particulars	Balance as at 30 June 2018	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	46,318,237	46,318,237	-	-	-	0.22%
Foreign investments	2,271,947,298	1,092,679,226	441,203,797	738,064,276	-	2.23%
Assets held with International Monetary Fund	223,651,193	112,591,851	-	-	111,059,342	0.98%
Claims from gold transactions	23,254,853	23,254,853	-	-	-	0.18%
Foreign currency loans to banks	264,534,094	463,588	252,241,801	6,632,545	5,196,159	3.17%
Total Foreign currency financial assets	2,829,705,675	1,275,307,755	693,445,598	744,696,821	116,255,501	
Local currency financial assets						
Loans to the Government of Bangladesh	217,670,210	100,197,037	38,997,585	51,432,929	27,042,659	5.37%
Local currency investments	6,729,972	-	5,057,520	650,000	1,022,452	3.12%
Local currency loans to banks, financial institutions and employees	108,990,048	14,507,197	19,141,365	32,948,569	42,392,917	3.76%
Total Local currency financial assets	333,390,230	114,704,234	63,196,470	85,031,498	70,458,028	
Liabilities						
Foreign currency financial liabilities						
Deposits from banks and financial institutions	210,767,642	210,767,642	-	-	-	1.10%
Liabilities with International Monetary Fund	244,700,108	2,777,200	6,459,745	51,677,899	183,785,264	0.44%
Total foreign currency financial liabilities	455,467,750	213,544,842	6,459,745	51,677,899	183,785,264	
Local currency financial liabilities						
Short term borrowings	87,947,138	87,947,138	-	-	-	0.18%
Total local currency financial liabilities	87,947,138	87,947,138	-	-	-	

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

30 June, 2017

BDT '000

Particulars	Balance as at 30 June 2017	Re-pricing period				Weighted average interest
		0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
Assets						
Foreign currency financial assets						
Foreign currency accounts	34,888,457	34,888,457	-	-	-	0.08%
Foreign investments	2,304,806,144	1,123,741,424	420,910,825	760,153,895	-	1.37%
Assets held with International Monetary Fund	213,841,975	108,774,472	-	-	105,067,503	0.05%
Claims from gold transactions	33,811,041	18,486,546	15,324,495	-	-	0.39%
Foreign currency loans to banks	206,294,007	88,546,108	109,793,481	4,073,765	3,880,653	1.89%
Total Foreign currency financial assets	2,793,641,624	1,374,437,008	546,028,801	764,227,660	108,948,156	
Local currency financial assets						
Loans to the Government of Bangladesh	138,717,001	33,485,678	26,993,379	59,584,179	18,653,765	4.92%
Local currency investments	4,831,164	-	1,528,712	2,280,000	1,026,588	2.08%
Local currency loans to banks, financial institutions and employees	106,179,145	11,800,152	17,814,893	31,234,056	45,330,045	4.20%
Total Local currency financial assets	249,727,310	45,285,830	46,336,983	93,098,235	65,010,398	
Liabilities						
Foreign currency financial liabilities						
Deposits from banks and financial institutions	172,154,298	172,154,298	-	-	-	0.42%
Liabilities with International Monetary Fund	231,519,873	1,660,813	2,050,530	44,086,352	183,722,179	0.05%
Total foreign currency financial liabilities	403,674,171	173,815,111	2,050,530	44,086,352	183,722,179	
Local currency financial liabilities						
Short term borrowings	182,618,016	182,618,016	-	-	-	5.67%
Total local currency financial liabilities	182,618,016	182,618,016	-	-	-	

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

Separate

30 June, 2018						BDT '000
Particulars	Balance as at 30 June 2018	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	46,318,237	46,318,237	-	-	-	0.22%
Foreign investments	2,271,947,298	1,092,679,226	441,203,797	738,064,276	-	2.23%
Assets held with International Monetary Fund	223,651,193	112,591,851	-	-	11,059,342	0.98%
Claims from gold transactions	23,254,853	23,254,853	-	-	-	0.18%
Foreign currency loans to banks	264,534,094	463,588	252,241,801	6,632,545	5,196,159	3.17%
Total Foreign currency financial assets	2,829,705,675	1,275,307,754	693,445,597	744,696,821	116,255,500	
Local currency financial assets						
Loans to the Government of Bangladesh	217,670,210	100,197,037	38,997,585	51,432,929	27,042,659	5.37%
Local currency investments	15,945,000	-	2,280,000	650,000	13,015,000	3.12%
Local currency loans to banks, financial institutions and employees	107,412,881	14,507,197	19,141,365	32,948,569	40,815,750	3.75%
Total Local currency financial assets	341,028,091	114,704,235	60,418,951	85,031,498	80,873,409	
Liabilities						
Foreign currency financial liabilities						
Deposits from banks and financial institutions	210,767,642	210,767,642	-	-	-	1.10%
Liabilities with International Monetary Fund	244,700,108	2,777,200	6,459,745	51,677,899	183,785,264	0.44%
Total foreign currency financial liabilities	455,467,750	213,544,842	6,459,745	51,677,899	183,785,264	
Local currency financial liabilities						
Short term borrowings	87,947,138	87,947,138	-	-	-	0.18%
Total local currency financial liabilities	87,947,138	87,947,138	-	-	-	

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

30 June, 2017						BDT '000
Particulars	Balance as at 30 June 2017	Re-pricing period				Weighted average interest
		0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
Assets						
Foreign currency financial assets						
Foreign currency accounts	34,888,457	34,888,457	-	-	-	0.08%
Foreign investments	2,304,806,144	1,123,741,424	420,910,825	760,153,895	-	1.33%
Assets held with International Monetary Fund	213,841,975	108,774,472	-	-	105,067,503	0.59%
Claims from gold transactions	33,811,041	18,486,546	15,324,495	-	-	0.20%
Foreign currency loans to banks	206,294,007	88,546,108	109,793,481	4,073,765	3,880,653	2.45%
Total Foreign currency financial assets	2,793,641,624	1,374,437,008	546,028,801	764,227,660	108,948,156	
Local currency financial assets						
Loans to the Government of Bangladesh	138,717,001	33,485,678	26,993,379	59,584,179	18,653,765	5.08%
Local currency investments	15,945,000	-	650,000	2,280,000	13,015,000	2.16%
Local currency loans to banks, financial institutions and employees	104,815,819	11,800,151.85	17,814,893	31,234,056	43,966,719	4.41%
Total Local currency financial assets	259,477,820	45,285,830	45,458,271	93,098,235	75,635,483	
Liabilities						
Foreign currency financial liabilities						
Deposits from banks and financial institutions	172,154,298	172,154,298	-	-	-	0.76%
Liabilities with International Monetary Fund	231,519,873	1,660,813	2,050,530	44,086,352	183,722,179	0.59%
Total foreign currency financial liabilities	403,674,171	173,815,111	2,050,530	44,086,352	183,722,179	
Local currency financial liabilities						
Short term borrowings	182,618,016	733,927,114	-	-	-	2.96%
Total local currency financial liabilities	182,618,016	733,927,114	-	-	-	

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

Interest rate risk sensitivity analysis

During the year, if interest rates had been 100 basis points higher with all other variables constant, profit for the year would have been BDT. 31,106 million higher (2017: BDT. 30,466 million), arising mainly as a result of higher interest income on financial assets. Conversely, if interest rates had been 100 basis point lower with all other variables held constant, profit for the year would have been Tk. 31,106 million lower (2017: BDT. 30,466 million) arising mainly as a result of lower interest income on financial assets. Profit is very sensitive to changes in interest rates as interest is the principal source of income of the bank.

IV. Operational risks

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

Managing operational risk is seen as an integral part of the day to day operations and management which includes explicit consideration of both the opportunities and the risks of all business activities. Operational risk management includes Bank-wide corporate policies that describe the standard required for staff and specific internal control systems designed for the various activities of the Group. Compliance with corporate policies and departmental internal control systems are managed by the management of the department and an active internal audit function.

42 Contingent liabilities

The Bank had contingent liabilities for guarantees outstanding as at 30 June 2018 amounting to BDT 66,977.63 million (2017: BDT 20,149.70 million) in favour of International Islamic Trade Finance Corporation & others which are secured by counter guarantees from the Government of Bangladesh.

43 Operating segments

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

44 Actuarial valuation of defined benefit plans

Most recent actuarial valuation was performed as at 30 June 2016 basis by an independent actuarial firm, AIR Consulting. According to the valuation report, the estimated obligation of the pension fund as at 30 June 2016 was BDT 15,494,646 thousands and for gratuity fund was BDT 1,217,791 thousands. As the firm submits the final report, necessary accumulated provisions recorded in the current year. For subsequent years, the obligations shall be calculated based on the recommendation made by the actuarial firm.

As at 30 June 2018 the obligation for pension fund and gratuity fund was calculated to BDT 18,115,072 thousands and BDT 1,872,395 thousands respectively. The balances of the funds are as under:

Particulars	BDT '000			
	Pension plans		Gratuity plans	
	2018	2017	2018	2017
Amounts recognised in the reporting date				
Balance at the beginning of the year	8,693,786	7,599,787	1,908,033	1,677,236
Paid during the year	(1,330,214)	(1,823,101)	(35,637)	(129,803)
Current year's contribution/transfer	10,751,500	2,917,100	-	360,600
Balance of the fund	18,115,072	8,693,786	1,872,395	1,908,033

Actuarial assumptions

Particulars	Pension plans		Gratuity plans	
	2018	2017	2018	2017
Discount rate	7.50%	11.50%	6.10%	11.50%
Salary growth rate	5%	8%	5%	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 BDT 167.55 million and BDT 16.47 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 BDT 167.55 million and BDT 16.47 million lower arising mainly as a result of higher discount income. Discount rate is very sensitive for calculation of contribution.

45 Capital commitments

As at 30 June 2018, the Bank had outstanding capital commitments of BDT. 512.96 million with respect to different civil, mechanical and electrical engineering purchase. (2017: BDT 274.01 million).

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

46 Related parties transactions

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

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

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

BDT '000

	2018		2017	
	Outstanding	Average	Outstanding	Average
Outstanding balances with the government of Bangladesh				
Ways and means advance	40,000,000	35,077,800	30,155,600	35,077,800
Overdraft - block (refer note 13)	41,850,000	49,350,000	56,850,000	64,350,000
Overdraft - current	27,839,100	13,919,550	-	20,157,950
Treasury bills	48,816,816	28,466,644	8,116,472	11,872,639
Treasury bonds	59,164,294	51,379,611	43,594,929	37,454,702
Other assets (interest receivable)	1,118,948	1,101,433	1,083,918	911,281
	218,789,158	179,295,038	139,800,919	169,824,372
Other liabilities				
Deposits	5,020	5,054	5,087	5,082
Loan from government of Bangladesh	2,535,077	6,865,040	11,195,002	8,203,049
	2,540,097	6,870,093	11,200,089	8,208,131
Balances related to subsidiary (SPCBL)				
Other assets (Prepayments and advances)	66,885	1,113,837	2,160,790	2,691,532
Other liabilities (Sundry creditors)	1,068,396	1,235,573	1,402,749	1,270,268

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

BDT '000

	2018	2017
Income and expenses related to government		
Interest income	5,811,250	5,686,385
Commission received	10,821	11,048
	5,822,070	5,697,433

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

	2018	2017
	Taka '000	Taka '000
Expenses		
Agency charges	6,462,772	4,966,800
Under writing commission on treasury bills and bonds	142,190	116,207
	6,604,962	5,083,007
Income and expenses related to subsidiary (The Security Printing Corporation)		
Dividend income	300,000	150,000
Note printing expenses	4,280,495	4,311,107
Key management personnel		
Salaries, wages and other benefits (refer note 47.06)	5,311	4,852

46.01 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 BDT 3,811,440 million (in 2017: BDT. 3,529,290 million) and paid BDT 3,849,124 million (in 2017: 3,479,130 million) on behalf of the Government. As at 30 June 2018, total outstanding balance was BDT 217,670 million.

- (f) Assets under management:

Japan Debt Relief Grant	113,614	107,727
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The Bank acts as agent on behalf of Government of Bangladesh for managing the Japan Debt Relief Grant.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

46.02 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 BDT. 195.57 million which included in the interest income.

46.03 Transactions with controlled entities

During the year, as a part of its business operations the Bank incurred expense of BDT 4,280.50 million (2017: BDT 4,311.11 million) as note printing cost was paid to The Security Printing Corporation (Bangladesh) Ltd. which is included in the statement of profit or loss of the Bank. It is a 100% owned subsidiary of the Bank. This transactions are eliminated in preparing consolidated financial statements. During the year, The Security Printing Corporation (Bangladesh) Ltd. paid dividend an amounting to BDT 300 million (2017: 150 million) as per decision of their Board.

46.04 Transactions with retirement benefit plans

During the year, the Group was not required to contribute any amount to the retirement benefit plans (consisting of contribution to pension plans including widow/widowers), as sufficient reserve is available as per the actuarial valuation report. Amounts of balances held in the financial statements maintained by these retirement benefit plans are given in note 44.

46.05 Board of Directors of Bangladesh Bank and Key Management Personnel as on 30 June, 2018

Name	Chairman/ Members of the Board of Directors	Executive Committee members	Audit committee members
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Mr. Fazle Kabir - appointed as the Chairman of the Board of Directors for a period of four years from March 20, 2016 and also holds the post of Governor of the Bangladesh Bank.

Chairman

Chairman

-

Mr. Mohammad Muslim Chowdhury - appointed as a Director of the Board of Bangladesh Bank from October 05, 2017 to until further order and holds the post of Secretary, Finance Division, Ministry of Finance, Govt. of the People's Republic of Bangladesh.

Member

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Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

Name	Chairman/ Members of the Board of Directors	Executive Committee members	Audit committee members
Mr. Md. Nojibur Rahman - appointed as a Director of the Board of Bangladesh Bank from January 25, 2015 to until further order and holds the post of Senior Secretary, Internal Resources Division & Chairman, National Board of Revenue, Government of the People's Republic of Bangladesh.	Member	-	-
Mr. Md. Eunusur Rahman - appointed as a Director of the Board of Bangladesh Bank from March 21, 2016 to until further order and also holds the post of Secretary, Banking and Financial Institution Division, Ministry of Finance, Govt. of the Peoples Republic of Bangladesh.	Member	Member	Convenor
Dr. Mrs. Rushidan Islam Rahman - appointed as a Director of the Board of Bangladesh Bank from March 13, 2016 for a period of three years.	Member	Member	Member
Dr. Jamaluddin Ahmed, FCA - appointed as a Director of the Board of Bangladesh Bank from March 13, 2016 for a period of three years.	Member	-	Member
Mr. A. K. M. Aftab ul Islam, FCA - appointed as a Director of the Board of Bangladesh Bank from January 01, 2017 for a period of three years.	Member	-	Member
Mr. Abu Hena Mohd. Razee Hassan - appointed as a Director of the Board of Bangladesh Bank on April 10, 2016 and also holds the post of Deputy Governor, Bangladesh Bank.	Member	Member	-
Number of meetings held during the year	8	4	8

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2018

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

Members of the Board of Directors received remuneration totalling BDT. 663,120.00 (2017: BDT.382,190.00) and the Governor received totalling BDT. 1,218,400.00 (2017: BDT. 1,218,400.00). 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 totalling BDT. 3,429,900.00 (2017: BDT. 3,251,221.29) and in addition, they availed official residence as well as transport.

47 Events after the reporting date

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

48 Directors' responsibility for financial reporting

The Board of Directors approved the financial statement on 28, August 2018.