

Standard Chartered Bank

Bangladesh Branches

Financial Statements 2018

Independent Auditor's Report

Independent Auditor's Report to the Management of Standard Chartered Bank Bangladesh Branches

Opinion

We have audited the financial statements of Standard Chartered Bank, Bangladesh Branches ("the Bank"), which comprise the balance sheet as at 31 December 2018, and the profit and loss account, cash flow statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 3.2.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as explained in note 3.2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.
- 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 conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994, the Banking Companies Act, 1991 and the rules and regulations issued by Bangladesh Bank, we also report the following:

- We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- To the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the Financial Statements and Internal Controls section:
 - Internal audit, internal control and risk management arrangements of the Bank as disclosed in note 30.2 to the financial statements appeared to be materially adequate; and
 - nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank.
- In our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- the balance sheet and the profit and loss account dealt with by the report are in agreement with the books of account;
- the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
- adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- the information and explanation required by us have been received and found satisfactory;
- we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 2,020 person hours for the audit of the books and accounts of the Bank; and
- Capital to Risk Weighted Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Dhaka, 27 February 2019

M. J. ABEDIN & CO
Chartered Accountants

Balance Sheet

Standard Chartered Bank Bangladesh Branches Balance Sheet as at 31 December 2018

	2018 Taka	2017 Taka
PROPERTY AND ASSETS		
Notes		
Cash	6	
Cash in hand (including foreign currencies)	4,550,575,368	3,249,188,422
Balances with Bangladesh Bank (including foreign currencies)	61,612,708,945	20,074,162,820
Sonali Bank as an agent of Bangladesh Bank (Local Currency)	-	54,645,936
	66,163,284,313	23,377,997,178
Balances with other banks and financial institutions	7	
Inside Bangladesh	259,192,172	1,007,717,867
Outside Bangladesh	71,698,501,335	25,352,978,989
	71,957,693,507	26,360,696,856
Money at call and short notice	8	
	380,000,000	-
Investments	9	
Government securities	40,969,182,754	58,897,827,758
Other investments	18,000,000	18,000,000
	40,987,182,754	58,915,827,758
Loans and advances		
Loans, cash credit, overdrafts, etc.	151,092,922,199	132,694,494,058
Bills purchased and discounted	35,289,748,048	28,076,833,902
	186,382,670,247	160,771,327,960
Fixed assets including premises, furniture and fixtures	12	
	301,247,008	394,133,832
Other assets	13	
Non banking assets	13,327,164,545	13,758,332,279
Total assets	379,499,242,374	283,578,315,863
LIABILITIES AND CAPITAL		
Liabilities		
Borrowings from other banks, financial institutions and agents	14	
	8,935,612,232	12,717,443,667
Deposits and other accounts	15	
Current and other accounts	101,662,930,532	61,899,266,503
Bills payable	1,706,142,614	1,799,200,495
Savings deposits	100,742,422,097	63,395,493,305
Term deposits	51,939,006,359	44,846,387,060
Short term deposits	24,798,469,321	22,583,728,440
Other deposits	9,873,585,464	9,135,572,656
	290,722,556,387	203,659,648,459
Other liabilities	16	
	28,786,790,442	26,112,662,300
Total liabilities	328,444,959,061	242,489,754,426
Equity		
Fund deposited with Bangladesh Bank	5.1	2,339,505,496
Other reserves	17	(114,055,243)
Profit and loss account balance	18	48,828,833,059
		51,054,283,312
Total equity	51,054,283,312	41,088,561,436
Total liabilities and equity	379,499,242,374	283,578,315,863
OFF-BALANCE SHEET ITEMS		
Contingent liabilities		
27		
Acceptances and endorsements	78,232,996,544	66,831,972,046
Letters of guarantee	128,201,448,502	69,363,381,367
Irrevocable letters of credit	54,590,418,377	50,285,143,935
Bills for collection	20,553,785,276	15,921,838,076
	281,578,648,699	202,402,335,424
Other commitments		
Forward contracts	23,661,257,892	18,854,632,005
	23,661,257,892	18,854,632,005
Total off-balance sheet items	305,239,906,591	221,256,967,429

The accompanying notes 1 to 30 form an integral part of these financial statements.

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Md Abdul Kader Joaddar
Chief Financial Officer, Bangladesh

As per our report of same date.

Dhaka, 27 February 2019

M. J. ABEDIN & CO
Chartered Accountants

Profit and Loss Account

Standard Chartered Bank Bangladesh Branches Profit and Loss Account for the year ended 31 December 2018

Notes	2018 Taka	2017 Taka
Interest income	19	17,016,216,627
Interest expense on deposits and borrowings	20	(3,790,115,280)
Net interest income	13,226,101,347	10,417,166,182
Income from investments	21	1,454,881,872
Commission, exchange and brokerage income	22	7,246,599,759
Other operating income	23	4,849,717
	8,706,331,348	9,432,733,910
Total operating income	21,932,432,695	19,849,900,092
Salaries and allowances	4,179,864,130	3,980,508,399
Rent, taxes, insurance, lighting, etc.	650,735,547	649,041,080
Legal expenses	63,708,096	133,084,780
Postage, stamps, telephone, telex, etc.	190,601,205	210,034,361
Auditors' fee	1,150,000	1,150,000
Printing, stationery and advertisement	248,881,424	295,332,273
Chief executive officer's salary	45,558,431	43,820,049
Repair, maintenance and depreciation	24	440,104,051
Other expenses	25	1,309,246,071
Total operating expenses	7,129,848,955	6,983,142,631
Profit before provision	14,802,583,740	12,866,757,461
Provision for loans and advances and off-balance sheet exposures	16.1	626,316,675
Total profit before income tax	14,176,267,065	11,091,932,235
Provision for income tax		
Current tax	16.4	4,285,382,329
Deferred tax	13.3	47,721,678
	4,333,104,007	51,514,402
Net profit after tax	9,843,163,059	7,474,218,651

The accompanying notes 1 to 30 form an integral part of these financial statements.

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Md Abdul Kader Joaddar
Chief Financial Officer, Bangladesh

As per our report of same date.

M. J. ABEDIN & CO
Chartered Accountants

Dhaka, 27 February 2019

Cash Flow Statement

Standard Chartered Bank Bangladesh Branches Cash Flow Statement for the year ended 31 December 2018

	2018 Taka	2017 Taka
A) Cash flows from operating activities		
Interest received	16,548,207,742	13,066,762,983
Interest paid	(3,185,725,782)	(2,817,477,245)
Dividend income	22,500,000	22,500,000
Commission, exchange and brokerage income received	7,494,783,389	6,531,847,305
Recovery from previously written off loan	100,956,605	71,668,952
Cash paid to employees	(4,068,963,025)	(4,612,026,846)
Cash paid to suppliers	(2,690,289,003)	(2,801,096,341)
Income tax paid	(3,057,881,456)	(4,111,270,754)
Operating cash flows before changes in operating assets and liabilities	11,163,588,469	5,350,908,054
Increase / decrease in operating assets and liabilities		
Money at call and short notice	(380,000,000)	-
Loans and advances to customers	(25,974,181,374)	(30,366,026,333)
Other assets	650,578,874	(4,228,616,623)
Customer deposits	87,062,907,929	21,984,464,798
Borrowing from other banks and financial institutions	(3,781,831,434)	(480,397,189)
Other liabilities	328,163	2,093,950,542
	57,577,802,157	(10,996,624,805)
Net cash received from / used in operating activities	68,741,390,626	(5,645,716,751)
B) Cash flows from investing activities		
Income from investments	1,814,518,880	3,209,855,680
Investment in treasury securities	17,928,645,005	2,384,902,694
Proceeds from disposal of fixed assets	804,964	18,631,893
Purchase of fixed assets	(117,290,819)	(242,935,328)
Other income	4,618,920	503,553
Net cash received from investing activities	19,631,296,948	5,370,958,493
C) Cash flows from financing activities		
Cash payments under finance lease	(17,071,328)	(60,626,707)
Net cash used in financing activities	(17,071,328)	(60,626,707)
D) Net increase / (decrease) in cash and cash equivalents (A+B-C)	88,355,616,247	(335,384,965)
E) Effects of exchange rate changes on cash and cash equivalents	26,667,540	88,891,800
F) Opening cash and cash equivalents	49,738,694,034	49,985,187,199
G) Closing cash and cash equivalents (D+E+F) (Note - 26)	138,120,977,820	49,738,694,034

Statement of Changes in Equity

Standard Chartered Bank Bangladesh Branches Statement of Changes in Equity for the year ended 31 December 2018

Particulars	Amount in Taka			
	Fund deposited with Bangladesh Bank	Other reserve	Profit and Loss account balance	Total
Balance as at 1 January 2018	2,312,837,956	(209,946,519)	38,985,670,000	41,088,561,436
Revaluation of foreign currency held as capital during the year 2018	26,667,540	-	-	26,667,540
Actuarial gain net-off deferred tax	-	(142,477,557)	-	(142,477,557)
Equity reserve - amortised discount on Held to Maturity (HTM) securities	-	239,473,844	-	239,473,844
Net profit for the year	-	-	9,843,163,059	9,843,163,059
Profit remitted to Head Office	-	-	-	-
Revaluation reserve account- Held for Trading (HFT) securities	-	(1,105,011)	-	(1,105,011)
Balance as at 31 December 2018	2,339,505,496	(114,055,243)	48,828,833,059	51,054,283,312
Balance as at 1 January 2017	2,223,946,156	(252,023,760)	31,511,451,349	33,483,373,746
Revaluation of foreign currency held as capital during the year 2017	88,891,800	-	-	88,891,800
Actuarial gain net-off deferred tax	-	(40,422,500)	-	(40,422,500)
Equity reserve - amortised discount on Held to Maturity (HTM) securities	-	181,706,362	-	181,706,362
Net profit for the year	-	-	7,474,218,651	7,474,218,651
Profit remitted to Head Office	-	-	-	-
Revaluation reserve account- Held for Trading (HFT) securities	-	(99,206,622)	-	(99,206,622)
Balance as at 31 December 2017	2,312,837,956	(209,946,519)	38,985,670,000	41,088,561,436

Notes to the Financial Statements

Standard Chartered Bank Bangladesh Branches Notes to the Financial Statements as at and for the year ended 31 December 2018

1 The Bank and its activities

1.1 Name of the bank

Standard Chartered Bank (SCB), Bangladesh Branches ("the bank") commenced its banking operations in Bangladesh in 1948 after obtaining licence from the Central Bank of Bangladesh. SCB is incorporated in England with limited liability by Royal Charter 1853. The head office of the bank is situated in England at 1 Basinghall Avenue, London EC2V5DD and Bangladesh country head office is situated at 67 Gulshan Avenue, Dhaka -1212.

1.2 Offshore Banking Unit (OBU)

Offshore Banking Unit (OBU) of the Bank commenced its banking operations in Bangladesh on 16 August 1994 after obtaining banking licence from Bangladesh Bank on 20 December 1993.

1.3 Islamic Banking Window

On 18 November 2003, the Bank received permission from Bangladesh Bank to provide Islamic banking services. The Bank commenced providing such services from 26 February 2004 on Islamic Shariah principles based banking which is governed by the SCB Shariah Supervisory Committee based in Dubai.

2.0 Principal activities of the Bank

SCB offers a comprehensive range of financial services in Bangladesh including retail banking and wealth management, commercial banking, corporate and institutional banking, financial markets, global trade and trade services, cash management, securities custodial services, etc. There have been no significant changes in the nature of the principal activities of the Bank during the financial year under review.

3.0 Basis of preparation of Financial Statements

3.1 Reporting period & Approval of financial statements

The financial statements cover a calendar year from 1 January 2018 to 31 December 2018. The financial statements are authorized for issue by management of the Bank on 27 February 2019.

3.2 Statement of compliance and basis of preparation

The Financial Reporting Act 2015 (FRA) was enacted in 2015 and the Financial Reporting Circular (FRC) under the FRA is formed in 2017 which, among other things, will issue financial reporting standards for public interest entities such as banks. The Banking Companies Act 1991 has been amended to require banks to prepare their financial statements under such financial reporting standards.

The FRC is formed but as such no financial reporting standards have been issued as per the provisions of the FRA. Hence, the financial statements of the Bank as at and for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and the requirements of The Banking Companies Act 1991, the rules and regulations issued by Bangladesh Bank (BB) and the Companies Act 1994. The Securities and Exchange Rules 1987 is not mandatorily applicable for non-listed foreign banks in Bangladesh. In case any requirement of the Banking Companies Act 1991 and provisions and circulars issued by the central bank (herein after called Bangladesh Bank (BB)) differ with those of IFRS, the requirements of the Banking Companies Act 1991 and provisions and circulars issued by BB shall prevail. The financial statements of the Bank have been prepared in accordance with the "First Schedule (sec-38)" of The Banking Companies Act 1991 as amended therein 2007 and 2013, BRPD Circular no. 14 dated 25 June 2003, other Bangladesh Bank Circulars, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh

- x) Cash flow statement**
IFRS: As per IAS 7 *Statement of Cash Flows*, the cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.
Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, cash flow is the mixture of direct and indirect methods.
- xi) Off-balance sheet items**
IFRS: As per IFRS there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.
Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, off-balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.
- xii) Loans and advances net of provision**
IFRS: Loans and advances shall be recognised net of impairment loss as per IFRS 9.
Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, provision on loans and advances is presented separately as liability and cannot be netted off against loans and advances.

3.3 Basis of measurement
The financial statements of the Bank have been prepared on historical cost basis except for the following:

- Government treasury bills and bonds designated as HFT and subsequently measured at fair value using marking to market concept with gains credited to revaluation reserve as per DOS circular 05 dated 26 May 2008 and DOS circular 05 dated 28 January 2009; and
- Government treasury bills and bonds designated as HTM and subsequently measured using amortisation concept as DOS circular 05 dated 26 May 2008 and DOS circular 05 dated 28 January 2009.
- Net defined benefit (asset) liability in respect of defined benefit plan recognised as the present value of defined benefit obligation less fair value of plan assets as per IAS 19 Employee Benefits.

3.4 Foreign Currency
According to IAS 21 *The Effects of Changes in Foreign Exchange Rates*, transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction.

Monetary assets, liabilities and fund deposited with Bangladesh Bank as capital denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the profit and loss account except for exchange rate differences on funds deposited with Bangladesh Bank as capital, which is recognised directly in equity.

3.5 Functional and reporting currency
The financial statements of the Bank are presented in Bangladeshi Taka (Taka/Tk/BDT) which is the Bank's functional and reporting currency.

3.6 Use of estimates and judgements
The preparation of financial statements requires management to make judgements, 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 periods in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

Provisions for loans and advances
The Bank assesses its loans and advances for objective evidence of impairment on a regular basis and particularly at year end. While the primary criteria set out in BRPD circular no. 14 dated 23 September 2012 for determining whether a loan is impaired are objective, based on borrower's ability to make timely repayments, loans and advances may also be classified based on qualitative judgement. This involves making assessments regarding the economic environment in which borrowers operate in addition to making judgements about a borrower's financial condition and net realisable value of any underlying collateral.

Taxation
The estimation of current tax provision involves making judgements regarding admissibility of certain expenses as well as estimating the amount of other expenses for tax purposes.

In addition, the recognition of deferred tax assets requires the Bank to estimate the extent to which it is probable that future taxable profits will be available against which the deferred tax assets may be utilised.

Net defined benefit (asset) liability under defined benefit plan
The determination of the Bank's net defined benefit (asset) liability in respect of defined benefit plan involves the use of estimates regarding demographic variables such as employee turnover and mortality and financial variables such as discount rate, future increases in salaries and medical costs that will influence the cost of the benefit.

3.7 Going Concern
These financial statements have been prepared on the assessment of the Bank's ability to continue as a going concern. Standard Chartered Bank, Bangladesh has neither any intention nor any legal or regulatory compulsion to liquidate or curtail materially the scale of any of its operations. The key financial parameters including liquidity, profitability, asset quality, provision sufficiency and capital adequacy, credit rating of the Bank continued to exhibit a healthy trend for couple of years. Besides, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

3.8 Liquidity statement
The liquidity statement of assets and liabilities as on the reporting date has been prepared on the basis of residual maturity term which has been given in the statement.

3.9 Data compilation
All balances of all branches (including Islamic branch) are included in these financial statements except those of Offshore Banking Unit (OBU) branch.

4.0 Significant accounting policies
4.1 Assets
4.1.1 Investments
Investments in treasury bills and Government bonds are accounted for in accordance with DOS Circular Letter No. 05 dated 26 May 2008 subsequently amended by DOS circular letter no. 05 dated 28 January 2009, which allow banks to use both HTM and HFT securities for fulfillment of Statutory Liquidity Reserve (SLR) requirements.

In accordance with the requirements of the aforementioned circulars, amortised discount or premium on HTM securities is recognised directly in equity. However, coupon interests are recognised in profit or loss. Gains arising from revaluation of HFT securities on 'Marking to Market' basis are recognised in revaluation reserve account while losses from revaluation of the same securities are recognised in profit or loss.

Bank's investments in unquoted shares are recorded at cost.

4.1.2 Fixed assets including premises, furniture and fixtures
Items of fixed assets, other than land, are measured at cost less accumulated depreciation and impairment losses, as per IAS 16 Property, Plant and Equipment. Cost includes expenditures that are directly attributable to the acquisition of the asset. Land is carried at cost.

Subsequent costs
The cost of replacing part of an item of fixed assets 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 Bank and its cost can be measured reliably. The cost of day-to-day servicing of fixed assets are expensed when incurred.

Depreciation
Depreciation on premises other than freehold land, and other fixed assets, is recognised in profit or loss on a straight line basis over the expected useful life of the assets based on cost. The estimated useful lives and the rate of depreciation for the current and comparative periods are as follows:

	Estimated useful life	Rate of depreciation
Freehold premises	50 years	2%
Fixed equipment	3 to 15 years	7% - 33%
Computer and office equipment	5 years	20%
Furniture and fittings	5 years	20%
Motor Vehicle	5 years	20%

Depreciation on additions to fixed assets is charged from the month in which such assets are available for use. Adjustments to accumulated depreciation for disposals / write offs are made up to the month in which the relevant assets are disposed / written off.

Retirement and disposals
An asset is derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from the retirement or disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset which is recognised as gain or loss from disposal of asset under other operating income.

4.1.3 Loans and advances to customers
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.
Loans and advances are initially measured at fair value, and subsequently measured at amortised cost. These are stated gross with accumulated specific and general provisions for loans and advances being shown under other liabilities.

4.1.4 Loan write -off
Loans are normally written off, when there is no realistic prospect of recovery and classified as 'Bad loan' complying with BRPD circular no. 13 dated 7 November 2013, BRPD circular no. 2 dated 13 January 2003 and DFIM Circular Letter no. 11 dated 21 November 2013. Designated units of the bank (GSAM for corporate customers and Credit & Collections for retail customers) monitor loans written off and legal action taken against the classified customers. The written-off loans do not undermine or affect the amount claimed against the borrower by the bank. The designated units of the bank maintains a separate record for all individual cases of written-off loans. These units of the bank follow-up on the recovery efforts of the written-off loans and advances until the full settlement of the claimed amount.

4.1.5 Leases
In accordance with IAS 17 Leases, leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases.

When the Bank is a lessee under finance leases, the leased assets are capitalised and included in fixed assets and the corresponding liability to the lessor is included in other liabilities. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised as interest expense over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases. When the Bank is the lessee under an operating lease, leased assets are not recognised in the balance sheet. Rentals payable and paid in advance under operating leases are accounted for on a straight-line basis over the period of the lease, unless another systematic basis is more representative of the time pattern of the user's benefit, and are included in rent expenses.

- 4.2 Liabilities**
4.2.1 Borrowings from other banks, financial institutions and agents
Borrowings from other banks, financial institutions and agents include both interest-bearing borrowings against securities from Bangladesh Bank and other banks, vostro accounts balances and call borrowing from other banks. These items are brought to financial statements at the gross value of the outstanding balance.
- 4.2.2 Deposits by customers and banks**
Deposits are the Bank's principal source of debt funding. Deposits are initially measured at fair value and subsequently measured at amortised cost.
- 4.2.3 Provisions for other assets**
BRPD circular no. 14 dated 25 June 2001 requires a provision of 100% on other assets which are outstanding for one year and above. The Bank maintains provisions in line with this circular unless it assesses there is no doubt of recovery on items of other assets in which case no provision is kept.
- 4.2.4 Provisions on nostro accounts**
Unsettled debit transactions (as per Bank's book and nostro statements) for more than three months on nostro accounts are reviewed at each balance sheet date by management and provisions are kept in accordance with Bangladesh Bank Foreign Exchange Policy Department, circular no. FEPD (FEMO)/01/2005-677 dated 13 September 2005.
- 4.2.5 Provisions for liabilities and charges**
A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.
Contingent liabilities are not recognised but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.
- 4.2.6 Provisions on loans and advances**
At each balance sheet date and periodically throughout the year, the Bank reviews Investments and advances to assess whether objective evidence that impairment of an Investment or portfolio of Investments has arisen supporting a change in the classification of Investments and advances, which may result in a change in the provision required in accordance with BRPD circular no. 14 dated 23 September 2012, BRPD circular no. 19 dated 27 December 2012, BRPD circular no. 05 dated 29 May 2013, BRPD circular no. 16 dated 18 November 2014, BRPD circular no. 12 dated 20 August 2017, BRPD circular no. 15 dated 27 September 2017, BRPD circular no. 07 dated 21 June 2018 and BRPD circular no. 13 dated 18 October 2018. The guidance in the circulars follow a formulaic approach whereby specified rates are applied to the various categories of Investments as defined in the circular. The provisioning rates are as follows:

	2018	2017
General provision on:		
Unclassified loans under small and medium enterprise financing (SMEF)	0.25%	0.25%
Unclassified loans under housing finance (HF)	1.00%	2.00%
Unclassified loans under loans for professionals (LP)	2.00%	2.00%
Unclassified loans under consumer financing (CF) other than housing finance (HF) and loans for professionals (LP)	5.00%	5.00%
Unclassified Loans under Credit Cards (CC)	2.00%	5.00%
Unclassified loans to brokerage houses (BH), merchant banks (MB), stock dealers (SD)	2.00%	2.00%
All unclassified loans except under SMEF, HF, LP, CF, BH, MB, SD and short-term agricultural and micro-credit scheme	1.00%	1.00%
Unclassified loans under short-term agricultural and micro-credit scheme	1.00%	2.50%
Off-balance sheet exposures:		
Acceptances and endorsements	1.00%	1.00%
Letters of guarantee		
Counter guarantee rating-1	0.00%	1.00%
Counter guarantee rating-2	0.50%	1.00%
Counter guarantee rating-3 or 4	0.75%	1.00%
Counter guarantee rating-Other	1.00%	1.00%
Irrevocable letters of credit	1.00%	1.00%
Bills for collection	0.00%	1.00%
Forward contracts	1.00%	1.00%

In accordance with BRPD circular no. 05 dated 29 May 2013, the rate of provision on the outstanding amount of loans kept in the 'Special Mention Account' will be the same as the rates stated above depending on the types of loans and advances.

	2018	2017
Specific provision on:		
Substandard loans and advances	20%	20%
Doubtful loans and advances	50%	50%
Bad / loss loans and advances	100%	100%
Short-term agricultural and micro-credits:		
Substandard and Doubtful loans and advances	5%	5%
Bad / loss loans and advances	100%	100%

The above rates are the minimum prescribed rates. BRPD circular no. 14 dated 23 September 2012 provides scope for further provisioning based on qualitative judgements. If the specific provisions assessed under the qualitative methodology are higher than the specific provisions assessed under the formulaic approach above, the higher of the two is recognised.

4.2.7 Taxation
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit & loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years. Provision for taxation for the year ended 31 December 2018 has been made on the basis of the provisions of the Income Tax Ordinance 1984 and the Finance Act 2018. Currently the tax rate applicable for banks is 40%

Deferred tax assets / (liabilities)
As per IAS 12 Income Taxes, deferred tax assets / (liabilities) are calculated using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities and their tax bases. The tax base of assets is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity (in this case, the Bank) when it recovers the carrying amount of the assets. The tax base of liabilities is their carrying amount, less any amount that will be deductible for tax purposes in respect of the liabilities in future periods. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax is calculated using the tax rates as prescribed in the Income Tax Ordinance (ITO) 1984 and relevant Statutory Regulatory Orders (SRO) and BRPD circular no. 11 dated 12 December 2011.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.2.8 Workers Profit Participation Fund (WPPF)
The bank has sought external legal opinion, whereby it was stated that there is significant ambiguity around the inclusion of Banking Institutions within the scope of Chapter XV: Workers' Profit Participation Fund (WPPF) under the Bangladesh Labour Act, 2006 (the 'Act') and the subsequent amendments thereof. As per the Act and amendments thereof, an employer is required to pay 5% of its net profit (as defined under the Act) to the 1) Workers' Participation Fund 2) Workers' Welfare Fund and 3) Labour Trust Foundation Fund for further appropriate disbursement of the funds to all members (i.e., 'Beneficiaries', as defined under the Act) as prescribed under the Act.

As per the external legal opinion sought by the Bank, the inclusion of Banks within the scope of the WPPF under the Bangladesh Labour Act, 2006 is in contradiction with the relevant provisions under the Banking Companies Act, 1991. These ambiguities are yet to be settled and the Bank is seeking clarifications from appropriate Authorities. On the basis of the facts currently known and external legal opinions, management believes that the possibility of a legal obligation for payments out of WPPF is low at the current stage and hence, no provision has been made for the same.

4.2.9 Good Borrower incentive provisions
Bank recognizes its good borrowers (GB) and made interest incentives @10% of total interest realized during immediate past 12 months from the Good Borrowers of the bank. Bank assessed the eligibility of GB every year as per BRPD circular no. 06 dated 19 March 2015 and BRPD (P-1)/661/13/2016-6924 dated 19 October 2016 and clarification provided by BRPD from time to time.

4.2.10 Employee benefits
Short term 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 performance bonus plans if the Bank has a present constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans - Provident fund
The Bank contributes to a locally registered provident fund scheme which is approved by the National Board of Revenue (NBR) for employees of the Bank eligible to be members of the fund in accordance with the rules of the provident fund constituted under an irrevocable trust. Obligations for contributions to the provident fund are recognised as an expense in profit or loss

Defined benefit plans - Gratuity fund
The Bank operates a funded gratuity scheme recognised by National Board of Revenue (NBR). This fund is managed separately by 'SCB Employees Gratuity Fund Trust' and any investment decision out of this fund is also made by this Trust. The benefit is paid on separation to the eligible employees i.e. who have completed at least 5 (five) years of continuous service. Gratuity is payable at the rate of one and a half month's gross salary (if length of service is 10 years and above) and one month's gross salary (if length of service is 5 years or more but less than 10 years) of last drawn for each completed year of service or any part thereof in excess of six months. In accordance with the requirements of IAS 19 Employee Benefits, the Bank's net obligation in respect of its gratuity fund is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; discounting the benefit to determine its present value; and deducting the fair value of any plan assets. The calculation is performed by a qualified actuary using the Projected Unit Credit method.

The net interest expense (income) on the net defined benefit liability (asset) for the period is determined by applying discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability / (asset), taking into account any changes in the net defined benefit liability / (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability / (asset) comprises interest cost on defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling.

Actuarial gains or losses that arise are recognised in equity and presented in the statement of changes in equity in the period they arise. Past service costs are recognised in the period in which the plan amendment or curtailment occurs.

4.3 Profit and Loss Accounts - Income and Expenses
4.3.1 Interest income on conventional banking
Interest income are recognised in the profit and loss account using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future 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.

Interest is accrued on a daily basis and applied to customer accounts every month, quarter and at maturity depending on the product offerings.

In accordance with BRPD circular no. 14 dated 23 September 2012, interest accrued on sub-standard loans and doubtful loans are credited to Interest Suspense Account which is included within other liabilities. Interest from loans and advances ceases to be accrued when they are classified as bad / loss.

4.3.2 Profit on Saadiq investments
Profit on investments is recognised, on an accrual basis, over the lifetime of the investments so as to reflect a constant rate of return on their carrying amounts. Overdue / late payment charge on investment is transferred to charity suspense account instead of income account.

4.3.3 Interest income from investment in securities
Interest on investment in securities other than the amount of amortisation of premium and discount on securities classified as HTM which is recognised directly in equity in accordance with DOS circular no. 05 dated 26 May 2008, is recorded in the profit and loss account.

4.3.4 Commission and fee income
The Bank earns commission and fee income from a diverse range of services (e.g. LC operations, accounts maintenance, custodial services, credit card renewal, etc.) provided to its customers. Commission and fee income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed
- Income earned from services provided is recognised as revenue as the services are provided.

4.3.5 Exchange income
Exchange income includes all gains and losses from foreign currency transactions.

4.3.6 Dividend income
Dividend income from the investments in unquoted shares in Central Depository Bangladesh Ltd. (CDBL) is recognised when it is received.

4.3.7 Interest expense on deposits
Interest expense for all deposits are recognised in the profit and loss account using the effective interest method.

4.4 Others
4.4.1 Offsetting financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

4.4.2 Cash and cash equivalents
For the purpose of the cash flow statement, cash and cash equivalents include notes and coins on hand and balances held with other banks and financial institutions and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.4.3 Materiality and aggregation
Each material class of similar items has been presented separately in the financial statements. Items of dissimilar nature also have been presented separately unless they are immaterial in accordance with IAS 1 'Presentation of Financial Statements'.

4.4.4 Comparative information
Comparative information including narrative and descriptive one is disclosed in respect of the preceding period where it is relevant to enhance the understanding of the current period's financial statements. Certain comparative amounts in the financial statements are reclassified and rearranged where relevant, to conform to the current year's presentation.

4.5 New accounting standards
The Bank has consistently applied the accounting policies as set out in Note 4 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2018 have been considered. However, these amendments have no material impact on the financial statements of the Bank.

In December 2017, ICAB has decided to adopt IFRS replacing BFRS effective for annual periods beginning on or after 1 January 2018. However, since currently issued BFRS have been adopted from IFRS without any major modification, such changes would not have any material impact on financial statements.

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

(a) IFRS 16 Leases
IFRS 16, issued in January 2016 replaces existing leases guidance and effective for reporting period beginning on or after 1 January 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The Bank has not yet assessed any potential impact of IFRS 16 on its financial statements.

(b) IFRS 17 Insurance Contracts
IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. The Bank has not yet assessed in potential impact of IFRS 17 on its financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

5.0 Capital
The Bank's approach to capital management is driven by a desire to maintain a strong capital base to support the development of its business, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Compliance with capital adequacy regulations
Capital requirements for the Bank at a local level are set and monitored by Bangladesh Bank. The capital that the Bank is required to hold is determined considering its balance sheet and off-balance sheet positions in accordance with guidelines on risk based capital adequacy.

The Bank's capital structure consists of Tier I and Tier II capital which is aligned with regulatory capital structure. Tier I capital is further categorized as Common Equity Tier 1 (CET1) and Additional Tier 1 capital. The computation of the amount of Common Equity Tier 1, Additional Tier 1 and Tier II capital shall be subject to the following conditions:

- The Bank has to maintain at least 4.50% of total Risk Weighted Assets (RWA) as Common Equity Tier I capital.
- Tier I capital will be at least 6.00% of the total RWA.
- Minimum Capital to Risk-weighted Asset Ratio (CRAR) will be 10% of the total RWA.
- Additional Tier I capital can be maximum up to 1.5% of the total RWA or 33.33% of CET 1, whichever is higher.
- Tier II capital can be maximum up to 4% of the total RWA or 88.89% of CET1, whichever is higher.
- In addition to minimum CRAR, Capital Conservation Buffer (CCB) @ 2.5% of the total RWA will be maintained in the form of CET1 in a phased manner from 2016 to 2019.

5.1 As per section 13 (1), subsequent revision and amendments to the Banking Companies Act 1991 and BRPD circular no. 18 dated 21 December 2014 and BRPD circular letter no. 11 dated 14 August 2008, the required amount of the capital and reserves of the bank at the close of the business on 31 December 2018 is Tk. 4,000,000,000 or 10% of risk weighted assets whichever is higher. Accordingly, the required amount of the capital and reserves of the Bank at the close of the business on 31 December 2018 was 28,178,201,523 (2017: Tk.28,013,721,642). The Bank's capital was greater than the amount required as above. The details of the capital as on 31 December are as follows:

	2018 Taka	2017 Taka
Total risk weighted assets	281,782,015,231	280,137,216,424
10% of risk weighted assets	28,178,201,523	28,013,721,642
Total capital held:		
Common Equity Tier I		
Fund Deposited with Bangladesh Bank	2,339,505,496	2,312,837,956
Retained Earnings	48,828,833,059	38,985,670,000
Actuarial Gain/(Loss)	(357,186,171)	(214,708,614)
Less: Regulatory Adjustment for Deferred Tax Assets		
as per Bangladesh Bank Guidelines	(1,177,334,917)	(1,202,025,506)
	49,633,817,467	39,881,773,836
Additional Tier I	-	-
Total Tier I Capital	49,633,817,467	39,881,773,836
Tier II		
General Provision	4,513,047,888	4,661,764,205
Revaluation Reserve for Securities	47,915,214	95,830,428
Total Tier II Capital	4,560,963,102	4,757,594,633
Total Regulatory Capital	54,194,780,569	44,639,368,469
Total capital Required	28,178,201,523	28,013,721,642
Surplus capital	26,016,579,046	16,625,646,827
Common Equity Tier -I Ratio	17.61%	14.24%
Tier I Capital Adequacy Ratio	17.61%	14.24%
Tier II Capital Ratio	1.62%	1.70%
Capital to Risk Weighted Assets Ratio (CRAR)	19.23%	15.93%

Refer to **Annexure - F** for Disclosures on Risk Based Capital (Basel III) Pillar III.

Notes to the Financial Statements

	2018 Taka	2017 Taka
6 Cash		
In hand (including foreign currencies)		
Local currency	4,242,947,453	3,030,372,086
Foreign currencies	307,627,915	218,816,336
	4,550,575,368	3,249,188,422
Balance with Bangladesh Bank (including foreign currencies)		
Local currency	59,258,987,384	17,470,532,206
Foreign currencies	2,353,721,561	2,603,630,614
Foreign currency capital (restricted)	-	-
	61,612,708,945	20,074,162,820
Balance with Sonali Bank as agent of Bangladesh bank		
Sonali Bank as an agent of Bangladesh Bank	-	54,645,936
	61,612,708,945	20,128,808,756
	66,163,284,313	23,377,997,178

6.1 Cash Reserve Ratio (CRR)

As per section 33 of the Banking Companies Act 1991 (amended upto 2018) & MPD circular no. 01 dated 03 April 2018 issued by Bangladesh Bank (effective from 15 April 2018), SCB has been maintaining 5% CRR on daily basis and 5.5% on bi-weekly basis. CRR requirement is calculated on the basis of weekly average total demand and time liabilities (ATDTL) of a base month which is two months back of the reporting month (i.e. CRR of December 2018 is maintained on the basis of weekly ATDTL of October 2018). Reserve maintained by the bank as at 31 December is as follows:

Daily 5% (2017: 6%) of average demand and time liabilities:		
Required reserve	11,732,874,417	13,157,495,120
Actual reserve held with Bangladesh Bank (Annexure - E)	61,830,721,447	18,853,197,273
Surplus	50,097,847,030	5,695,702,153
Bi-weekly 5.5% (2017: 6.5%) of average demand and time liabilities:		
Required reserve	12,906,161,858	14,253,953,030
Bi-weekly average reserve held with Bangladesh Bank	60,406,957,547	18,716,504,000
Surplus	47,500,795,689	4,462,550,970

6.2 Statutory Liquidity Ratio (SLR)

Pursuant to section 33 of the Banking Companies Act 1991 (amended upto 2018) & MPD circular no. 02 dated 10 December 2013 issued by Bangladesh Bank (effective from 1 February 2014), SCB has been maintaining 13% SLR on weekly average total demand and time liabilities (ATDTL) of a base month which is two months back of the reporting month (i.e. SLR of December 2018 is based on weekly ATDTL of October 2018). Reserve maintained by the bank as at 31 December is as follows:

Statutory Liquidity Ratio (SLR)		
13% of Average demand and time liabilities:		
Required reserve	30,565,989,771	27,414,593,750
Actual reserve held with Bangladesh Bank (Note-6.2.1)	94,444,318,257	66,800,923,422
Surplus	63,878,328,486	39,386,329,672

6.2.1 Actual reserve held for SLR

Cash in hand	4,550,575,368	3,249,188,419
Bangladesh Bank Bills	-	26,389,466,396
Balance with agent bank (Sonali Bank Ltd.)	-	54,663,000
Excess amount of CRR used for SLR	48,924,560,135	4,599,244,243
Prize bond	1,117,500	687,000
Treasury Bills	33,019,136,132	22,057,195,263
Bangladesh Government Treasury Bonds	7,948,929,122	10,450,479,101
	94,444,318,257	66,800,923,422

7 Balance with other banks and financial institutions

Inside Bangladesh	259,192,172	1,007,717,867
Outside Bangladesh	71,698,501,335	25,352,978,989
	71,957,693,507	26,360,696,856

Inside Bangladesh

Current account:		
Sonali Bank Ltd	45,754,758	45,045,415
IFIC Bank Ltd	48,504	48,504
National Bank Ltd	-	3,000,000
Prime Bank Ltd	3,000,000	3,000,000
Islami Bank Bangladesh Ltd	10,005,000	-
Agrani Bank	383,910	6,623,948
Term account:		
The City Bank Ltd	-	200,000,000
South East Bank	200,000,000	250,000,000
Dhaka Bank	-	300,000,000
Mercantile Bank	-	110,000,000
Standard Bank Ltd	-	90,000,000
Total inside Bangladesh	259,192,172	1,007,717,867

Outside Bangladesh

Non Group Nostro		
Current account with:		
Nordea Bank Norge, OSLO- NOK	1	2
Credit Suisse, Zurich - CHF	32,579	14,655,510
Royal Bank of Canada, Toronto - CAD	7,085,198	11,145,258
Westpac Banking Corporation - AUD	726,661	1,736,038
Al Rajhi Bank	2,225	4,405,261
Nordea Bank, OSLO - SEK	609	3
Nordea Bank, Denmark	21,661	6,620
	7,868,934	31,948,692

Group Nostro

Current account with:		
SCB Hongkong - HKD	28,395	29,724
SCB Bombay ACU - USD	168,691,992	-
SCB Nepal - USD	104,133,136	64,771,416
SCB London - GBP	77,959,782	39,267,877
SCB London - USD	21,987,971	21,611,808
SCB Bombay ACU - EUR	385,999	362,527
SCB Karachi ACU - USD	160,392,032	241,187,814
SCB Colombo ACU - USD	177,602,957	110,026,794
SCB Frankfurt - EUR	664,501,713	-
SCB Singapore - SGD	44,137	-
SCB Tokyo - JPY	90,325,365	513,988,703
SCB Dubai - AED	276,662	22,534
SCB Hongkong - CNY	2,260	-
	1,466,332,401	991,269,197
Short term deposit account with:		
SCB Dhaka OBU - USD	22,401,300,000	19,103,700,000
SCB London - USD	47,823,000,000	5,127,400,000
SCB Dhaka OBU - EUR	-	98,661,100
SCB Mumbai - USD	-	-
	70,224,300,000	24,329,761,100
Total outside Bangladesh	71,698,501,335	25,352,978,989

Refer to **Annexure - B** for currency wise balances.

7.1 Residual maturity analysis of balance with other banks and financial institutions

Not more than one month	71,957,693,507	26,360,696,856
Over one month but not more than three months	-	-
Over three months but not more than one year	-	-
Over one year but not more than five years	-	-
Over five years	-	-
	71,957,693,507	26,360,696,856

8 Money at call and short notice

The City Bank Ltd.	190,000,000	-
Commercial Bank of Ceylon PLC	190,000,000	-
	380,000,000	-

9 Investments

Government securities		
Treasury Bills	33,019,136,132	22,057,195,261
Reverse Repo Treasury Bills	-	-
Reverse Repo Government Bonds	2,142,811,471	201,118,692
Bangladesh Bank Bills	-	26,389,466,396
Bangladesh Government Treasury Bonds	4,906,117,651	9,549,360,409
Bangladesh Government Islamic Bonds	900,000,000	700,000,000
Prize Bonds	1,117,500	687,000
	40,969,182,754	58,897,827,758
Other investments*	18,000,000	18,000,000
Total	40,987,182,754	58,915,827,758

*Represent investments in 9,000,000 shares of Central Depository Bangladesh Limited (CDBL) of Taka 10 each which is inclusive of 7,200,000 bonus shares. As per last audited financial statement of CDBL, book value per share is higher than the cost price of the investment.

Notes to the Financial Statements

	2018 Taka	2017 Taka
9.1 Classification of Treasury Bills and Government Treasury Bonds		
Held to Maturity (HTM)		
Treasury Bills	32,019,211,544	22,057,195,261
Bangladesh Bank Bills	-	749,817,956
Bangladesh Government Islamic Bonds	900,000,000	700,000,000
Bangladesh Government Treasury Bonds	4,282,805,725	8,917,339,058
	37,202,017,269	32,424,352,275
Held for Trading (HFT)		
Treasury Bills	999,924,588	-
Bangladesh Bank Bills	-	25,639,648,440
Reverse Repo Treasury Bills	-	-
Reverse Repo Government Bonds	2,142,811,471	201,118,692
Bangladesh Government Treasury Bonds	623,311,926	632,021,351
	3,766,047,985	26,472,788,483
	40,968,065,254	58,897,140,758

9.2 Tenor wise grouping of Treasury Bills, Bangladesh Bank Bills and Government Bonds

Treasury Bills and Bangladesh Bank Bills		
Held to Maturity (HTM) Securities		
30 Day Bangladesh Bank Bills	-	749,817,956
28 Day Treasury Bills	-	-
91 Day Treasury Bills	13,213,837,954	7,679,838,312
182 Day Treasury Bills	13,125,666,990	7,004,074,842
1 Year Treasury Bills	5,679,706,600	7,373,282,107
	32,019,211,544	22,807,013,217
Held For Trading (HFT) Securities		
14 Days Treasury Bills	999,924,588	-
30 Day Bangladesh Bank Bills	-	25,639,648,440
28 Day Treasury Bills	-	-
91 Day Treasury Bills	-	-
182 Day Treasury Bills	-	-
1 Year Treasury Bills	-	-
	999,924,588	25,639,648,440
	33,019,136,132	48,446,661,657
Total Treasury Bills and Bangladesh Bank Bills		
Government Bonds		
Held to Maturity (HTM) Securities		
6 Month Bonds- Islamic	900,000,000	700,000,000
1 Year Bonds- Islamic	-	-
2 Year Bonds	3,635,264,297	1,382,453,857
5 Year Bonds	200,771,242	5,520,589,023
10 Year Bonds	312,268,473	1,879,811,981
15 Year Bonds	79,639,809	79,627,417
20 Year Bonds	54,861,904	54,856,780
	5,182,805,725	9,617,339,058
Held For Trading (HFT) Securities		
6 Month Bonds- Islamic	-	-
1 Year Bonds- Islamic	-	-
2 Year Bonds	-	-
5 Year Bonds	1,187,505,839	205,750,316
10 Year Bonds	1,195,230,773	238,794,843
15 Year Bonds	383,386,785	388,594,884
20 Year Bonds	-	-
	2,766,123,397	833,140,043
	7,948,929,122	10,450,479,101

9.3 Residual maturity grouping of Treasury Bills, Bangladesh Bank Bills and Government Bonds

On demand	-	201,118,692
Up to 1 month	17,072,927,166	39,388,495,370
Over 1 month but not more than 3 months	13,162,279,041	5,567,827,009
Over 3 months but not more than 1 year	8,930,967,964	12,529,153,334
Over 1 year but not more than 5 years	1,284,002,584	441,058,330
Over 5 years	517,888,499	769,488,023
	40,968,065,254	58,897,140,758
9.4 Face value and market value of Treasury Bills, Bangladesh Bank Bills and Government Bonds		
Treasury Bills and Bangladesh Bank Bills:		
Face value of Treasury Bill (including Bangladesh Bank Bills)	33,224,000,000	48,660,000,000
Unamortised amount of Treasury Bills	(204,856,898)	(213,332,220)
MTM gain / (loss) from Treasury Bills - HFT	(6,970)	(6,122)
Market value	33,019,136,132	48,446,661,657
Government bonds:		
Face value of Government Bond	7,812,607,325	10,197,907,400
Unamortised amount of Government Bonds	677,418	107,964,841
MTM gain / (loss) from Government Bonds - HFT	135,644,379	144,607,219
Market value	7,948,929,122	10,450,479,101
Total	40,968,065,254	58,897,140,758

10 Loans, cash credit, overdrafts, etc.

Credit cards	6,666,360,608	5,790,120,480
Overdraft	6,724,154,193	8,901,254,443
Personal Loan	23,244,859,349	19,105,656,297
Loan to Professional	837,428	2,471,181
Auto loans	1,329,973,192	1,197,112,356
Mortgage Loan	10,835,232,079	8,493,067,475
Staff loans	2,771,408,859	2,636,773,094
Revolving Loan	-	168,416,242
Loans against property	930,461,371	1,263,922,287
Business Instalment Loan	15,129,086,320	14,350,325,443
Term loans	15,513,686,446	6,905,674,299
Loans against trust receipts	3,102,043,914	6,082,729,583
Import Loan	3,610,681,265	5,956,539,300
Preshipment Finance	5,605,176,464	7,862,028,796
Short Term Loan	41,951,958,101	32,404,414,877
Islamic - Credit Card Issuing (Ujrah)	424,814,583	442,699,451
Islamic - Personal Finance (Bai-Murabah)	1,485,974	2,352,183
Islamic - Auto Finance (Musharaka)	376,279,691	416,476,901
Islamic - Mortgage Finance (Musharaka)	3,664,814,220	3,790,480,317
Islamic - Instalment Finance (Bai-Murabah)	21,971,096	42,958,176
Islamic - Finance Against Property (Shiratalul Melk)	6,740,348,199	4,726,508,904
Islamic - Finance Against TR (Diminishing Musharaka)	69,925,663	197,218,017
Islamic Short Term Loan (Musharaka)	953,243,341	681,645,474
Islamic - Instalment Finance (Goods Murabah)	1,001,431,511	973,721,102
Islamic Import Finance (Goods Murabah)	422,688,332	299,927,380
	151,092,922,199	132,694,494,058

10.1 Loans, cash credit, overdrafts, etc.- inside and outside Bangladesh

Inside Bangladesh	151,092,922,199	132,694,494,058
Outside Bangladesh	-	-
	151,092,922,199	132,694,494,058

10.2 Loans, cash credit, overdrafts, etc.- residual maturity grouping

Repayable on demand	13,935,803,812	15,567,725,092
Less than three months	46,797,202,154	46,766,562,654
More than three months but less than 1 year	27,677,185,187	22,862,582,307
More than 1 year but less than 5 years	48,890,453,812	37,321,321,615
More than 5 years	13,792,277,234	10,176,302,395
	151,092,922,199	132,694,494,058

Notes to the Financial Statements

	2018 Taka	2017 Taka
10.9 Particulars of loans and advances		
i) Loans considered good in respect of which the Bank is fully secured (unclassified loans and advances);	39,188,495,552	30,923,471,783
ii) Loans considered good against which the Bank holds no security other than the debtor's personal guarantee;	106,445,198,264	99,223,467,376
iii) Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor;	-	-
iv) Loans adversely classified; provision not maintained there against;	-	-
v) Loans taken by directors or officers of the Bank or any of these either separately or jointly with any other persons;	2,771,408,859	2,636,773,094
vi) Loans due from companies or firms in which the directors of the Bank have interests as directors, partners or managing agents or in case of private companies as members;	-	-
vii) Maximum total amount of advance including temporary advance made at any time during the year to directors or managers or officers of the Bank or any of them either separately or jointly with any other person;	2,771,408,859	2,636,773,094
viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank have interest as directors, partners or managing agents or in case of private companies as members;	-	-
ix) Due from banking companies;	674,346,144	-
x) Classified loans for which interest has not been charged:		
a) Increase / (decrease) of provision (specific)	513,150,509	(265,200,904)
Amount of loans written off (net of recovery)	319,658,693	1,316,455,836
Amount realised against the loan previously written off	100,956,605	71,668,952
b) Amount of provision kept against the amount classified as bad / loss as at the Balance Sheet date	2,994,358,778	2,581,810,530
(c) Amount of interest charged in suspense account	228,820,445	572,967,760
xi) Loans written off:		
Opening Balance of cumulative written-off loan	6,156,418,669	4,768,293,881
Gross amount of written off during the current year	420,615,298	1,388,124,788
Cumulative amount of written off loans	6,577,033,967	6,156,418,669
Amount of written off loan for which lawsuit has been filed	4,245,136,719	3,883,481,467

11 Bills purchased and discounted		
Inside Bangladesh	33,133,163,199	27,054,364,363
Outside Bangladesh	2,156,584,849	1,022,469,539
	35,289,748,048	28,076,833,902

11.1 Bill purchased & discounted- product wise classification

(a) Bill Discounted & Purchased to Consumer Bank by Product		
Cheque Purchased	-	-
Credit Bill Negotiation	-	-
Bank - Credit Bill Negotiation	-	-
Export bill discounting / outward Bill	-	-
Export Invoice Finance	-	-
Import Invoice Finance	-	-
	-	-

(b) Bill Discounted & Purchased to Small and Medium Enterprises by Product		
Cheque Purchased	-	-
Credit Bill Negotiation	-	-
Bank - Credit Bill Negotiation	-	-
Export bill discounting / outward Bill	-	-
Export Invoice Finance	-	-
Import Invoice Finance	38,220,616	16,080,000
	38,220,616	16,080,000

(c) Bill Discounted & Purchased to Large Enterprises by Product		
Cheque Purchased	-	-
Credit Bill Negotiation	-	-
Bank - Credit Bill Negotiation	-	-
Export bill discounting / outward Bill	-	-
Export Invoice Finance	15,187,374	-
Import Invoice Finance	39,754,111	-
	54,941,485	-

(d) Bill Discounted & Purchased to corporate customers by product		
Cheque Purchased	1,626,489,715	2,001,761,928
Credit Bill Negotiation	2,737,792,692	2,927,338,437
Bank - Credit Bill Negotiation	674,346,144	-
Export bill discounting / outward Bill	52,541,658	59,148,207
Export Invoice Finance	16,785,615,050	12,765,398,105
Import Invoice Finance	13,315,650,474	10,307,107,226
Islamic- Import Invoice Finance	4,150,214	-
	35,196,585,947	28,060,753,902
Total (a+b+c+d)	35,289,748,048	28,076,833,902

11.2 Classification on residual maturity basis		
Payable within one month	2,001,475,741	2,198,357,380
Payable over one month but within three months	28,621,892,456	24,795,149,290
Payable over three months but within six months	4,650,299,851	1,067,247,232
Payable over six months	16,080,000	16,080,000
	35,289,748,048	28,076,833,902

12 Fixed assets including premises, furniture and fixtures		
Freehold premises	-	-
Fixed equipment	1,144,254,321	1,134,191,098
Computer and office equipment	1,489,267,429	1,392,543,925
Furniture and fittings	538,171,564	530,440,473
Motor vehicle	73,925,431	71,152,431
Capitalised leased vehicles	47,576,000	340,561,988
	3,293,194,745	3,468,889,914
Less: Accumulated depreciation	(2,991,947,737)	(3,074,756,082)
	301,247,008	394,133,832

Refer to Annexure - A for detailed analysis.

13 Other assets		
Stationery and stamps in hand	5,116,385	5,972,890
Interest receivable - Loans and advances	1,762,615,612	1,249,173,214
Interest receivable - Central Bank and Government	121,844,617	265,612,791
Interest receivable - Banks	42,273,872	7,687,947
Interest receivable - SCB Branches	24,400,683	4,287,352
Accrued commission receivable	195,171,984	443,355,614
Security deposits	13,399,520	12,774,201
Advance rent	799,268,917	908,429,709
Prepaid expenses	22,405,998	33,646,243
Items in course of collection-cheques in till	3,942,708,071	2,926,160,029
Suspense account	15,336,214	24,796,344
Sundry debtors	34,466,237	53,265,931
Other Receivable - Protested Bill	637,103	-
Intra branch balances with OBU Dhaka	4,056,104,372	5,553,820,128
Project awaiting completion	78,362,503	38,023,293
Unrealised gain on forward contracts	134,128,063	122,215,522
Deferred tax asset (Note - 13.2)	1,197,340,531	1,229,783,355
Cross border recharge receivable	268,200	1,298,231
Sundry receivable from Bangladesh Bank	867,376,111	877,990,958
Others	13,939,552	38,527
	13,327,164,545	13,758,332,279

Other assets have been assessed by management and are not doubtful of recovery and hence no provision is required.

13.1 Other assets which are not capable of earning income (non interest bearing)		
Stationery and stamps in hand	5,116,385	5,972,890
Interest receivable - Loans and advances	1,762,615,612	1,249,173,214
Interest receivable - Central Bank and Government	121,844,617	265,612,791
Interest receivable - Banks	42,273,872	7,687,947
Interest receivable - SCB Branches	24,400,683	4,287,352
Accrued commission receivable	195,171,984	443,355,614
Security deposits	13,399,520	12,774,201
Advance rent	799,268,917	908,429,709
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Items in course of collection-cheques in till	3,942,708,071	2,926,160,029
Suspense account	15,336,214	24,796,344
Sundry debtors	34,466,237	53,265,931
Other Receivable - Protested Bill	637,103	-
Intra branch balances with OBU Dhaka	4,056,104,372	5,553,820,128
Project awaiting completion	78,362,503	38,023,293
Unrealised gain on forward contracts	134,128,063	122,215,522
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Sundry receivable from Bangladesh Bank	867,376,111	877,990,958
Others	13,939,552	38,527
	13,327,164,545	13,758,332,279

Notes to the Financial Statements

	Deferred Tax Assets (Taka)		Deferred Tax Liabilities (Taka)	
	2018	2017	2018	2017
Fixed assets	198,907,017	194,329,795	-	-
Accrued interest on Government securities	-	-	(48,737,847)	(112,885,435)
Gratuity provision	255,487,719	200,535,591	-	-
Operating lease rent adjustment	92,038,202	110,114,350	-	-
Actuarial loss during the year	238,124,114	158,697,671	-	-
Specific provision	400,112,273	555,156,976	-	-
Holiday pay accruals	12,671,206	10,948,971	-	-
Revaluation reserve - HTM securities	-	-	(161,596,684)	(2,975,881)
	1,197,340,531	1,229,783,355	(210,334,531)	(115,861,316)

Deferred tax assets / (liabilities) are calculated using the tax rate expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted by the balance sheet date. Following are the descriptions for individual items of the deferred tax asset / (liabilities) that are recognised by the bank as temporary difference with expected realisation / (settlement).

Fixed assets

As per tax rules, accounting depreciation is not tax allowable. However, tax authorities allow the tax depreciation. Therefore temporary differences arise on such different depreciation methodology. The Bank recognises deferred tax assets / (liabilities) on such differences. This is an ongoing item and there is a difference between tax depreciation and accounting depreciation rate. However the outstanding amount of deferred tax will be automatically released with the expiry of the economic useful life of the assets.

Accrued interest on Government securities

As per tax law, interest income on Government securities are taxed on cash basis whereas interest income from Government securities have been accounted for on accrual basis in these financial statements. This difference of interest income recognition has created temporary difference on which the Bank recognises deferred taxes. This is an ongoing item and the outstanding deferred tax will be adjusted upon maturity of the respective Government securities.

Gratuity provision

The Bank recognises deferred tax assets / (liabilities) on the temporary difference for gratuity provision and actual payment to the recognised gratuity fund. The temporary differences would eventually be eliminated on the payment of such provision to the fund.

Operating lease rent adjustment

The Bank recognises deferred tax assets / (liabilities) on the temporary differences for actual contractual liability on long-term premises lease rent as opposed to straight line expense recognition over the period of lease term. This temporary difference will be settled or adjusted on the expiry of lease agreement.

Specific provisions on loans and advances

As per tax law, provisions for loans and advances are not allowable. As a result, provision charged to profit or loss is added back while computing taxable income. However, for loans that are written off with cases being filed the tax authority allows the amount of such loans as deductions from taxable income.

As per the provision of IAS 12, the Bank recognises a deferred tax asset on specific provision relating to loan customers other than retail and small enterprise customers for the deductible temporary difference to the extent it is probable that taxable profit will be available against which such temporary difference can be utilised.

	2018 Taka	2017 Taka
13.3 Movement of deferred tax assets / (liabilities)		
Net deferred tax assets / (liabilities) as at 1 January	1,113,922,039	1,196,537,013
(Charged) / Credit to Profit and Loss account	(47,721,678)	(51,514,402)
Actuarial gain and Revaluation Reserve-HTM adjustment (Note- 13.3.1)	(79,194,360)	(31,100,572)
Net balance as at 31 December	987,006,001	1,113,922,039

13.3.1 Deferred tax recognised in equity		
Actuarial gain / (loss) for gratuity	(198,566,107)	(70,298,514)
Revaluation reserve - HTM securities	396,552,007	143,476,331
	197,985,900	73,177,817
Deferred tax @ 40 %	(79,194,360)	(31,100,572)
Transfers to reserve	118,791,540	42,077,245

14 Borrowings from other banks, financial institutions and agents		
Repo (Annex G)	-	-
Foreign currency borrowing from Bangladesh Bank (EDF)	942,956,752	5,844,100,052
Others (Note - 14.1)	7,992,655,480	6,873,343,615
	8,935,612,232	12,717,443,667

14.1 Others

A. Group Vostro :		
Current Deposit		
SCB Bombay - ACU USD	1,836,728	176,614,686
SCB Bombay - ACU USD	151,980,688	129,919,889
SCB Pakistan - USD	107,399,111	22,817,435
SCB London - BDT	163,826,017	136,224,554
SCB New York - BDT	13,296	158,010
SCB Singapore - BDT	7,186,161	6,042,217
SCB Singapore - SGD	-	20,739
SCB Kuala Lumpur - BDT	33,269	971,905
SCB Dubai - BDT	11,874,397	12,217,729
SCB Dubai (International Financial Center) - BDT	106,481	98,688
SCB Frankfurt - EUR	-	803,295,838
SCB Tokyo-JPY	500,000	500,000
	444,756,148	1,288,861,690
Fixed Deposit		
SCB Dhaka OBU - USD	4,391,627,022	3,552,512,502
	4,391,627,022	3,552,512,502
Total Group Vostro	4,836,383,170	4,841,394,192

B. Non Group Vostro:		
Current Deposit		
People's Bank Colombo, Sri Lanka	18,384,072	6,484,886
Seylan Bank Plc	24,902,711	10,936,982
The Standard Bank, South Africa	-	24,604,200
Bank of New Zealand	160,100	160,250
UAE Exchange Centre Lic	-	4,234,243
Askari Bank Ltd	27,674,188	31,089,561
Faysal Bank	25,209,158	34,858,771
Habib Metropolitan Bank	24,432,447	22,986,886
Soneri Bank Ltd	13,355,515	47,377,306
Allied Bank Ltd-Karachi	11,871,328	5,587,562
United Bank Ltd-Karachi	40,664,249	30,926,096
Oman & UAE exchange centre & Co. Lic	1,671,955	1,674,455
Nordea bank Plc, Finland	121,982	908,806
Cimb Bank Berhad	5,480,603	6,082,909
Punjab National bank - ACU	37,662,833	48,463,375
Aliance Bank Malaysia Berhad	399,619	1,196,119
National Australia Bank Ltd	14,094,730	4,030,168
Public Bank - Berhad	560,965	1,070,074
RHB Bank Berhad Malaysia - BDT	740,596	3,716,143
OCBC Bank Malaysia - BDT	139,412	389,640
Hong Leong Bank Malaysia - BDT	473,647	902,005
Affin Bank	3,281,968	6,518,468
United Overseas Bank (Malaysia) BHD - BDT	481,349	483,849
Gulf Bank KSC Kuwait - BDT	1,398,326	824,301
Ahli United Bank K.S.C.	315,511	446,845
Emirates NBD Bank PJSC	1,710,959	3,441,183
Ahli United Bank BSC	145,761	129,856
Barclays Bank PLC, London	4,994,953	4,997,453
DFCC Vardhana Bank LTD.	8,082,062	6,722,834
Bank Muamalat Malaysia Berhad	34,423	294,170
UAE Exchange Center LLC	-	681,691
Indusind Bank LTD.	43,503,007	43,036,405
Hatton National Bank LTD.	19,952,863	2,591,248
Sampath Bank Ltd, Colombo	33,594,003	10,293,859
UCO Bank Treasury Branch, Mumbai	32,849,557	16,570,368
RHB Islamic Bank Berhad	3,197,536	1,636,805
National Development Bank PLC.	33,956,018	3,530,894
MCB Bank Ltd. Colombo	1,064,564	1,061,042
Meezan Bank Limited	29,792,699	23,861,152
Samba Bank limited	28,878	21,039
Druk PNB Bank Limited, Bhutan	11,867,377	12,435,923
Bank Islam Malaysia Berhad	1,477,123	2,628,279
NMB Bank Ltd	7,122,380	13,354,716
Kotak Mahindra Bank Limited	256,463,010	36,255,130
Bank		

	2018 Taka	2017 Taka
16.4 Provision for income tax		
Opening balance	2,720,216,215	3,265,287,787
Provision made during the year	4,285,382,329	3,566,199,182
Amount paid during the year	(3,057,881,456)	(4,111,270,754)
Closing balance	3,947,717,087	2,720,216,215

	2018 Taka	2017 Taka
17 Other reserves		
General reserve	735,905	735,905
Actuarial gain/(loss)	(357,186,171)	(214,708,614)
Revaluation reserve account	82,044,138	83,149,149
Equity reserve - amortisation on HTM securities	160,350,885	(79,122,959)
	(114,055,243)	(209,946,519)

	2018 Taka	2017 Taka
18 Profit and loss account balance		
Movement in profit and loss account balance has been detailed in statement of changes in equity.		
Opening balance	38,985,670,000	31,511,451,349
Profit remitted to Head Office	-	-
Net profit for the year	9,843,163,059	7,474,218,651
	48,828,833,059	38,985,670,000

	2018 Taka	2017 Taka
19 Interest income		
Secured cash credits	24,125,533	39,407,530
Personal Credit	4,383,738,231	3,768,580,812
Loans against property	130,462,630	230,999,525
Term loans	4,034,689,888	2,922,397,551
Revolving loans	1,028,645,490	935,793,497
Loans against trust receipts	316,647,867	312,639,777
Auto loans	146,664,816	117,896,836
House building loan	961,663,173	752,942,585
Credit cards	1,053,086,242	1,167,187,199
Overdraft	592,822,535	336,263,401
Islamic auto finance	46,637,606	45,306,869
Islamic personal finance	127,309,794	52,762,872
Islamic mortgage	339,152,087	332,532,219
Islamic SME finance against property	555,357,167	318,037,860
Islamic finance against trust receipt	9,588,463	6,782,018
Islamic import invoice financing	11,138,235	8,839,144
Islamic corporate short term finance	44,150,294	60,861,571
Bills discounted and purchased	2,163,185,408	1,383,051,579
Money market loan	34,757,083	28,774,694
Bank placement	889,895,940	310,023,377
Nostro account balances	35,225,014	9,313,944
Bangladesh Bank - FCY	49,939,135	31,688,746
Reverse repo	37,333,996	42,418,996
	17,016,216,627	13,214,502,602

	2018 Taka	2017 Taka
20 Interest expense on deposits and borrowings		
Fixed deposit	2,414,541,549	1,669,423,333
Call deposit	397,919,324	401,259,912
Savings account	721,253,233	547,642,082
Money market deposit	71,037,433	34,666,559
Repo	238	14,321
Nostro account balances	2,304,586	2,214,558
Deposit insurance premium	137,808,683	122,706,946
Others	45,250,234	19,408,709
	3,790,115,280	2,797,336,420

	2018 Taka	2017 Taka
21 Income from investments		
Interest from Government Bonds and Treasury Bills	1,392,530,942	2,586,417,409
Gain / (loss) arising from disposals of government securities	39,850,930	95,754,806
Dividend from CDBL shares	22,500,000	22,500,000
	1,454,881,872	2,704,672,215

	2018 Taka	2017 Taka
22 Commission, exchange and brokerage income		
Commission income**	3,675,723,608	3,669,909,614
Exchange income	3,570,876,151	3,054,869,135
	7,246,599,759	6,724,778,749

** Commission Includes export income BDT 581,006,172 (2017: BDT 537,112,995) and custodial service income for stock exchange BDT 123,299,102 (2017: BDT 111,354,171).

	2018 Taka	2017 Taka
23 Other operating income		
Gain on sale of fixed assets	230,797	2,779,393
Miscellaneous income	4,618,920	503,553
	4,849,717	3,282,946

	2018 Taka	2017 Taka
24 Repair, maintenance and depreciation		
Repair and maintenance	230,500,576	210,845,053
Depreciation (Annexure - A)	209,603,475	276,222,213
	440,104,051	487,067,266

	2018 Taka	2017 Taka
25 Other expenses		
Non lending losses	11,984,510	60,923,810
Travelling and transportation	72,733,771	88,160,937
Support services	301,272,815	220,475,427
Subscription	7,229,746	4,672,356
Entertainment	10,065,660	21,179,731
Security services	58,427,898	59,177,815
Computer expenses	33,323,727	51,102,369
Interest on leases	615,294	6,374,584
Training & Workshop	30,579,269	27,823,564
Car Running Expenses	8,218,873	33,936,120
Staff Insurance expenses	114,300,109	102,651,925
Archiving and Document Storage	24,300,112	22,079,808
Bank charges (Corresponding Bank)	10,706,544	12,090,057
Card Production costs	18,789,151	12,702,201
Property verification charges	64,827,094	45,738,279
Security delivery services	27,105,786	46,662,532
Clearing House Charges	10,318,286	11,483,348
Collection Expenses -General	25,677,108	2,728,171
Other	478,770,318	353,141,390
	1,309,246,071	1,183,104,424

	2018 Taka	2017 Taka
26 Cash and cash equivalents		
Cash in hand (including foreign currencies)	4,550,575,368	3,249,188,422
Balance with Bangladesh Bank	61,612,708,945	20,074,162,820
Balance with Sonali Bank (agent of Bangladesh Bank)	-	54,645,936
Balance with other banks and financial institutions	71,957,893,507	26,380,696,856
	138,120,977,820	49,738,694,034

	2018 Taka	2017 Taka
27 Contingent liabilities and commitments		
Acceptances and endorsements	78,232,996,544	66,831,972,046
Letters of guarantee (Note - 27.1)	128,201,448,502	69,363,381,367
Irrevocable letters of credit	54,590,418,377	50,285,143,935
Bills for collection	20,553,785,276	15,921,838,076
Other commitments	-	-
Forward contracts	23,661,257,892	18,854,632,005
	305,239,906,591	221,256,967,429

	2018 Taka	2017 Taka
27.1 Claims against the Bank not acknowledged as loan for which the Bank is contingently liable in respect of guarantee issued favouring:		
Directors	-	-
Government	-	-
Bank and financial institution	114,076,379,872	61,669,142,633
Others	14,125,068,630	7,694,238,834
	128,201,448,502	69,363,381,367

28 Tax provision on head office allocated expenses

The Bank claims full amount of Head Office Allocated Expenses (HOAE) as deductible expense for tax purposes in line with provisions of the Double Taxation Avoidance Agreement between the government of Bangladesh and United Kingdom. The claim has been disallowed by the NBR. The matter was pending with the High Court division of the Supreme Court of Bangladesh for a number of years.

On 10 January 2013 High Court division of Supreme Court ruled (on Income Tax reference application no. 190 of 2009 and Income Tax reference application no. 345 of 2008 and 190 of 2009) in favour of SCB that full claim is deductible for tax purposes.

However, NBR has filed an appeal in the Appellate Division of Supreme Court against the verdict of the High Court Division. The matter currently is pending for hearing before the Appellate Division of Supreme Court.

29 Related party transactions

29.1 Related parties

The related parties of the Bank include Standard Chartered (SC) Plc, other group entities, key management personnel of SC Plc and the Bank as well as their close family members and its post-employment benefit plans. The Bank, not being incorporated in Bangladesh, operates in Bangladesh under the banking licence issued by Bangladesh Bank and therefore the key management personnel of the Bank for the purpose of IAS 24 are defined as those persons having authority and responsibility for planning, directing, controlling the Bank, being members of the Country Management Team (CMT) of the Bank, and close members of their families and companies they control, or significantly influence, or for which significant voting power is held.

29.2 Transactions with group entities

The Bank provides and receives certain banking and financial services to / from entities within the Group. As at the year end the balances with these entities are disclosed in Note - 7 under Group Nostro and in Note - 14.1 under Group Vostro and Overdraft Nostro Account Balances.

The disclosure of the year end balance is considered to be the most meaningful information to represent transactions during the year. The outstanding balances include deposits kept with or by the Bank and arise in the ordinary course of business and are on substantially the same terms as for comparable transactions with third parties.

29.3 Transactions with key management personnel of the Bank and of its parent (SC Plc)

During the year, transactions with the key management personnel of the Bank include the following:

	2018 Taka	2017 Taka
Salaries and other short-term employee benefits	258,079,020	249,071,976
Bonuses paid or payable	112,675,046	106,817,123
Post employment benefits - provident fund and gratuity fund	34,846,603	23,279,840
	405,600,669	379,168,939

Loans to senior management (CMT) of the Bank amounted to Tk. 198,097,371 as at 31 December 2018 (2017: Tk. 205,431,978) included in Note 10.3 at rates applicable to employees of the Bank. No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the period end.

29.4 Transactions with post employment benefit plans

The Bank has two post-employment benefit plans, a provident fund which is of the nature of a defined contribution scheme and a funded gratuity scheme which is of the nature of a defined benefit plan as described in Note 4.2.10 Employee benefits. The Bank contributes to the provident fund in accordance with the requirements of the Trust Deed of the fund while its contributions to the gratuity scheme are determined by a professional actuary.

The responsibility for management and administration of these plans resides with the Trustees of these schemes. The Trustees are selected among the employees of the Bank. The Bank does not charge these schemes any fees for management or administrative purposes.

In 2018, the Bank contributed BDT 208,040,340 to the gratuity fund and BDT 169,839,698 to the provident fund. As at 31 December 2018, the provident fund had a balance of BDT 64,316,527 (2017: BDT 83,016,842) and the gratuity fund had a balance of BDT 1,191,948,379 (2017 : BDT 1,399,786,679) deposited with the Bank. The Bank pays interest at the rate of 5% on these deposits. Interest expense incurred by the Bank on deposit maintained with it in 2018 by the provident fund amounted to BDT 4,145,399 (2017: BDT 2,447,573) and on deposit maintained with it in 2018 by the gratuity fund amounted to BDT 65,605,777 (2017 : BDT 47,663,173).

29.5 Transactions with the off-shore banking unit

The off-shore banking unit (OBU) operates under a separate licence issued by Bangladesh Bank. Transactions with the off-shore banking unit comprise of inter-unit fund transfers in the normal course of business as well as the payment of certain expenses by the Bank on behalf of the OBU. These include income taxes paid by the Bank on behalf of OBU as well as expenses incurred for administrative purposes. The balance of the OBU with the Bank at the year end is disclosed in Note 13 Other Assets. The year end balances of transactions with OBU are disclosed in Notes - 7, 13 and 14.

30 General

30.1 Reconciliation of books of accounts

There were no unidentified and unreconciled balances in the inter-branch accounts (inside and outside Bangladesh) as at 31 December 2018.

30.2 Core risk management

30.2.1 Credit risk

Being branches of Standard Chartered Plc ("Group"), Standard Chartered Bank (SCB), Bangladesh Branches ("the Bank") has historically sought to maintain a conservative, yet constructive and competitive credit risk culture. This has served the Bank well through successive economic cycles and remains valid today. This culture is determined and underpinned by the disciplined credit risk control environment which the Bank has put in place to govern and manage credit risk, and is embodied in the formal policies and procedures adopted by the Bank. These are articulated through SCB credit policies together with Bangladesh Bank regulations and guidelines. Formal policies and procedures cover all areas of credit lending and monitoring processes including:

- The Group credit risk policy framework
- Governance and authorities
- Risk appetite and evaluation of facilities
- Key lending constraints, higher risk sectors and sustainability risk
- Risk rating systems
- Facility structures
- Lending to banks and non-banks
- Personal lending
- Corporate and commercial lending
- Portfolio management and stress testing
- Monitoring, control and the management of problem exposures
- Impairments and allowances

At the heart of these processes is a robust framework of accountability. The Bank operates a system of personal credit authorities, rather than credit committee structures. However, the Bank has set up a Country Risk Committee (CRC) comprising most of the members of the Asset and Liability Management Committee (ALCO) and other risk related function Heads to manage various risks within the Bank including credit risk. Relationship managers are held accountable for both the profitability and growth of their loan portfolios as well as the losses that may arise within them.

30.2.2 Internal control and compliance

Standard Chartered Bank Group intranet (iConnect) is the host of relevant policies and procedures, laws, regulations, Group code of conduct and Group requirements applicable to its banking activities across the globe. Group policies are to be read in conjunction with Country Addendum which covers any country specific requirements. The Group Operational Risk Manual recognises compliance risks under its risk management framework and has implemented necessary policies and procedures to promote good compliance culture, practices and standards which are outlined in the Group Code of Conduct.

Compliance is recognised as one of the core functions in the Internal Control and Compliance Guideline under Managing Core Risks Guideline of Bangladesh Bank. The compliance function in the Bank is aligned with this guideline. The compliance team is adequately resourced and the Head of Compliance reports to Head of Regional Compliance and Chief Executive Officer. The unit ensures the Bank's local level activities are performed in full compliance with local laws and regulations. It is responsible to provide guidance and clarification relating to regulatory directives. It also supports in staff training on regulatory issues. The team has necessary independence in terms of interpretation of rules and regulations and can restrict transactions that are not in line with regulatory directive. The compliance function supports country management to ensure regulatory compliance in all its activities.

Within the Bank there are three lines of defence in the overall internal control environment. Group Internal Audit (GIA) operates as the third line of defence in providing independent assurance of the effectiveness of management's control of its own business activities (the first line) and of the processes maintained by the Risk Control Functions (the second line). GIA provides assurance that the overall system of control effectiveness operates as required within the Risk Management Framework. In addition to its audit planning and execution, GIA works in a co-ordinated manner with the Group's other control functions to determine the overall adequacy of controls throughout the Group, placing emphasis on risk identification and design of those controls. The Group Head of Internal Audit reports to the Group Chief Executive Officer and the Chairman of the Audit Committee. In the country, there is a Country Head of Audit who reports to regional Head of Audit, South Asia and locally to the CEO for governance purpose only. This ensures that GIA has the necessary authority to exercise judgement, express opinions and make recommendations in an impartial manner.

30.2.3 Foreign exchange risk

The Bank develops robust strategies aligned with market structure and directions to manage foreign exchange risk from dealings in foreign exchange products such as spot, forward and derivatives with clients within the purview of Bangladesh Bank regulations and its internal policies. Foreign exchange risk is defined as the potential change in earnings arising due to change in market price and the position in foreign currencies. Foreign exchange risk is managed through strong risk framework which is monitored and reported by separate independent risk unit daily to management and through several regulatory reports. Changes in policy, limits and regulations are escalated and adhered to senior management in a timely manner.

30.2.4 Asset liability management risk

For better management of asset and liability risk, the Bank has an established Asset & Liability Committee (ALCO) which meets at least once in a month. The role of ALCO is to maintain a strong balance sheet (Capital & Liquidity) which supports business objectives and to comply with regulatory requirements and Group policy. The members of ALCO as at year end were as follows:

- Chief Executive Officer (Chairman)
- Chief Financial Officer (Secretary)
- Country Chief Risk Officer
- Head of International Corporates
- Head of Financial Markets
- Head of Financial Institutions
- Head of Retail Banking
- Head of Commercial Banking
- Chief Information Officer

The ALCO's primary function is to ensure the efficient implementation of balance sheet management policies as directed by Bangladesh Bank, Group ALCO and its sub committees and also to review reports on liquidity, interest rate risk and capital management and ensure adherence to applicable limits, policies and regulatory requirements. ALCO regularly reviews the Bank's overall asset and liability position, forward looking asset and liability pipeline, overall economic position, the Banks' liquidity position, capital adequacy, balance sheet risk, interest rate risk and makes necessary changes in its mix as and when required.

The Bank has a Group specified liquidity and funding ratio to be maintained to ensure financial flexibility to cope with unexpected future cash demands. ALCO monitors the liquidity and funding ratio on an ongoing basis and ascertains liquidity requirements under various stress situations. In order to ensure liquidity against all commitments, the Bank reviews the behavioural patterns of liquidity requirements. The Bank has an approved Liquidity Contingency Plan (LCP) which is reviewed and updated on an annual basis by the ALCO. All regulatory requirements including CRR, SLR and capital adequacy are reviewed by ALCO.

30.2.5 Prevention of money laundering and terrorist financing

The Bank follows the mandatory Group-wide standards for anti money laundering (AML) and combating financing of terrorism (CFT) based on the requirements of the UK Financial Conduct Authority and Prudential Regulation Authority and industry guidance such as the Joint Money Laundering Steering Group (JMLSG). The Bank has amended these standards to conform to local Money Laundering Prevention Act 2012, Anti-Terrorism (Amendment) Act 2013 and Bangladesh Bank Guidance Notes / Directives (issued time-to-time).

The Bank has Country-Addenda and operational procedures, e.g. Departmental Operating Instructions (DOI), on AML and CFT that address the requirements of local legislation and regulations. These operational procedures are also reviewed time-to-time and formally reviewed by respective stake-holders including compliance team on an annual basis and tabled in Country Operational Risk Committee (CORC) or Business Operational Risk Forum (BORF) as appropriate to ensure senior management support.

The Bank has robust customer due diligence (CDD), transaction monitoring procedures & automated systems that are under dual control and continuous surveillance by a dedicated team. Besides this, both local and global internal audit teams conduct periodic reviews / independent quality assurance to ensure the Bank is in compliance with the regulatory standards.

It performs risk based due diligence on all new customers, including verification of their identity and, where appropriate, an assessment of the source of their wealth and funds. It uses sophisticated software systems to monitor transactions for suspicious behaviour associated with AML and CFT.

The Bank provides training for its employees on its customer due diligence policies and procedures, including how to detect and report suspicious activity. It also has mandatory on line training modules on AML and CFT which all staff have to complete with pass marks and annual refresher training needs to be done by all customer facing and relevant processing staff. There are standard record retention and retrieval procedures to assist regulatory investigations in this regard.

30.2.6 Information technology

The Bank has local IT team to provide technology services and support to all the departments of the Bank. IT team manages Country Data Centre, desktop and server support, application support and network support. It also manages all technology projects, vendor management, cost and IT risk based on the Bank's standards and processes. All day to day activities are performed by online platform, change and request management system. IT team provides monthly reports to local and Group Senior Managements, which cover the following:

- Major technology projects
- Major incidents
- Technology activities and achievements
- Technology cost
- Current technology risks

The Bank has a robust Business Continuity and Disaster Recovery Plan in place to ensure smooth business in case of any major disaster. This plan is reviewed and tested as per yearly schedule. Technology team also facilitates information security awareness and takes necessary measures to prevent data leakage. There are different global teams supporting country technology. Software development / enhancement and production system supports are provided by these teams.

30.2.7 Audit committee

SCB Bangladesh operates as a branch of SCB Plc and does not have a local Board of Directors to form an audit committee in Bangladesh. Under this backdrop, the bank has received a dispensation from Bangladesh Bank on 24 March 2011 on the requirement of audit committee as stipulated in BRPD circular number 12 dated 23 December 2002. At the country level, the Bank has established the Country Management Group, Business Operations Risk and Country Operations Risk Forums which are responsible and empowered to oversee the overall control issues of the bank. These committees review / monitor the business risks and control issues and provide necessary directives in this regard as well as escalate significant issues to the Global Risk Committee through the relevant regional committees. The Bank has an internal audit department who directly reports to the Board Audit Committee located in UK . In addition to this, the Bank is subject to audit by the internal auditors of the Group.

30.3 Post balance sheet events

There were no material events that occurred after the balance sheet date, which could affect the values stated in the financial statements or warrant disclosure.

30.4 The net amount of foreign currency exposures/position as at 31 December 2018 was USD (1,051,834) equivalent BDT (927,248,871).

30.5 The figures appearing in these financial statements have been rounded off to the nearest BDT.

30.6 Last year's figures have been rearranged, wherever necessary, to conform to current year's presentation.

30.7 The assets and liabilities (except for the items mentioned in Annexure - B) as of 31 December 2018 in foreign currencies have been converted into Taka at the following rates:

	2018 Taka	2017 Taka
GBP 1 =	105.9825	111.2191
EUR 1 =	95.833	

Standard Chartered Bank
Bangladesh Branches
Balance with other banks and financial institutions (Outside Bangladesh)
as at 31 December 2018

Annexure - B

Particulars	Currency name	2018			2017		
		Foreign currency	Exchange rate	Equivalent local currency	Foreign currency	Exchange rate	Equivalent local currency
Group Nostro		2,850	10.71	28,395	2,809	10.58	29,724
SCB HongKong -HKD	HKD	1,241,158	83.90	104,133,136	783,209	82.70	64,771,416
SCB Nepal Nostro -USD	USD	735,591	105.98	77,959,782	353,449	111.10	39,267,877
SCB London -GBP	GBP	4,034	95.68	385,999	3,674	98.66	362,527
SCB Bombay ACU -EUR	EUR	2,010,632	83.90	168,691,992	-	82.70	-
SCB Bombay ACU -USD	USD	1,911,705	83.90	160,392,032	2,916,419	82.70	241,187,814
SCB Karachi ACU -USD	USD	2,116,841	83.90	177,602,957	1,330,433	82.70	110,026,794
SCB Colombo ACU -USD	USD	6,945,379	95.68	664,501,713	-	98.66	-
SCB Frankfurt -EUR	EUR	267,000,000	83.90	22,401,300,000	231,000,000	82.70	19,103,700,000
SCB Dhaka OBU -USD	USD	570,000,000	83.90	47,823,000,000	62,000,000	82.70	5,127,400,000
SCB London -USD	USD	704	62.71	44,137	-	61.81	-
SCB Singapore -SGD	SGD	119,258,549	0.76	90,325,365	701,342,868	0.73	513,988,703
SCB Tokyo -JPY	JPY	262,074	83.90	21,987,971	261,328	82.70	21,611,808
SCB London -USD	USD	-	83.90	-	-	82.70	-
SCB Mauritius -USD	USD	-	83.90	-	1,000,000	82.70	98,661,100
SCB Dhaka OBU -EUR	EUR	-	83.90	-	-	82.70	-
SCB Mumbai -USD	USD	-	83.90	-	-	82.70	-
SCB Dubai -AED	AED	12,102	22.86	276,662	1,000	22.53	22,534
SCB Hongkong -CNY	CNY	185	12.22	2,260	-	0.00	-
Total				71,690,632,401			25,321,030,297

Liquidity Statement

Standard Chartered Bank
Bangladesh Branches
Liquidity Statement
(Asset and Liability Maturity Analysis)
as at 31 December 2018

Annexure - C

Particulars	Maturity up to 1 month	Maturity within 1 to 3 months	Maturity within 3 to 12 months	Maturity within 1 to 5 years	Maturity over 5 years	Total
Assets						
Cash in hand	66,163,284,313	-	-	-	-	66,163,284,313
Balance with Bangladesh Bank, agent bank, other banks and financial institutions	71,957,693,507	-	-	-	-	71,957,693,507
Money at call or short notice	380,000,000.00	-	-	-	-	380,000,000.00
Investments	17,072,927,166	13,162,279,041	8,930,967,964	1,284,002,584	537,005,998	40,987,182,754
Loans and advances	42,460,577,572	48,895,796,590	32,327,485,039	48,890,453,812	13,808,357,234	186,382,670,247
Fixed assets including premises, furniture and fixtures	-	-	-	-	301,247,008	301,247,008
Other assets	12,129,824,014	-	-	-	1,197,340,531	13,327,164,545
Non-banking assets	-	-	-	-	-	-
Total assets	210,164,306,572	62,058,075,631	41,258,453,003	50,174,456,396	15,843,950,771	379,499,242,374
Liabilities						
Balance with Bangladesh Bank, agent bank, other banks and financial institutions	8,162,334,177	217,523,846	548,857,737	6,896,472	-	8,935,612,232
Deposits and other accounts	244,143,753,450	13,947,770,004	24,676,575,976	7,698,066,361	256,390,595	290,722,556,387
Provision and other liabilities (including equity)	21,943,728,989	-	1,006,800,000	-	56,890,544,765	79,841,073,755
Total liabilities	274,249,816,617	14,165,293,850	26,232,233,713	7,704,962,833	57,146,935,361	379,499,242,374
Net Liquidity Gap	(64,085,510,044)	47,892,781,781	15,026,219,290	42,469,493,562	(41,302,984,589)	-

Financial Highlights 2017

Standard Chartered Bank
Bangladesh Branches
Financial Highlights 2018

Annexure - D

Sl. no.	Particulars	2018	2017
1	Capital - fund deposited with Bangladesh Bank	Taka 2,339,505,496	2,312,837,956
2	Total capital	Taka 54,194,780,569	44,639,368,469
3	Capital surplus / deficit	Taka 26,016,579,046	16,625,646,827
4	Total assets	Taka 379,499,242,374	283,578,315,863
5	Total deposits	Taka 290,722,556,387	203,659,648,459
6	Total loans and advances	Taka 186,382,670,247	160,771,327,960
7	Total contingent liabilities and commitments	Taka 305,239,906,591	221,256,967,429
8	Advances / deposit ratio	% 61.35%	74.96%
9	Classified advances as (%) of total advances	% 3.10%	2.95%
10	Net profit after tax and provisions	Taka 9,843,163,059	7,474,218,651
11	Amount of classified loans during current year	Taka 3,332,644,198	1,917,687,098
12	Amount of provisions against classified loans	Taka 3,754,348,476	3,241,197,966
13	Provision surplus / shortage	Taka 500,472,407	507,180,093
14	Interest expenses	Taka 3,790,115,280	2,797,336,420
15	Interest bearing assets	Taka 229,796,358,496	222,456,993,675
16	Non-interest bearing assets	Taka 149,702,883,878	61,121,322,188
17	Return on investment (ROI)	% 18.19%	18.19%
18	Return on assets (ROA)	% 2.79%	2.79%
19	Income from investment	Taka 1,454,881,872	2,704,672,215

Reconciliation between Bangladesh Bank's statement and the Bank's statement

Standard Chartered Bank
Bangladesh Branches
Reconciliation between Bangladesh Bank's statement and the Bank's statement
as at 31 December 2018

Annexure - E

In order to comply with the CRR and SLR requirements, the Bank considers the actual balances held with Bangladesh Bank according to their (Bangladesh Bank) books of accounts. However, when preparing the statutory accounts the Bank considers the actual balances held with Bangladesh Bank according to the Bank's books of accounts. This results in reconciling differences between the Bank's statutory accounts and CRR and SLR requirements.

Local currency	As per Bangladesh Bank statement	As per the Bank's general ledger	Reconciling difference
	Taka	Taka	
Bangladesh Bank Dhaka	57,111,941,204	54,588,895,927	2,523,045,277
Bangladesh Bank Chittagong	1,636,903,535	1,601,649,224	35,254,311
Bangladesh Bank Sylhet	205,169,111	198,143,801	7,025,310
Bangladesh Bank Khulna	63,685,975	57,479,161	6,206,814
Bangladesh Bank Bogra	98,276,487	98,074,137	202,350
Bangladesh Bank Dhaka - Al Wadia C/A- BDT	2,714,745,135	2,714,745,135	-
Total	61,830,721,447	59,258,987,384	2,571,734,063

Credited by the Bank but not debited by Bangladesh Bank
Debited by the Bank but not credited by Bangladesh Bank
Credited by Bangladesh Bank but not debited by the Bank
Debited by Bangladesh Bank but not credited by the Bank

Foreign currency	As per Bangladesh Bank statement	As per the Bank's general ledger	Reconciling difference
	USD	Taka	
USD clearing account	43,495,658	2,213,406,246	17,114,178
USD capital account	-	-	-
Total	43,495,658	2,213,406,246	17,114,178

Credited by the Bank but not debited by Bangladesh Bank
Debited by the Bank but not credited by Bangladesh Bank
Credited by Bangladesh Bank but not debited by the Bank
Debited by Bangladesh Bank but not credited by the Bank

GBP clearing account	As per Bangladesh Bank statement	As per the Bank's general ledger	Reconciling difference
	GBP	Taka	
GBP clearing account	571,698	60,589,989	-
	571,698	60,589,989	-

The Bank credited but Bangladesh Bank had not debited
The Bank debited but Bangladesh Bank had not credited
Bangladesh Bank credited but the Bank had not debited
Bangladesh Bank debited but the Bank had not credited

JPY clearing account	As per Bangladesh Bank statement	As per the Bank's general ledger	Reconciling difference
	JPY	Taka	
JPY clearing account	566,388	428,642	-
	566,388	428,642	-

The Bank credited but Bangladesh Bank had not debited
The Bank debited but Bangladesh Bank had not credited
Bangladesh Bank credited but the Bank had not debited
Bangladesh Bank debited but the Bank had not credited

EUR clearing account	As per Bangladesh Bank statement	As per the Bank's general ledger	Reconciling difference
	EUR	Taka	
EUR clearing account	831,524	79,296,684	2,350
	831,524	79,296,684	2,350

The Bank credited but Bangladesh Bank had not debited
The Bank debited but Bangladesh Bank had not credited
Bangladesh Bank credited but the Bank had not debited
Bangladesh Bank debited but the Bank had not credited

Total (Taka)		61,612,708,945	
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Disclosures on Risk Based Capital (Basel III)

Standard Chartered Bank
Bangladesh Branches
Disclosures on Risk Based Capital under Pillar - III of Basel III

Annexure - F

The following detailed qualitative and quantitative disclosures are provided in accordance with Guidelines on Risk Based Capital Adequacy by Bangladesh Bank. The purpose of these requirements is to complement minimum capital requirement and Supervisory review process. These disclosures are intended for more transparent and more disciplined financial market where the participants can assess key information about the Bank's exposure to various risks.

The bank has an approved disclosure policy to observe the disclosure requirement set out by the Bangladesh Bank and International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) into International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) where relevant to the bank.

Guidelines on Risk Based Capital Adequacy are structured around the following three aspects or pillars of Basel III:

- Minimum capital requirements to be maintained by a bank against credit, market and operational risk;
- Supervisory Review i.e. Process for assessing overall capital adequacy in relation to a bank's risk profile and a strategy for maintaining its capital at an adequate level;
- Market Discipline i.e. to make public disclosure of information on the bank's risk profiles, capital adequacy and risk management.

Disclosure Framework

The disclosure requirements are as per the Guidelines on Risk Based Capital Adequacy (RBCA) for Banks.

A. Scope of Application

Qualitative Disclosures:

Bank has no subsidiaries and Basel III is applied at the Bank level only.

B. Capital Structure

Qualitative Disclosures:

Standard Chartered Bank Bangladesh's capital structure consists of Tier I and Tier II capital which is aligned with regulatory capital structure. Tier I capital is further categorized as Common Equity Tier I (CET1) and Additional Tier I capital. The computation of the amount of Common Equity Tier I, Additional Tier I and Tier II capital shall be subject to the following conditions:

- The Bank has to maintain at least 4.50% of total Risk Weighted Assets (RWA) as Common Equity Tier I capital.
- Tier I capital will be at least 6.00% of the total RWA.
- Minimum Capital to Risk-weighted Asset Ratio (CRAR) will be 10% of the total RWA.
- Additional Tier I capital can be maximum up to 1.5% of the total RWA or 33.33% of CET 1, whichever is higher.
- Tier II capital can be maximum up to 4% of the total RWA or 88.89% of CET1, whichever is higher.
- In addition to minimum CRAR, Capital Conservation Buffer (CCB) @ 2.5% of the total RWA will be maintained in the form of CET1 in a phased manner from 2016 to 2019.

Tier I capital of the Bank includes funds deposited with Bangladesh Bank, actuarial gain/(loss) and retained earnings. Tier I capital is also called "Core Capital" of the Bank. According to BRPD letter ref no.BRPD (BFIS)661/14B(P)/2015-18014 dated 24 December 2015, 5% of deferred tax recognised on specific provision shall be allowable as CET 1 capital whilst all other deferred tax assets created on other items shall be deducted from the retained earnings when calculating the capital adequacy ratio.

Tier II capital consists of general provision and revaluation reserve for Held to Maturity (HTM) and Held for Trading (HFT) securities. General provision for inclusion in Tier II capital is limited to a maximum 1.25% of Credit RWA calculated under the standardized approach. Revaluation reserve for securities shown as Tier II capital as on 31 December 2014 will be nullified in a phased manner at the rate of 20% starting from 2015 and will be fully adjusted by 2019.

Quantitative Disclosures:

The details of capital structure as at 31 December 2018 are provided as under:

Disclosures on Risk Based Capital (Basel III)

Common Equity Tier I	2018 (Taka)	2017 (Taka)
Fund Deposited with Bangladesh Bank	2,339,505,496	2,312,837,956
Retained Earnings	48,828,833,059	38,985,670,000
Actuarial Gain/(Loss)	(357,186,171)	(214,708,614)
Less: Regulatory Adjustment for Deferred Tax Assets as per Bangladesh Bank Guidelines	(1,177,334,917)	(1,202,025,506)
	49,633,817,467	39,881,773,836
Additional Tier I	-	-
Total Tier I	49,633,817,467	39,881,773,836

Tier II	2018 (Taka)	2017 (Taka)
General Provision	4,513,047,888	4,661,764,205
Revaluation Reserve for Securities	47,915,214	95,830,428
	4,560,963,102	4,757,594,633
Total Capital	54,194,780,569	44,639,368,469

C. Capital Adequacy

Qualitative Disclosures:

Our approach to capital management is driven by our desire to maintain a strong capital base to support the development of our business, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a three year horizon and are approved by the Country Management Team (CMT). The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained to support our strategy.

The capital plan takes the following into account:

- Regulatory capital requirements
- Forecast demand for capital to support the credit ratings
- Increases in demand for capital due to business growth, market shocks or stresses
- Available supply of capital and capital raising options
- Internal controls and governance for managing the Bank's risk, performance and capital

The bank uses a capital model to assess the capital demand for material risks, and support our internal capital adequacy assessment. Each material risk is assessed, relevant mitigates considered, and appropriate levels of capital determined. The capital modeling process is a key part of our management disciplines.

A strong governance and process framework is embedded in bank's capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Management Committee.

Standardize Approach is followed for computation of capital charge for credit risk, market risk and Basic Indicator Approach for operational risk.

Quantitative Disclosures:

Details of Risk Weighted Assets as on 31 December 2018:

Risk Weighted Assets	2018 (Taka)	2017 (Taka)
On balance sheet exposures	168,310,416,504	153,423,342,645
Off-balance sheet exposures	79,680,695,106	92,968,225,018
Total Credit risk	247,991,111,609	246,391,567,663
Market risk	1,129,551,381	1,116,602,671
Operational risk	32,661,352,241	32,629,046,090
Total Risk Weighted Assets	281,782,015,231	280,137,216,424

Capital requirement for Credit risk	24,799,111,161	24,639,156,766
Capital requirement for Market risk	112,955,138	111,660,267
Capital requirement for Operational risk	3,266,135,224	3,262,904,609
Minimum Capital Requirement	28,178,201,523	28,013,721,642

	2018	2017
Common Equity Tier -I Ratio	17.61%	14.24%
Tier I Capital Adequacy Ratio	17.61%	14.24%
Tier II Capital Ratio	1.62%	1.7

Geographical Distribution of Credit Exposure:

Geographical Distribution of Credit Exposure:

2018	Dhaka Taka	Chittagong Taka	Narayangonj Taka	Khulna Taka	Sylhet Taka	Bogra Taka	Total Taka
Cash and cash equivalents	2,372,993,095	1,189,604,638	58,560,842	747,907,160	89,414,292	92,095,341	4,550,575,368
Claims on Sovereigns and Central Bank	61,612,708,945	-	-	-	-	-	61,612,708,945
Claims on Banks	72,337,693,507	-	-	-	-	-	72,337,693,507
Investments	37,202,017,269	-	-	-	-	-	37,202,017,269
Claims on Corporate	90,568,274,179	22,262,854,491	-	-	-	-	112,831,128,670
Claims on Consumer and SME Loans and Large Loan	64,768,757,377	6,748,276,916	982,257,882	357,202,196	444,528,907	250,518,298	73,551,541,577
Fixed Assets	282,739,985	15,468,250	2,320,543	81,869	362,250	274,113	301,247,008
Others Assets	10,169,902,387	2,696,435,886	46,268,890	-152,275,718	523,885,851	62,064,749	13,346,282,045
Total on-balance sheet Items	339,315,086,744	32,912,640,181	1,089,408,157	952,915,507	1,058,191,300	404,952,501	375,733,194,389
Off-balance Sheet Items	274,014,886,811	31,225,019,782	-	-	-	-	305,239,906,591
Total	613,329,973,555	64,137,659,962	1,089,408,157	952,915,507	1,058,191,300	404,952,501	680,973,100,980

2017	Dhaka Taka	Chittagong Taka	Narayangonj Taka	Khulna Taka	Sylhet Taka	Bogra Taka	Total Taka
Cash and cash equivalents	1,902,154,877	936,667,728	29,922,772	257,519,240	73,480,924	49,443,080	3,249,188,421
Claims on Sovereigns and Central Bank	20,074,162,820	-	-	-	-	-	20,074,162,820
Claims on Banks	26,415,342,792	-	-	-	-	-	26,415,342,792
Investments	32,424,352,275	-	-	-	-	-	32,424,352,275
Claims on Corporate	76,117,132,463	20,600,519,732	-	-	-	360,000,000	97,077,652,195
Claims on Consumer and SME Loans and Large Loan	55,871,745,808	5,954,615,156	794,987,012	369,278,015	472,850,236	230,199,539	63,693,675,765
Fixed Assets	372,308,587	19,252,948	2,361,576	5,722	-	205,000	394,133,833
Others Assets	-23,082,923,256	34,635,382,093	747,285,290	677,089,630	1,062,352,019	-262,166,498	13,777,019,279
Total on-balance sheet Items	190,094,276,166	62,146,437,656	1,574,556,651	1,303,892,607	1,608,683,179	377,681,121	257,105,527,380
Off-balance Sheet Items	187,503,168,726	33,753,798,703	-	-	-	-	221,256,967,429
Total	377,597,444,893	95,900,236,359	1,574,556,651	1,303,892,607	1,608,683,179	377,681,121	478,362,494,809

Industry Distribution of Exposure:

Industry Distribution of Exposure:

2018	Banks & FI Taka	Agriculture, hunting, forestry and fishing Taka	Manufacturing Taka	Electricity, gas and water Taka	Commerce Taka	Transport and communications Taka	Community, social and personal services Taka	Financing, insurance and business service Taka	Construction Taka	Retail and SME and Large Loan Taka	Others Taka	Total Taka
Cash and cash equivalents	4,550,575,368	-	-	-	-	-	-	-	-	-	-	4,550,575,368
Claims on Sovereigns and Central Bank	61,612,708,945	-	-	-	-	-	-	-	-	-	-	61,612,708,945
Claims on Banks	72,337,693,507	-	-	-	-	-	-	-	-	-	-	72,337,693,507
Investments	-	-	-	-	-	-	-	-	-	-	37,202,017,269	37,202,017,269
Claims on Corporate	674,346,144	19,899,417,149	60,216,841,201	786,891,214	5,818,391,228	5,870,580,052	12,760,178,318	6,114,914,894	689,568,470	-	-	112,831,128,670
Claims on Consumer and SME Loans and Large Loans	-	-	-	-	-	-	-	-	-	73,551,541,577	-	73,551,541,577
Fixed Assets	-	-	-	-	-	-	-	-	-	-	301,247,008	301,247,008
Others Assets	-	-	-	-	-	-	-	-	-	-	13,346,282,045	13,346,282,045
Total on-balance sheet Items	139,175,323,964	19,899,417,149	60,216,841,201	786,891,214	5,818,391,228	5,870,580,052	12,760,178,318	6,114,914,894	689,568,470	73,551,541,577	50,849,546,322	375,733,194,389
Off-balance Sheet Items	114,064,825,939	-	-	-	-	-	-	-	-	-	-	191,175,080,652
Total	253,240,149,903	19,899,417,149	60,216,841,201	786,891,214	5,818,391,228	5,870,580,052	12,760,178,318	6,114,914,894	689,568,470	73,551,541,577	242,024,626,974	680,973,100,980

2017	Banks & FI Taka	Agriculture, hunting, forestry and fishing Taka	Manufacturing Taka	Electricity, gas and water Taka	Commerce Taka	Transport and communications Taka	Community, social and personal services Taka	Financing, insurance and business service Taka	Construction Taka	Retail and SME and Large Loan Taka	Others Taka	Total Taka
Cash and cash equivalents	3,249,188,422	-	-	-	-	-	-	-	-	-	-	3,249,188,422
Claims on Sovereigns and Central Bank	20,074,162,820	-	-	-	-	-	-	-	-	-	-	20,074,162,820
Claims on Banks	26,415,342,792	-	-	-	-	-	-	-	-	-	-	26,415,342,792
Investments	-	-	-	-	-	-	-	-	-	-	32,424,352,275	32,424,352,275
Claims on Corporate	-	12,075,926,009	57,312,414,547	410,676,058	6,862,341,616	5,613,447,184	8,582,016,675	6,220,830,106	-	-	-	97,077,652,195
Claims on Consumer and SME Loans and Large Loans	-	-	-	-	-	-	-	-	-	63,693,675,765	-	63,693,675,765
Fixed Assets	-	-	-	-	-	-	-	-	-	-	394,133,832	394,133,832
Others Assets	-	-	-	-	-	-	-	-	-	-	13,777,019,279	13,777,019,279
Total on-balance sheet Items	49,738,694,034	12,075,926,009	57,312,414,547	410,676,058	6,862,341,616	5,613,447,184	8,582,016,675	6,220,830,106	-	63,693,675,765	46,595,505,386	257,105,527,380
Off-balance Sheet Items	33,755,863,123	-	-	-	-	-	-	-	-	-	-	187,503,168,726
Total	83,494,557,157	12,075,926,009	57,312,414,547	410,676,058	6,862,341,616	5,613,447,184	8,582,016,675	6,220,830,106	-	63,693,675,765	234,096,609,693	478,362,494,809

Maturity Breakdown of Credit Exposure:

Maturity Breakdown of Credit Exposure:

2018 Details	Maturity up to 1 month BDT	Within 1 to 3months BDT	Within 3 to 12 months BDT	Within 1 to 5 Years BDT	Over 5 Years BDT	Total BDT
Cash and cash equivalents	4,550,575,368	-	-	-	-	4,550,575,368
Claims on Sovereigns and Central Bank	61,612,708,945	-	-	-	-	61,612,708,945
Claims on Banks	72,337,693,507	-	-	-	-	72,337,693,507
Investments	13,930,191,107	13,158,548,081	8,930,967,964	1,047,808,403	134,501,713	37,202,017,269
Claims on Corporate	32,043,519,422	45,463,333,084	17,908,914,244	14,829,636,744	2,585,725,176	112,831,128,670
Claims on Consumer and SME Loans	10,417,058,150	3,432,463,506	14,418,570,795	34,060,817,068	11,222,632,058	73,551,541,577
Fixed Assets	-	-	-	-	301,247,008	301,247,008
Others Assets	12,129,824,014	-	-	-	1,216,458,030	13,346,282,045
Total on-balance sheet Items	207,021,570,514	62,054,344,671	41,258,453,003	49,938,262,214	15,460,563,986	375,733,194,390
Off-balance Sheet Items	62,037,514,994	80,684,321,476	82,928,753,895	75,650,845,935	3,938,470,291	305,239,906,591
Total	269,059,085,508	142,738,666,147	124,187,206,898	125,589,108,149	19,399,034,277	680,973,100,980

2017 Details	Maturity up to 1 month BDT	Within 1 to 3months BDT	Within 3 to 12 months BDT	Within 1 to 5 Years BDT	Over 5 Years BDT	Total BDT
Cash and cash equivalents	3,249,188,422	-	-	-	-	3,249,188,422
Claims on Sovereigns and Central Bank	20,074,162,820	-	-	-	-	20,074,162,820
Claims on Banks	26,415,342,792	-	-	-	-	26,415,342,792
Investments	13,748,846,930	5,563,195,385	12,529,153,334	202,263,487	380,893,139	32,424,352,276
Claims on Corporate	33,081,499,072	44,192,170,935	11,481,946,377	6,852,422,489	1,469,613,322	97,077,652,195
Claims on Consumer and SME Loans	9,177,742,569	2,876,381,841	12,447,883,162	30,468,899,121	8,722,769,073	63,693,675,765
Fixed Assets	-	-	-	-	394,133,833	394,133,833
Others Assets	12,528,548,924	-	-	-	1,248,470,355	13,777,019,279
Total on-balance sheet Items	118,275,331,527	52,631,748,161	36,458,982,873	37,523,585,097	12,215,879,721	257,105,527,381
Off-balance Sheet Items	60,073,192,660	70,042,864,745	61,424,349,114	26,567,619,018	3,148,941,892	221,256,967,429
Total	178,348,524,188	122,674,612,906	97,883,331,987	64,091,204,115	15,364,821,613	478,362,494,810

Disclosures on Risk Based Capital (Basel III)

E. Equities: Disclosures for Banking Book Positions

The Bank does not hold trading position in equities.

F. Interest rate risk in the banking book

Qualitative Disclosure

(a) The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and frequency of IRRBB measurement.

Interest rate risk from the non-trading book portfolios is transferred to T-M under the supervision of ALCO. This risk arises principally from the re-pricing mismatch between commercial assets and liabilities. T-M also deals in approved financial instruments in the market to manage the net interest rate risk, subject to approved VaR and risk limits. VaR and stress tests are applied to non-trading book exposures in the same way as for the trading book and thus the primary risk measurement tool is VaR for the non-trading book. T-M also manages a portfolio of marketable securities primarily for the purpose of meeting the reserve requirements. For non maturing products like current accounts, savings accounts, cards and overdrafts, behavioural calculation is done to segregate the portfolio according to the balances expected to remain with the bank under non stress conditions for a year or more (core) or less than a year (non-core).

Quantitative Disclosure

Particulars	Amount (BDT) in Crore		
Market value of assets	37,764.63		
Market value of Liabilities	32,858.70		
Weighted Average Duration of Assets (DA)	0.64		
Weighted Average Duration of Liabilities (DL)	0.20		
Duration Gap (DA-DL)	0.47		
Yield to Maturity (YTM- Assets)	5.23%		
Yield to Maturity (YTM- Liabilities)	1.24%		
Magnitude of Interest Rate Change	1%	2%	3%
Changes in Market value of Equity due to an increase in interest Rate	(168.56)	(337.12)	(505.68)
Stress Testing	Minor	Moderate	Major
Regulatory capital (after shock)	5,250.92	5,082.36	4,913.80
RWA (after shock)	28,009.64	27,841.08	27,672.53
CAR (after shock)	18.75%	18.25%	17.76%

Disclosures on Risk Based Capital (Basel III)

G. Market risk

Qualitative Disclosures:

(a) Views of Board of Directors (BOD) on trading/investment activities

The Bank recognises market risk as the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The Bank is exposed to market risk arising principally from client-driven transactions. The objective of the Bank's market risk policies and processes is to obtain a balance of risk and return while meeting clients' requirements. The primary categories of market risk for the Bank are interest rate risk and currency exchange rate risk.

The Country Risk Committee, in conjunction with MTCR, provides market risk oversight, reporting and management of the market risk profile.

(b) Methods used to measure Market risk

Interest Rate Risk

The interest rate exposures arise from trading and non-trading activities. Structural interest rate risk on non-trading arises from the differing re-pricing characteristics of Government securities, commercial banking assets and liabilities.

Foreign Exchange Risk

The foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange trading exposures are principally derived from client driven transactions.

(c) Market Risk Management System

The BRC - Board Risk Committee - approves the Group's market risk appetite taking account of market volatility, the range of products and asset classes, business volumes and transaction sizes. The Market and Traded Credit Risk management operating under the current approved market risk limits policy in force is responsible for setting Value at Risk (VaR) as the primary market risk measure within the Group's risk appetite. The CIBRC (Credit and Market Risk Committee) is responsible for approving policies and other standards for the control of market risk and overseeing their effective implementation. These policies cover both trading and non-trading books.

Market and Traded Credit Risk (MTCR) approves the limits within delegated authorities and monitors exposures against these limits. Additional limits are placed on specific instruments and position concentrations, where appropriate. Sensitivity measures are used in addition to VaR as a risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas, foreign exchange sensitivities are measured in terms of the underlying values or amounts involved. The Country Risk Committee reviews the market risk exposures in its periodic meetings.

(d) Policies and processes for mitigating market risk.

The Bank measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a

Disclosures on Risk Based Capital (Basel III)

(iv) A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.

The Group's Identification of Material Risk Takers ("MRTs") for Remuneration Purposes Policy was introduced in 2014 to comply with expanded rules for identifying key risk-taking staff in accordance with the European Banking Authority's ("EBA") Regulatory Technical Standards and the remuneration rules of the PRA and the FCA.

The table below summarises the groups of employees who have been identified as MRTs in accordance with the regulatory requirements:

Quantitative criteria	Qualitative criteria
The quantitative criteria capture employees who: <ul style="list-style-type: none"> - Have been awarded total remuneration of EUR500,000 or more in the previous financial year - Are within the 0.3 per cent of the number of staff on a global basis who have been awarded the highest total remuneration in the preceding financial year - In the preceding financial year were awarded total remuneration that was equal to or greater than the lowest total remuneration awarded that year to certain specified groups of employees 	The qualitative criteria broadly identify the following employees: <ul style="list-style-type: none"> - Group executive and non-executive directors - A member of senior management which is defined as one or more of the following: <ul style="list-style-type: none"> o A Senior Manager under the PRA/FCA Senior Manager Regime o A member of the Group's Management Team o All senior management (top two levels beneath Group director level) o Senior employees within the audit, compliance, legal and risk functions o Senior employees within material business units o Employees who are members of certain committees o Employees who are able to initiate or approve credit risk exposures above a certain threshold and sign off on trading book transactions at or above a specific value at risk limit

Employees may be excluded from MRT classification if they are only identified by the quantitative criteria and it can be demonstrated that they do not have the ability to have a material impact on the Group's risk profile

EUR 500k-EUR 750k	The Group must notify exclusion to the relevant regional authority e.g. PRA
EUR 750k-EUR1m	Approval required from the relevant regional authority e.g. PRA
EUR1m+	Approval required from the EBA

(b) Information relating to the design and structure of remuneration processes:

(i) An overview of the key features and objectives of remuneration policy.

Our Fair Pay Charter

In 2018, the Group launched its Fair Pay Charter, which sets out the principles we use to determine and deliver fair pay for all employees globally.

1. We commit to pay a living wage in all our markets by 2020 and seek to go beyond compliance with minimum wage requirements
2. We provide an appropriate mix of fixed and variable pay and a core level of benefits to ensure a minimum level of earnings and security to colleagues and to reflect the Group's commitment to wellbeing
3. We support colleagues in working flexibly, in ways that balance both business needs and their personal circumstances, and provide colleagues with the opportunity to select the combination and level of benefits that is right for them
4. Pay is well administered with colleagues paid accurately, on time and in a way that is convenient
5. We provide a competitive total fixed and variable pay opportunity that enables us to attract, motivate and retain colleagues based on market rates for their role, location, performance, skills and experience
6. The structure of pay and benefits is consistent for colleagues based on their location and role, with a clear rationale for exceptions
7. We are committed to rewarding colleagues in a way that is free from discrimination on the basis of diversity, as set out in our Group Code of Conduct
8. We ensure pay decisions reflect the performance of the individual, the business they work in and the Group, and recognise the potential, conduct, behaviours and values demonstrated by each individual
9. We set clear expectations for how colleagues are rewarded and the principles guiding decisions, including clear personal objectives and feedback
10. We provide clear communication of pay and performance decisions, and seek feedback and input from colleagues on our pay structures and outcomes

Element	Operation
Fixed remuneration	Salary <ul style="list-style-type: none"> • Salaries reflect individuals' skills and experience and are reviewed annually against market information and in the context of the annual performance assessment and affordability. • Increases may occur where there is a role change, increased responsibility or to ensure market competitiveness.
Fixed remuneration	Pension & benefits <ul style="list-style-type: none"> • Benefits are provided, with the details depending on local market practice. Employees have access to country-specific, company-funded benefits such as pension schemes, private medical insurance, permanent health insurance, life insurance and cash allowances. The cost of providing the benefits is defined and controlled. • Employees who are relocated or spend a substantial portion of their time in more than one jurisdiction for business purposes may be provided with mobility benefits. If employees incur tax charges when travelling overseas in performance of their duties, these costs may be met by the Group • Sharesave is an all employee plan where participants are able to open a savings contract to fund the exercise of an option over shares. The option price is set at a discount of up to 20 per cent of the share price at the date of invitation (or such other discount as may be determined by the Committee). An equivalent cash or share plan is offered in countries where Sharesave may not be offered (typically due to tax, regulatory or securities law issues).
Variable remuneration	Discretionary variable remuneration <ul style="list-style-type: none"> • Employees are typically eligible to be considered for variable remuneration (based on Group, business and individual performance). • Individual incentives are linked to the Group scorecard, the individual's business area scorecard and individual performance. • Discretionary variable remuneration is delivered in the form of annual incentive and/or Long-Term Incentive Plan ("LTIP") awards depending on the category of employee. • Annual incentive is delivered in the form of cash, shares and/or deferred shares and deferred cash according to the Group's deferral mechanism. LTIP awards are delivered in shares and subject to long-term performance measures. • The variable remuneration of employees in the Risk and Compliance functions is set independently of the business they oversee. • The proportion of variable to fixed remuneration paid to employees is carefully monitored. • Guaranteed variable remuneration is only paid exceptionally, and is limited to the first year of employment. • Variable remuneration is subject to the Group Ex-Post Risk Adjustment of Remuneration policy, which enables the Group to: suspend payment of awards, suspend vesting of awards, apply in-year adjustments, and apply malus and claw-back to unvested and vested variable remuneration, in appropriate circumstances.

Disclosures on Risk Based Capital (Basel III)

(ii) Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made.

- The Group's remuneration policies are reviewed on an annual basis by the Remuneration Committee and a management-level committee, as appropriate. No material changes were made to the Group's remuneration policies for the 2018 performance year.

(iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.

Employees engaged in Risk and Compliance are independent, have appropriate authority, and are compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Group

The methodology for determining individual variable remuneration awards ensures that colleagues in Control Functions (including Audit, Compliance and Risk) are not incentivised to drive the performance of the business areas they control.

c) Description of the ways in which current and future risks are taken into account in the remuneration processes:

i. An overview of the key risks that the bank takes into account when implementing remuneration measures.

The Group's variable remuneration is subject to approval by the Committee, based on a recommendation by management. When considering the Group's variable remuneration and its allocation between businesses and functions, the Committee considers performance and risk factors including (but not limited to):

- The Group's performance and capital position;
- The delivery of fair and competitive remuneration to all colleagues globally;
- The continued importance of rewarding and incentivising employees to execute the strategy;
- Shareholder returns;
- Regulatory expectations; and
- The risk and control environment, including current and future risks;
- Specific risk, control and conduct events; and
- That the Group's remuneration policies and practices do not encourage risk-taking that exceeds the Group's Risk Appetite.

At an individual level, employees are assessed annually in relation to what they have achieved and how they have achieved it, based on the valued behaviours they have demonstrated. This assessment feeds into decision-making in relation to individual variable remuneration.

ii. An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure (values need not be disclosed).

The Group's approach to aligning remuneration to sound and effective risk management is supported by:

- Balanced scorecards: At a Group and business unit level, balanced scorecards play an integral role in the determination of Group discretionary variable remuneration. The scorecards take into consideration financial and non-financial targets, including those related to conduct and remediation programmes. This incentivises improvements in shareholder returns whilst ensuring that returns are not generated by excessive risk-taking. Measures in the Group scorecard are determined in alignment with the Group's strategy. The Committee is responsible for setting the individual measures, weightings and targets.
- Conduct risk in bonus pools: To account for current and future risks, we consider whether any remuneration adjustments are required. Adjustments can be made in relation to risks that are inherent in our business activities (ex-ante) or in relation to events and issues that have crystallised (ex-post). Our process includes adjustments which are automatic and discretionary. Automatic ex-ante and ex-post risk adjustments are applied at a collective level in relation to risks, events and issues that impact the financials of the Group and therefore have a direct impact on the Group's incentive funding. We may also apply additional incremental discretionary ex-ante and ex-post risk adjustments at a collective level where deemed necessary.
- Identification of MRTs: We identify employees whose professional activities have the ability to have a material impact on the risk profile of the Group in line with the Identification of MRTs Policy. A higher proportion of their variable remuneration is deferred over a longer period, compared with other employees.
- Individual performance assessment: Employees are assessed annually in relation to what they have achieved, against their objectives, and how they have achieved it, based on the valued behaviours they have demonstrated. Remuneration outcomes relate to the performance of the individual, the business unit they work in and the Group. This ensures that everyone is aligned to deliver long-term sustainable growth in the interests of shareholders and that variable remuneration recognises the achievement, conduct, behaviours and values of employees.
- Deferral mechanism: Depending on the quantum of an individual's variable remuneration, a portion is deferred into shares and/or other instruments according to the Group-wide deferral mechanism. This aligns the pay-out period for remuneration with the business cycle of the Group whilst taking into account the timeframe over which financial risks crystallise. The proportion deferred increases with the quantum of variable remuneration awarded.
- Individual risk adjustments: Consideration is given to whether variable remuneration should be adjusted when there is conduct that has resulted in significant losses to the Group, a material risk management failure or where the individual has failed to meet appropriate standards of values and behaviours. In determining a reasonable outcome, factors such as the impact of the event, the intent of the individual, the significance of the event, the speed of remediation and the frequency of issues are considered. Adjustments to variable remuneration can take the form of an in-year adjustment, malus or clawback.
- Governance processes: Additional governance processes provide further safeguards against inappropriate outcomes. Members of the Committee serve on other Board Committees, including the Audit, Board Financial Crime Risk, Board Risk and Brand Values & Conduct Committees. This overlap of membership brings a deeper understanding to the Committee of core business objectives and issues.

iii. A discussion of the ways in which these measures affect remuneration.

Please refer to (c)ii.

iv. A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.

- There have been no material changes to the framework discussed in (c)ii.

d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:

i. An overview of main performance metrics for bank, top-level business lines and individuals.

Please refer to (c)ii.

(ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.

Please refer to (c)ii.

(iii) A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.

Please refer to (c)ii.

(e) Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance:

(i) A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.

The Group applies specific rules to variable remuneration for MRTs:

- Variable remuneration is capped at two times fixed remuneration;
- A minimum of 40 per cent of variable remuneration is deferred, increasing to 60% when variable remuneration is greater than GBP500,000. Variable remuneration is deferred over a period of seven years for Senior Managers (vesting pro-rata over years three to seven), five years for Risk Managers (vesting pro-rata over years one to five) and three years for Other MRTs (vesting pro-rata over years one to three);
- At least 50 per cent of any variable remuneration (both deferred and non-deferred) is delivered in shares; and
- Upfront shares are subject to a minimum 12 months post-vest retention period. Deferred shares are subject to a minimum 12 months post-vest retention period for Senior Managers and Other MRTs, and a minimum six months post-vest retention period for Risk Managers.
- For other employees, annual variable remuneration over a defined threshold is subject to a graduated level of deferral, as shown below. Deferred variable remuneration is typically delivered 50% in shares and 50% in cash.

Variable remuneration value (USD)	Deferral percentage
≤100,000	0%
100,000 to 600,000	40%
>600,000	60% (flat rate applies to entire value)

(ii) A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements

Variable remuneration is subject to the Group Ex-Post Risk Adjustment of Remuneration policy, which enables the Group to suspend payment or vesting of awards, apply in-year adjustments, apply malus to unvested awards and apply clawback to vested variable remuneration, in appropriate circumstances. Where legally possible, variable remuneration is subject to clawback for a period of at least seven years from the date on which it is awarded.

f) Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms. Disclosures should include:

(i) An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms)

- Variable remuneration is delivered in cash and shares and is structured in line with the Group deferral framework (as set out above, unless superseded by regulatory requirements). The Group has the flexibility to pay zero variable remuneration.

(ii) A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees, a description of the factors that determine the mix and their relative importance.

The Group-wide deferral mechanism is a series of thresholds based on the value of variable remuneration – the larger the variable remuneration award, the greater the proportion that is deferred. Deferred variable remuneration is typically delivered 50% in shares and 50% in cash.

Disclosures on Risk Based Capital (Basel III)

The deferral amount is cumulative up to a variable remuneration value of USD 600,000, upon which a flat rate of deferral applies to the entire award.

The effective deferral level is USD 105,000. If the variable remuneration awarded is greater than USD 105,000 but less than or equal to USD 115,000 then the deferral is delivered as deferred cash only.

For MRTs, at least 40% of variable compensation must be deferred, increasing to at least 60% when variable remuneration is more than GBP500,000. Shares delivered to MRTs are subject to a post-vest retention period. Upfront shares are subject to a minimum 12 months post-vest retention period. Deferred shares are subject to a minimum 12 months post-vest retention period for Senior Managers and Other MRTs, and a minimum six months post-vest retention period for Risk Managers.

Quantitative Disclosure:

g)	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	• In 2018, there were 5 RemCo meetings.
h)	<ul style="list-style-type: none"> • Number of employees having received a variable remuneration award during the financial year. • Number and total amount of guaranteed bonuses awarded during the financial year. • Number and total amount of sign-on awards made during the financial year. • Number and total amount of severance/termination payments made during the financial year. 	<ul style="list-style-type: none"> • Employees with variable remuneration:1361 • Guaranteed bonuses: NIL • Sign-on awards: NIL • N/A
i)	<ul style="list-style-type: none"> • Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. • Total amount of deferred remuneration paid out in the financial year. 	Outstanding deferred cash: BDT 3,929,925.00 Outstanding deferred shares value: BDT 3,929,925.00 Total deferred remuneration: BDT 7,859,850.00
j)	Breakdown of amount of remuneration awards for the financial year to show: <ul style="list-style-type: none"> • fixed and variable • deferred and non-deferred • different forms used (cash, shares and share linked instruments, other forms). 	Fixed: BDT 2,905,842,733.00 Variable: BDT 533,581,698.00 Deferred: BDT 7,859,850.00 Non deferred: BDT 525,721,848.00 Upfront Cash: BDT 525,721,848. Upfront Shares: NIL
k)	Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration: <ul style="list-style-type: none"> Total amount of outstanding deferred remuneration and retained remuneration exposed to explicit and/or implicit adjustments. Total amount of reductions during the financial year due to ex post explicit adjustments. Total amount of reductions during the financial year due to ex post implicit adjustments. 	Overall: BDT 57,728,016.00 Explicit: BDT NIL Implicit: BDT 18,793,438.00

Disclosures on Repo and Reverse repo

Standard Chartered Bank Bangladesh Branches

Annexure - G

Disclosures on Repo and Reverse repo

(a) Disclosure regarding outstanding Repo as on 31 December 2018

Sl. No.	Counter party name	Agreement Date	Reversal Date	Amount (1st leg cash consideration)
	NIL	NIL	NIL	
Total				-

(b) Disclosure regarding outstanding Reverse Repo as on 31 December 2018

Sl. No.	Counter party name	Agreement Date	Reversal Date	Amount (1st leg cash consideration)
1	NATIONAL Bank Limited	27-Dec-18	1-Jan-19	1,204,360,585
2	DHAKA Bank Limited	26-Dec-18	1-Jan-19	979,346,958
Total				2,183,707,544

(c) Disclosure regarding overall transaction of Repo and Reverse repo

Sl. No.	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year
1	Securities sold under repo			
	(i) Bangladesh bank*	-	-	-
	(ii) Other banks & FIs	-	3,856,457	10,566
2	Securities purchased under reverse repo			
	(i) Bangladesh bank	-	-	-
	(ii) Other banks & FIs	-	6,425,534,119	1,195,439,034

*All repos were under the ALS (Assured Liquidity Support) arrangement.

Credit Rating

	Long term	Short term
Year 2018	AAA	ST-1
Year 2017	AAA	ST-1
Outlook	Stable	
Date of current Rating	March 4, 2019	

Credit Rating Information and Services Limited (CRISL) reaffirms AAA (pronounced as triple A) in long term and ST-1 rating on short term to Standard Chartered Bank (Bangladesh Operation).

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Standard Chartered



Standard Chartered Bank

Offshore Banking Unit, Bangladesh

Financial Statements 2018

Independent Auditor's Report

Independent Auditor's Report to the Management of Standard Chartered Bank Offshore Banking Unit

Opinion

We have audited the financial statements of the Offshore Banking Unit ("the Bank"/ OBU) of Standard Chartered Bank, Bangladesh Branches, which comprise the balance sheet as at 31 December 2018, and the profit and loss account, cash flow statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as explained in note 2.2.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as explained in note 2.2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.
- 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 conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994, the Banking Companies Act, 1991 and the rules and regulations issued by Bangladesh Bank, we also report the following:

- we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the Financial Statements and Internal Controls section:

 - internal audit, internal control and risk management arrangements of the Bank appeared to be materially adequate; and
 - nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank.

- in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- the balance sheet and the profit and loss account dealt with by the report are in agreement with the books of account;
- the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
- adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- the information and explanation required by us have been received and found satisfactory; and
- we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 280 person hours for the audit of the books and accounts of the Bank.

Balance Sheet

Standard Chartered Bank Offshore Banking Unit, Bangladesh Balance Sheet as at 31 December 2018

PROPERTY AND ASSETS	Notes	2018		2017	
		USD	Taka	USD	Taka
Cash					
Cash in hand (including foreign currencies)		-	-	-	-
Balance with Bangladesh Bank and its agent banks (including foreign currencies)		-	-	-	-
Balance with other banks and financial institutions	5				
Inside Bangladesh		52,343,588	4,391,627,022	42,956,620	3,552,512,502
Outside Bangladesh		6,952,377	583,304,421	10,128,689	837,642,557
		59,295,965	4,974,931,443	53,085,309	4,390,155,059
Money at call and short notice					
Investments					
Government securities		-	-	-	-
Other investments		-	-	-	-
Loans and advances					
Loans, cash credit, overdrafts, etc.	6	85,164,526	7,145,303,757	98,008,227	8,105,280,371
Bills purchased and discounted	7	617,015,494	51,767,599,962	649,818,824	53,740,016,751
		702,180,020	58,912,903,718	747,827,051	61,845,297,122
Fixed assets including premises, furniture and fixtures					
Other assets	8	7,797,807	654,235,948	7,722,616	638,660,429
Non banking assets					
Total assets		769,273,792	64,542,071,110	808,634,976	66,874,112,610
LIABILITIES AND CAPITAL					
Liabilities					
Borrowings from other banks, financial institutions and agents	9	521,450,872	43,749,728,160	618,416,950	51,143,081,738
Deposits and other accounts	10				
Current and other accounts		110,435,823	9,265,565,526	52,287,057	4,324,139,637
Term deposits		5,665,107	475,302,509	3,211,421	265,584,535
Other deposits		373,184	31,310,997	189,742	15,608,926
		116,474,114	9,772,178,132	55,687,220	4,605,333,098
Other liabilities	11	71,426,903	5,992,906,863	91,810,503	7,597,066,035
Total liabilities		709,351,889	59,514,813,155	765,914,673	63,345,480,871
Equity					
Fund deposited with Bangladesh Bank as capital		-	-	-	-
Other reserve		-	-	-	-
Profit and loss account balance		59,921,903	5,027,257,954	42,720,303	3,528,631,739
Total equity		59,921,903	5,027,257,954	42,720,303	3,528,631,739
Total liabilities and equity		769,273,792	64,542,071,110	808,634,976	66,874,112,610
OFF-BALANCE SHEET ITEMS					
Contingent liabilities					
Acceptances and endorsements		12,253,967	1,028,107,793	7,745,673	640,567,190
Letters of guarantee		181,542	15,231,415	57,692	4,771,111
Irrevocable letters of credit		16,015,216	1,343,676,602	18,000,657	1,488,654,372
Bills for collection		106,351,892	8,922,923,726	101,560,962	8,399,091,538
		134,802,617	11,309,939,536	127,364,984	10,533,084,211
Other commitments					
Total off-balance sheet items		134,802,617	11,309,939,536	127,364,984	10,533,084,211

The accompanying notes 1 to 21 form an integral part of these financial statements

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Md Abdul Kader Joaddar
Chief Financial Officer, Bangladesh

As per our report of same date.

M. J. ABEDIN & CO
Chartered Accountants

Dhaka, 27 February 2019

Profit and Loss Account

Standard Chartered Bank Offshore Banking Unit, Bangladesh Profit and Loss Account for the year ended 31 December 2018

Notes	2018		2017		
	USD	Taka	USD	Taka	
Interest income	12	36,156,100	3,019,364,170	29,657,376	2,405,462,202
Interest expense on deposits and borrowings	13	13,141,379	1,097,533,548	7,833,982	636,355,517
Net interest income		23,014,721	1,921,830,622	21,823,394	1,769,106,685
Commission, exchange and brokerage	14	2,338,061	205,385,596	1,962,926	193,267,901
Other operating income		-	-	-	-
Total operating income		25,352,782	2,127,216,218	23,786,320	1,962,374,586
Salaries and allowances		138,321	11,553,428	147,673	11,939,326
Rent, taxes, insurance, electricity, etc.		22,137	1,849,801	23,172	1,881,276
Legal expenses		-	-	43	3,484
Postage, stamps, telephone, telex, etc.		3,977	332,066	4,241	341,700
Stationery, printing, advertisements, etc.		4,584	382,745	3,934	319,294
Repairs and maintenance		40,189	3,359,346	24,298	1,980,109
Other expenses	15	34,752	3,298,434	40,630	3,296,149
Total operating expenses		243,960	20,775,820	243,991	19,761,338
Profit before provision		25,108,822	2,106,440,398	23,542,329	1,942,613,248
Provision for loans and advances and off balance sheet exposures	11.1	(1,320,436)	(110,784,617)	916,874	75,825,484
Provision for diminution in value of investments		-	-	-	-
Total provision		(1,320,436)	(110,784,617)	916,874	75,825,484
Total profit before tax		26,429,258	2,217,225,015	22,625,455	1,866,787,764
Provisions for income tax	11.2	10,042,614	842,575,352	9,983,200	825,610,630
Net profit after tax		16,386,644	1,374,649,663	12,642,255	1,041,177,134

The accompanying notes 1 to 21 form an integral part of these financial statements.

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Md Abdul Kader Joaddar
Chief Financial Officer, Bangladesh

As per our report of same date.

M. J. ABEDIN & CO
Chartered Accountants

Dhaka, 27 February 2019

Cash Flow Statement

Standard Chartered Bank Offshore Banking Unit, Bangladesh Cash Flow Statement for the year ended 31 December 2018

A) Cash flows from operating activities	2018		2017	
	USD	Taka	USD	Taka
Interest receipts in cash	36,208,967	3,014,553,870	28,791,597	2,306,505,903
Interest payments	(13,135,927)	(1,100,211,826)	(8,028,908)	(643,370,727)
Fee and commission received	2,340,206	205,169,330	1,962,926	193,267,087
Cash payments to employees	(138,321)	(11,553,428)	(147,673)	(11,939,326)
Cash payments to suppliers	(126,374)	(10,160,532)	(40,338)	(2,064,957)
Income taxes paid	(9,983,200)	(825,611,719)	(9,215,428)	(725,257,810)
Operating profit before changes in operating assets and liabilities	15,165,350	1,272,185,696	13,322,176	1,117,140,170
Increase/decrease in operating assets and liabilities				
Loans and advances to customers	45,521,854	2,932,393,405	(30,668,859)	5,373,607,209
Other assets	(128,056)	(10,765,156)	6,909	472,697
Deposits from customers	60,786,894	5,166,845,034	14,823,173	1,389,332,590
Borrowing from other banks and financial institutions	(96,966,078)	(7,393,353,579)	(30,291,668)	89,713,513
Other liabilities	(16,984,265)	(1,506,505,567)	28,229,568	2,508,633,307
	(9,769,650)	(611,385,863)	(17,900,877)	(1,385,455,103)
Net cash received from / used in operating activities	5,395,700	460,799,832	(4,578,701)	(268,314,932)
B) Cash flows from investing activities				
Proceeds from sale of securities	-	-	-	-
Payments for purchase of securities	-	-	-	-
Purchase of fixed assets	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Net cash from investing activities	-	-	-	-
C) Cash flows from financing activities				
Profit remitted to Head Office	-	-	-	-
D) Net increase/(decrease) in cash and cash equivalents (A+B-C)	5,395,700	460,799,832	(4,578,701)	(268,314,932)
E) Effects of exchange rate changes on cash and cash equivalents	814,956	123,976,552	2,524,217	318,968,314
F) Opening cash and cash equivalents	53,085,309	4,390,155,059	55,139,793	4,339,501,678
G) Closing cash and cash equivalents (D+E+F) (Note - 16)	59,295,965	4,974,931,443	53,085,309	4,390,155,059

Statement of Changes in Equity

Standard Chartered Bank Offshore Banking Unit, Bangladesh Statement of Changes in Equity for the year ended 31 December 2018

Particulars	Fund deposited with Bangladesh Bank		Other reserve	Profit and loss account balance		Total	
	USD	Taka		USD	Taka	USD	Taka
Balance as at 1 January 2018	-	-	-	42,720,303	3,528,631,739	42,720,303	3,528,631,739
Currency translation differences	-	-	-	814,956	123,976,552	814,956	123,976,552
Net profit for the year	-	-	-	16,386,644	1,374,649,663	16,386,644	1,374,649,663
Profit remitted to Head Office	-	-	-	-	-	-	-
Balance as at 31 December 2018	-	-	-	59,921,903	5,027,257,954	59,921,903	5,027,257,954
Balance as at 1 January 2017	-	-	-	27,553,832	2,168,486,292	27,553,831	2,168,486,292
Currency translation differences	-	-	-	2,524,217	318,968,314	2,524,217	318,968,314
Net profit for the year	-	-	-	12,642,255	1,041,177,134	12,642,255	1,041,177,134
Profit remitted to Head Office	-	-	-	-	-	-	-
Balance as at 31 December 2017	-	-	-	42,720,303	3,528,631,739	42,720,303	3,528,631,739

Notes to the Financial Statements

Standard Chartered Bank Offshore Banking Unit, Bangladesh Notes to the Financial Statements as at and for the year ended 31 December 2018

- The Bank and its activities**
 - Name of the bank**
Standard Chartered Bank (SCB), Bangladesh Branches ("the bank") commenced the operations of its Offshore Banking Unit (OBU) in Bangladesh on 16 August 1994 after obtaining banking licence from Bangladesh Bank on 20 December 1993. SCB is incorporated in England with limited liability by Royal Charter 1853. The head office of the bank is situated in England at 1 Basinghall Avenue, London EC2V5DD and Bangladesh country head office is situated at 67 Gulshan Avenue, Dhaka - 1212.
 - Principal activities**
SCB OBU offers a comprehensive range of financial services to EPZ customers in Bangladesh including commercial banking, corporate and institutional banking, financial markets, global trade and trade services, cash management services, etc. There have been no significant changes in the nature of the principal activities of the Bank during the financial year under review.
 - Basis of preparation of Financial Statements**
 - Reporting period & Approval of financial statements**
The financial statements cover a calendar year from 1 January 2018 to 31 December 2018. The financial statements are authorized for issue by the management of the bank on 27 February 2019.
 - Statement of compliance and basis of preparation**
The Financial Reporting Act 2015 (FRA) was enacted in 2015 and the Financial Reporting Council (FRC) under the FRA is formed in 2017 which, among other things, will issue financial reporting standards for public interest entities such as banks. The Banking Companies Act 1991 has been amended to require banks to prepare their financial statements under such financial reporting standards.
The FRC is formed but as such no financial reporting standards have been issued as per the provisions of the FRA. Hence, the financial statements of the Bank as at and for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and the requirements of The Banking Companies Act 1

Standard Chartered Bank
Offshore Banking Unit, Bangladesh
Notes to the Financial Statements
as at and for the year ended 31 December 2018

Provisions for loans and advances

The Bank assesses its loans and advances for objective evidence of impairment on a regular basis and particularly at year end. While the primary criteria set out in BRPD circular no. 14 dated 23 September 2012 for determining whether a loan is impaired are objective, based on borrower's ability to make timely repayments, loans and advances may also be classified based on qualitative judgement. This involves making assessments regarding the economic environment in which borrowers operate in addition to making judgements about a borrower's financial condition and net realisable value of any underlying collateral.

Taxation

The estimation of current tax provision involves making judgements regarding admissibility of certain expenses as well as estimating the amount of other expenses for tax purposes. In addition, the recognition of deferred tax assets requires the Bank to estimate the extent to which it is probable that future taxable profits will be available against which the deferred tax assets may be utilised.

2.7 Liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on the basis of residual maturity term which has been given in the statement.

2.8 Significant accounting policies**2.8.1 Assets****2.8.1.1 Fixed assets including premises, furniture and fixtures**

Items of fixed assets, other than land, are measured at cost less accumulated depreciation and impairment losses, as per IAS 16 Property, Plant and Equipment. Cost includes expenditures that are directly attributable to the acquisition of the asset. Land is carried at cost.

Subsequent costs

The cost of replacing part of an item of fixed assets 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 Bank and its cost can be measured reliably. The cost of day-to-day servicing of fixed assets are expensed when incurred.

Depreciation

Depreciation on premises other than freehold land, and other fixed assets, is recognised in profit or loss on a straight line basis over the expected useful life of the assets based on cost. The estimated useful lives and the rate of depreciation for the current and comparative periods are as follows:

	Estimated useful life	Rate of depreciation
Freehold premises	50 years	2%
Fixed equipment	3 to 15 years	7% - 33%
Computer and office equipment	3 to 7 years	20%
Furniture and fittings	5 years	20%
Motor Vehicle	5 years	20%

Depreciation on additions to fixed assets is charged from the month in which such assets are capitalised, and adjustments to accumulated depreciation for disposals / write offs are made up to the month in which the relevant assets are disposed / written off.

Retirement and disposals

An asset is derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from the retirement or disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset which is recognised as gain or loss from disposal of asset under other operating income.

2.8.1.2 Loans and advances to customers

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value, and subsequently measured at amortised cost. These are stated gross with accumulated specific and general provisions for loans and advances being shown under other liabilities.

2.8.1.3 Loan write-off

Loans are normally written off, when there is no realistic prospect of recovery and classified as 'Bad loan' complying with BRPD circular no. 13 dated 7 November 2013, BRPD circular no. 2 dated 13 January 2003 and DFIM Circular letter no. 11 dated 21 November 2013. Designated unit of the bank (GSAM) monitor loans written off and legal action taken against the classified customers. The written-off loans do not undermine or affect the amount claimed against the borrower by the bank. The designated unit of the bank maintains a separate record for all individual cases of written-off loans. The unit of the bank follows-up on the recovery efforts of the written-off loans and advances until the full settlement of the claimed amount.

2.8.1.4 Leases

In accordance with IAS 17 Leases, leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases.

When the Bank is a lessee under finance leases, the leased assets are capitalised and included in fixed assets and the corresponding liability to the lessor is included in other liabilities. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised as interest expense over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases. When the Bank is the lessee under an operating lease, leased assets are not recognised in the balance sheet. Rentals payable and paid in advance under operating leases are accounted for on a straight-line basis over the period of the lease, unless another systematic basis is more representative of the time pattern of the user's benefit, and are included in rent expenses.

2.8.2 Liabilities**2.8.2.1 Borrowings from other banks, financial institutions and agents**

Borrowings from other banks, financial institutions and agents include both interest-bearing borrowings against securities from Bangladesh Bank and other banks, vostro accounts balances and call borrowing from other banks. These items are brought to financial statements at the gross value of the outstanding balance.

2.8.2.2 Deposits by customers and banks

Deposits are the Bank's principal source of debt funding. Deposits are initially measured at fair value and subsequently measured at amortised cost.

2.8.2.3 Provisions for other assets

BRPD circular no. 14 dated 25 June 2001 requires a provision of 100% on other assets which are outstanding for one year and above. The Bank maintains provisions in line with this circular unless it assesses there is no doubt of recovery on items of other assets in which case no provision is kept.

2.8.2.4 Provisions on nostro accounts

Unsettled debit transactions (as per Bank's book and nostro statements) for more than three months on nostro accounts are reviewed at each balance sheet date by management and provisions are kept in accordance with Bangladesh Bank Foreign Exchange Policy Department, circular no. FEPP (FEMO)/01/2005-677 dated 13 September 2005.

2.8.2.5 Provisions for liabilities and charges

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent liabilities are not recognised but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.

2.8.2.6 Provisions on loans and advances

At each balance sheet date and periodically throughout the year, the Bank reviews Investments and advances to assess whether objective evidence that impairment of an Investment or portfolio of Investments has arisen supporting a change in the classification of Investments and advances, which may result in a change in the provision required in accordance with BRPD circular no. 14 dated 23 September 2012, BRPD circular no. 19 dated 27 December 2012, BRPD circular no. 05 dated 29 May 2013, BRPD circular no. 16 dated 18 November 2014, BRPD circular no. 12 dated 20 August 2017, BRPD circular no. 15 dated 27 September 2017, BRPD circular no. 07 dated 21 June 2018 and BRPD circular no. 13 dated 18 October 2018. The guidance in the circulars follow a formulaic approach whereby specified rates are applied to the various categories of Investments as defined in the circular. The provisioning rates are as follows:

	2018	2017
General provision on:		
Unclassified loans	1.00%	1.00%
Off-balance sheet exposures:		
Acceptances and endorsements	1.00%	1.00%
Letters of guarantee		
Counter guarantee rating-1	0.00%	1.00%
Counter guarantee rating-2	0.50%	1.00%
Counter guarantee rating-3 or 4	0.75%	1.00%
Counter guarantee rating-Other	1.00%	1.00%
Irrevocable letters of credit	1.00%	1.00%
Bills for collection	0.00%	1.00%
Forward contracts	1.00%	1.00%

In accordance with BRPD circular no. 05 dated 29 May 2013, the rate of provision on the outstanding amount of loans kept in the 'Special Mention Account' will be the same as the rates stated above depending on the types of loans and advances.

Specific provision on:

Substandard loans and advances	20%	20%
Doubtful loans and advances	50%	50%
Bad / loss loans and advances	100%	100%
Substandard and Doubtful Agricultural loans & advances	5%	5%
Bad/loss Agricultural loans and advances	100%	100%

The above rates are the minimum prescribed rates. BRPD circular no. 14 dated 23 September 2012 provides scope for further provisioning based on qualitative judgements. If the specific provisions assessed under the qualitative methodology are higher than the specific provisions assessed under the formulaic approach above, the higher of the two is recognised.

2.8.2.7 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit & loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

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

Provision for taxation for the year ended 31 December 2018 has been made on the basis of the provisions of the Income Tax Ordinance 1984 and the Finance Act 2018. Currently the tax rate applicable for banks is 40%.

Deferred tax assets / (liabilities)

As per IAS 12 Income Taxes, deferred tax assets / (liabilities) are calculated using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities and their tax bases. The tax base of assets is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity (in this case, the Bank) when it recovers the carrying amount of the assets. The tax base of liabilities is their carrying amount, less any amount that will be deductible for tax purposes in respect of the liabilities in future periods. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax is calculated using the tax rates as prescribed in the Income Tax Ordinance (ITO) 1984 and relevant Statutory Regulatory Orders (SRO) and BRPD circular no. 11 dated 12 December 2011.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.8.2.8 Workers Profit Participation (WPPF)

The bank has sought external legal opinion, whereby it was stated that there is significant ambiguity around the inclusion of Banking Institutions within the scope of Chapter XV: Workers' Profit Participation Fund (WPPF) under the Bangladesh Labour Act, 2006 (the 'Act') and the subsequent amendments thereof. As per the Act and amendments thereof, an employer is required to pay 5% of its net profit (as defined under the Act) to the 1) Workers' Participation Fund 2) Workers' Welfare Fund and 3) Labour Trust Foundation Fund for further appropriate disbursement of the funds to all members (i.e., 'Beneficiaries', as defined under the Act) as prescribed under the Act.

As per the external legal opinion sought by the Bank, the inclusion of Banks within the scope of the WPPF under the Bangladesh Labour Act, 2006 is in contradiction with the relevant provisions under The Banking Companies Act, 1991. These ambiguities are yet to be settled and the Bank is seeking clarifications from appropriate Authorities. On the basis of the facts currently known and external legal opinions, management believes that the possibility of a legal obligation for payments out of WPPF is low at the current stage and hence, no provision has been made for the same.

2.8.2.9 Good Borrower incentive provisions

As per BRPD circular no. 06 dated 19 March 2015 and BRPD (P-1)/661/13/2016-6924 dated 19 October 2016, good borrower incentive is not applicable on foreign currency loans. Therefore, no provision has been made in this regard.

2.8.2.10 Employee benefits**Short term 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 performance bonus plans if the Bank has a present constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans - Provident fund

The Bank contributes to a locally registered provident fund scheme which is approved by the National Board of Revenue (NBR) for employees of the Bank eligible to be members of the fund in accordance with the rules of the provident fund constituted under an irrevocable trust. Obligations for contributions to the provident fund are recognised as an expense in profit or loss when they are due.

Defined benefit plans - Gratuity fund

The Bank operates a funded gratuity scheme which is of the nature of a defined benefit scheme for its permanent employees. The fund has been formed under an irrevocable trust deed and is approved by the NBR. It is managed by a Board of Trustees comprising of employees of the Bank. Gratuity is payable at the rate of one month's salary last drawn for each completed year of service or any part thereof in excess of six months. In accordance with the requirements of IAS 19 Employee Benefits, the Bank's net obligation in respect of its gratuity fund is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; discounting the benefit to determine its present value; and deducting the fair value of any plan assets. The calculation is performed by a qualified actuary using the Projected Unit Credit method.

The net interest expense (income) on the net defined benefit liability (asset) for the period is determined by applying discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability / (asset), taking into account any changes in the net defined benefit liability / (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability / (asset) comprises interest cost on defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling.

Actuarial gains or losses that arise are recognised in equity and presented in the statement of changes in equity in the period they arise. Past service costs are recognised in the period in which the plan amendment or curtailment occurs.

2.8.3 Profit and Loss Accounts - Income and Expenses**2.8.3.1 Interest income on conventional banking**

Interest income are recognised in the profit and loss account using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future 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.

Interest is accrued on a daily basis and applied to customer accounts every month, quarter and at maturity depending on the product offerings.

In accordance with BRPD circular no. 14 dated 23 September 2012, interest accrued on sub-standard loans and doubtful loans are credited to Interest Suspense Account which is included within Other liabilities. Interest from loans and advances ceases to be accrued when they are classified as bad / loss.

2.8.3.2 Commission and fee income

The Bank earns commission and fee income from a diverse range of financial services provided to its customers. Commission and fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed,
- income earned from services provided is recognised as revenue as the services are provided.

2.8.3.3 Exchange income

Exchange income includes all gains and losses from foreign currency transactions.

2.8.3.4 Interest expense on deposits

Interest expense for all deposits are recognised in the profit and loss account using the effective interest method.

2.8.4 Others**2.8.4.1 Offsetting financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.8.4.2 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include notes and coins on hand and balances held with other banks and financial institutions and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2.8.4.3 Materiality and aggregation

Each material class of similar items has been presented separately in the financial statements. Items of dissimilar nature also have been presented separately unless they are immaterial in accordance with IAS 1 'Presentation of Financial Statements'.

3.0 Comparative information

Comparative information including narrative and descriptive one is disclosed in respect of the preceding period where it is relevant to enhance the understanding of the current period's financial statements. Certain comparative amounts in the financial statements are reclassified and rearranged where relevant, to conform to the current year's presentation.

4.00 New accounting standards

The Bank has consistently applied the accounting policies as set out in Note 2 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2018 have been considered. However, these amendments have no material impact on the financial statements of the Bank.

In December 2017, ICAI has decided to adopt IFRS replacing BFRS effective for annual periods beginning on or after 1 January 2018. However, since currently issued BFRS have been adopted from IFRS without any major modification, such changes would not have any material impact on financial statements.

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

(a) IFRS 16 Leases

IFRS 16, issued in January 2016 replaces existing leases guidance and effective for reporting period beginning on or after 1 January 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The Bank has not yet assessed any potential impact of IFRS 16 on its financial statements.

(b) IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. The Bank has not yet assessed in potential impact of IFRS 17 on its financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

	2018		2017	
	USD	Taka	USD	Taka
5 Balance with other banks and financial institutions				
In Bangladesh	52,343,588	4,391,627,022	42,956,620	3,552,512,502
Outside Bangladesh	6,952,377	583,304,421	10,128,689	837,642,557
	59,295,965	4,974,931,443	53,085,309	4,390,155,059
Inside Bangladesh				
Short term deposit account:				
Standard Chartered Bank - Onshore, Dhaka	52,343,588	4,391,627,022	42,956,620	3,552,512,502
Outside Bangladesh				
Group nostro- current account:				
Standard Chartered Bank- London	-	-	634,735	52,492,617
Standard Chartered Bank- Frankfurt	4,339,992	364,125,303	9,489,715	784,799,461
Standard Chartered Bank- Tokyo	66,005	5,537,818	4,238	350,479
Standard Chartered Bank- New York	2,546,380	213,641,300	-	-
	6,952,377	583,304,421	10,128,689	837,642,557
5.1 Residual maturity				
Repayable on demand	6,952,377	583,304,421	10,128,689	837,642,557
Not more than one month	52,343,588	4,391,627,022	42,956,620	3,552,512,502
Over one month but not more than three months	-	-	-	-
Over three months but not more than one year	-	-	-	-
Over one year but not more than five year	-	-	-	-
Over five years	-	-	-	-
	59,295,965	4,974,931,443	53,085,309	4,390,155,059

	2018		2017	
	USD	Taka	USD	Taka
6 Loans, cash credit, overdrafts, etc. - product wise classification				
(a) Loans and advances to small and medium enterprises	-	-	-	-
(b) Loans and advances to large enterprises	-	-	-	-
(c) Loans and advances to corporate customers	85,164,526	7,145,303,757	98,008,227	8,105,280,371
	85,164,526	7,145,303,757	98,008,227	8,105,280,371
(a) Loans and advances to small and medium enterprises - product wise classification				
Term loans	-	-	-	-
Revolving Loan	-	-	-	-
Loans against trust receipts	-	-	-	-
Import Loan	-	-	-	-
Overdraft	-	-	-	-
	-	-	-	-
(b) Loans and advances to large enterprises - product wise classification				
Term loans	-	-	-	-
Revolving Loan	-	-	-	-
Loans against trust receipts	-	-	-	-
Import Loan	-	-	-	-
Overdraft	-	-	-	-
	-	-	-	-
(c) Loans and advances to corporate customers - product wise classification				
Overdraft	2,851,142	239,210,807	2,790,018	230,734,496
Loan Against Trust Receipt	28,593,368	2,398,983,598	23,295,787	1,926,561,548
Preshipment Finance	-	-	-	-
Import Loan	31,216,077	2,619,028,893	35,518,717	2,937,397,903
Short Term Loan	11,228,343	942,057,944	17,031,639	1,408,516,535
Term Loan	11,275,596	946,022,514	19,372,066	1,602,069,889
	85,164,526	7,145,303,757	98,008,227	8,105,280,371
6.1 Loans, cash credit, overdraft, etc. - inside and outside Bangladesh				
Inside Bangladesh	85,164,526	7,145,303,757	98,008,227	8,105,280,371
Outside Bangladesh	-	-	-	-
	85,164,526	7,145,303,757	98,008,227	8,105,280,371
6.2 Loans, cash credit, overdraft, etc. - residual maturity grouping				
Repayable on demand	3,758,297	315,321,152	3,363,073	278,126,169
Not more than 3 months	48,845,382	4,098,127,528	50,892,946	4,208,846,623

Notes to the Financial Statements

	2018		2017	
	USD	Taka	USD	Taka
viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank have interest as directors, partners or managing agents or in the case of private companies as members;	-	-	-	-
ix) Due from banking companies	598,531,383	50,216,783,012	632,411,241	52,300,409,666
x) Classified loans for which interest has not been charged:	-	-	-	-
a) Increase / decrease of provision (specific)	-	-	-	-
Amount of loans written off	-	-	-	-
Amount realised against loan previously written off	-	-	-	-
b) Provision against the loan classified as bad / loss on the date of preparing the balance sheet	1	84	1	83
c) Amount of interest charged in suspense account	-	-	-	-
Loans written off:	-	-	-	-
Current year	-	-	-	-
Cumulative to-date	42,529	3,568,176	42,529	3,517,141
The amount of written off loan for which law suit has been filed	-	-	-	-

7. Bills purchased and discounted

	2018	2017
(i) Inside and outside Bangladesh		
Repayable in Bangladesh	617,015,494	51,767,599,962
Repayable outside Bangladesh	-	-
617,015,494	51,767,599,962	649,818,824
(ii) Bill discounted & purchased - product wise classification		

	2018	2017
(a) Product wise classification - Small & Medium Enterprise Customers	-	-
(b) Product wise classification- Large Enterprise Customers	-	-
(c) Product wise classification- Corporate & Institutional Customers	617,015,494	51,767,599,962
617,015,494	51,767,599,962	649,818,824

	2018	2017
(a) Loans and advances - sector wise classification- Small & Medium Enterprise Customers		
Credit Bill Negotiation	-	-
Bank - Credit Bill Negotiation	-	-
Export bill discounting / outward Bill	-	-
Export Invoice Finance	-	-
Import Invoice Finance	-	-

	2018	2017
(b) Loans and advances - Product wise classification- Large Enterprise Customers		
Credit Bill Negotiation	-	-
Bank - Credit Bill Negotiation	-	-
Export bill discounting / outward Bill	-	-
Export Invoice Finance	-	-
Import Invoice Finance	-	-

	2018	2017
(c) Loans and advances - Product wise classification- Corporate & Institutional Customers		
Credit Bill Negotiation	7,672,501	643,722,794
Bank - Credit Bill Negotiation	598,531,383	50,216,783,012
Export bill discounting / outward Bill	2,845,692	238,753,562
Export Invoice Finance	7,965,919	688,340,594
Import Invoice Finance	-	-
617,015,494	51,767,599,962	649,818,824

	2018	2017
(ii) Maturity wise		
Repayable within 1 month	1,050,513	88,138,031
Over 1 month but less than 3 months	363,453,908	30,493,782,916
Over 3 months but less than 6 months	216,951,331	18,202,216,648
6 months or more	35,507,317	2,979,063,909
	52,425	4,398,458
617,015,494	51,767,599,962	649,818,824

	2018	2017
8 Other assets		
Stationery, stamps, printing materials in stock	1,288	108,047
Interest receivable - loans and advances	7,651,996	642,002,483
Interest receivable - SCB Branches	17,375	1,457,777
Suspense account	121,495	10,193,389
Commission receivable	1	63
Security deposits	5,652	474,189
Others	-	-
7,797,807	654,235,948	7,722,616

	2018	2017
8.1 Other assets which are not capable of earning income (non interest bearing other assets)		
Interest receivable - loans and advances	7,651,996	642,002,483
Interest receivable - SCB Branches	17,375	1,457,777
Suspense account	121,495	10,193,389
Stationery, stamps, printing materials in stock	1,288	108,047
Commission receivable	1	63
Security deposits	5,652	474,189
7,797,807	654,235,948	7,722,616

	2018	2017
9 Borrowings from other banks, financial institutions and agents		
Money market deposits (Note 9.1)	235,459,077	19,755,016,591
Other deposits (Vostro account) (Note 9.2)	285,991,795	23,994,711,569
521,450,872	43,749,728,160	618,416,950

	2018	2017
9.1 Money market deposits		
(a) Money market deposits - Call	-	-
(b) Money market deposits - Term		
Pubali Bank Ltd - Dhaka	-	-
Nepal Rastra Bank KTM	154,163,142	12,934,287,587
Royal Monetary Authority of Bhutan	81,295,936	6,820,729,004
235,459,077	19,755,016,591	258,015,212

	2018	2017
9.2 Other deposits (Vostro account)		
(a) Group Vostro		
Standard Chartered Bank - Onshore, Dhaka	267,000,000	22,401,300,000
Standard Chartered Bank - London	18,807,522	1,577,951,100
Standard Chartered Bank-New York Savar OBU	-	-
Standard Chartered Bank-London (Savar EPZ)	184,273	15,460,469
285,991,795	23,994,711,569	360,401,738
(b) Non Group Vostro	-	-
285,991,795	23,994,711,569	360,401,738

	2018	2017
9.3 Borrowings from other banks, financial institutions and agents - inside and outside Bangladesh		
(i) Inside Bangladesh	267,000,000	22,401,300,000
(ii) Outside Bangladesh	254,450,872	21,348,428,160
521,450,872	43,749,728,160	618,416,950

	2018	2017
9.4 Classification under secured / unsecured borrowing		
(i) Secured	285,991,795	23,994,711,569
(ii) Unsecured	235,459,077	19,755,016,591
521,450,872	43,749,728,160	618,416,950

	2018	2017
9.5 Residual Maturity - wise classification		
Payable on demand	184,273	15,460,469
Payable within 1 month	275,548,874	23,118,550,500
Payable within 1 to 3 months	185,200,635	15,538,333,249
Payable within 3 to 12 months	60,517,091	5,077,383,941
Payable within 1 to 5 years	-	-
Payable over 5 years	-	-
521,450,872	43,749,728,160	618,416,950

	2018	2017
10 Deposits and other accounts		
Current and other accounts	110,435,823	9,265,565,526
Term deposits	5,665,107	475,302,509
Other deposits	373,184	31,310,097
116,474,114	9,772,178,132	55,687,220

	2018	2017
10.1 Residual maturity grouping of deposits and other accounts (Other than bank deposit)		
Payable on demand	109,885,400	9,219,385,101
Payable within 1 month	403,218	33,829,972
Payable within more than 1 month but less than 6 months	4,061,890	340,792,537
Payable within more than 6 months but less than 1 year	1,200,000	100,680,000
Payable within more than 1 year but within 5 years	-	-
Payable within more than 5 years but within 10 years	923,606	77,490,522
116,474,114	9,772,178,132	55,687,220

	2018	2017
11 Other liabilities		
Interest payable	1,002,439	84,110,042
Tax deducted at source	319,069	26,769,891
General Provision (Note - 11.1.A)	7,306,307	612,999,196
Specific Provision for loans and advances (Note - 11.1.B)	1	84
Suspense account	5,907	679,188
Intra branch balances in Bangladesh	48,344,099	4,056,070,546
Income tax provision (Note - 11.2)	10,041,707	842,499,255
VAT payable	3	252
Disputed tax on profit remittance	4,371,115	366,736,534
Others	36,256	3,041,875
71,426,903	5,992,906,863	91,810,503

Notes to the Financial Statements

	2018		2017	
	USD	Taka	USD	Taka
11.1 Provision for loans and advances and off balance sheet exposures				
11.1.A Movement in general provision for unclassified loans and advances				
Opening balance	8,751,920	723,783,813	8,233,270	647,958,329
Provision charged / (released) during the year	(349,511)	(29,323,933)	650,400	53,788,041
Provision on off-balance sheet exposures charged / (released) during the year	(970,926)	(81,460,684)	266,475	22,037,443
Charge in profit and loss account	(1,320,436)	(110,784,617)	916,874	75,825,484
Translation adjustments	(125,176)	-	(398,223)	-
Total General provisions	7,306,307	612,999,196	8,751,920	723,783,813

	2018	2017
11.1.B Movement in specific provision for bad and doubtful debts		
Opening balance	1	83
Provision made during the year	-	-
Recovery against fully provided loans	-	-
Net charge in profit and loss account	-	-
Fully provided loan written off	-	-
Recovery of loans previously written-off	-	-
Translation increase / (decrease)	-	4
Total specific provisions	1	84
Total provisions	7,306,308	612,999,280

	2018	2017
11.1.1 Adequacy of provision vis a vis provision required to be maintained		
General provision		
On off balance sheet exposures	11,309,939,536	284,507
On standard loan at various rates	58,912,903,718	7,021,800
Special mention accounts at various rates	-	-
7,306,307	612,999,196	8,751,920

	2018	2017
Specific provision		
On sub-standard loans and advances @ 20%	-	-
On doubtful loans and advances @ 50%	-	-
On bad / loss loans and advances - @ 100%	-	-
Total provision required to be maintained	7,306,307	612,999,196
Total provision maintained	7,306,308	612,999,280
Excess / (deficit) provision at 31 December	1	83

	2018	2017
11.2 Provision for income tax		
Opening balance	9,982,293	825,535,621
Provision made during the year	10,042,614	842,575,352
Amount paid during the year	(9,982,293)	(825,535,621)
Translation increase / decrease	(907)	(76,097)
Closing balance	10,041,707	842,499,255

	2018	2017
12 Interest income		
Term loans	1,937,986	162,012,556
Revolving loans	26,433	2,195,628
Loans against trust receipts	1,531,131	127,836,373
Overdraft	75,736	6,327,118
Bills discounted and purchased	31,214,136	2,606,528,763
Export finance	519,993	43,426,299
Bank placement	605,685	71,037,433
36,156,100	3,019,364,170	29,657,376

	2018	2017
13 Interest expense on deposits and borrowings		
Money market deposits	13,051,703	1,090,011,533
Fixed deposits	89,676	7,522,015
13,141,379	1,097,533,548	7,833,982

	2018	2017
14 Commission, exchange and brokerage		
Commission and exchange income (loss)*	2,338,061	205,385,596
2,338,061	205,385,596	1,962,926

*Commission and exchange income (loss) include commission income of Tk 189,678,699 (2017: Tk 156,181,685).

Notes to the Financial Statements

	2018		2017	
	USD	Taka	USD	Taka
15 Other expenses				
Travelling and transportation	10,008	836,384	4,065	333,653
Support services	10,218	854,935	6,991	564,991
Subscription	-	-	116	9,327
Entertainment	-	-	833	67,027
Security services	2,196	183,534	6,191	499,574
Interest on leases	57	4,706	912	73,850
Computer expenses	-	-	21	1,632
Sundry expenses	12,273	1,418,875	21,501	1,746,095
34,752	3,298,434	40,630	3,296,149	

	2018	2017
16 Cash and cash equivalents		
Cash in hand (including foreign currencies)	-	-
Balance with Bangladesh Bank and its agent banks	59,295,965	4,974,931,443
Balance with other banks and financial institutions	-	-
59,295,965	4,974,931,443	53,085,309

	2018	2017
17 Related party transactions		
17.1 Related parties		
The related parties of the off-shore banking unit include Standard Chartered (SC Plc), other SCB group entities including SCB Bangladesh Branches onshore banking unit, key management personnel of SC Plc and the Bank as well as their close family members.		

	2018	2017
17.2 Transactions with key management personnel		
The key management personnel of the Bank for the purposes of IAS 2		

Standard Chartered Bank

Islamic Banking Window (Saadiq), Bangladesh

Financial Statements 2018

Independent Auditor's Report

Independent Auditor's Report to the Management of Standard Chartered Bank Islamic Banking Window (Saadiq), Bangladesh

Opinion

We have audited the financial statements of Standard Chartered Bank, Islamic Banking Window (Saadiq), Bangladesh ("the Bank"), which comprise the balance sheet as at 31 December 2018, and the profit and loss account, cash flow statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 2.2.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as explained in 2.2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.
- 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 conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994, the Banking Companies Act, 1991 and the rules and regulations issued by Bangladesh Bank, we also report the following:

- we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the Financial Statements and Internal Controls section:
 - Internal audit, internal control and risk management arrangements of the Bank appeared to be materially adequate; and
 - nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank.
- in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- the balance sheet and the profit and loss account dealt with by the report are in agreement with the books of account;
- the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
- adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- the information and explanation required by us have been received and found satisfactory; and
- we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 220 person hours for the audit of the books and accounts of the Bank.

Dhaka, 27 February 2019

M. J. ABEDIN & CO
Chartered Accountants

Balance Sheet

Standard Chartered Bank Islamic Banking Window (Saadiq), Bangladesh

Balance Sheet as at 31 December 2018

	Notes	2018 Taka	2017 Taka
PROPERTY AND ASSETS			
Cash			
Cash in hand (including foreign currencies)		4,319,063	3,644,759
Balance with Bangladesh Bank and its agent banks (including foreign currencies)		2,714,745,135	2,800,000,000
		2,719,064,198	2,803,644,759
Balance with other banks and financial institutions			
In Bangladesh		-	-
Outside Bangladesh		-	-
Placements with banks and other financial institutions			
		-	-
Investments in shares and securities			
Government securities	6	900,000,000	700,000,000
Other investments		-	-
		900,000,000	700,000,000
Investments			
General investments etc.	7	13,677,002,609	11,573,987,905
Bills purchased and discounted	8	4,150,214	-
		13,681,152,823	11,573,987,905
Fixed assets including premises			
	9	-	-
Other assets			
	10	4,503,492,496	3,924,509,488
Non-banking assets			
		-	-
Total assets		21,803,709,517	19,002,142,152
LIABILITIES AND CAPITAL			
Liabilities			
Placement from banks and other financial institutions			
		-	-
Deposits and other accounts			
Current accounts (Quard)	11	1,101,454,703	938,211,981
Mudaraba savings deposits		7,021,116,648	6,170,553,448
Mudaraba term deposits		9,040,441,578	7,612,757,614
Short term deposits		25,450,072	211,064,443
Other deposits		11,784,788	12,123,624
		17,200,247,788	14,944,711,110
Other liabilities	12	4,603,461,729	4,057,431,042
Total liabilities		21,803,709,517	19,002,142,152
Equity			
Paid up capital		-	-
Statutory reserve		-	-
Other reserve		-	-
Retained earnings		-	-
Total equity		-	-
Total liabilities and equity		21,803,709,517	19,002,142,152
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Acceptances and endorsements		2,216,383,268	2,881,995,351
Irrevocable letters of credit		2,852,087,266	2,958,458,000
		5,068,470,534	5,840,453,351
Other commitments			
		-	-
Total off-balance sheet items		5,068,470,534	5,840,453,351

The annexed notes 1 to 25 form an integral part of these financial statements.

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Md Abdul Kader Joaddar
Chief Financial Officer, Bangladesh

As per our report of same date.

Dhaka, 27 February 2019

M. J. ABEDIN & CO
Chartered Accountants

Profit and Loss Account

Standard Chartered Bank Islamic Banking Window (Saadiq), Bangladesh Profit and Loss Account for the year ended 31 December 2018

	Notes	2018 Taka	2017 Taka
Investment income	13	1,133,603,588	861,563,873
Profit paid on deposits	14	562,503,108	315,941,022
Net investment income		571,100,480	545,622,851
Income / (Loss) from investments in shares and securities	15	12,381,653	9,193,207
Commission, exchange and brokerage	16	242,752,866	312,355,346
Other operating income		-	-
		255,134,519	321,548,553
Total operating income		826,234,999	867,171,404
Salary and allowances		8,686,016	7,064,008
Rent, taxes, insurances, electricity etc.	17	7,254,069	5,392,851
Legal expenses		31,781	31,129
Postage, stamps and telecommunication etc.	18	94,056	103,387
Stationery, printing and advertisement etc.	19	475,205	384,963
Repair, maintenance and depreciation	20	3,960,739	1,935,914
Other operating expenses	21	3,639,406	2,770,081
Total operating expenses		24,141,272	17,682,333
Profit/(loss) before provision		802,093,727	849,489,071
Provision for investments and off balance sheet exposures	12.1	78,188,974	101,198,674
Other provisions		-	-
Total provision		78,188,974	101,198,674
Total profit/(loss) before tax		723,904,753	748,290,397
Provision for income tax	12.3	320,837,490	361,032,855
Net profit/(loss) after tax for the year		403,067,263	387,257,542

The annexed notes 1 to 25 form an integral part of these financial statements.

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Md Abdul Kader Joaddar
Chief Financial Officer, Bangladesh

As per our report of same date.

M. J. ABEDIN & CO
Chartered Accountants

Cash Flow Statement

Standard Chartered Bank Islamic Banking Window (Saadiq), Bangladesh Cash Flow Statement for the year ended 31 December 2018

	2018 Taka	2017 Taka
A. Cash flows from operating activities		
Investment income	1,148,874,597	843,421,970
Profit paid on deposits	(236,129,141)	(109,425,698)
Commission, exchange and brokerage received	269,342,941	287,758,434
Cash paid to employees	(8,686,016)	(7,064,008)
Cash paid to suppliers	(12,849,736)	(13,487,295)
Income tax paid	(320,837,490)	(283,761,977)
Operating profit before changes in operating assets and liabilities	839,715,154	717,441,425
Increase/decrease in operating assets and liabilities		
General investments	(2,115,581,953)	(4,681,104,596)
Other assets	(583,764,915)	(2,404,253,957)
Deposits received from customers	2,255,536,679	6,848,505,577
Other liabilities	117,586,857	2,281,302,100
Net cash receipt/(payment) from changes in operating assets and liabilities	(326,223,332)	2,044,449,123
Net cash received from operating activities	513,491,822	2,761,890,549
B. Cash flow from investing activities		
Income from investments	4,994,879	-
Investment in Islamic bond	(200,000,000)	(700,000,000)
Net cash used in investing activities	(195,005,121)	(700,000,000)
C. Cash flow from financing activities		
Profit transferred to Onshore Banking Unit	(403,067,262)	(387,257,542)
Net cash used in financing activities	(403,067,262)	(387,257,542)
D. Net increase/(decrease) in cash and cash equivalents (A+B+C)	(84,580,561)	1,674,633,007
E. Effect of exchange rate changes on cash and cash equivalents		
	-	-
F. Opening cash and cash equivalents	2,803,644,759	1,129,011,752
G. Closing cash and cash equivalents (D+E+F) (Note 22)	2,719,064,198	2,803,644,759

Statement of Changes in Equity

Standard Chartered Bank Islamic Banking Window (Saadiq), Bangladesh

Statement of Changes in Equity for the year ended 31 December 2018

Particulars	Amount in Taka			
	Capital	Other reserve	Retained earnings	Total
Balance as at 01 January 2018	-	-	-	-
Net profit for the year 2018	-	-	403,067,263	403,067,263
Profit transferred to Dhaka Onshore Banking Unit	-	-	(403,067,263)	(403,067,263)
Balance as at 31 December 2018	-	-	-	-
Balance as at 01 January 2017	-	-	-	-
Net profit for the year 2017	-	-	387,257,542	387,257,542
Profit transferred to Dhaka Onshore Banking Unit	-	-	(387,257,542)	(387,257,542)
Balance as at 31 December 2017	-	-	-	-

Notes to the Financial Statements

Standard Chartered Bank Islamic Banking Window (Saadiq), Bangladesh Notes to the Financial Statements As at and for the year ended 31 December 2018

1 The Bank and its activities

1.1 Name of the bank

Standard Chartered Bank (SCB), Bangladesh Branches ("the bank") commenced its Islamic banking window in Bangladesh on 26 February 2004 based on Islamic Shariah principles which is governed by the SCB Shariah Supervisory Committee based in Dubai.

Standard Chartered Bank (SCB), Bangladesh Branches ("the bank") commenced its banking operations in Bangladesh in 1948 after obtaining licence from the Central Bank of Bangladesh. SCB is incorporated in England with limited liability by Royal Charter 1853. The head office of the bank is situated in England at 1 Basinghall Avenue, London EC2V5DD and Bangladesh country head office is situated at 67 Gulshan Avenue, Dhaka - 1212.

1.2 Principal activities of the Bank

SCB offers a comprehensive range of financial services in Bangladesh including retail banking and wealth management, commercial banking, corporate and institutional banking, financial markets, global trade and trade services, cash management, etc. There have been no significant changes in the nature of the principal activities of the Bank during the financial year under review.

2.0 Basis of preparation of Financial Statements

2.1 Reporting period & Approval of financial statements

The financial statements cover a calendar year from 1 January 2018 to 31 December 2018. The financial statements are authorized for issue by management of the Bank on 27 February 2019.

2.2 Statement of compliance and basis of preparation

The Financial Reporting Act 2015 (FRA) was enacted in 2015 and the Financial Reporting Council (FRC) under the FRA is formed in 2017 which, among other things, will issue financial reporting standards for public profit entities such as banks. The Banking Companies Act 1991 has been amended to require banks to prepare their financial statements under such financial reporting standards.

The FRC is formed but as such no financial reporting standards have been issued as per the provisions of the FRA. Hence, the financial statements of the Bank as at and for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and the requirements of The Banking Companies Act 1991, the rules and regulations issued by Bangladesh Bank (BB) and The Companies Act 1994. The Securities and Exchange Rules 1987 is not mandatorily applicable for non-listed foreign banks in Bangladesh. In case any requirement of The Banking Companies Act 1991 and provisions and circulars issued by the central bank (herein after called Bangladesh Bank (BB)) differ with those of IFRS, the requirements of The Banking Companies Act 1991 and provisions and circulars issued by BB shall prevail.

The financial statements of the Bank have been prepared in accordance with the "First Schedule (sec-38)" of The Banking Companies Act 1991 as amended therein 2007, 2013 and 2018, BRPD Circular no. 14 dated 25 June, 2003, other Bangladesh Bank Circulars, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) as International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) respectively.

Material departures from the requirements of IAS and IFRS are as follows:

i) Presentation of financial statements

IAS/IFRS: As per IAS 1 financial statements shall comprise statement of financial position, comprehensive income statement, changes in equity, cash flows statement, adequate notes comprising summary of accounting policies and other explanatory information. As per para 60 of IAS 1, the entity shall also present current and non-current assets and liabilities as separate classifications in its statement of financial position

Bangladesh Bank: The presentation of the financial statements in prescribed format (i.e. balance sheet, profit and loss account, cash flows statement, statement of changes in equity, liquidity statement) and certain disclosures therein are guided by the "First Schedule" (section 38) of The Banking Companies Act 1991 (amendment up to 2018) and BRPD circular no. 14 dated 25 June 2003 and subsequent guidelines of Bangladesh Bank. In the prescribed format there is no option to present assets and liabilities under current and non-current classifications.

ii) Investment in shares and securities

IFRS: As per requirement of IFRS 9, where securities fall under the category of Held for Trading (HFT), any change in the fair value of held for trading securities is recognised through profit and loss account. Securities designated as Held to Maturity (HTM) are measured at amortised cost method and interest income is recognised in the profit and loss account.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003 investments in quoted shares and unquoted shares are revalued at the market price and as per book value of last audited balance sheet, respectively. Provision should be made for any loss arising from diminution in value of investment.

iii) Revaluation gains / losses on Government securities

IFRS: As per requirement of IFRS 9, where securities fall under the category of Held for Trading (HFT), any change in the fair value of held for trading securities is recognised through profit and loss account. Securities designated as Held to Maturity (HTM) are measured at amortised cost method and interest income is recognised in the profit and loss account.

Bangladesh Bank: As per DOS circular no. 05 dated 26 May 2008 and DOS circular no. 05 dated 28 January 2009, HFT securities are revalued on the basis of marking to market and at year end any gains on revaluation of securities which have not matured as at the balance sheet date are recognised in other reserves as a part of equity and any losses on revaluation of securities as at the balance sheet date are charged in the profit and loss account. Interest on HFT securities including amortisation of discount is recognised in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortised at the year end and changes in amortisation are recognised in other reserves as a part of equity.

iv) Repo and reverse repo transactions

IFRS: As per IFRS 9, when an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo), the arrangement is treated as a loan and the underlying asset continues to be recognised in the entity's financial statements. The difference between selling price and repurchase price will be treated as interest expense. Same rule applies to the opposite side of the transaction (reverse repo).

Bangladesh Bank: As per DOS Circular letter no. 06 dated 15 July 2010 and subsequent clarification in DOS circular no. 02 dated 23 January 2013, when a 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 (repo or stock lending), the arrangement is accounted for as a normal sale transaction and the financial asset is derecognised in the seller's book and recognised in the buyer's book.

However, as per DMD circular letter no. 07 dated 29 July 2012, non primary dealer banks are eligible to participate in the Assured Liquidity Support (ALS) programme, whereby such banks may enter collateralised repo arrangements with Bangladesh Bank. Here the selling bank accounts for the arrangement as a Investment, thereby continuing to recognise the asset.

v) Provision on Investments and advances

IFRS: As per IFRS 9, an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

Bangladesh Bank: As per BRPD circular no. 14 dated 23 September 2012, BRPD circular no. 19 dated 27 December 2012, BRPD circular no. 05 dated 29 May 2013, BR

Notes to the Financial Statements

x) **Off-balance sheet items**
IFRS: As per IFRS there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.
Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, off-balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.

xii) **Investments and advances net of provision**
IFRS: Investments and advances shall be recognised net of impairment loss as per IFRS 9.
Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, provision on loans and advances is presented separately as liability and cannot be netted off against loans and advances.

2.3 Basis of measurement

The financial statements of the Bank have been prepared on historical cost basis except for the following:
 - Government treasury bills and bonds designated as HFT and subsequently measured at fair value using marking to market concept with gains credited to revaluation reserve as per DOS circular 05 dated 26 May 2008 and DOS circular 05 dated 28 January 2009; and
 - Government treasury bills and bonds designated as HTM and subsequently measured using amortisation concept as DOS circular 05 dated 26 May 2008 and DOS circular 05 dated 28 January 2009.
 - Net defined benefit (asset) liability in respect of defined benefit plan recognised as the present value of defined benefit obligation less fair value of plan assets as per IAS 19 Employee Benefits.

2.4 Foreign Currency

According to IAS 21 The Effects of Changes in Foreign Exchange Rates, transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction.
 Monetary assets, liabilities and fund deposited with Bangladesh Bank as capital denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.
 Foreign currency differences arising on translation are recognised in the profit and loss account except for exchange rate differences on funds deposited with Bangladesh Bank as capital, which is recognised directly in equity.

2.5 Functional and reporting currency

The financial statements of the Bank are presented in Bangladeshi Taka (Taka/Tk/BDT) which is the Bank's functional and reporting currency.

2.6 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, 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 periods in which the estimate is revised and in any future periods affected.
 In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

Provisions for Investments

The Bank assesses its investments for objective evidence of impairment on a regular basis and particularly at year end. While the primary criteria set out in BRPD circular no. 14 dated 23 September 2012 for determining whether an investment is impaired are objective, based on borrower's ability to make timely repayments, investments may also be classified based on qualitative judgement. This involves making assessments regarding the economic environment in which borrowers operate in addition to making judgements about a borrower's financial condition and net realisable value of any underlying collateral.

Taxation

The estimation of current tax provision involves making judgements regarding admissibility of certain expenses as well as estimating the amount of other expenses for tax purposes.
 In addition, the recognition of deferred tax assets requires the Bank to estimate the extent to which it is probable that future taxable profits will be available against which the deferred tax assets may be utilised.

Net defined benefit (asset) liability under defined benefit plan

The determination of the Bank's net defined benefit (asset) liability in respect of defined benefit plan involves the use of estimates regarding demographic variables such as employee turnover and mortality and financial variables such as discount rate, future increases in salaries and medical costs that will influence the cost of the benefit.

2.7 Going Concern

These financial statements have been prepared on the assessment of the Bank's ability to continue as a going concern. Standard Chartered Bank, Bangladesh has neither any intention nor any legal or regulatory compulsion to liquidate or curtail materially the scale of any of its operations. The key financial parameters including liquidity, profitability, asset quality, provision sufficiency and capital adequacy, credit rating of the Bank continued to exhibit a healthy trend for couple of years. Besides, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

2.8 Liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on the basis of residual maturity term which has been given in the statement.

2.9 Significant accounting policies

2.9.1 Assets

2.9.1.1 Investments

Investments in treasury bills and Government bonds are accounted for in accordance with DOS Circular Letter No. 05 dated 26 May 2008 subsequently amended by DOS circular letter no. 05 dated 28 January 2009, which allow banks to use both HTM and HFT securities for fulfillment of Statutory Liquidity Reserve (SLR) requirements.
 In accordance with the requirements of the aforementioned circulars, amortised discount or premium on HTM securities is recognised directly in equity. However, coupon profits are recognised in profit or loss. Gains arising from revaluation of HFT securities on 'Marking to Market' basis are recognised in revaluation reserve account while losses from revaluation of the same securities are recognised in profit or loss.
 Bank's investments in unquoted shares are recorded at cost.

2.9.1.2 Fixed assets including premises, furniture and fixtures

Items of fixed assets, other than land, are measured at cost less accumulated depreciation and impairment losses, as per IAS 16 Property, Plant and Equipment. Cost includes expenditures that are directly attributable to the acquisition of the asset. Land is carried at cost.

Subsequent costs

The cost of replacing part of an item of fixed assets 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 Bank and its cost can be measured reliably. The cost of day-to-day servicing of fixed assets are expensed when incurred.

Depreciation

Depreciation on premises other than freehold land, and other fixed assets, is recognised in profit or loss on a straight line basis over the expected useful life of the assets based on cost. The estimated useful lives and the rate of depreciation for the current and comparative periods are as follows:

	Estimated useful life	Rate of depreciation
Freehold premises	50 years	2%
Fixed equipment	3 to 15 years	7% - 33%
Computer and office equipment	5 years	20%
Furniture and fittings	5 years	20%
Motor Vehicle	5 years	20%

Depreciation on additions to fixed assets is charged from the month in which such assets are capitalised, and adjustments to accumulated depreciation for disposals / write offs are made up to the month in which the relevant assets are disposed / written off.

Retirement and disposals

An asset is derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from the retirement or disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset which is recognised as gain or loss from disposal of asset under other operating income.

2.9.1.3 Investments and advances to customers

Investments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.
 Investments are initially measured at fair value, and subsequently measured at amortised cost. These are stated gross with accumulated specific and general provisions for investments being shown under other liabilities.

2.9.1.4 Investments write-off

Investments are normally written off, when there is no realistic prospect of recovery and classified as 'Bad Investment' complying with BRPD circular no. 13 dated 7 November 2013, BRPD circular no. 2 dated 13 January 2003 and DFIM Circular letter no. 11 dated 21 November 2013. Designated units of the bank (GSAM for corporate customers and Credit & Collections for retail customers) monitor Investments written off and legal action taken against the classified customers. The written-off Investments do not undermine or affect the amount claimed against the borrower by the bank. The designated units of the bank maintains a separate record for all individual cases of written-off Investments. These units of the bank follow-up on the recovery efforts of the written-off Investments and advances until the full settlement of the claimed amount.

2.9.1.5 Leases

In accordance with IAS 17 Leases, leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases.
 When the Bank is a lessee under finance leases, the leased assets are capitalised and included in fixed assets and the corresponding liability to the lessor is included in other liabilities. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised as profit expense over the period of the lease based on the profit rate implicit in the lease so as to give a constant rate of profit on the remaining balance of the liability.
 All other leases are classified as operating leases. When the Bank is the lessee under an operating lease, leased assets are not recognised in the balance sheet. Rentals payable and paid in advance under operating leases are accounted for on a straight-line basis over the period of the lease, unless another systematic basis is more representative of the time pattern of the user's benefit, and are included in rent expenses.

2.9.2 Liabilities

2.9.2.1 Borrowings from other banks, financial institutions and agents

Borrowings from other banks, financial institutions and agents include both profit-bearing borrowings against securities from Bangladesh Bank and other banks, vostro accounts balances and call borrowing from other banks. These items are brought to financial statements at the gross value of the outstanding balance.

2.9.2.2 Deposits by customers and banks

Deposits are the Bank's principal source of investments.

2.9.2.3 Provisions for other assets

BRPD circular no. 14 dated 25 June 2001 requires a provision of 100% on other assets which are outstanding for one year and above. The Bank maintains provisions in line with this circular unless it assesses there is no doubt of recovery on items of other assets in which case no provision is kept.

2.9.2.4 Provisions on nostro accounts

Unsettled debit transactions (as per Bank's book and nostro statements) for more than three months on nostro accounts are reviewed at each balance sheet date by management and provisions are kept in accordance with Bangladesh Bank Foreign Exchange Policy Department, circular no. FEPP (FEMO)/01/2005-677 dated 13 September 2005.

2.9.2.5 Provisions for liabilities and charges

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.
 Contingent liabilities are not recognised but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.

Notes to the Financial Statements

2.9.2.6 Provisions on Investments and advances

At each balance sheet date and periodically throughout the year, the Bank reviews Investments and advances to assess whether objective evidence that impairment of an Investment or portfolio of Investments has arisen supporting a change in the classification of Investments and advances, which may result in a change in the provision required in accordance with BRPD circular no. 14 dated 23 September 2012, BRPD circular no. 19 dated 27 December 2012, BRPD circular no. 05 dated 29 May 2013, BRPD circular no. 16 dated 18 November 2014, BRPD circular no. 12 dated 20 August 2017, BRPD circular no. 15 dated 27 September 2017, BRPD circular no. 07 dated 21 June 2018 and BRPD circular no. 13 dated 18 October 2018. The guidance in the circulars follow a formulaic approach whereby specified rates are applied to the various categories of Investments as defined in the circular.

The provisioning rates are as follows:

	2018	2017
General provision on:		
Unclassified Investments under small and medium enterprise financing (SMEF)	0.25%	0.25%
Unclassified Investments under housing finance (HF)	1.00%	2.00%
Unclassified Investments under investment for professionals (LP)	2.00%	2.00%
Unclassified Investments under consumer financing (CF) other than housing finance (HF) and Investments for professionals (LP)	5.00%	5.00%
Unclassified Investments to brokerage houses (BH), merchant banks (MB), stock dealers (SD)	2.00%	2.00%
All unclassified Investments except under SMEF, HF, LP, CF, BH, MB, SD and short-term agricultural and micro-credit scheme	1.00%	1.00%
Unclassified Investments under short-term agricultural and micro-credit scheme	1.00%	2.50%
Unclassified Investments of Credit Cards (CC)	2.00%	5.00%
Off-balance sheet exposures:		
Acceptances and endorsements	1.00%	1.00%
Letters of guarantee		
Counter guarantee rating-1	0.00%	0.00%
Counter guarantee rating-2	0.50%	1.00%
Counter guarantee rating-3 or 4	0.75%	1.00%
Counter guarantee rating-Other	1.00%	1.00%
Irrevocable letters of credit	1.00%	1.00%
Bills for collection	0.00%	1.00%
Forward contracts	1.00%	1.00%

In accordance with BRPD circular no. 05 dated 29 May 2013, the rate of provision on the outstanding amount of loans kept in the 'Special Mention Account' will be the same as the rates stated above depending on the types of loans and advances.

Specific provision on:

Substandard Investments and advances	20%	20%
Doubtful Investments and advances	50%	50%
Bad / loss Investments and advances	100%	100%
Short-term agricultural and micro-credits:		
Substandard and Doubtful Investments and advances	5%	5%
Bad / loss Investments and advances	100%	100%

The above rates are the minimum prescribed rates. BRPD circular no. 14 dated 23 September 2012 provides scope for further provisioning based on qualitative judgements. If the specific provisions assessed under the qualitative methodology are higher than the specific provisions assessed under the formulaic approach above, the higher of the two is recognised.

2.9.2.7 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit & loss account except to the extent that it relates to items recognised directly in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.
 Provision for taxation for the year ended 31 December 2018 has been made on the basis of the provisions of the Income Tax Ordinance 1984 and the Finance Act 2018. Currently the tax rate applicable for banks is 40%.

Deferred tax assets / (liabilities)

As per IAS 12 Income Taxes, deferred tax assets / (liabilities) are calculated using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities and their tax bases. The tax base of assets is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity (in this case, the Bank) when it recovers the carrying amount of the assets. The tax base of liabilities is their carrying amount, less any amount that will be deductible for tax purposes in respect of the liabilities in future periods. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax is calculated using the tax rates as prescribed in the Income Tax Ordinance (ITO) 1984 and relevant Statutory Regulatory Orders (SRO) and BRPD circular no. 11 dated 12 December 2011. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.9.2.8 Workers Profit Participation Fund (WPPF)

The bank has sought external legal opinion, whereby it was stated that there is significant ambiguity around the inclusion of Banking Institutions within the scope of Chapter XV: Workers' Profit Participation Fund (WPPF) under the Bangladesh Labour Act, 2006 (the 'Act') and the subsequent amendments thereof. As per the Act and amendments thereof, an employer is required to pay 5% of its net profit (as defined under the Act) to the 1) Workers' Participation Fund 2) Workers' Welfare Fund and 3) Labour Trust Foundation Fund for further appropriate disbursement of the funds to all members (i.e., 'Beneficiaries', as defined under the Act) as prescribed under the Act.

As per the external legal opinion sought by the Bank, the inclusion of Banks within the scope of the WPPF under the Bangladesh Labour Act, 2006 is in contradiction with the relevant provisions under The Banking Companies Act, 1991. These ambiguities are yet to be settled and the Bank is seeking clarifications from appropriate Authorities. On the basis of the facts currently known and external legal opinions, management believes that the possibility of a legal obligation for payments out of WPPF is low at the current stage and hence, no provision has been made for the same.

2.9.2.9 Good Borrower incentive provisions

Bank recognizes its good borrowers (GB) and made profit incentives @10% of total profit realized during immediate past 12 months from the Good Borrowers of the bank. Bank assessed the eligibility of GB every year as per BRPD circular no. 06 dated 19 March 2015 and BRPD (P-1)/661/13/2016-6924 dated 19 October 2016 and clarification provided by BRPD from time to time.

2.9.2.10 Employee benefits

Short term 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 performance bonus plans if the Bank has a present constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans - Provident fund

The Bank contributes to a locally registered provident fund scheme which is approved by the National Board of Revenue (NBR) for employees of the Bank eligible to be members of the fund in accordance with the rules of the provident fund constituted under an irrevocable trust. Obligations for contributions to the provident fund are recognised as an expense in profit or loss when they are due.

Defined benefit plans - Gratuity fund

The Bank operates a funded gratuity scheme which is of the nature of a defined benefit scheme for its permanent employees. The fund has been formed under an irrevocable trust deed and is approved by the NBR. It is managed by a Board of Trustees comprising of employees of the Bank. Gratuity is payable at the rate of one month's salary last drawn for each completed year of service or any part thereof in excess of six months.

In accordance with the requirements of IAS 19 Employee Benefits, the Bank's net obligation in respect of its gratuity fund is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; discounting the benefit to determine its present value; and deducting the fair value of any plan assets. The calculation is performed by a qualified actuary using the Projected Unit Credit method.

The net profit (expense (income)) on the net defined benefit liability (asset) for the period is determined by applying discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability / (asset), taking into account any changes in the net defined benefit liability / (asset) during the period as a result of contributions and benefit payments. Consequently, the net profit on the net defined benefit liability / (asset) comprises profit cost on defined benefit obligation, profit income on plan assets, and profit on the effect on the asset ceiling.

Actuarial gains or losses that arise are recognised in equity and presented in the statement of changes in equity in the period they arise. Past service costs are recognised in the period in which the plan amendment or curtailment occurs.

2.9.2.11 Capital

The Bank's approach to capital management is driven by a desire to maintain a strong capital base to support the development of its business, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Compliance with capital adequacy regulations

Capital requirements for the Bank at a local level are set and monitored by Bangladesh Bank. The capital that the Bank is required to hold is determined considering its balance sheet and off-balance sheet positions in accordance with guidelines on risk based capital adequacy.

The Bank's capital structure consists of Tier I and Tier II capital which is aligned with regulatory capital structure. Tier I capital is further categorized as Common Equity Tier 1 (CET1) and Additional Tier 1 capital. The computation of the amount of Common Equity Tier I, Additional Tier I and Tier II capital shall be subject to the following conditions:

- The Bank has to maintain at least 4.50% of total Risk Weighted Assets (RWA) as Common Equity Tier I capital.
- Tier I capital will be at least 6.00% of the total RWA.
- Minimum Capital to Risk-weighted Asset Ratio (CRAR) will be 10% of the total RWA.
- Additional Tier I capital can be maximum up to 1.5% of the total RWA or 33.33% of CET 1, whichever is higher.
- Tier II capital can be maximum up to 4% of the total RWA or 88.89% of CET1, whichever is higher.
- In addition to minimum CRAR, Capital Conservation Buffer (CCB) @ 2.5% of the total RWA will be maintained in the form of CET1 in a phased manner from 2016 to 2019.

2.9.3 Profit and Loss Accounts - Income and Expenses

2.9.3.1 Profit income on conventional banking

Profit income are recognised in the profit and loss account using the effective profit method.
 The effective profit rate is the rate that exactly discounts the estimated future 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.

profit is accrued on a daily basis and applied to customer accounts every month, quarter and at maturity depending on the product offerings.

In accordance with BRPD circular no. 14 dated 23 September 2012, profit accrued on sub-standard loans and doubtful loans are credited to profit Suspense Account which is included within Other liabilities, profit from loans and advances ceases to be accrued when they are classified as bad / loss.

2.9.3.2 Profit on Saadig investments

Profit on investments is recognised, on an accrual basis, over the lifetime of the investments so as to reflect a constant rate of return on their carrying amounts. Overdue / late payment charge on investment is transferred to charity suspense account instead of income account.

2.9.3.3 Profit income from investment in securities

Profit on investment in securities other than the amount of amortisation of premium and discount on securities classified as HTM which is recognised directly in equity in accordance with DOS circular no. 05 dated 26 May 2008, is recorded in the profit and loss account.

2.9.3.4 Commission and fee income

The Bank earns commission and fee income from a diverse range of services (e.g. LC operations, accounts maintenance, custodial services, credit card renewal etc.) provided to its customers. Commission and fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed,
- income earned from services provided is recognised as revenue as the services are provided.

Notes to the Financial Statements

2.9.3.5 Exchange income

Exchange income includes all gains and losses from foreign currency transactions.

2.9.3.6 Dividend income

Dividend income from the investments in unquoted shares in Central Depository Bangladesh Ltd. (CDBL) is recognised when it is received.

2.9.3.7 Profit expense on deposits

Profit expense for all deposits are recognised in the profit and loss account using the effective profit method.

2.9.4 Others

2.9.4.1 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.9.4.2 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include notes and coins on hand and balances held with other banks and financial institutions and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2.9.4.3 Materiality and aggregation

Each material class of similar items has been presented separately in the financial statements. Items of dissimilar nature also have been presented separately unless they are immaterial in accordance with IAS 1 'Presentation of Financial Statements'.

3.00 Comparative information

Comparative information including narrative and descriptive one is disclosed in respect of the preceding period where it is relevant to the understanding of the current period's financial statements. Certain comparative amounts in the financial statements are reclassified and rearranged where relevant, to conform to the current year's presentation.

4.00 New accounting standards

The Bank has consistently applied the accounting policies as set out in Note 2 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2018 have been considered. However, these amendments have no material impact on the financial statements of the Bank.

In December 2017, ICAB has decided to adopt IFRS replacing BFRS effective for annual periods beginning on or after 1 January 2018. However, since currently issued BFRS have been adopted from IFRS without any major modification, such changes would not have any material impact on financial statements.

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

(a) IFRS 16 Leases

IFRS 16, issued in January 2016 replaces existing leases guidance and effective for reporting period beginning on or after 1 January 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The Bank has not yet assessed any potential impact of IFRS 16 on its financial statements.

(b) IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. The Bank has not yet assessed in potential impact of IFRS 17 on its financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

	2018 Taka	2017 Taka
5 Cash		
a) Cash in hand (including foreign currencies)		
Local currency	3,037,071	1,967,603
Foreign currencies	1,281,992	1,677,156
Sub Total (a)	4,319,063	3,644,759
b) Balance with Bangladesh Bank and its agent banks (including foreign currencies)		
Balance with Bangladesh Bank (local currency)	2,714,745,135	2,800,000,000
Balance with agent banks of Bangladesh Bank	-	-
Sub Total (b)	2,714,745,135	2,800,000,000
Grand Total (a+b)	2,719,064,198	2,803,644,759

Notes to the Financial Statements

	2018 Taka	2017 Taka
(iii) Loans and advances to large enterprises		
Islamic - Instalment Finance-(Bai-Murabaha)	6,016,330	-
Islamic - Finance Against Prop-(Shirkatul Melk)	3,382,836,821	1,123,104,474
Islamic - Finance Against TR	-	-
Islamic - Import Invoice Financing	-	-
	3,388,853,150	1,123,104,474

	2018 Taka	2017 Taka
(iv) Loans and advances to corporate and Institutional customers		
Islamic Import Invoice Finance-(Goods Murabaha)	-	-
Islamic Short Term Loan-(Musharaka)	953,243,341	681,645,474
Islamic Short Term Loan-(Goods Murabaha)	1,001,431,511	973,721,102
Islamic Term Loan-(Diminishing Musharaka)	69,925,663	197,218,017
Islamic Finance Against Trust Receipt-(Goods Murabaha)	422,688,332	299,927,380
Islamic Import Finance-(Goods Murabaha)	-	-
	2,447,288,846	2,152,511,972

	2018 Taka	2017 Taka
7.6 Group-wise classification of investments		
a) Investment to Directors	-	-
b) Investment to Chief Executive and other senior executives	-	-
c) Investment to customers group (15% of equity and above)	-	-
Sub Total (a+b+c)	-	-
d) Industry-wise classification of investments category of industry		

	2018 Taka	2017 Taka
Industry-wise classification of investments category of - Retail Customer		
i) Garments	-	-
ii) Textiles	-	-
iii) Agro based industry	-	-
iv) Pharmaceutical Industries	-	-
v) Milk Processing Industries	-	-
vi) Other Business Institutions	-	-
vii) Other industry *	4,467,394,467	4,652,008,853
Sub Total	4,467,394,467	4,652,008,853

	2018 Taka	2017 Taka
Industry-wise classification of investments category of -Small and Medium Enterprise Customer		
i) Garments	19,910,014	9,775,062
ii) Textiles	55,553,763	59,100,032
iii) Agro based industry	89,579,181	48,844,009
iv) Pharmaceutical Industries	-	-
v) Milk Processing Industries	-	-
vi) Other Business Institutions	1,324,566,069	2,190,467,796
vii) Other industry *	1,883,857,118	1,338,175,708
Sub Total	3,373,466,145	3,646,362,606

	2018 Taka	2017 Taka
Industry-wise classification of investments category of -Large Enterprise Customer		
i) Garments	71,372,383	76,511,532
ii) Textiles	-	-
iii) Agro based industry	-	-
iv) Pharmaceutical Industries	-	-
v) Milk Processing Industries	-	-
vi) Other Business Institutions	2,700,754,655	652,221,001
vii) Other industry *	616,726,112	394,371,941
Sub Total	3,388,853,150	1,123,104,474

	2018 Taka	2017 Taka
Industry-wise classification of investments category of Corporate and Institutional Customer		
i) Garments	-	-
ii) Textiles	-	-
iii) Agro based industry	451,009,929	1,582,821,204
iv) Pharmaceutical Industries	1,946,600,910	-
v) Milk Processing Industries	-	-
vi) Other Business Institutions	-	-
vii) Other industry *	49,678,007	569,690,769
Sub Total	2,447,288,846	2,152,511,972
Grand Total (a+b+c+d)	13,677,002,609	11,573,987,905

*This includes investments disbursed to individuals and small and medium enterprise customers.

	2018 Taka	2017 Taka
7.7 Status-wise classification of investments		
a) Unclassified:		
Standard	12,755,279,987	10,941,086,858
Special mention account	167,859,252	255,524,914
Sub Total (a)	12,923,139,239	11,196,611,772
b) Classified:		
Substandard	185,527,875	223,984,918
Doubtful	153,219,111	9,781,579
Bad/loss	419,266,597	143,609,636
Sub Total (b)	758,013,584	377,376,133
Grand Total (a+b)	13,681,152,823	11,573,987,905

	2018 Taka	2017 Taka
7.8 Particulars of investments		
a) Investments considered good in respect of which the Bank is fully secured;	10,267,071,262	8,744,973,765
b) Investments considered good in respect of which the Bank holds debtor's personal security;	1,274,884,894	1,318,474,248
c) Investments considered good and secured by personal security of one or more persons in addition to the personal security of debtors;	-	-
d) Investments considered bad or doubtful not provided for;	-	-
e) Investments due by directors or employees of the Bank or any of them either severally or jointly with any other persons;	-	-
f) Investments due by director or employees of the Bank are interested as directors, partners or managing agents or in case of private companies as members;	-	-
g) Total amount of investments, including temporary investments, made at any time during the year to directors or managers or officers of the Bank or any of them either separately or jointly with any other person;	-	-
h) Total amount of investments, including temporary investments granted during the year to the companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or in case of private companies as members;	-	-
i) Investment due from other banks	-	-
j) Classified investment on which profit has not been charged	419,266,597	143,609,636
k) Particulars of cumulative written off investments		
i) Cumulative amount of investment written off since inception to 31 December	203,051,893	102,462,044
ii) Amount written off during the year	16,041,758	100,589,849
Cumulative amount of investments written off	219,093,651	203,051,893
iii) Amount recovered against such written off investment up to this year	4,550,431	2,323,555
iv) Cumulative amount of written off investment for which law suit has been filed	61,333,699	59,134,994

	2018 Taka	2017 Taka
8 Bills purchased & discounted		
Inside Bangladesh	4,150,214	-
Outside Bangladesh	-	-
	4,150,214	-
(i) Bills purchased & discounted-Product wise classification		
Goods Murabaha (Islamic Import Invoice Finance)	4,150,214	-
(ii) Classification on residual maturity Basis		
Payable within one month	4,150,214	-
Payable over one month but within three months	-	-
Payable over three months but within six months	-	-
Payable over six months	-	-
	4,150,214	-

	2018 Taka	2017 Taka
8.1 Bills purchased & discounted - sector wise classification		
(a) Garments	-	-
(b) Textiles	-	-
(c) Agro based industry	-	-
(d) Pharmaceutical Industries	-	-
(e) Milk Processing Industries	-	-
(f) Other Business Institutions (Commerce)	4,150,214	-
(g) Other Industry	-	-
	4,150,214	-

	2018 Taka	2017 Taka
9 Fixed assets including premises		
Freehold premises	-	-
Fixed equipment	2,795,370	2,795,370
Computer and office equipment	76,350	76,350
Furniture and fittings	1,967,672	1,967,672
	4,839,392	4,839,392
Less : Accumulated depreciation	4,839,392	4,839,392
	-	-

	2018 Taka	2017 Taka
10 Other assets		
Profit receivable on investment	78,838,357	57,030,190
Intra branch balances in Bangladesh	4,424,088,759	3,840,850,220
Accrued commission receivable	39,004	26,629,078
Suspense account	526,376	-
	4,503,492,496	3,924,509,488

	2018 Taka	2017 Taka
11 Deposits and other accounts		
Current accounts (Quard)	1,101,454,703	938,211,981
Mudaraba savings deposits	6,170,553,448	6,170,553,448
Mudaraba term deposits	9,040,441,578	7,612,757,614
Short term deposits	25,450,072	211,064,443
Other deposits	11,784,788	12,123,624
	17,200,247,788	14,944,711,110

	2018 Taka	2017 Taka
11.1 Maturity analysis of deposits and other accounts		
Payable on demand	8,711,534,192	7,123,889,053
Not more than one month	376,428,078	552,397,159
More than 1 month but not more than 6 months	7,516,745,843	1,448,920,156
More than 6 months but not more than 1 year	564,539,676	587,004,742
More than 1 year but not more than 5 years	31,000,000	5,232,500,000
More than 5 years but less than 10 years	-	-
Unclaimed deposits for 10 years or more	-	-
	17,200,247,788	14,944,711,110

Notes to the Financial Statements

	2018 Taka	2017 Taka
12 Other liabilities		
Provision for investments including bad & doubtful investments (Note- 12.1)	354,264,880	284,492,942
Profit/rent suspense account (Note - 12.2)	44,305,044	14,612,641
Income tax liability (Note - 12.3)	-	-
Profit payable on deposit	564,042,813	237,668,846
Excise duty/VAT/tax	2,284,377	129,675
Suspense account	13,925,191	16,775,139
Charity payable	3,604,989,001	3,268,957
Internal investment/deposit	4,469,782	4,018,964
Accrued bonus points	15,180,641	1,474,877
Others	4,603,461,729	4,057,431,042

	2018 Taka	2017 Taka
12.1 Provision for investments and off balance sheet exposures		
a) Current year provision for investments		
Unclassified:		
Standard	123,073,596	139,676,676
Special mention account	1,667,222	2,885,707
	124,740,818	142,562,383

	2018 Taka	2017 Taka
Classified:		
Substandard	20,795,680	44,705,117
Doubtful	24,000,876	1,501,329
Bad / loss	130,725,059	37,319,577
	175,521,615	83,526,023
	300,262,433	226,088,406

	2018 Taka	2017 Taka
b) General provision against unclassified investments and off-balance sheet exposures		
Opening balance	200,966,919	151,236,476
Provision made during the year	(17,821,565)	17,951,202
Provision on off-balance sheet exposures	(7,719,829)	31,779,241
Net charge to profit & loss account	(25,541,394)	49,730,443
Sub Total (b)	175,425,525	200,966,919

	2018 Taka	2017 Taka
c) Specific provision against classified investments		
Opening balance	83,526,023	129,915,085
Add: Provision made during the year	150,280,930	114,469,419
Less: Release during the year	(46,550,562)	(63,001,188)
Charge in Profit & Loss account	103,730,368	51,468,231
Less : Written-Off during the year	(11,491,327)	(97,857,293)
Add : Moved from Interest in Suspense	2,353,147	-
Add : Other movement	721,144	-
Sub Total (c)	178,839,355	83,526,023
Grand Total (b+c)	354,264,880	284,492,942

	2018 Taka	2017 Taka
12.1 Adequacy of provision vis a vis provision required to be maintained		
General provision		
On off-balance sheet exposures at various rates	5,068,470,534	58,404,534
On standard loans at various rates	12,755,279,987	123,073,596
On special mention accounts (SMA) at various rates	167,859,252	1,667,222
	17,991,609,773	175,425,525

	2018 Taka	2017 Taka
Specific provision		
On sub-standard loans and advances	43,989,880	8,797,976
On doubtful loans and advances	33,996,937	16,998,468
On bad / loss loans and advances	131,837,435	131,837,435
	209,824,251	157,633,879

	2018 Taka	2017 Taka
Total provision required to be maintained	333,059,404	257,420,938
Total provision maintained	354,264,880	284,492,942
Excess / (deficit) provision at 31 December	21,205,476	27,072,004

	2018 Taka	2017 Taka
12.2 Profit/rent suspense account		
Balance as at 1 January	14,612,641	9,465,424
Amount transferred to suspense account during the year	43,618,421	36,684,191
Amount recovered from suspense account during the year	(11,572,871)	(31,127,931)
Amount written off during the year	-	(409,001)
Amount waived during the year	-	-
Other Movement	(2,353,147)	-
Balance as at 31 December	44,305,044	14,612,641

	2018 Taka	2017 Taka
12.3 Income tax liability		
Opening balance	-	-
Provision made during the year	320,837,490	361,032,855
Amount paid during the year	(320,837,490)	(361,032,855)
	-	-

	2018 Taka	2017 Taka
13 Investment income		
Bai-murabaha (Saadiq Finance against Trust Receipt etc.)	148,383,831	103,318,712
Diminishing musharaka (Saadiq Auto Finance)	46,637,606	45,383,410
Shirkatul melk (Saadiq House Finance)	894,428,571	650,457,915
Musharaka	44,150,294	60,861,571
Import Invoice Financing	3,286	747,820
Preshipment Financing	-	794,445
	1,133,603,588	861,563,873

	2018 Taka	2017 Taka
14 Profit paid on deposits		
Profit paid on Mudaraba savings deposits	73,930,406	44,710,232
Profit paid on Mudaraba term deposits	488,572,702	271,230,790
	562,503,108	315,941,022

	2018 Taka	2017 Taka
15 Income from investments in shares and securities		
Profit on Govt. Islamic bond	12,381,653	9,193,207
	12,381,653	<