Standard Chartered Bank
Bangladesh Branches
Financial Statements 2017

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of **Standard Chartered Bank, Bangladesh Branches** ("the Bank") which comprise the balance sheet as at 31 December 2017, the profit and loss account, cash flow statement and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements and Internal Controls

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards 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. The Bank Companies Act, 1991 and Bangladesh Bank regulations require the management to ensure effective internal audit, internal control and risk management functions of the Bank. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in note 3.2.

Report on Other Legal and Regulatory Requirements

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

(a) 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;

(b) 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:

i) 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

ii) 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.

(c) 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;

(d) the balance sheet and the profit and loss account dealt with by the report are in agreement with the books of account;

(e) 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;

(f) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;

(g) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

(h) the information and explanation required by us have been received and found satisfactory; and

(i) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 2,100 person hours for the audit of the books and accounts of the Bank.

(j) Capital to Risk Weighted Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Dhaka, 28 February 2018

M. J. ABEDIN & CO
Chartered Accountants

Balance Sheet

Standard Chartered Bank
Bangladesh Branches
Balance Sheet as at 31 December 2017

PROPERTY AND ASSETS	Notes	2017 Taka	2016 Taka
Cash	6		
Cash in hand (including foreign currencies)		3,249,188,422	2,786,359,988
Balances with Bangladesh Bank (including foreign currencies)		20,074,162,820	15,444,171,070
Sonali Bank as an agent of Bangladesh Bank (Local Currency)		54,645,936	47,643,695
		23,377,997,178	**18,278,174,753**
Balance with other banks and financial institutions	8		
Inside Bangladesh		1,007,717,867	160,303,585
Outside Bangladesh		25,352,978,989	31,546,708,861
		26,360,696,856	**31,707,012,446**
Money at call and short notice		-	-
Investments	9		
Government securities		58,696,709,066	59,303,251,930
Reverse Repo		201,118,692	1,979,478,523
Other investments		18,000,000	18,000,000
		58,915,827,758	**61,300,730,453**
Loans and advances			
Loans, cash credit, overdrafts, etc.	10	132,694,494,058	113,337,344,924
Bills purchased and discounted	11	28,076,833,902	18,406,482,760
		160,771,327,960	**131,743,827,684**
Fixed assets including premises, furniture and fixtures	12	**394,133,832**	**443,273,217**
Other assets	13	**13,758,332,279**	**9,635,707,831**
Non banking assets		-	-
Total assets		**283,578,315,863**	**253,108,726,384**
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	14	**12,717,443,667**	**13,197,840,855**
Deposits and other accounts	15		
Current and other accounts		61,899,266,503	50,198,298,624
Bills payable		1,799,200,495	2,083,355,280
Savings deposits		63,395,493,305	56,765,071,283
Term deposits		44,846,387,060	39,400,125,909
Short term deposits		22,583,728,440	22,644,125,009
Other deposits		9,135,572,656	10,584,207,555
		203,659,648,459	**181,675,183,660**
Other liabilities	16	**26,112,662,300**	**24,752,328,125**
Total liabilities		**242,489,754,426**	**219,625,352,640**
Equity			
Fund deposited with Bangladesh Bank	5.1	2,312,837,956	2,223,946,156
Other reserves	17	(209,946,519)	(252,023,761)
Profit and loss account balance	18	38,985,670,000	31,511,451,348
Total equity		**41,088,561,436**	**33,483,373,744**
Total liabilities and equity		**283,578,315,863**	**253,108,726,384**
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	27		
Acceptances and endorsements		66,831,972,046	57,768,506,484
Letters of guarantee		69,363,381,367	40,657,216,799
Irrevocable letters of credit		50,285,143,935	43,353,267,832
Bills for collection		15,921,838,076	14,529,936,303
		202,402,335,424	**156,308,927,418**
Other commitments			
Forward contracts		18,854,632,005	22,298,862,430
		18,854,632,005	**22,298,862,430**
Total off-balance sheet items		**221,256,967,429**	**178,607,789,848**

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

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Mohammod Masud Rana FCA
Chief Financial Officer, Bangladesh

As per our report of same date.

Dhaka, 28 February 2018

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 2017

	Notes	2017 Taka	2016 Taka
Interest income	19	13,214,502,602	12,149,179,980
Interest expense on deposits and borrowings	20	2,797,336,420	2,646,696,776
Net interest income		**10,417,166,182**	**9,502,483,204**
Income from investments	21	2,704,672,215	4,750,605,762
Commission, exchange and brokerage income	22	6,724,778,749	5,815,877,464
Other operating income	23	3,282,946	5,817,528
		9,432,733,910	**10,572,300,754**
Total operating income		**19,849,900,092**	**20,074,783,958**
Salaries and allowances		3,980,508,399	3,453,709,734
Rent, taxes, insurance, lighting, etc.		649,041,080	627,721,104
Legal expenses		133,084,780	83,937,261
Postage, stamps, telephone, telex, etc.		210,034,361	208,726,889
Auditors' fee		1,150,000	1,150,000
Printing, stationery and advertisement		295,332,273	305,186,020
Chief executive officer's salary		43,820,049	39,598,962
Repair, maintenance and depreciation	24	487,067,266	525,868,612
Other expenses	25	1,183,104,424	1,169,770,559
Total operating expenses		**6,983,142,631**	**6,415,669,141**
Profit before provision		**12,866,757,461**	**13,659,114,817**
Provision for loans and advances and off-balance sheet exposures	16.1	1,774,825,226	1,294,797,704
Total profit before income tax		**11,091,932,235**	**12,364,317,113**
Provision for income tax			
Current tax	16.4	3,566,199,182	4,817,978,620
Deferred tax	13.3	51,514,402	(461,985,313)
		3,617,713,584	**4,355,993,307**
Net profit after tax		**7,474,218,651**	**8,008,323,806**

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

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Mohammod Masud Rana FCA
Chief Financial Officer, Bangladesh

As per our report of same date.

Dhaka, 28 February 2018

M. J. ABEDIN & CO
Chartered Accountants

Cash Flow Statement

Standard Chartered Bank
Bangladesh Branches
Cash Flow Statement for the year ended 31 December 2017

		2017 Taka	2016 Taka
A)	**Cash flows from operating activities**		
	Interest received	13,066,762,983	11,690,076,280
	Interest paid	(2,817,477,245)	(2,461,770,066)
	Dividend income	22,500,000	22,500,000
	Commission, exchange and brokerage income received	6,531,847,305	5,996,276,936
	Recovery from previously written off loan	71,668,952	38,210,105
	Cash paid to employees	(4,612,026,846)	(3,752,938,733)
	Cash paid to suppliers	(2,801,096,341)	(2,770,736,731)
	Income tax paid	(4,111,270,754)	(5,009,739,308)
	Operating cash flows before changes in operating assets and liabilities	**5,350,908,054**	**3,751,878,484**
	Increase / decrease in operating assets and liabilities		
	Loans and advances to customers	(30,366,026,333)	(15,249,974,641)
	Other assets	(4,228,616,623)	(1,003,425,599)
	Customer deposits	21,984,464,798	25,752,012,260
	Borrowing from other banks and financial institutions	(480,397,189)	3,809,267,617
	Other liabilities	2,093,950,542	365,574,764
		(10,996,624,805)	**13,673,454,401**
	Net cash receipt from operating activities	**(5,645,716,751)**	**17,425,332,886**
B)	**Cash flows from investing activities**		
	Income from investments	3,209,855,680	4,650,347,576
	Investment in treasury securities	2,384,902,694	(1,088,065,297)
	Proceeds from disposal of fixed assets	18,631,893	25,099,974
	Purchase of fixed assets	(242,935,328)	(74,585,630)
	Other income	503,553	5,817,528
	Net cash used in investing activities	**5,370,958,493**	**3,518,614,151**
C)	**Cash flows from financing activities**		
	Profit remitted to head office	-	(9,052,735,294)
	Cash payments under finance lease	(60,626,707)	(108,955,213)
	Net cash used in financing activities	**(60,626,707)**	**(9,161,690,507)**
D)	Net increase / (decrease) in cash and cash equivalents (A+B+C)	(335,384,965)	11,782,256,529
E)	Effect of exchange rate changes on cash and cash equivalents	88,891,800	4,444,590
F)	Opening cash and cash equivalents	49,985,187,199	38,198,486,080
G)	**Closing cash and cash equivalents (D+E+F) (Note - 26)**	**49,738,694,034**	**49,985,187,199**

Statement of Changes in Equity

Standard Chartered Bank
Bangladesh Branches
Statement of Changes in Equity for the year ended 31 December 2017

Particulars	Amount in Taka			
	Fund deposited with Bangladesh Bank	Other reserve	Profit and Loss account balance	Total
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**
Balance as at 1 January 2016	2,219,501,566	249,443,398	32,555,862,837	35,024,807,801
Revaluation of foreign currency held as capital during the year 2016	4,444,590	-	-	4,444,590
Actuarial gain net-off deferred tax	-	33,145,300	-	33,145,300
Equity reserve - amortised discount on Held to Maturity (HTM) securities	-	(146,779,720)	-	(146,779,720)
Net profit for the year	-	-	8,008,323,806	8,008,323,806
Profit remitted to Head Office	-	-	(9,052,735,294)	(9,052,735,294)
Revaluation reserve account- Held for Trading (HFT) securities	-	(387,832,738)	-	(387,832,738)
Balance as at 31 December 2016	**2,223,946,156**	**(252,023,760)**	**31,511,451,349**	**33,483,373,746**

Notes to the Financial Statements

Standard Chartered Bank
Bangladesh Branches
Notes to the Financial Statements as at and for the year ended 31 December 2017

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.

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 2017 to 31 December 2017. The financial statements are authorized for issue by management of the Bank on 28 February 2018.

3.2 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 interest entities such as banks. The Bank 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 2017 have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and the requirements of The Bank 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 Bank Company Act 1991 and provisions and circulars issued by the central bank (herein after called Bangladesh Bank (BB)) differ with those of BFRS, the requirements of the Bank Company 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 Bank 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 (ICAB) as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards(BFRS) respectively.

Material departures from the requirements of BAS and BFRS are as follows:

i) Presentation of financial statements

BAS/BFRS: As per BAS 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 BAS 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 Bank Companies Act 1991 (amendment up to 2013) 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

BFRS: As per requirements of Bangladesh Accounting Standards (BAS) 39 Financial Instruments: Recognition and Measurement, investment in shares and securities generally falls either under at Fair Value Through Profit and Loss (FVTPL) or under Available For Sale (AFS) where any change in the fair value (as measured in accordance with BFRS 13 Fair Value Measurement) at the year end is taken to profit and loss account or revaluation reserve, respectively.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003 investments in quoted shares and unquoted shares are revalued at the year end at 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

BFRS: As per requirement of BAS 39, 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

BFRS: As per BAS 39 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 loan, thereby continuing to recognise the asset.

v) Provision on loans and advances

BFRS: As per BAS 39, 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, BRPD circular no. 16 dated 18 November 2014, BRPD circular no. 12 dated 20 August 2017 and BRPD circular no. 15 dated 27 September 2017, a general provision at 0.25% to 5% under different categories of unclassified loans (standard/SMA loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad/losses loans has to be provided at 5% to 20%, 5% to 50% and 100%, respectively for loans and advances depending on the duration of overdue. Again as per BRPD circular no. 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39.

vi) Recognition of interest in suspense

BFRS: Loans and advances to customers are generally classified as 'loans and receivables' as per BAS 39 and interest income is recognised through effective interest method over the term of the loan. Once a loan is impaired, interest income is recognised in profit and loss account on the same basis based on revised carrying amount.

Bangladesh Bank: As per BRPD circular no. 14 dated 23 September 2012, once a loan is classified, interest on such loans are not allowed to be recognised as income, rather the corresponding amount needs to be credited to an interest in suspense account, which is presented as liability in the balance sheet.

vii) Other comprehensive income

BFRS: As per BAS 1 Presentation of Financial Statements Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income Statement.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which are to be followed by all banks. The templates for financial statements issued by Bangladesh Bank do not include OCI nor are the elements of OCI allowed to be included in a single other comprehensive income statement. As such the Bank does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

viii) Financial instruments – presentation and disclosure

Bangladesh Bank guidelines categorise, recognise, measure and present financial instruments differently from those prescribed in BAS 32 Financial Instruments: Presentation, BAS 39 and BFRS 7 Financial Instruments: Disclosures. As such full disclosure and presentation requirements of BFRS 7 and BAS 32 are not made in the financial statements.

ix) Financial guarantees

BFRS: As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are recognised initially at fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantees is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, financial guarantees such as letter of credit, letter of guarantee etc. are reported as off-balance sheet items.

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Standard Chartered Bank
Offshore Banking Unit, Bangladesh
Notes to the Financial Statements
as at and for the year ended 31 December 2017

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 Data compilation

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

2.9 Significant accounting policies

2.9.1 Assets

2.9.1.1 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 BAS 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 equipments	3 to 15 years	7% - 33%
Computer and office equipments	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.

2.9.1.2 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.

2.9.1.3 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.

2.9.1.4 Leases

In accordance with BAS 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.

2.9.2 Liabilities

2.9.2.1 Borrowings from other banks, financial institutions and agents

Borrowings from other banks, financial institutions and agents include both 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.

2.9.2.2 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.

2.9.2.3 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. FEPD (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.

2.9.2.6 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 a 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 and BRPD circular no. 15 dated 27 September 2017. 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:

	2017	2016
General provision on:		
Unclassified loans	1.00%	1.00%
Off-balance sheet exposures	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.

2.9.2.7 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, 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 2017 has been made on the basis of the provisions of the Income Tax Ordinance 1984 and the Finance Act 2017-18. Currently the tax rate applicable for banks is 42.5%.

Deferred tax assets / (liabilities)

As per BAS 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 (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 Bank 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

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.

2.9.2.10 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 BAS 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.

2.9.3 Profit and Loss Accounts - Income and Expenses

2.9.3.1 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.

2.9.3.2 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.

2.9.3.3 Exchange income

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

2.9.3.4 Interest expense on deposits

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

2.9.4 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 BAS 1 'Presentation of Financial Statements'.

3 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 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 2017 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 2017 and earlier application is permitted. However, the Bank has not early applied the following new standards in preparing these financial statements.

(a) BFRS 9 Financial Instruments (to be adopted as IFRS 9)

BFRS 9, published in July 2014, replaces the existing guidance in BAS 39 Financial Instruments: Recognition and Measurement. BFRS 9 includes revised guidance on the classification and measurement of the financial instruments, a new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from BAS 39. BFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. As per the Bank's assessment, any material impact of BFRS 9 would be primarily on calculation of impairment provision. However, as Bangladesh Bank has not issued any circular to revise its current impairment, classification and measurement policies to align with BFRS 9 the Bank is unable to quantify any potential impact on its financial statements.

(b) BFRS 15 Revenue from Contracts with Customers (to be adopted as IFRS 15)

BFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing recognition guidance, including BAS 18 Revenue, BAS 11 Construction Contracts and BFRI 13 Customer Loyalty Programmes. BFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Based on preliminary assessment the Bank has determined that BFRS 15 has no material impact on its financial statements.

(c) 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.

(d) 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

	2017 USD	2017 Taka	2016 USD	2016 Taka
5 Balance with other banks and financial institutions				
In Bangladesh	42,956,620	3,552,512,502	46,434,913	3,654,427,639
Outside Bangladesh	10,128,689	837,642,557	8,704,880	685,074,039
	53,085,309	4,390,155,059	55,139,793	4,339,501,678
Inside Bangladesh				
Short term deposit account:				
Standard Chartered Bank - Onshore, Dhaka	42,956,620	3,552,512,502	46,434,913	3,654,427,639
Outside Bangladesh				
Group nostro- current account:				
Standard Chartered Bank- London	634,735	52,492,617	223,689	17,604,331
Standard Chartered Bank- Frankfurt	9,489,715	784,799,461	433,336	34,103,523
Standard Chartered Bank- Tokyo	4,238	350,479	2,080	163,696
Standard Chartered Bank- New York	-	-	8,045,775	633,202,489
	10,128,689	837,642,557	8,704,880	685,074,039
5.1 Residual maturity				
Repayable on demand	10,128,689	837,642,557	8,704,880	685,074,039
Not more than one month	42,956,620	3,552,512,502	46,434,913	3,654,427,639
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	-	-	-	-
	53,085,309	4,390,155,059	55,139,793	4,339,501,678

	2017 USD	2017 Taka	2016 USD	2016 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	3,063,421	253,344,882	2,677,488	210,718,289
(c) Loans and advances to corporate customers	94,944,806	7,851,935,489	104,070,280	8,190,331,042
	98,008,227	8,105,280,371	106,747,768	8,401,049,331
(a) Loans and advances to small and medium enterprises - product wise classification				
Term loans	-	-	-	-
Revolving Loans	-	-	-	-
Loans against trust receipts	-	-	-	-
Overdraft	-	-	-	-
	-	-	-	-
(b) Loans and advances to Large enterprises - product wise classification				
Term loans	40,000	3,308,000	328,078	25,819,756
Revolving Loans	-	-	-	-
Loans against trust receipts	2,312,219	191,220,526	1,901,066	149,613,900
Import Loans	66,829	5,526,782	-	-
Overdraft	644,372	53,289,573	448,344	35,284,633
	3,063,421	253,344,882	2,677,488	210,718,289
(c) Loans and advances to corporate customers - product wise classification				
Overdraft	2,145,646	177,444,923	1,113,265	87,613,948
Loans Against Trust Receipts	20,983,567	1,735,341,021	29,835,961	2,348,090,136
Preshipment Finance	-	-	93,775	7,380,096
Import Loan	35,451,888	2,931,871,121	33,654,305	2,648,593,780
Short Term Loan	17,031,639	1,408,516,535	10,572,568	832,061,117
Term Loan	19,332,066	1,598,761,889	28,800,406	2,266,591,965
	94,944,806	7,851,935,489	104,070,280	8,190,331,042
6.1 Loans, cash credit, overdraft, etc. - inside and outside Bangladesh				
Inside Bangladesh	98,008,227	8,105,280,371	106,747,768	8,401,049,331
Outside Bangladesh	-	-	-	-
	98,008,227	8,105,280,371	106,747,768	8,401,049,331
6.2 Loans, cash credit, overdraft, etc. - residual maturity grouping				
Repayable on demand	3,363,073	278,126,169	5,390,019	424,194,511
Not more than 3 months	50,892,946	4,208,846,623	39,799,944	3,132,255,612
More than 3 months but not more than 1 year	25,882,419	2,140,476,038	32,699,242	2,573,430,367
More than 1 year but not more than 5 years	17,869,789	1,477,831,541	28,660,233	2,255,560,307
More than 5 years	-	-	198,330	15,608,533
	98,008,227	8,105,280,371	106,747,768	8,401,049,331
6.3 Loans and advances - significant concentration classification				
6.3.1 Customers' group wise classification				
Loans and advances to small and medium enterprises	-	-	88,046	6,929,213
Loans and advances to large enterprises - product wise classification	8,313,368	687,515,517	7,098,302	558,636,367
Loans and advances to corporate customers	739,513,683	61,157,781,605	710,370,068	55,906,124,329
	747,827,051	61,845,297,122	717,556,416	56,471,689,909
Loans and advances to small and medium enterprises - product wise classification				
Term loans	-	-	-	-
Revolving Loans	-	-	-	-
Loans against trust receipts	-	-	-	-
Overdraft	-	-	-	-
Bill purchased and discounted	-	-	88,046	6,929,213
	-	-	88,046	6,929,213
Loans and advances to large enterprises - product wise classification				
Term loans	40,000	3,308,000	328,078	25,819,756
Revolving Loans	-	-	-	-
Loans against trust receipts	2,312,219	191,220,526	1,901,066	149,613,900
Import Loan	66,829	5,526,782	-	-
Overdraft	644,372	53,289,573	448,344	35,284,633
Bill purchased and discounted	5,249,947	434,170,635	4,420,814	347,918,078
	8,313,368	687,515,517	7,098,302	558,636,367
Loans and advances to corporate customers - product wise classification				
Overdraft	2,145,646	177,444,923	1,113,265	87,613,948
Loans Against Trust Receipts	20,983,567	1,735,341,021	29,835,961	2,348,090,136
Preshipment Finance	-	-	93,775	7,380,096
Import Loan	35,451,888	2,931,871,121	33,654,305	2,648,593,780
Short Term Loan	17,031,639	1,408,516,535	10,572,568	832,061,117
Term Loan	19,332,066	1,598,761,889	28,800,406	2,266,591,965
Bill purchased and discounted	644,568,877	53,305,846,116	606,299,788	47,715,793,288
	739,513,683	61,157,781,605	710,370,068	55,906,124,329
6.3.2 Loans and advances - sector wise classification				
(a) Loans and advances to Small & Medium Enterprise	-	-	88,046	6,929,213
(b) Loans and advances to Large Enterprise	8,313,368	687,515,517	7,098,302	558,636,367
(c) Loans and advances to Corporate & Institutional	739,513,683	61,157,781,605	710,370,068	55,906,124,329
	747,827,051	61,845,297,122	717,556,416	56,471,689,909
(a) Loans and advances - sector wise classification- Small & Medium Enterprise Customers				
Agriculture, hunting, forestry and fishing	-	-	-	-
Manufacturing	-	-	88,046	6,929,213
Electricity, gas and water	-	-	-	-
Construction	-	-	-	-
Commerce / trading	-	-	-	-
Transport and communications	-	-	-	-
Community, social and personal services	-	-	-	-
Financing, insurance and business service	-	-	-	-
Banks	-	-	-	-
	-	-	88,046	6,929,213
(b) Loans and advances - sector wise classification- Large Enterprise Customers				
Agriculture, hunting, forestry and fishing	-	-	-	-
Manufacturing	8,313,368	687,515,517	4,470,751	351,848,114
Electricity, gas and water	-	-	-	-
Construction	-	-	-	-
Commerce / trading	-	-	2,627,551	206,788,253
Transport and communications	-	-	-	-
Community, social and personal services	-	-	-	-
Financing, insurance and business service	-	-	-	-
Banks	-	-	-	-
	8,313,368	687,515,517	7,098,302	558,636,367
(c) Loans and advances - sector wise classification Corporate & Institutional Customers				
Agriculture, hunting, forestry and fishing	-	-	-	-
Manufacturing	95,987,200	7,938,141,448	109,817,131	8,642,608,192
Electricity, gas and water	550,440	45,521,360	1,238,662	97,482,720
Construction	-	-	-	-
Commerce / trading	-	-	-	-
Transport and communications	2,200,000	181,940,000	-	-
Community, social and personal services	-	-	-	-
Financing, insurance and business service	-	-	-	-
Banks	640,776,043	52,992,178,797	599,314,275	47,166,033,418
	739,513,683	61,157,781,605	710,370,068	55,906,124,329
6.3.3 Loans and advances - geographical location wise classification				
Dhaka	747,827,051	61,845,297,122	717,556,416	56,471,689,909
	747,827,051	61,845,297,122	717,556,416	56,471,689,909
6.4 Loans and advances - unclassified and classified classification				
Unclassified				
Standard	747,827,051	61,845,297,122	717,556,416	56,471,689,909
Special mention account (SMA)	-	-	-	-
	747,827,051	61,845,297,122	717,556,416	56,471,689,909
Classified				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Bad/loss	-	-	-	-
	-	-	-	-
	747,827,051	61,845,297,122	717,556,416	56,471,689,909
6.5 Particulars of loans and advances				
i) Loans considered good in respect of which the Bank is fully secured;	8,576,344	709,263,656	9,582,590	754,149,854
ii) Loans considered good against which the Bank holds no security other than the debtor's personal guarantee;	714,687,278	59,104,637,868	707,973,825	55,717,540,055
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 due by directors or officers of the Bank or any of these either separately or jointly with any other persons;	-	-	-	-
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;	-	-	-	-

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	2017 USD	2017 Taka	2016 USD	2016 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	640,776,043	52,992,178,797	599,314,275	47,166,033,418
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	83	1	79
c) Amount of interest charged in suspense account	-	-	-	-
xi) Loans written off:				
Current year	-	-	-	-
Cumulative to-date	42,529	3,517,141	44,690	3,517,141
The amount of written off loan for which law suit has been filed	-	-	-	-
7. Bills purchased and discounted				
(i) Inside and outside Bangladesh				
Repayable in Bangladesh	649,818,824	53,740,016,751	610,808,648	48,070,640,578
Repayable outside Bangladesh	-	-	-	-
	649,818,824	**53,740,016,751**	**610,808,648**	**48,070,640,578**
(ii) Bill discounted & purchased - product wise classification				
(a) Product wise classification - Small & Medium Enterprise Customers	-	-	88,046	6,929,213
(b) Product wise classification- Large Enterprise Customers	-	-	4,420,814	347,918,078
(c) Product wise classification- Corporate & Institutional Customers	649,818,824	53,740,016,751	606,299,788	47,715,793,288
	649,818,824	**53,740,016,751**	**610,808,648**	**48,070,640,578**
(a) Loans and advances - sector wise classification- Small & Medium Enterprise Customers				
Credit Bill Negotiation	-	-	-	-
Bank - Credit Bill Negotiation	-	-	88,046	6,929,213
Export bill discounting / outward Bill	-	-	-	-
Export Invoice Finance	-	-	-	-
Import Invoice Finance	-	-	-	-
	-	**-**	**88,046**	**6,929,213**
(b) Loans and advances - Product wise classification- Large Enterprise Customers				
Credit Bill Negotiation	-	-	1,567,602	123,370,245
Bank - Credit Bill Negotiation	-	-	2,853,213	224,547,832
Export bill discounting / outward Bill	-	-	-	-
Export Invoice Finance	-	-	-	-
Import Invoice Finance	-	-	-	-
	-	**-**	**4,420,814**	**347,918,078**
(c) Loans and advances - Product wise classification- Corporate & Institutional Customers				
Credit Bill Negotiation	8,364,802	691,769,130	6,960,809	547,815,645
Bank - Credit Bill Negotiation	632,411,241	52,300,409,666	587,844,606	46,263,370,482
Export bill discounting / outward Bill	2,115,723	174,970,266	5,059,359	398,171,542
Export Invoice Finance	5,508,874	455,583,911	5,205,090	409,640,608
Import Invoice Finance	1,418,184	117,283,777	1,229,924	96,795,010
	649,818,824	**53,740,016,751**	**606,299,788**	**47,715,793,288**
(ii) Maturity wise				
Repayable within 1 month	15,650,954	1,294,333,880	14,267,533	1,122,854,868
Over 1 month but less than 3 months	428,585,301	35,444,004,365	371,412,293	29,230,147,451
Over 3 months but less than 6 months	205,582,570	17,001,678,505	225,128,822	17,717,638,259
6 months or more	-	-	-	-
	649,818,824	**53,740,016,751**	**610,808,648**	**48,070,640,578**
8 Other assets				
Stationery, stamps, printing materials in stock	6,028	498,611	19,082	1,501,748
Interest receivable - loans and advances	7,704,863	637,192,183	6,839,084	538,235,883
Interest receivable - SCB Branches	6,930	573,088	786	61,828
Suspense account	-	-	-	-
Commission receivable	-	-	-	-
Security deposits	4,795	396,547	4,795	377,367
Others	-	-	-	-
	7,722,616	**638,660,429**	**6,863,747**	**540,176,826**
8.1 Other assets which are not capable of earning income (non interest bearing other assets)				
Interest receivable - loans and advances	7,704,863	637,192,183	6,839,084	538,235,883
Interest receivable - SCB Branches	6,930	573,088	786	61,828
Suspense account	-	-	-	-
Stationery, stamps, printing materials in stock	6,028	498,611	19,082	1,501,748
Commission receivable	-	-	-	-
Security deposits	4,795	396,547	4,795	377,367
	7,722,616	**638,660,429**	**6,863,747**	**540,176,826**
9 Borrowings from other banks, financial institutions and agents				
Money market deposits (Note 9.1)	258,015,212	21,337,858,013	254,472,868	20,027,014,726
Other deposits (Vostro account) (Note 9.2)	360,401,738	29,805,223,725	394,235,750	31,026,353,500
	618,416,950	**51,143,081,738**	**648,708,618**	**51,053,368,226**
9.1 Money market deposits				
(a) Money market deposits - Call	-	-	-	-
(b) Money market deposits - Term				
Pubali Bank Ltd - Dhaka	-	-	-	-
Nepal Rastra Bank KTM	178,294,757	14,744,976,444	175,823,425	13,837,303,530
Royal Monetary Authority of Bhutan	79,720,454	6,592,881,570	78,649,443	6,189,711,196
	258,015,212	**21,337,858,013**	**254,472,868**	**20,027,014,726**
9.2 Other deposits (Vostro account)				
(a) Group Vostro				
Standard Chartered Bank - Onshore, Dhaka	232,193,100	19,202,369,400	291,094,300	22,909,121,400
Standard Chartered Bank - London	127,213,710	10,520,573,800	103,141,450	8,117,232,100
Standard Chartered Bank-Tokyo	-	-	-	-
Standard Chartered Bank-New York	994,928	82,280,525		
	360,401,738	**29,805,223,725**	**394,235,750**	**31,026,353,500**
(b) Non Group Vostro	-	-	-	-
	360,401,738	**29,805,223,725**	**394,235,750**	**31,026,353,500**
9.3 Borrowings from other banks, financial institutions and agents - inside and outside Bangladesh				
(i) Inside Bangladesh	232,193,100	19,202,369,400	291,094,300	22,909,121,400
(ii) Outside Bangladesh	386,223,849	31,940,712,338	357,614,318	28,144,246,826
	618,416,950	**51,143,081,738**	**648,708,618**	**51,053,368,226**
9.4 Classification under secured / unsecured borrowing				
(i) Secured	360,401,738	29,805,223,725	394,235,750	31,026,353,500
(ii) Unsecured	258,015,212	21,337,858,013	254,472,868	20,027,014,726
	618,416,950	**51,143,081,738**	**648,708,618**	**51,053,368,226**
9.5 Residual Maturity - wise classification				
Payable on demand	994,928	82,280,525	-	-
Payable within 1 month	238,158,602	19,695,716,400	366,094,300	28,811,621,400
Payable within 1 to 3 months	337,566,232	27,916,727,415	226,472,191	17,823,361,436
Payable within 3 to 12 months	41,697,187	3,448,357,398	56,142,127	4,418,385,389
Payable within 1 to 5 years	-	-	-	-
Payable over 5 years	-	-	-	-
	618,416,950	**51,143,081,738**	**648,708,618**	**51,053,368,226**
10 Deposits and other accounts				
Current and other accounts	52,287,057	4,324,139,637	37,509,303	2,951,982,178
Term deposits	3,211,421	265,584,535	3,176,000	249,951,200
Other deposits	188,742	15,608,926	178,744	14,067,131
	55,687,220	**4,605,333,098**	**40,864,047**	**3,216,000,509**
10.1 Residual maturity grouping of deposits and other accounts (Other than bank deposit)				
Payable on demand	51,652,858	4,271,691,361	36,763,085	2,893,254,770
Payable within 1 month	-	-	-	-
Payable within more than 1 month but less than 6 months	3,211,421	265,584,535	3,176,000	249,951,200
Payable within more than 6 months but less than 1 year	-	-	-	-
Payable within more than 1 year but within 5 years	822,941	68,057,203	924,962	72,794,539
Payable within more than 5 years but within 10 years	-	-	-	-
	55,687,220	**4,605,333,098**	**40,864,047**	**3,216,000,509**
11 Other liabilities				
Interest payable	996,987	86,788,320	1,191,913	93,803,529
Interest received in advance	-	-	-	-
Tax deducted at source	337,642	27,922,997	281,644	22,165,413
General Provision (Note - 11.1.A)	8,751,920	723,783,813	8,233,271	647,958,329
Specific Provision for loans and advances (Note -11.1.B)	1	83	1	79
Suspense account	196,146	16,221,309	206,344	16,239,297
Intra branch balances in Bangladesh	67,155,910	5,553,793,680	38,909,333	3,062,164,519
Income tax provision (Note - 11.2)	9,982,293	825,535,621	9,214,521	725,182,801
VAT payable	18	1,489	36	2,833
Unamortised Fees / Costs	-	-	-	-
Disputed tax on profit remittance	4,371,115	361,491,196	4,371,115	344,006,737
Sundry Creditors Client-Manual	-	-	-	-
Others	18,471	1,527,527	25,282	1,989,849
	91,810,503	**7,597,066,035**	**62,433,460**	**4,913,513,386**

Notes to the Financial Statements

	2017 USD	2017 Taka	2016 USD	2016 Taka
11.1 Provision for loans and advances and of balance sheet exposures				
11.1.A Movement in general provision for unclassified loans and advances				
Opening balance	8,233,270	647,958,329	5,943,175	466,539,244
Provision charged / (released) during the year	650,400	53,788,041	2,313,453	182,068,742
Provision on off-balance sheet exposures charged / (released) during the year	266,475	22,037,443	(8,255)	(649,657)
Charge in profit and loss account	**916,874**	**75,825,484**	**2,305,198**	**181,419,085**
Translation adjustments	(398,223)	-	(15,103)	-
Total General provisions	**8,751,920**	**723,783,813**	**8,233,270**	**647,958,329**
11.1.B Movement in specific provision for bad and doubtful debts				
Opening balance	1	79	1	79
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**	**83**	**1**	**79**
Total provisions	**8,751,921**	**723,783,896**	**8,233,271**	**647,958,407**

11.1.1 Adequacy of provision vis a vis provision required to be maintained

General provision	Base for provision 2017 only				
On off balance sheet exposures-@ 1%	10,533,084,211	1,273,650	105,330,842	1,058,366	83,293,399
On loans and advances (excluding SMA) - at various rates	61,845,297,122	7,478,271	618,452,971	7,174,904	564,664,930
Special mention accounts @ 5% (Nil)	-	-	-	-	-
		8,751,920	723,783,813	8,233,270	647,958,329
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		8,751,920	723,783,813	8,233,270	647,958,329
Total provision maintained		8,751,921	723,783,896	8,233,271	647,958,407
Excess / (deficit) provision at 31 December		**1**	**82**	**1**	**79**

11.2 Provision for income tax				
Opening balance	9,214,521	725,182,801	9,058,894	711,123,185
Provision made during the year	9,983,200	825,610,630	9,215,428	725,254,182
Amount paid during the year	(9,214,521)	(725,182,801)	(9,036,780)	(711,194,565)
Translation increase / decrease	(907)	(75,009)	(23,021)	-
Closing balance	**9,982,293**	**825,535,621**	**9,214,521**	**725,182,801**
12 Interest income				
Term loans	1,807,073	147,145,218	1,693,645	132,917,152
Revolving loans	51,599	4,165,325	24,918	1,955,708
Loans against trust receipts	1,576,096	127,465,340	1,603,683	125,833,873
Overdraft	99,533	8,111,814	154,712	12,139,132
Bills discounted and purchased	25,410,739	2,060,779,478	22,727,818	1,783,479,503
Export finance	336,734	27,269,943	345,493	27,113,308
Bank placement	375,602	30,525,084	122,348	9,603,200
	29,657,376	**2,405,462,202**	**26,672,618**	**2,093,041,876**
13 Interest expense on deposits and borrowings				
Money market deposits	7,786,273	632,406,229	4,255,792	333,978,890
Fixed deposits	47,709	3,949,288	27,949	2,199,042
	7,833,982	**636,355,517**	**4,283,741**	**336,177,932**
14 Commission, exchange and brokerage				
Commission and exchange income (loss)*	1,962,926	193,267,901	1,839,285	149,840,739
	1,962,926	**193,267,901**	**1,839,285**	**149,840,739**

*Commission and exchange income (loss) include commission income of Tk 156,181,685 (2016: Tk 144,333,093).

Notes to the Financial Statements

	2017 USD	2017 Taka	2016 USD	2016 Taka
15 Other expenses				
Travelling and transportation	4,065	333,653	864	67,782
Support services	6,991	564,991	2,812	220,947
Subscription	116	9,327	272	21,332
Entertainment	833	67,027	1,929	151,366
Security services	6,191	499,574	5,938	465,745
Interest on leases	912	73,850	2,047	160,559
Computer expenses	21	1,632	885	69,374
Sundry expenses	21,501	1,746,095	21,997	1,726,324
	40,630	**3,296,149**	**36,744**	**2,883,429**
16 Cash and cash equivalents				
Cash in hand (including foreign currencies)	-	-	-	-
Balance with Bangladesh Bank and its agent banks	-	-	-	-
Balance with other banks and financial institutions	53,085,309	4,390,155,059	55,139,793	4,339,501,678
	53,085,309	**4,390,155,059**	**55,139,793**	**4,339,501,678**

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

17.2 Transactions with key management personnel

The key management personnel of the Bank for the purposes of BAS 24 are defined as those persons having authority and responsibility for planning, directing and controlling the Bank. SCB offshore banking unit, not being incorporated locally, operate in Bangladesh under the banking licence issued by Bangladesh Bank and therefore for this Bank the key management personnel, who do qualify as related party under BAS 24, refer to SCB officials located outside Bangladesh.

There were no transactions between the Bank and the key management personnel in 2017 (2016 - nil).

17.3 Transactions with group entities other than the SCB Bangladesh on-shore banking unit

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 is disclosed in Notes - 5 and 9.

17.4 Transactions with the on-shore banking unit

Transactions with the on-shore banking unit comprise of inter-unit fund transfers in the normal course of business as well as the defrayal of certain expenses by the on-shore banking unit on behalf of the OBU. These include income taxes paid by the Bank on behalf of the OBU as well as expenses incurred for administrative purposes. The year end balances of transactions with OBU are disclosed in Notes - 5, 9 and 11.

18 Contingencies

There are no material contingent liabilities at the year end, other than those disclosed as off balance sheet Items on the balance shee

19 General

19.1 The assets and liabilities as at 31 December 2017 in foreign currencies have been converted to BDT at the following rates:

		2017 Taka	2016 Taka
USD 1	=	82.7	78.7
EUR 1	=	98.6694	82.4107
JPY 1	=	0.7327	0.6764
GBP 1	=	111.2191	96.5236
SGD 1	=	61.7971	54.3283
AUD 1	=	64.444	56.8017
CAD 1	=	65.5387	58.2769
NOK 1	=	10.0145	9.0649
HKD 1	=	10.5817	10.148
DKK 1	=	13.2521	11.0843
SEK 1	=	10.017	8.6126
SAR 1	=	22.0522	20.9822
MYR 1	=	24.4793	24.4793

19.2 Figures of previous year have been rearranged whenever considered necessary to conform to current year's presentation.

19.3 Figures appearing in these accounts have been rounded off to the nearest integer.

20 Highlights on the overall activities

Highlights on the overall activities of the Bank have been furnished in Annexure - C.

21 Events after the balance sheet date

There are no material events that had occurred after reporting period to the date of issue of these financial statements, which could affect the figures stated in the financial statements.

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Mohammod Masud Rana FCA
Chief Financial Officer, Bangladesh

Dhaka, 28 February 2018

Liquidity Statement

Annexure - A

Standard Chartered Bank
Offshore Banking Unit, Bangladesh

Liquidity Statement (Asset and Liability Maturity Analysis) as at 31 December 2017

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	
	USD	Taka	USD	Taka	USD	Taka	USD	Taka	USD	Taka	USD	Taka
Assets												
Cash in hand	-	-	-	-	-	-	-	-	-	-	-	-
Balance with other banks and financial institutions	10,128,689	837,642,557	42,956,620	3,552,512,502	-	-	-	-	-	-	53,085,309	4,390,155,059
Money at call and short notice	-	-	-	-	-	-	-	-	-	-	-	-
Investment	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	19,014,027	1,572,460,049	479,478,247	39,652,850,989	231,464,988	19,142,154,543	17,869,789	1,477,831,541	-	-	747,827,051	61,845,297,122
Fixed assets including premises, furniture and fixtures	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	7,722,617	638,660,428	-	-	-	-	-	-	-	-	7,722,617	638,660,428
Non-banking assets	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	**36,865,333**	**3,048,763,034**	**522,434,867**	**43,205,363,491**	**231,464,988**	**19,142,154,543**	**17,869,789**	**1,477,831,541**	**-**	**-**	**808,634,977**	**66,874,112,609**
Liabilities												
Borrowings from other banks and financial institutions	239,153,530	19,777,996,925	337,566,232	27,916,727,415	41,697,187	3,448,357,398	-	-	-	-	618,416,950	51,143,081,738
Deposits and other accounts	51,652,858	4,271,691,361	3,211,421	265,584,535	-	-	-	-	822,941	68,057,203	55,687,220	4,605,333,098
Provision and other liabilities (including equity)	91,810,502	7,597,066,033	-	-	42,720,306	3,528,631,739	-	-	-	-	134,530,808	11,125,697,772
Total liabilities	**382,616,890**	**31,646,754,319**	**340,777,654**	**28,182,311,950**	**84,417,493**	**6,976,989,137**	**-**	**-**	**822,941**	**68,057,203**	**808,634,978**	**66,874,112,609**
Net liquidity gap	**(345,751,557)**	**(28,597,991,286)**	**181,657,213**	**15,023,051,541**	**147,047,495**	**12,165,165,406**	**17,869,789**	**1,477,831,541**	**(822,941)**	**(68,057,203)**	**(0)**	**(0)**

Balance with other banks and financial institutions

Annexure - B

Standard Chartered Bank
Offshore Banking Unit, Bangladesh

Balance with other banks and financial institutions as at 31 December 2017

Particulars	Currency name	31-Dec-17 Foreign currency	31-Dec-17 Exchange rate	31-Dec-17 Equivalent local currency	31-Dec-16 Foreign currency	31-Dec-16 Exchange rate	31-Dec-16 Equivalent local currency
Standard Chartered Bank - DBU Dhaka	USD	42,956,620	82.70	3,552,512,502	46,434,913	78.70	3,654,427,639
Standard Chartered Bank- London	GBP	471,975	111.22	52,492,617	182,384	96.52	17,604,331
Standard Chartered Bank- Frankfut	EUR	7,953,828	98.67	784,799,461	413,824	82.41	34,103,523
Standard Chartered Bank- Tokyo	JPY	478,339	0.73	350,479	242,011	0.68	163,696
Standard Chartered Bank- New York	USD	-	82.70	-	8,045,775	78.70	633,202,489
Total				**4,390,155,059**			**4,339,501,678**

Financial Highlights

Annexure - C

Standard Chartered Bank
Offshore Banking Unit, Bangladesh

Financial Highlights 2017

Sl.	Particulars	2017 USD	2017 Taka	2016 USD	2016 Taka
1	Total assets	808,634,976	66,874,112,610	779,559,956	61,351,368,413
2	Total deposits	55,687,220	4,605,333,098	40,864,047	3,216,000,509
3	Total loans and advances	747,827,051	61,845,297,122	717,556,416	56,471,689,909
4	Total contingent liabilities and commitments	127,364,984	10,533,084,211	105,836,592	8,329,339,850
5	Percentage of classified loans against total loans and advances	0%	0%	0%	0%
6	Net profit after tax	12,642,255	1,041,177,134	12,467,935	981,226,247
7	Amount of classified loans during current year	-	-	-	-
8	Provisions kept against classified loans	1	83	1	79
9	Provision surplus / deficit	1	82	1	79
10	Interest expenses	7,833,982	636,355,517	4,283,741	336,177,932
11	Interest bearing assets	790,783,671	65,397,809,624	763,991,329	60,126,117,548
12	Non-interest bearing assets	17,851,305	1,476,302,986	15,568,627	1,225,250,865

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Standard Chartered

Standard Chartered Bank
Saadiq Branch
Financial Statements 2017

Independent Auditor's Report

Independent Auditors' Report to the Management of Standard Chartered Bank Saadiq Branch

Report on the Financial Statements

We have audited the accompanying financial statements of Standard Chartered Bank, Saadiq Branch ("the Bank") which comprise the balance sheet as at 31 December 2017, and the profit and loss account, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements and Internal Controls

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards 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. The Bank Companies Act, 1991 and the Bangladesh Bank regulations require the management to ensure effective internal audit, internal control and risk management functions of the Bank. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in note 2.2.

Report on Other Legal and Regulatory Requirements

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

(a) 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;

(b) 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:

i) internal audit, internal control and risk management arrangements of the Bank appeared to be materially adequate; and

ii) 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;

(c) 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;

(d) the balance sheet and the profit and loss account dealt with by the report are in agreement with the books of account;

(e) 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;

(f) adequate provisions have been made for investments which are, in our opinion, doubtful of recovery;

(g) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

(h) the information and explanation required by us have been received and found satisfactory; and

(i) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 200 person hours for the audit of the books and accounts of the Bank.

Dhaka, 28 February 2018

M. J. ABEDIN & CO
Chartered Accountants

Balance Sheet

Standard Chartered Bank
Saadiq Branch
Balance Sheet
as at 31 December 2017

	Notes	2017 Taka	2016 Taka
PROPERTY AND ASSETS			
Cash	5		
Cash in hand (including foreign currencies)		3,644,759	1,863,702
Balance with Bangladesh Bank and its agent banks (including foreign currencies)		2,800,000,000	1,127,148,050
		2,803,644,759	**1,129,011,752**
Balance with other banks and financial institutions			
In Bangladesh		-	-
Outside Bangladesh		-	-
		-	-
Placements with banks and other financial institutions		**-**	**-**
Investments in shares and securities	6		
Government securities		700,000,000	-
Other investments		-	-
		700,000,000	**-**
Investments	7		
General investments etc.		11,573,987,905	6,990,740,602
Bills purchased and discounted		-	-
		11,573,987,905	**6,990,740,602**
Fixed assets including premises	8	**-**	**25,345**
Other assets	9	**3,924,509,488**	**1,463,176,291**
Non-banking assets		**-**	**-**
Total assets		**19,002,142,152**	**9,582,953,990**
LIABILITIES AND CAPITAL			
Liabilities			
Placement from banks and other financial institutions		**-**	**-**
Deposits and other accounts	10		
Current accounts (Quard)		938,211,981	696,146,955
Mudaraba savings deposits		6,170,553,448	5,479,944,124
Mudaraba term deposits		7,612,757,614	1,855,402,920
Short term deposits		211,064,443	63,906,588
Other deposits		12,123,624	804,945
		14,944,711,110	**8,096,205,532**
Other liabilities	11	**4,057,431,042**	**1,486,748,458**
Total liabilities		**19,002,142,152**	**9,582,953,990**
Equity			
Paid up capital		-	-
Statutory reserve		-	-
Other reserve		-	-
Retained earnings		-	-
Total equity		**-**	**-**
Total liabilities and equity		**19,002,142,152**	**9,582,953,990**
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Acceptances and endorsements		2,881,995,351	1,208,422,446
Irrevocable letters of credit		2,958,458,000	1,454,106,807
		5,840,453,351	**2,662,529,253**
Other commitments		**-**	**-**
Total off-balance sheet items		**5,840,453,351**	**2,662,529,253**

The annexed notes 1 to 24 form an integral part of these financial statements.

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Mohammod Masud Rana FCA
Chief Financial Officer, Bangladesh

As per our report of.same date.

Dhaka, 28 February 2018

M. J. ABEDIN & CO
Chartered Accountants

Profit and Loss Account

Standard Chartered Bank
Saadiq Branch
Profit and Loss Account
for the year ended 31 December 2017

	Notes	2017 Taka	2016 Taka
Investment income	12	861,563,873	582,406,610
Profit paid on deposits	13	315,941,022	105,343,110
Net investment income		**545,622,851**	**477,063,500**
Income / (Loss) from investments in shares and securities	14	9,193,207	(1,805,242)
Commission, exchange and brokerage	15	312,355,346	204,705,584
Other operating income		-	-
		321,548,553	**202,900,342**
Total operating income		**867,171,404**	**679,963,842**
Salary and allowances		7,064,008	2,083,699
Rent, taxes, insurances, electricity etc.	16	5,392,851	4,866,725
Legal expenses		31,129	34,737
Postage, stamps and telecommunication etc.	17	103,387	145,206
Stationery, printing and advertisement etc.	18	384,963	308,564
Repair, maintenance and depreciation	19	1,935,914	3,048,020
Other operating expenses	20	2,770,081	1,801,653
Total operating expenses		**17,682,333**	**12,288,604**
Profit/(loss) before provision		**849,489,071**	**667,675,238**
Provision for investments and off balance sheet exposures	11.1	101,198,674	31,987,946
Other provisions		-	-
Total provision		**101,198,674**	**31,987,946**
Total profit/(loss) before tax		**748,290,397**	**635,687,292**
Provision for income tax	11.3	**361,032,855**	**283,761,977**
Net profit/(loss) after tax for the year		**387,257,542**	**351,925,315**

The annexed notes 1 to 24 form an integral part of these financial statements.

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Mohammod Masud Rana FCA
Chief Financial Officer, Bangladesh

As per our report of.same date.

Dhaka, 28 February 2018

M. J. ABEDIN & CO
Chartered Accountants

Cash Flow Statement

Standard Chartered Bank
Saadiq Branch
Cash Flow Statement
for the year ended 31 December 2017

		2017 Taka	2016 Taka
A.	**Cash flows from operating activities**		
	Investment income	843,421,970	585,383,141
	Profit paid on deposits	(109,425,698)	(93,963,408)
	Commission, exchange and brokerage received	287,758,434	217,655,162
	Cash paid to employees	(7,064,008)	(2,083,699)
	Cash paid to suppliers	(13,487,295)	(9,186,156)
	Income tax paid	(283,761,977)	(289,167,068)
	Operating profit before changes in operating assets and liabilities	**717,441,425**	**408,637,972**
	Increase/decrease in operating assets and liabilities		
	General investments	(4,681,104,596)	(1,166,165,845)
	Investments to customers	-	-
	Other assets	(2,404,253,957)	(151,278,551)
	Investments to other banks and financial institutions	-	-
	Deposits received from customers	6,848,505,577	1,243,720,407
	Deposits from other banks and financial institutions	-	-
	Other liabilities	2,281,302,100	122,898,004
	Net cash receipt/(payment) from changes in operating assets and liabilities	**2,044,449,123**	**49,174,015**
	Net cash from operating activities	**2,761,890,549**	**457,811,987**
B.	**Cash flow from investing activities**		
	Income from investments	-	498,697
	Investment in Islamic bond	(700,000,000)	-
	Proceeds from disposal of fixed assets	-	-
	Purchase of fixed assets	-	-
	Net cash used in investing activities	**(700,000,000)**	**498,697**
C.	**Cash flow from financing activities**		
	Profit transferred to Onshore Banking Unit	(387,257,542)	(351,925,317)
	Net cash flow from financing activities	**(387,257,542)**	**(351,925,317)**
D.	**Net increase/(decrease) in cash and cash equivalents (A+B+C)**	**1,674,633,007**	**106,385,367**
E.	**Effect of exchange rate changes on cash and cash equivalents**	**-**	**-**
F.	**Opening cash and cash equivalents**	**1,129,011,752**	**1,022,626,385**
G.	**Closing cash and cash equivalents (D+E+F) (Note 21)**	**2,803,644,759**	**1,129,011,752**

Statement of Changes in Equity

Standard Chartered Bank
Saadiq Branch
Statement of Changes in Equity
for the year ended 31 December 2017

Particulars	Amount in Taka			
	Capital	Other reserve	Retained earnings	Total
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	**-**	**-**	**-**	**-**
Balance as at 01 January 2016	-	-	-	-
Net profit for the year 2016	-	-	351,925,315	351,925,315
Profit transferred to Dhaka Onshore Banking Unit	-	-	(351,925,315)	(351,925,315)
Balance as at 31 December 2016	**-**	**-**	**-**	**-**

Notes to the Financial Statements

Standard Chartered Bank
Saadiq Branch
Notes to the Financial Statements
As at and for the year ended 31 December 2017

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.

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 2017 to 31 December 2017. The financial statements are authorized for issue by management of the Bank on 28 February 2018.

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 Bank 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 2017 have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and the requirements of The Bank 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 Bank Companies Act 1991 and provisions and circulars issued by the central bank (herein after called Bangladesh Bank (BB)) differ with those of BFRS, the requirements of The Bank 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 Bank 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 (ICAB) as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards(BFRS) respectively.

Material departures from the requirements of BAS and BFRS are as follows:

i) Presentation of financial statements

BAS/BFRS: As per BAS 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 BAS 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 Bank Companies Act 1991 (amendment up to 2013) 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

BFRS: As per requirements of Bangladesh Accounting Standards (BAS) 39 Financial Instruments: Recognition and Measurement, investment in shares and securities generally falls either under at Fair Value Through Profit and Loss (FVTPL) or under Available For Sale (AFS) where any change in the fair value (as measured in accordance with BFRS 13 Fair Value Measurement) at the year end is taken to profit and loss account or revaluation reserve, respectively.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003 investments in quoted shares and unquoted shares are revalued at the year end at 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

BFRS: As per requirement of BAS 39, 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

BFRS: As per BAS 39 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 investment 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

BFRS: As per BAS 39, 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, BRPD circular no. 16 dated 18 November 2014, BRPD circular no. 12 dated 20 August 2017 and BRPD circular no. 15 dated 27 September 2017, a general provision at 0.25% to 5% under different categories of unclassified loans (standard/SMA loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad/losses loans has to be provided at 5% to 20%, 5% to 50% and 100%, respectively for loans and advances depending on the duration of overdue. Again as per BRPD circular no. 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39.

vi) Recognition of Profit in suspense

BFRS: Investments to customers are generally classified as 'loans and receivables' as per BAS 39 and interest income is recognised through effective interest method over the term of the loan. Once a loan is impaired, interest income is recognised in profit and loss account on the same basis based on revised carrying amount.

Bangladesh Bank: As per BRPD circular no. 14 dated 23 September 2012, once a loan is classified, interest on such loans are not allowed to be recognised as income, rather the corresponding amount needs to be credited to an interest in suspense account, which is presented as liability in the balance sheet.

vii) Other comprehensive income

BFRS: As per *BAS 1 Presentation of Financial Statements* Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income Statement.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which are to be followed by all banks. The templates for financial statements issued by Bangladesh Bank do not include OCI nor are the elements of OCI allowed to be included in a single other comprehensive income statement. As such the Bank does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

viii) Financial instruments – presentation and disclosure

Bangladesh Bank guidelines categorise, recognise, measure and present financial instruments differently from those prescribed in *BAS 32 Financial Instruments: Presentation*, BAS 39 and *BFRS 7 Financial Instruments: Disclosures*. As such full disclosure and presentation requirements of BFRS 7 and BAS 32 are not made in the financial statements.

ix) Financial guarantees

BFRS: As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are recognised initially at fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantees is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, financial guarantees such as letter of credit, letter of guarantee etc. are reported as off-balance sheet items.

x) REPO transactions

BAS/BFRS: When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or similar assets) at a fixed price on a future date (REPO or stock lending), the arrangement is accounted for a deposit, and the underlying asset continues to be recognized in the entity's financial statements. This transaction will be treated as loan and the difference between selling price and repurchase price will be treated as interest expense.

Bangladesh Bank: As per DOS Circular letter no. 6 dated 15 July 2010 and subsequent clarification in DOS circular no. 2 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 sales transactions and the financial assets are derecognized in the seller's book and recognized in the buyer's book.

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However, as per DMD circular letter no. 7 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 an Investment, thereby continuing to recognise the asset.

xi) Cash flow statement

BFRS: As per BAS 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.

xii) Off-balance sheet items

BFRS: As per BFRS 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.

xiii) Investments and advances net of provision

BFRS: Investments and advances shall be recognised net of impairment loss as per BAS 39.

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 BAS 19 Employee Benefits.

2.4 Foreign Currency

According to BAS 21 The Effects of Changes in Foreign Exchange Rates,tansactions 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 Data compilation

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

2.10 Significant accounting policies

2.10.1 Assets

2.10.1.1 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 fulfilment 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.

2.10.1.2 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 BAS 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 equipments	3 to 15 years	7% - 33%
Computer and office equipments	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.

2.10.1.3 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.

2.10.1.4 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.

2.10.1.5 Leases

In accordance with BAS 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.

2.10.2 Liabilities

2.10.2.1 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.

2.10.2.2 Deposits by customers and banks

Deposits are the Bank's principal source of investments.

2.10.2.3 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.

2.10.2.4 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.

2.10.2.5 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.

Notes to the Financial Statements

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.

2.10.2.6 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 a 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 and BRPD circular no. 15 dated 27 September 2017. 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:

	2017	2016
General provision on:		
Unclassified Investments under small and medium enterprise financing (SMEF)	0.25%	0.25%
Unclassified Investments under housing finance (HF) and on Investments 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%
Off-balance sheet exposures	1.00%	1.00%
Unclassified Investments of Credit Cards (CC)	2.00%	5.00%

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.

2.10.2.7 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 2017 has been made on the basis of the provisions of the Income Tax Ordinance 1984 and the Finance Act 2017-18. Currently the tax rate applicable for banks is 42.5%.

Deferred tax assets / (liabilities)

As per BAS 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.

2.10.2.8 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 Bank 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.

2.10.2.9 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.

2.10.2.10 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 BAS 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.

2.10.2.11 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.

2.10.3 Profit and Loss Accounts - Income and Expenses

2.10.3.1 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.

2.10.3.2 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.

2.10.3.3 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.

2.10.3.4 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.

2.10.3.5 Exchange income

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

2.10.3.6 Dividend income

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

2.10.3.7 Profit expense on deposits

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

2.10.4 Others

2.10.4.1 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.

Notes to the Financial Statements

2.10.4.2 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.

2.10.4.3 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 BAS 1 'Presentation of Financial Statements'.

3 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 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 2017 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 2017 and earlier application is permitted. However, the Bank has not early applied the following new standards in preparing these financial statements.

(a) BFRS 9 Financial Instruments (to be adopted as IFRS 9)

BFRS 9, published in July 2014, replaces the existing guidance in BAS 39 Financial Instruments: Recognition and Measurement. BFRS 9 includes revised guidance on the classification and measurement of the financial instruments, a new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from BAS 39. BFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. As per the Bank's assessment, any material impact of BFRS 9 would be primarily on calculation of impairment provision. However, as Bangladesh Bank has not issued any circular to revise its current impairment, classification and measurement policies to align with BFRS 9 the Bank is unable to quantify any potential impact on its financial statements.

(b) BFRS 15 Revenue from Contracts with Customers (to be adopted as IFRS 15)

BFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing recognition guidance, including BAS 18 Revenue, BAS 11 Construction Contracts and BFRI 13 Customer Loyalty Programmes. BFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Based on preliminary assessment the Bank has determined that BFRS 15 has no material impact on its financial statements.

(c) 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.

(d) 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.

	2017 Taka	2016 Taka
5 Cash		
a) Cash in hand (including foreign currencies)		
Local currency	1,967,603	1,385,206
Foreign currencies	1,677,156	478,496
Sub Total (a)	**3,644,759**	**1,863,702**
b) Balance with Bangladesh Bank and its agent banks (including foreign currencies)		
Balance with Bangladesh Bank (local currency)	2,800,000,000	1,127,148,050
Balance with agent banks of Bangladesh Bank	-	-
Sub Total (b)	**2,800,000,000**	**1,127,148,050**
Grand Total (a+b)	**2,803,644,759**	**1,129,011,752**

5.1 Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)

Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) are calculated and maintained in accordance with section 33 of the Bank Company Act, 1991 and MPD circular no. 01 dated 23 June 2014.

The CRR on the Bank's time and demand liabilities at the rate of 6.5% (bi-weekly) and 6% (daily) has been calculated and maintained with Bangladesh Bank in current account and 5.5% SLR on the same liabilities has also been maintained in the form of cash in hand, balances with Bangladesh Bank and Government Islamic Bonds. Both reserves maintained by the Bank as at 31 December, are shown below:

5.2 Cash Reserve Ratio (CRR)		
Daily 6% of average demand and time liabilities:		
Required reserve	874,649,870	474,422,610
Actual reserve held with Bangladesh Bank ***(Note - 21)***	2,800,000,000	1,127,148,050
Surplus	**1,925,350,130**	**652,725,440**
Bi-weekly 6.5% of average demand and time liabilities:		
Required reserve	947,537,350	513,957,830
Actual reserve held with Bangladesh Bank ***(Note - 21)***	2,800,000,000	1,127,148,050
Surplus *(Note - 5.3.1)*	**1,852,462,650**	**613,190,220**
5.3 Statutory Liquidity Ratio (SLR)		
5.5% of Average demand and time liabilities:		
Required reserve	801,762,380	434,887,390
Actual reserve held ***(Note - 5.3.1)***	2,556,107,409	615,053,922
Surplus	**1,754,345,029**	**180,166,532**
5.3.1 Actual reserve held		
Cash in hand ***(Note - 21)***	3,644,759	1,863,702
Excess reserve over CRR maintained ***(Note - 5.2)***	1,852,462,650	613,190,220
Government Islamic Bonds ***(Note - 6)***	700,000,000	-
	2,556,107,409	**615,053,922**

6 Investments in shares and securities

Particulars	Holding number	Face value as at 31 December 2017 Taka	Purchase value Taka	Market value as at 31 December 2017 Taka	Remarks
Government Islamic bond	-	700,000,000	700,000,000	700,000,000	-

6.1 Maturity - wise classification		
Repayable on demand	-	-
Residual maturity of		
Not more than one month	700,000,000	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 5 years	-	-
More than 5 years	-	-
	700,000,000	**-**
7 Investments		
7.1 Mode-wise investments		
a) In Bangladesh		
Bai-murabaha (Saadiq Finance against Trust Receipt etc.)	1,516,200,502	212,514,249
Diminishing musharaka (Saadiq Auto Finance)	416,476,901	358,122,133
Shirkatul melk (Saadiq Housing Finance)	8,516,965,578	5,079,327,212
Ujrah (Saadiq Islamic Credit Card)	442,699,451	571,278,447
Musharaka	681,645,473	769,498,561
	11,573,987,905	**6,990,740,602**
b) Outside Bangladesh	**-**	**-**
Total (a+b)	**11,573,987,905**	**6,990,740,602**
7.2 Geographical location-wise classification of investments		
a) In Bangladesh		
In rural areas	-	-
In urban areas	11,573,987,905	6,990,740,602
	11,573,987,905	**6,990,740,602**
b) Outside Bangladesh	**-**	**-**
Total (a+b)	**11,573,987,905**	**6,990,740,602**
7.3 Maturity grouping of investments		
Repayable on demand	304,555,518	687,030,412
Residual maturity of		
Not more than three months	1,141,720,946	1,093,331,004
More than 3 months but not more than 1 year	1,410,774,253	734,407,184
More than 1 year but not more than 5 years	5,084,975,231	3,041,513,030
More than 5 years	3,631,961,957	1,434,458,972
	11,573,987,905	**6,990,740,602**
7.4 Division-wise classification of investments		
Dhaka division	11,573,987,905	6,990,740,602
	11,573,987,905	**6,990,740,602**
7.5 Customer Group-wise classification of investments		
(i) Retail Customers	4,652,008,853	4,597,348,936
(ii) Small and Medium Enterprises	3,646,362,606	1,266,906,309
(iii) Large Enterprises	1,123,104,474	261,464,019
(iv) Corporate customers	2,152,511,972	865,021,338
	11,573,987,905	**6,990,740,602**
(i) Loans and Advances to Retail Customers		
Islamic - Credit Card Issuing	442,699,451	571,278,447
Islamic - Personal Finance	2,352,183	9,609,703
Islamic - Auto Finance	416,476,901	358,122,133
Islamic - Mortgage Finance	3,790,480,318	3,658,338,653
	4,652,008,853	**4,597,348,936**

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	2017 Taka	2016 Taka
(ii) Loans and advances to small and medium enterprises		
Islamic - Instalment Finance-Murabaha	42,958,176	106,143,572
Islamic - Finance Against Prop.	3,603,404,430	1,160,762,737
Islamic - Finance Against TR	-	-
Islamic - Import Invoice Financing	-	-
	3,646,362,606	**1,266,906,309**
(iii) Loans and advances to large enterprises		
Islamic - Instalment Finance-Murabah	-	-
Islamic - Finance Against Prop.	1,123,104,474	261,464,019
Islamic - Finance Against TR	-	-
Islamic - Import Invoice Financing	-	-
	1,123,104,474	**261,464,019**
(iv) Loans and advances to corporate and Institutional customers		
Islamic Import Invoice Finance	-	77,999,751
Islamic Short Term Investment	681,645,474	769,498,561
Islamic Term Investment	973,721,102	-
Islamic Finance Against Trust Receipt	197,218,017	9,327,831
Islamic Import Finance	299,927,380	8,195,195
	2,152,511,972	**865,021,338**
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		
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 *	4,652,008,853	4,597,348,936
Sub Total (i+ii+iii+iv)	**4,652,008,853**	**4,597,348,936**
Industry-wise classification of investments category of -Small and Medium Enterprise Customer		
i) Garments	9,775,062	-
ii) Textiles	59,100,032	-
iii) Agro based industry	48,844,009	7,900,848
iv) Pharmaceutical Industries	-	-
v) Milk Processing Industries	-	-
vi) Other Business Institutions	2,190,467,796	595,949,900
vii) Other industry *	1,338,175,708	663,055,560
Sub Total (i+ii+iii+iv)	**3,646,362,606**	**1,266,906,309**
Industry-wise classification of investments category of -Large Enterprise Customer		
i) Garments	76,511,532	-
ii) Textiles	-	-
iii) Agro based industry	-	-
iv) Pharmaceutical Industries	-	-
v) Milk Processing Industries	-	-
vi) Other Business Institutions	652,221,001	120,638,800
vii) Other industry *	394,371,941	140,825,219
Sub Total (i+ii+iii+iv)	**1,123,104,474**	**261,464,019**
Industry-wise classification of investments category of Corporate and Institutional Customer		
i) Garments	-	-
ii) Textiles	-	-
iii) Agro based industry	-	-
iv) Pharmaceutical Industries	1,582,821,204	600,000,000
v) Milk Processing Industries	-	-
vi) Other Business Institutions	-	-
vii) Other industry *	569,690,769	265,021,338
Sub Total (i+ii+iii+iv)	**2,152,511,972**	**865,021,338**
Grand Total (a+b+c+d)	**11,573,987,905**	**6,990,740,602**

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

7.7 Status-wise classification of investments		
a) Unclassified:		
Standard	10,941,086,858	6,525,674,407
Special mention account	255,524,914	78,240,648
Sub Total (a)	**11,196,611,772**	**6,603,915,055**
b) Classified:		
Substandard	223,984,918	144,845,308
Doubtful	9,781,579	26,702,605
Bad/loss	143,609,636	215,277,634
Sub Total (b)	**377,376,133**	**386,825,547**
Grand Total (a+b)	**11,573,987,905**	**6,990,740,602**
7.8 Particulars of investments		
a) Investments considered good in respect of which the Bank is fully secured;	8,744,973,765	5,004,480,992
b) Investments considered good in respect of which the Bank holds debtor's personal security;	1,318,474,248	1,525,696,934
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	143,609,636	215,277,634
k) Particulars of cumulative written off investments		
i) Cumulative amount of investment written off since inception (Openig Balance)	102,462,044	80,816,941
ii) Amount of investment written off during the year (Gross)	100,589,849	21,645,103
Cumulative amount of investments written off	**203,051,893**	**102,462,044**
iii) Amount recovered against written off investment up to this year	2,323,555	1,356,727
iv) Cumulative amount of written off investment for which law suit has been filed	59,134,994	44,207,519
8 Fixed assets including premises		
Premises fixed equipment	2,795,370	2,795,370
Computer and office equipment	76,350	76,350
Furniture and fittings	1,967,672	1,967,673
	4,839,392	**4,839,393**
Less : Accumulated depreciation	4,839,392	4,814,048
	-	**25,345**
Refer to Annexure - A for detailed analysis.		
9 Other assets		
Profit receivable on investment	57,030,190	24,547,863
Stationary and Stamps in hand	-	-
Income receivable on investment in Islamic bond	-	-
Sundry debtors	-	2,693
Unamortised Fees / Costs	-	-
Intra branch balances in Bangladesh	3,840,850,220	1,436,593,570
Accrued commission receivable	26,629,078	2,032,165
	3,924,509,488	**1,463,176,291**
10 Deposits and other accounts		
Current accounts (Quard)	938,211,981	696,146,955
Mudaraba savings deposits	6,170,553,448	5,479,944,124
Mudaraba term deposits	7,612,757,614	1,855,402,920
Short term deposits	211,064,443	63,906,588
Other deposits	12,123,624	804,945
	14,944,711,110	**8,096,205,532**
10.1 Maturity analysis of deposits and other accounts		
Payable on demand	7,123,889,053	6,189,065,003
Residual maturity of		
Not more than one month	552,397,159	208,099,870
More than 1 month but not more than 6 months	1,448,920,156	1,269,622,133
More than 6 months but not more than 1 year	587,004,742	419,418,526
More than 1 year but not more than 5 years	5,232,500,000	10,000,000
More than 5 years but less than 10 years	-	-
Unclaimed deposits for 10 years or more	-	-
	14,944,711,110	**8,096,205,532**
11 Other liabilities		
Provision for investments including bad & doubtful investments ***(Note- 11.1)***	284,492,942	281,151,561
Profit/rent suspense account ***(Note - 11.2)***	14,612,641	9,465,424
Income tax liability ***(Note - 11.3)***	-	-
Profit payable on deposit	237,668,846	31,153,523
Excise duty/VAT/tax	129,675	2,919,566
Suspense account	16,775,139	11,303,496
Charity payable	3,268,957	21,428,140
Internal investment/deposit	3,494,989,001	1,122,137,051
Unamortised fees / costs	-	201,239
Accrued bonus points	4,018,964	4,123,386
Others	1,474,877	2,865,072
	4,057,431,042	**1,486,748,458**

	2017 Taka	2016 Taka
11.1 Provision for investments and off balance sheet exposures		
a) Current year provision for investments		
Unclassified:		
Standard	139,676,676	122,797,329
Special mention account	2,885,707	1,815,178
	142,562,383	**124,612,507**
Classified:		
Substandard	44,705,117	7,461,268
Doubtful	1,501,329	2,956,909
Bad / loss	37,319,577	119,495,582
	83,526,023	**129,913,759**
	226,088,406	**254,526,266**
b) General provision against unclassified investments and off-balance sheet exposures		
Opening balance	151,236,476	144,382,385
Provision charged/(released) during the year	17,951,202	5,091,992
Provision on off-balance sheet exposures	31,779,241	1,762,099
Net charge to profit & loss account	**49,730,443**	**6,854,091**
Sub Total (b)	**200,966,919**	**151,236,476**
c) Specific provision against classified investments		
Opening balance	**129,915,085**	**131,673,479**
Add: Provision made during the year	114,469,419	56,278,987
Less: Release during the year	(63,001,188)	(31,145,132)
Charge in Profit & Loss account	51,468,231	25,133,855
Less : Written-Off (net of recovery) during the year	(97,857,293)	(20,134,776)
Less : Other movement	-	(6,757,473)
Sub Total (c)	**83,526,023**	**129,915,085**
Grand Total (b+c)	**284,492,942**	**281,151,561**

11.1.1 Adequacy of provision vis a vis provision required to be maintained	Base for provision 2017 only Taka	2017 Taka	2016 Taka
General provision			
On off-balance sheet exposures @ 1%	5,840,453,351	58,404,534	26,625,293
On standard loans (excluding SMA) at various rates	10,941,086,858	139,676,676	122,796,005
On special mention accounts (SMA) @ 5%	255,524,914	2,885,707	1,815,178
	17,037,065,123	**200,966,916**	**151,236,476**
Specific provision			
On sub-standard loans and advances	46,029,814	9,205,963	6,951,567
On doubtful loans and advances	2,052,684	1,026,342	2,530,293
On bad / loss loans and advances	46,221,716	46,221,716	130,455,105
	94,304,214	**56,454,021**	**139,936,965**
Total provision required to be maintained		257,420,937	291,173,441
Total provision maintained		284,492,942	281,151,561
Excess / (deficit) provision at 31 December		**27,072,005**	**(10,021,880)**

11.2 Profit/rent suspense account		
Balance as at 1 January	9,465,424	8,462,654
Amount transferred to suspense account during the year	36,684,191	54,977,854
Amount recovered from suspense account during the year	(31,127,973)	(53,291,505)
Amount written off during the year	(409,001)	(153,599)
Amount waived during the year	-	(1,857,984)
Other Movement	-	1,328,004
Balance as at 31 December	**14,612,641**	**9,465,424**
11.3 Income tax liability		
Opening balance	-	-
Provision made during the year	361,032,855	283,761,977
Amount paid during the year	(361,032,855)	(283,761,977)
	-	**-**
12 Investment income		
Bai-murabaha (Saadiq Finance against Trust Receipt etc.)	103,318,712	47,595,348
Diminishing musharaka (Saadiq Auto Finance)	45,383,410	49,817,782
Shirkatul melk (Saadiq House Finance)	650,457,915	397,581,684
Musharaka	60,861,571	87,411,796
Import Invoice Financing	747,820	-
Preshipment Financing	794,445	-
	861,563,873	**582,406,610**
13 Profit paid on deposits		
Profit paid on Mudaraba savings deposits	44,710,232	47,676,253
Profit paid on Mudaraba term deposits	271,230,790	48,323,079
Profit paid for borrowing from banks	-	9,343,778
	315,941,022	**105,343,110**
14 Income from investments in shares and securities		
Profit on Govt. Islamic bond	9,193,207	(1,805,242)
	9,193,207	**(1,805,242)**
15 Commission, exchange and brokerage		
Commission	314,461,067	205,065,805
Exchange	(2,105,721)	(360,221)
	312,355,346	**204,705,584**
16 Rent, taxes, insurances, electricity etc.		
Rent, rates and taxes	4,992,221	4,440,141
Electricity and lighting	395,646	426,584
Insurance	4,984	-
	5,392,851	**4,866,725**

	2017 Taka	2016 Taka
17 Postage, stamps and telecommunication etc.		
LAN & IT infrastructure cost	-	-
Telephone	86,388	141,651
Courier & air freight	16,999	3,555
	103,387	**145,206**
18 Stationery, printing and advertisement etc.		
Printing and stationery (Computer and Others)	384,963	308,564
Advertisement and publicity	-	-
	384,963	**308,564**
19 Repair, maintenance and depreciation		
Repair and maintenance	1,910,570	2,538,889
Depreciation (Annexure A)	25,344	509,131
	1,935,914	**3,048,020**
20 Other operating expenses		
Entertainment	2,228	26,358
Subscription expenses	1,704	-
Security services	1,510,815	1,336,000
Support Service Costs	840,841	287,207
Other office expenses	414,493	152,088
	2,770,081	**1,801,653**
21 Cash and cash equivalents		
Cash in hand (including foreign currencies)	3,644,759	1,863,702
Balance with Bangladesh Bank and its agent banks	2,800,000,000	1,127,148,050
Balance with other banks and financial institutions	-	-
	2,803,644,759	**1,129,011,752**

22 Related party transaction

22.1 Related parties

The related parties of the Bank includes SCB Bangladesh Branch Onshore Banking Unit and Offshore Banking Unit (OBU), the ultimate parent company Standard Chartered Bank (SC) Plc, other SCB group entities, key management personnel of SC Plc and SCB Bangladesh as well as their close family members. Since the branch is considered an integral part of the Bank for management purposes, key management personnel of the branch for the purposes of BAS 24 are considered to be Country Management Group (CMG) members of the Bank and close members of their families and companies they control, or significantly influence, or for which significant voting power is held, as ultimately it is CMG members of the Bank who have the authority and responsibility for planning, directing and controlling the branch activities.

22.2 Transactions with group entities

The Bank provides and receives certain banking and financial services to/from entities within the SCB Bangladesh Onshore Banking Unit. As at the year end, the balances with these entities are disclosed as intra-branch transit account under Notes - 9 or 11.

The disclosure of the year end balance is considered to be the most meaningful information to represent transactions during the year.

Other than the above, the branch did not have any material transactions with other SCB group entities and there were no balances outstanding at the year end with these entities.

22.3 Transactions with key management personnel

During 2017 there were no transactions between the branch and key management personnel of SCB Plc (2016 : BDT Nil). Neither were there any transactions between the branch and key management personnel of the Bank. No portion of compensation paid to the Bank's key management personnel (CMG members) has been attributed to the branch for purposes of preparing these financial statements as per the Bank's policy.

22.4 Transactions with post employment benefit plans

As with the conventional banking branches of the Bank, employees of the Islamic branch are entitled to receive benefits from two post-employment benefit plans: a provident fund which is in the nature of a defined contribution plan and a gratuity fund which is in the nature of a defined benefit plan. These funds are maintained for all eligible employees of the Bank as a whole, with contributions made on a pan-Bank basis and managed through inter branch transaction.

23 Events after the balance sheet date

There were no material adjusting events after the balance sheet date.

24 General

24.1 Audit committee

SCB Bangladesh does not have any "Audit Committee" at a country level as it is a branch, but there is a Country Operational Risk Committee (CORC) Forum where all risk issues are discussed, action points set to mitigate risks identified and documented. The CORC covers SCB Bangladesh's Islamic banking operations in addition to its conventional banking operations. SCB Bangladesh has received a dispensation from Bangladesh Bank on 19 December 2006 with regards to the requirement of audit committee.

24.2 Exchange rates

The assets and liabilities as at 31 December in foreign currencies have been converted to Taka at the following rates:

		2017 Taka	2016 Taka
USD 1	=	82.7000	78.7000
GBP 1	=	111.2191	96.5236
EUR 1	=	98.6694	82.4107

24.3 Figures appearing in these financial statements have been rounded off to the nearest Taka.

24.4 Previous year's figures have been rearranged, where necessary, to conform with the current year's presentation.

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Mohammod Masud Rana FCA
Chief Financial Officer, Bangladesh

Dhaka, 28 February 2018

Schedule of Fixed Assets

Annexure - A

Standard Chartered Bank
Saadiq Branch

Schedule of Fixed Assets as at 31 December 2017

Amount in Taka

Particulars	Cost: Balance as at 1 January 2017	Cost: Additions during the year	Cost: Disposals/ adjustments during the year	Cost: Balance as at 31 December 2017	Depreciation: Balance as at 1 January 2017	Depreciation: Charge for the year	Depreciation: On disposals/ adjustments	Depreciation: Balance as at 31 December 2017	Net book value as at 31 December 2017
Own assets									
Freehold premises	-	-	-	-	-	-	-	-	-
Fixed equipments	2,795,370	-	-	2,795,370	2,795,370	-	-	2,795,370	-
Computer and office equipments	76,350	-	-	76,350	76,350	-	-	76,350	-
Furniture and fittings	1,967,673	-	-	1,967,673	1,942,328	25,344	-	1,967,672	1
Sub-total	**4,839,393**	**-**	**-**	**4,839,393**	**4,814,048**	**25,344**	**-**	**4,839,392**	**1**
Leased assets									
Capitalised leased equipments	-	-	-	-	-	-	-	-	-
Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2017	**4,839,393**	**-**	**-**	**4,839,393**	**4,814,048**	**25,344**	**-**	**4,839,392**	**1**

Schedule of Fixed Assets as at 31 December 2016

Amount in Taka

Particulars	Cost: Balance as at 1 January 2016	Cost: Additions during the year	Cost: Disposals/ adjustments during the year	Cost: Balance as at 31 December 2016	Depreciation: Balance as at 1 January 2016	Depreciation: Charge for the year	Depreciation: On disposals/ adjustments	Depreciation: Balance as at 31 December 2016	Net book value as at 31 December 2016
Own assets									
Freehold premises	-	-	-	-	-	-	-	-	-
Fixed equipments	2,795,370	-	-	2,795,370	2,795,370	-	-	2,795,370	-
Computer and office equipments	76,350	-	-	76,350	76,350	-	-	76,350	-
Furniture and fittings	1,967,673	-	-	1,967,673	1,638,198	304,131	-	1,942,328	25,345
Sub-total	**4,839,393**	**-**	**-**	**4,839,393**	**4,509,918**	**304,131**	**-**	**4,814,048**	**25,345**
Leased assets									
Capitalised leased equipments	-	-	-	-	-	-	-	-	-
Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2016	**4,839,393**	**-**	**-**	**4,839,393**	**4,509,918**	**304,131**	**-**	**4,814,048**	**25,345**

Liquidity Statement (Asset and Liability Maturity Analysis)

Annexure - B

Standard Chartered Bank
Saadiq Branch

Liquidity Statement (Asset and Liability Maturity Analysis) as at 31 December 2017

Amount in Taka

Particulars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total 2017
Assets						
Cash in hand	2,803,644,759	-	-	-	-	2,803,644,759
Balance with other banks and financial institutions	-	-	-	-	-	-
Placement with other banks and financial institutions	-	-	-	-	-	-
Investment in Shares and Securities	700,000,000	-	-	-	-	700,000,000
Investments	593,047,896	853,228,568	1,410,774,253	5,084,975,231	3,631,961,957	11,573,987,905
Fixed assets	-	-	-	-	-	-
Other assets	3,924,509,488	-	-	-	-	3,924,509,488
Non-banking assets	-	-	-	-	-	-
Total assets	**8,021,202,143**	**853,228,568**	**1,410,774,253**	**5,084,975,231**	**3,631,961,957**	**19,002,142,152**
Liabilities						
Placement from other banks and financial institutions	-	-	-	-	-	-
Deposits and other accounts	7,123,889,054	1,626,868,194	961,453,862	5,232,500,000	-	14,944,711,110
Other liabilities (including equity)	3,758,325,462	-	-	-	299,105,580	4,057,431,042
Total liabilities	**10,882,214,516**	**1,626,868,194**	**961,453,862**	**5,232,500,000**	**299,105,580**	**19,002,142,152**
Net liquidity difference	**(2,861,012,373)**	**(773,639,627)**	**449,320,391**	**(147,524,769)**	**3,332,856,377**	**-**

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x) REPO transactions

BAS/BFRS: When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or similar assets) at a fixed price on a future date (REPO or stock lending), the arrangement is accounted for a deposit, and the underlying asset continues to be recognized in the entity's financial statements. This transaction will be treated as loan and the difference between selling price and repurchase price will be treated as interest expense.

Bangladesh Bank: As per DOS Circular letter no. 6 dated 15 July 2010 and subsequent clarification in DOS circular no. 2 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 sales transactions and the financial assets are derecognized in the seller's book and recognized in the buyer's book.

However, as per DMD circular letter no. 7 dated 29 July 2012, non-primary dealer banks are eligible to participate in the Assured Liquidity Support (ALS) programme, whereby such banks may enter collaterallised repo arrangements with Bangladesh Bank. Here the selling bank accounts for the arrangement as a loan, thereby continuing to recognise the asset.

xi) Cash flow statement

BFRS: As per BAS 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.

xii) Off-balance sheet items

BFRS: As per BFRS 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.

xiii) Loans and advances net of provision

BFRS: Loans and advances shall be recognised net of impairment loss as per BAS 39.

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 *BAS 19 Employee Benefits.*

3.4 Foreign Currency

According to *BAS 21 The Effects of Changes in Foreign Exchange Rates*,tansactions 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 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 fulfilment 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 BAS 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 equipments	3 to 15 years	7% - 33%
Computer and office equipments	3-7 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 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 BAS 17 Leases, leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases.

Notes to the Financial Statements

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 a 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 and BRPD circular no. 15 dated 27 September 2017. 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:

General provision on:	2017	2016
Unclassified loans under small and medium enterprise financing (SMEF)	0.25%	0.25%
Unclassified loans under housing finance (HF) and on 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 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	1.00%	1.00%
Unclassified Loans of Credit Cards (CC)	2.00%	5.00%

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:	2017	2016
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 2017 has been made on the basis of the provisions of the Income Tax Ordinance 1984 and the Finance Act 2017-18. Currently the tax rate applicable for banks is 42.5%.

Deferred tax assets / (liabilities)

As per BAS 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 (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 Bank 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 when they are due.

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 BAS 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.

Notes to the Financial Statements

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 BAS 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 2017 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 2017 and earlier application is permitted. However, the Bank has not early applied the following new standards in preparing these financial statements.

(a) BFRS 9 Financial Instruments (to be adopted as IFRS 9)

BFRS 9, published in July 2014, replaces the existing guidance in BAS 39 Financial Instruments: Recognition and Measurement. BFRS 9 includes revised guidance on the classification and measurement of the financial instruments, a new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from BAS 39. BFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. As per the Bank's assessment, any material impact of BFRS 9 would be primarily on calculation of impairment provision. However, as Bangladesh Bank has not issued any circular to revise its current impairment, classification and measurement policies to align with BFRS 9 the Bank is unable to quantify any potential impact on its financial statements.

(b) BFRS 15 Revenue from Contracts with Customers (to be adopted as IFRS 15)

BFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing recognition guidance, including BAS 18 Revenue, BAS 11 Construction Contracts and BFRI 13 Customer Loyalty Programmes. BFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Based on preliminary assessment the Bank has determined that BFRS 15 has no material impact on its financial statements.

(c) 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.

(d) 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 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.

5.1 As per section 13 (1), subsequent revision and amendments to the Bank Company 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 2017 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 2017 was 28,013,721,642 (2016: Tk 23,061,320,857). The Bank's capital was greater than the amount required as above. The details of the capital as on 31 December are as follows:

	2017 Taka	2016 Taka
Total risk weighted assets	280,137,216,424	230,613,208,574
10% of risk weighted assets	28,013,721,642	23,061,320,857
Total capital held:		
Common Equity Tier I		
Fund Deposited with Bangladesh Bank	2,312,837,956	2,223,946,156
Retained Earnings	38,985,670,000	31,511,451,349
Actuarial Gain/(Loss)	(214,708,614)	(174,286,114)
Less: Regulatory Adjustment for Deffered Tax Assets as per Bangladesh Bank Guidelines	(1,202,025,506)	(1,476,359,163)
	39,881,773,836	32,084,752,229
Additional Tier I	-	-
Total Tier I Capital	39,881,773,836	32,084,752,229
Tier II		
General Provision	4,661,764,205	3,888,595,180
Revaluation Reserve for Securities	95,830,428	143,745,642
Total Tier II Capital	4,757,594,633	4,032,340,822
Total Regulatory Capital	44,639,368,469	36,117,093,051
Total capital Required	28,013,721,642	23,061,320,857
Surplus capital	16,625,646,827	13,055,772,194
Common Equity Tier -I Ratio	14.24%	13.91%
Tier I Capital Adequacy Ratio	14.24%	13.91%
Tier II Capital Ratio	1.70%	1.75%
Capital to Risk Weighted Assets Ratio (CRAR)	15.93%	15.66%

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

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Standard Chartered

6 Cash	2017 Taka	2016 Taka
In hand (including foreign currencies)		
Local currency	3,030,372,086	2,742,631,178
Foreign currencies	218,816,336	43,728,810
	3,249,188,422	**2,786,359,988**
Balance with Bangladesh Bank (including foreign currencies)		
Local currency	17,470,532,206	13,852,204,267
Foreign currencies	2,603,630,614	1,591,966,803
Foreign currency capital (restricted)	-	-
	20,074,162,820	**15,444,171,070**
Balance with Sonali Bank as agent of Bangladesh bank		
Sonali Bank as an agent of Bangladesh Bank	54,645,936	47,643,695
	20,128,808,756	**15,491,814,765**
	23,377,997,178	**18,278,174,753**

7 Cash Reserve Ratio (CRR)

As per section 33 of the Bank Companies Act 1991 (amended upto 2013) & MPD circular no. 1 dated 23 June 2014 issued by Bangladesh Bank (effective from 24 June 2014), SCB has been maintaining 6.0% CRR on daily basis and 6.5% 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 2017 is maintained on the basis of weekly ATDTL of October 2017). Reserve maintained by the bank as at 31 December is as follows:

7.1 Cash Reserve Ratio (CRR)

Average total demand and time liabilities of October 2017 (excluding inter-bank deposit) Daily 6% of average demand and time liabilities:

Required reserve	13,157,495,120	11,839,061,590
Actual reserve held (Annexure - E)	18,853,197,273	14,693,897,050
Surplus	**5,695,702,153**	**2,854,835,460**
Bi-weekly 6.5% of average demand and time liabilities:		
Required reserve	14,253,953,030	12,825,650,060
Actual reserve held	18,853,197,273	14,693,897,050
Surplus	**4,599,244,243**	**1,868,246,990**

Statutory Liquidity Ratio (SLR)

Pursuant to section 33 of the Bank Companies Act 1991 (amended upto 2013) & MPD circular no. 2 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 2017 is based on weekly ATDTL of October 2017). 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	27,414,593,750	25,058,271,838
Actual reserve held with Bangladesh Bank	66,800,922,422	65,984,973,848
Surplus	**39,386,328,672**	**40,926,702,010**

7.2 Actual reserve held for SLR

Cash in hand	3,249,188,419	2,786,359,988
Balance with Bangladesh Bank	26,389,466,396	25,744,818,106
Balance with agent bank (Sonali Bank Ltd.)	54,663,000	47,636,000
TT in transit	-	-
Surplus in excess of actual CRR (note 7.1)	4,599,244,243	1,868,246,990
Prize bond	687,000	1,328,000
Treasury Bills/Bangladesh Bank Bills	22,057,195,263	11,439,548,743
Bangladesh Government Treasury Bonds	10,450,479,101	24,097,036,003
	66,800,923,422	**65,984,973,830**

8 Balance with other banks and financial institutions

Inside Bangladesh	1,007,717,867	160,303,585
Outside Bangladesh	25,352,978,989	31,546,708,861
	26,360,696,856	**31,707,012,446**
Inside Bangladesh		
Current account:		
Sonali Bank Ltd	45,045,415	49,393,062
IFIC Bank Ltd	48,504	149,654
National Bank Ltd	3,000,000	3,000,000
Prime Bank Ltd	3,000,000	3,000,000
Islami Bank Bangladesh Ltd	-	9,062,523
Agrani Bank	6,623,948	5,698,346
Term account:		
The City Bank Ltd	200,000,000	-
South East Bank	250,000,000	-
Dhaka Bank	300,000,000	-
Mercantile Bank	110,000,000	-
Standard Bank Ltd	90,000,000	90,000,000
Total inside Bangladesh	**1,007,717,867**	**160,303,585**
Outside Bangladesh		
Non Group Nostro		
Current account with:		
Nordea Bank Norge, OSLO- NOK	2	1
Credit Suisse, Zurich - CHF	14,655,510	72,593,841
Royal Bank of Canada, Toronto - CAD	11,145,258	9,132,930
Westpac Banking Corporation - AUD	1,736,038	-
Bank of America Merrill Lynch - USD	-	651,670
Al Rajhi Bank - SAR	4,405,261	10
Nordea Bank, OSLO - SEK	3	124,286
Nordea Bank, Denmark	6,620	-
	31,948,692	**82,502,738**
Group Nostro		
Current account with:		
SCB Hongkong - HKD	29,724	25,906
SCB Bombay ACU - USD	-	698,377,211
SCB Nepal - USD	64,771,416	42,089,063
SCB London - GBP	39,267,877	67,239,940
SCB London - USD	21,611,808	18,830,184
SCB Bombay ACU - EUR	362,527	244,336
SCB Karachi ACU - USD	241,187,814	177,439,585
SCB Colombo ACU - USD	110,026,794	95,470,166
SCB Frankfurt - EUR	-	46,956,837
SCB Singapore - SGD	-	1,049,659
SCB Tokyo - JPY	513,988,703	135,613,140
SCB Dubai - AED	22,534	-
	991,269,197	**1,283,336,027**
Short term deposit account with:		
SCB Dhaka OBU - USD	19,103,700,000	22,767,420,000
SCB London - USD	5,127,400,000	-
SCB Dhaka OBU - EUR	98,661,100	165,690,096
SCB Mumbai - USD	-	7,247,760,000
	24,329,761,100	**30,180,870,096**
Total outside Bangladesh	**25,352,978,989**	**31,546,708,861**

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

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

Not more than one month	26,360,696,856	31,617,012,446
Over one month but not more than three months	-	90,000,000
Over three months but not more than one year	-	-
Over one year but not more than five years	-	-
Over five years	-	-
	26,360,696,856	**31,707,012,446**

9 Investments

Government securities		
Treasury Bills	22,057,195,261	10,342,976,692
Reverse Repo Treasury Bills	-	1,096,572,051
Reverse Repo Government Bonds	201,118,692	882,906,472
Bangladesh Bank Bills	26,389,466,396	25,744,818,106
Bangladesh Government Treasury Bonds	9,549,360,409	23,214,129,532
Bangladesh Government Islamic Bonds	700,000,000	-
Prize Bonds	687,000	1,327,600
	58,897,827,758	**61,282,730,453**
Other investments*	**18,000,000**	**18,000,000**
Total	**58,915,827,758**	**61,300,730,453**

*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

9.1 Classification of Treasury Bills and Government Treasury Bonds	2017 Taka	2016 Taka
Held to Maturity (HTM)		
Treasury Bills	22,057,195,261	10,193,068,012
Bangladesh Bank Bills	749,817,956	-
Bangladesh Government Islamic Bonds	700,000,000	-
Bangladesh Government Treasury Bonds	8,917,339,058	16,999,165,457
	32,424,352,275	**27,192,233,469**
Held for Trading (HFT)		
Treasury Bills	-	149,908,680
Bangladesh Bank Bills	25,639,648,440	25,744,818,106
Reverse Repo Treasury Bills	-	1,096,572,051
Reverse Repo Government Bonds	201,118,692	882,906,472
Bangladesh Government Treasury Bonds	632,021,351	6,214,964,075
	26,472,788,483	34,089,169,384
	58,897,140,758	61,281,402,853

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	7,679,838,312	5,742,222,736
182 Day Treasury Bills	7,004,074,842	2,908,005,371
1 Year Treasury Bills	7,373,282,107	1,542,839,905
	22,807,013,217	**10,193,068,012**
Held For Trading (HFT) Securities		
30 Day Bangladesh Bank Bills	25,639,648,440	25,744,818,106
28 Day Treasury Bills	-	-
91 Day Treasury Bills	-	-
182 Day Treasury Bills	-	949,298,337
1 Year Treasury Bills	-	297,182,394
	25,639,648,440	**26,991,298,837**
Total Treasury Bills and Bangladesh Bank Bills	**48,446,661,657**	**37,184,366,849**
Government Bonds		
Held to Maturity (HTM) Securities		
6 Month Bonds- Islamic	700,000,000	-
1 Year Bonds- Islamic	-	-
2 Year Bonds	1,382,453,857	2,881,620,089
5 Year Bonds	5,520,589,023	10,005,990,364
10 Year Bonds	1,879,811,981	3,977,086,380
15 Year Bonds	79,627,417	79,616,399
20 Year Bonds	54,856,780	54,852,225
	9,617,339,058	**16,999,165,457**
Held For Trading (HFT) Securities		
6 Month Bonds- Islamic	-	-
1 Year Bonds- Islamic	-	-
2 Year Bonds	-	899,441,137
5 Year Bonds	205,750,316	5,554,149,593
10 Year Bonds	238,794,843	244,254,650
15 Year Bonds	388,594,884	400,025,167
20 Year Bonds	-	-
	833,140,043	**7,097,870,547**
Total Government Bonds	**10,450,479,101**	**24,097,036,004**

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

On demand	201,118,692	-
Up to 1 month	39,388,495,370	33,616,428,045
Over 1 month but not more than 3 months	5,567,827,009	3,496,355,334
Over 3 months but not more than 1 year	12,529,153,334	15,697,288,823
Over 1 year but not more than 5 years	441,058,330	7,446,217,126
Over 5 years	769,488,023	1,025,113,525
	58,897,140,758	**61,281,402,853**

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)	48,660,000,000	37,279,463,589
Unamortised amount of Treasury Bills	(213,332,220)	(95,535,944)
MTM gain / (loss) from Treasury Bills - HFT	(6,122)	439,204
Market value	**48,446,661,657**	**37,184,366,849**
Government bonds:		
Face value of Government Bond	10,197,907,400	23,345,879,708
Unamortised amount of Government Bonds	107,964,481	434,728,266
MTM gain / (loss) from Government Bonds - HFT	144,607,219	316,428,029
Market value	**10,450,479,100**	**24,097,036,003**
Total	**58,897,140,758**	**61,281,402,853**

10 Loans, cash credit, overdrafts, etc.

Credit cards	5,790,120,480	5,511,462,749
Overdraft	8,901,254,443	3,251,647,039
Personal Loan	19,105,656,297	13,763,660,072
Loan to Professional	2,471,181	5,915,755
Auto loans	1,197,112,356	742,179,889
Mortgage Loan	8,493,067,475	6,884,971,456
Staff loans	2,636,773,094	2,402,129,117
Revolving Loan	168,416,242	365,172,360
Loans against property	1,263,922,287	2,275,906,442
Business Instalment Loan	14,350,325,443	11,845,317,097
Term loans	6,905,674,299	5,208,796,207
Loans against trust receipts	6,082,729,583	5,670,014,147
Import Loan	5,956,539,300	6,813,041,568
Pre-shipment Finance	7,862,028,796	5,684,724,378
Short Term Loan	32,404,414,877	35,921,666,047
Islamic - Credit Card Issuing	442,699,451	571,278,447
Islamic - Personal Finance	2,352,183	9,609,703
Islamic - Auto Finance	416,476,901	358,122,133
Islamic - Mortgage Finance	3,790,480,317	3,658,338,653
Islamic - Instalment Finance-Murabah	42,958,176	106,143,572
Islamic - Finance Against Prop.	4,726,508,904	1,422,226,755
Islamic - Finance Against TR	197,218,017	9,327,831
Islamic - Import Invoice Financing	-	77,999,751
Islamic Short Term Finance	681,645,474	769,498,561
Islamic Term Finance	973,721,102	-
Islamic Import Finance	299,927,380	8,195,195
	132,694,494,058	**113,337,344,924**

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

Inside Bangladesh	132,694,494,058	113,337,344,924
Outside Bangladesh	-	-
	132,694,494,058	**113,337,344,924**

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

Repayable on demand	15,567,725,092	17,185,635,307
Less than three months	46,766,562,654	38,882,335,493
More than three months but less than 1 year	22,862,582,307	21,951,037,502
More than 1 year but less than 5 years	37,321,321,610	27,305,010,288
More than 5 years	10,176,302,395	8,013,326,334
	132,694,494,058	**113,337,344,924**

10.3 Loans and advances- significant concentration

Advances to allied concerns of Directors	-	-
Advance to the Country Management Team members	205,431,978	191,398,896
Advance to other senior executives	1,778,581,009	1,524,934,834
	1,984,012,987	**1,716,333,730**

10.3.1 Details of large loans

Total number of customers having facilities of more than 10% of the Bank's capital:

Number of the Group	23	27
Amount of outstanding loans and advances (BDT)	115,070,133,812	105,572,740,235
Amount of classified loans and advances (BDT)	-	-

Notes to the Financial Statements

10.3.2 Customers' group wise classification of loans and advances	2017 Taka	2016 Taka
(a) Retail loans and advances	42,558,512,571	34,390,819,924
(b) Small and Medium Enterprises	17,510,630,016	14,392,820,115
(c) Large Enterprises	3,978,409,568	2,267,147,445
(d) Corporate customers	96,723,775,805	80,693,040,200
	160,771,327,960	**131,743,827,684**
(a) Retail loans and advances - product wise classification		
Credit cards	5,790,120,480	5,511,462,750
Overdraft	681,302,833	483,055,428
Personal Loan	19,105,656,300	13,763,660,070
Loan to Professional	2,471,181	5,915,755
Auto loans	1,197,112,356	742,179,889
Mortgage Loan	8,493,067,475	6,884,971,456
Staff loans	2,636,773,094	2,402,129,117
Revolving Loan	-	-
Cheque Purchased	-	-
Islamic - Credit Card Issuing	442,699,451	571,278,447
Islamic - Personal Finance	2,352,183	9,609,703
Islamic - Auto Finance	416,476,901	358,122,133
Islamic - Mortgage Finance	3,790,480,317	3,658,338,653
Bill discounted & purchased	-	96,524
	42,558,512,571	**34,390,819,924**
(b) Small and Medium Enterprises - product wise classification		
Business Overdraft	485,676,080	177,422,048
Loans against property	1,103,743,309	1,889,698,010
Business Instalment Loan	11,929,904,080	10,706,044,819
Term loans	102,879,260	100,741,960
Revolving loans	168,416,242	167,882,410
Loans against trust receipts	35,506,000	68,044,559
Import Loan	22,062,439	-
Import Invoice Finance	-	-
Islamic - Instalment Finance-Murabah	42,958,176	106,143,572
Islamic - Finance Against Prop.	3,603,404,430	1,160,762,737
Islamic - Finance Against TR	-	-
Islamic - Import Invoice Financing	-	-
Bill discounted & purchased	16,080,000	16,080,000
	17,510,630,016	**14,392,820,115**
(c) Large Enterprises - product wise classification		
Overdraft	244,843,512	826,182
Loans against property	160,178,978	386,208,432
Business Instalment Loan	2,420,421,363	1,139,272,278
Term loans	-	4,610,269
Revolving loans	-	197,289,950
Loans against trust receipts	24,721,540	153,504,782
Import Loan	5,139,701	-
Import Invoice Finance	-	-
Islamic - Finance against property	1,123,104,474	261,464,019
Bill discounted & purchased	-	123,971,534
	3,978,409,568	**2,267,147,445**
(d) Loans and advances to corporate customers - product wise classification		
Overdraft	7,489,432,016	2,590,343,382
Term Loan	6,802,795,038	5,103,443,979
Cheque Purchased	-	-
Credit Bill Negotiation	-	-
Export Invoice Finance	-	-
Import Invoice Finance	-	-
Import Loan	5,929,337,160	6,813,041,568
Loan Against Trust Receipt	6,022,502,043	5,448,464,806
Preshipment Finance	7,862,028,796	5,684,724,378
Outward Bill	-	-
Short Term Loan	32,404,414,877	35,921,666,047
Islamic Import Invoice Finance	-	77,999,751
Islamic Short Term Loan	681,645,474	769,498,561
Islamic Term Loan	973,721,102	-
Islamic Finance Against Trust Receipt	197,218,017	9,327,831
Islamic Import Finance	299,927,380	8,195,195
Bill discounted & purchased	28,060,753,902	18,266,334,702
	96,723,775,805	**80,693,040,200**

10.3.3 Loans and advances - sector wise classification

(i) Retail Customers	42,558,512,571	34,390,819,924
(ii) Small & Medium Enterprise	17,510,630,016	14,392,820,115
(iii) Large Enterprise	3,978,409,568	2,267,147,445
(iv) Corporate Customers	96,723,775,805	80,693,040,200
	160,771,327,960	**131,743,827,684**
(i) Loans and advances - sector wise classification (Retail Customers)		
Agriculture, hunting, forestry and fishing	-	-
Manufacturing	-	-
Electricity, gas and water	-	-
Commerce	-	-
Transport and communications	-	-
Community, social and personal services	-	-
Retail Loan	39,921,739,477	31,988,690,807
Staff Loan	2,636,773,094	2,402,129,117
	42,558,512,571	**34,390,819,924**
(ii) Loans and advances - sector wise classification (Small & Medium Enterprise)		
Agriculture, hunting, forestry and fishing	-	-
Manufacturing	1,463,813,997	1,249,291,301
Electricity, gas and water	-	-
Commerce	396,272,716	21,971,227
Transport and communications	11,966,058,730	10,388,399,705
Community, social and personal services	168,929,279	134,865,225
Financing, insurance and business service	3,515,555,294	2,598,292,657
	17,510,630,016	**14,392,820,115**
(iii) Loans and advances - sector wise classification (Large Enterprise)		
Agriculture, hunting, forestry and fishing	-	-
Manufacturing	461,313,974	650,189,676
Electricity, gas and water	-	-
Commerce	-	-
Transport and communications	2,679,700,623	1,163,526,225
Community, social and personal services	70,439,713	82,760,059
Financing, insurance and business service	766,955,258	370,671,485
	3,978,409,568	**2,267,147,445**
(iv) Loans and advances - sector wise classification (Corporate customers)		
Agriculture, hunting, forestry and fishing	12,075,926,009	9,181,844,167
Manufacturing	57,312,414,547	44,016,737,097
Electricity, gas and water	410,676,058	1,011,268,895
Commerce	6,508,465,226	5,709,758,907
Transport and communications	5,613,447,184	9,328,921,275
Community, social and personal services	8,582,016,675	6,528,258,467
Financing, insurance and business service	6,220,830,106	4,916,251,392
	96,723,775,805	**80,693,040,200**

10.3.4 Loans and advances - geographical location wise classification

Dhaka Division	132,783,865,282	112,025,364,330
Chittagong Division	26,555,134,888	18,383,694,389
Khulna Division	369,278,015	306,404,283
Rajshahi Division	590,199,539	556,252,954
Rangpur Division	-	-
Sylhet Division	472,850,236	472,111,728
Maymenshing Division	-	-
	160,771,327,960	**131,743,827,684**

10.4 Loans and advances - unclassified and classified classification

Unclassified		
Standard	154,515,952,296	125,004,443,890
Special Mention Account (SMA)	1,508,684,070	1,176,661,542
	156,024,636,366	**126,181,105,432**
Classified		
Substandard	961,100,102	1,769,512,085
Doubtful	187,153,622	171,132,258
Bad / loss	3,598,437,870	3,622,077,909
	4,746,691,594	**5,562,722,252**
	160,771,327,960	**131,743,827,684**

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10.5 Particulars of loans and advances	2017 Taka	2016 Taka
i) Loans considered good in respect of which the Bank is fully secured (unclassified loans and advances);	30,923,471,783	25,912,190,630
ii) Loans considered good against which the Bank holds no security other than the debtor's personal guarantee;	99,223,467,376	99,668,076,113
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;	2,636,773,094	2,402,129,117
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;	2,636,773,094	2,402,129,117
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;	-	-
x) Classified loans for which interest has not been charged:		
a) Increase / (decrease) of provision (specific)	(265,200,904)	93,677,244
Amount of loans written off (net of recovery)	1,316,455,836	568,328,220
Amount realised against the loan previously written off	71,668,952	38,210,105
b) Amount of provision kept against the amount classified as bad / loss as at the Balance Sheet date	2,581,810,530	2,953,038,662
(c) Amount of interest charged in suspense account	572,967,760	2,663,799,532
xi) Loans written off:		
Opening Balance of cumulative written-off loan	4,768,293,881	4,161,755,556
Gross amount of written off during the current year	1,388,124,788	606,538,325
Cumulative amount of written off loans	6,156,418,669	4,768,293,881
Cumulative Amount of written off loan for which lawsuit has been filed	3,883,481,467	3,373,019,711

11 Bills purchased and discounted

11.1 Inside and outside Bangladesh		
Inside Bangladesh	27,054,364,363	17,402,346,064
Outside Bangladesh	1,022,469,539	1,004,136,696
	28,076,833,902	**18,406,482,760**

11.2 Bill purchased & discounted- product wise classification

(a) Bill Discounted & Purchased to Consumer Bank by Product		
Cheque Purchased	-	96,524
Credit Bill Negotiation	-	-
Bank - Credit Bill Negotiation	-	-
Export bill discounting / outward Bill	-	-
Export Invoice Finance	-	-
Import Invoice Finance	-	-
	-	**96,524**
(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	16,080,000	16,080,000
	16,080,000	**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	-	-
Import Invoice Finance	-	-
	-	**-**
(d) Bill Discounted & Purchased to corporate customers by product		
Cheque Purchased	2,001,761,928	487,201,156
Credit Bill Negotiation	2,927,338,437	2,896,182,978
Bank - Credit Bill Negotiation	-	15,481,599
Export bill discounting / outward Bill	59,148,207	18,250,530
Export Invoice Finance	12,765,398,105	6,836,054,063
Import Invoice Finance	10,307,107,226	8,137,135,909
	28,060,753,902	**18,390,306,236**
Total (a+b+c+d)	**28,076,833,902**	**18,406,482,760**

11.3 Classification on residual maturity basis

Payable within one month	2,198,357,380	15,648,406,642
Payable over one month but within three months	24,795,149,290	2,504,660,459
Payable over three months but within six months	1,067,247,232	237,335,659
Payable over six months	16,080,000	16,080,000
	28,076,833,902	**18,406,482,760**

12 Fixed assets including premises, furniture and fixtures

Fixed equipments	1,134,191,098	1,074,936,224
Computer and office equipments	1,392,543,925	1,256,787,494
Furniture and fittings	530,440,473	485,020,450
Motor vehicle	71,152,431	78,648,431
Capitalised leased vehicles	340,561,988	382,811,988
	3,468,889,914	**3,278,204,586**
Less: Accumulated depreciation	(3,074,756,082)	(2,834,931,369)
	394,133,832	**443,273,217**

Refer to Annexure - A for detailed analysis.

13 Other assets

Stationery and stamps in hand	5,972,890	8,151,639
Interest receivable - Loans and advances	1,249,173,214	995,186,752
Interest receivable - Central Bank and Government	265,612,791	710,796,512
Interest receivable - Banks	7,687,947	25,240,803
Interest receivable - SCB Branches	4,287,352	586,775
Accrued commission receivable	443,355,614	250,424,170
Security deposits	12,774,201	13,204,962
Advance rent	908,429,709	1,048,778,846
Prepaid expenses	33,646,243	1,023,464
Items in course of collection-cheques in till	2,926,160,029	1,315,262,209
Suspense account	24,796,344	645,786
Sundry debtors	53,265,931	32,127,029
Intra branch balances with OBU Dhaka	5,553,820,128	3,072,468,252
Project awaiting completion	38,023,293	99,271,054
Unrealised gain on forward contracts	122,215,522	73,025,088
Deferred tax asset	1,229,783,355	1,498,625,531
Cross border recharge receivable	1,298,231	4,094,705
Sundry receivable from Bangladesh Bank	877,990,958	486,794,254
Others	38,527	-
	13,758,332,279	**9,635,707,831**

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	5,972,890	8,151,639
Accrued commission receivable	443,355,614	250,424,170
Security deposits	12,774,201	13,204,962
Advance rent	908,429,709	1,048,778,846
Prepaid expenses	33,646,243	1,023,464
Interest receivable - loans and advances	1,249,173,214	995,186,752
Interest receivable - Central Bank and Government	265,612,791	710,796,512
Interest receivable - Banks	7,687,947	25,240,803
Interest receivable - SCB Branches	4,287,352	586,775
Sundry debtors	53,265,931	32,127,029
Intra branch balances in Bangladesh	5,553,820,128	3,072,468,252
Items in course of collection - cheques in till	2,926,160,029	1,315,262,209
Suspense account	24,796,344	645,786
Project awaiting completion (branch renovation)	38,023,293	99,271,054
Unrealised gain on forward contracts	122,215,522	73,025,088
Deferred tax asset	1,229,783,355	1,498,625,531
Cross border recharge receivable	1,298,231	4,094,705
Others	38,527	-
	12,880,341,321	**9,148,913,577**

13.2 Deferred tax

	Deferred Tax Assets (Taka)		Deferred Tax Liabilities (Taka)	
	2017	2016	2017	2016
Fixed assets	194,329,795	160,617,701	-	-
Accrued interest on Government securities	-	-	(112,885,435)	(302,088,518)
Gratuity provision	200,535,591	463,576,997	-	-
Operating lease rent adjustment	110,114,350	113,273,638	-	-
Actuarial loss during the year	158,697,671	257,828,274	-	-
Specific provision	555,156,976	445,327,361	-	-
Holiday pay accruals	10,948,971			
Revaluation reserve - HTM securities	-	58,001,560	(2,975,881)	-
	1,229,783,355	**1,498,625,531**	**(115,861,316)**	**(302,088,518)**

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 BAS 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.

13.3 Movement of deferred tax assets / (liabilities)	2017 Taka	2016 Taka
Net deferred tax assets / (liabilities) as at 1 January	1,196,537,013	363,902,063
(Charged) / Credit to Profit and Loss account	(51,514,402)	461,985,313
Actuarial gain and Revaluation Reserve-HTM adjustment *(Note- 13.3.1)*	(31,100,572)	370,649,636
Net balance as at 31 December	**1,113,922,039**	**1,196,537,012**
13.3.1 Deferred tax recognised in equity		
Actuarial gain / (loss) for gratuity	(70,298,514)	57,644,000
Revaluation reserve - HTM securities	143,476,331	(929,760,790)
	73,177,817	(872,116,790)
Deferred tax @ 42.5 %	(31,100,572)	370,649,636
Transfers to reserve	**42,077,245**	**(501,467,154)**

14 Borrowings from other banks, financial institutions and agents

Repo (Annex G)	-	-
Foreign currency borrowing from Bangladesh Bank (EDF)	5,844,100,052	5,736,920,282
Others ***(Note - 14.1)***	6,873,343,615	7,460,920,573
	12,717,443,667	**13,197,840,855**

14.1 Others

A. Group Vostro :

Current Deposit		
SCB Bombay - ACU USD	176,614,686	1,722,890
SCB Colombo - ACU USD	129,919,889	373,393,822
SCB Pakistan - USD	22,817,435	159,278,558
SCB London - BDT	136,224,554	268,536,201
SCB New York - BDT	158,010	4,227,637
SCB Singapore - BDT	6,042,217	4,590,035
SCB Singapore - SGD	20,739	-
SCB Kuala Lumpur - BDT	971,905	322,488
SCB Dubai - BDT	12,217,729	12,161,371
SCB Dubai (International Financial Center) - BDT	98,688	98,838
SCB London - GBP	-	-
SCB Frankfut - EUR	803,295,838	-
SCB Tokyo-JPY	500,000	500,000
SCB London - BDT	-	-
SCB India - BDT	-	544,944
	1,288,881,690	**825,376,784**
Fixed Deposit		
SCB Dhaka OBU - USD	3,552,512,502	3,654,427,639
	3,552,512,502	**3,654,427,639**
Total Group Vostro	**4,841,394,192**	**4,479,804,423**

B. Non Group Vostro:

Current Deposit		
People's Bank Colombo, Sri Lanka	6,484,886	20,702,258
Seylan Bank Plc	10,936,982	8,908,489
The Standard Bank, South Africa	24,604,000	24,611,500
Bank of New Zealand	160,250	160,750
UAE Exchange Centre Llc	4,234,243	4,030,956
Askari Bank Ltd	31,089,561	32,894,986
Faysal Bank	34,858,771	32,544,282
Habib Metropolitan Bank	22,986,886	14,747,865
Soneri Bank ltd	47,377,306	15,917,165
Allahabad bank	-	-
Allied Bank Ltd-Karachi	5,587,562	17,349,668
United Bank Ltd-Karachi	30,926,096	44,627,953
Royal Bank of Scotland plc- London	-	-
Oman & UAE exchange centre & Co. Llc	1,674,455	1,675,955
Nordea bank Plc, Finland	908,806	1,089,544
Cimb Bank Berhad	6,082,909	7,390,214
Punjab National bank - ACU	48,463,375	96,498,921
Alliance Bank Malaysia Berhad	1,196,119	654,519
National Australia Bank Ltd	4,030,168	19,349,148
Public Bank - Berhad	1,070,074	1,826,288
RHB Bank Berhad Malaysia - BDT	3,716,143	3,560,597
OCBC Bank Malaysia - BDT	389,640	1,178,965
Hong Leong Bank Malaysia - BDT	902,005	1,080,435
Affin Bank	6,518,468	7,325,540
United Overseas Bank (Malaysia) BHD - BDT	483,849	786,035
Gulf Bank KSC Kuwait - BDT	824,301	759,290
Ahli United Bank K.S.C.	446,845	447,345
Kuwait Finance House	-	1,949,411
Emirates NBD Bank PJSC	3,441,183	784,626
Ahli United Bank BSC	129,856	27,259,103
Nordea Bank Norge ASA	-	-
Barclays Bank PLC, London	4,997,453	4,998,953
Credit Agricole Corporate & Investment Bank	-	-
DFCC Vardhana Bank LTD.	6,722,834	7,789,830
Bank Muamalat Malaysia Berhad	294,170	299,363
UAE Exchange Center LLC	681,691	683,191
Indusind Bank LTD.	43,036,405	40,962,400
Bank AlBilad	-	-
Hatton National Bank LTD.	2,591,248	5,898,305
Sampath Bank Ltd, Colombo	10,293,859	9,849,259
UCO Bank Treasury Branch, Mumbai	16,570,368	32,249,899
RHB Islamic Bank Berhed	1,636,805	1,638,305
National Development Bank PLC.	3,530,894	36,592,793
MCB Bank Ltd. Colombo	1,061,042	623,775
Meezan Bank Limited	23,861,152	21,440,572
Agrani Bank Ltd.	-	-
Bank of America Merrill Lynch	-	-
Svenska Handelsbanken	-	123,772
Nordea Bank Norge, Oslo	-	18,840
Sonali Bank, NBR tax collection	-	-
Samba Bank limited	21,039	34,842
Druk PNB Bank Limited, Bhutan	12,435,923	12,930,800
Bank Islam Malaysia Berhad	2,628,279	1,566,478
NMB Bank Ltd	13,354,716	8,938,734
Kotak Mahindra Bank Limited	36,255,130	12,355,502
Bank of Kathmandu Ltd	487,502	464,428
Citizens Bank International Limited	3,765,792	3,093,230
IBBL NCS	10,950,285	-
Bank AlJazira	7,279,294	7,941,788
Nations Trust Bank	13,198,980	10,867,094
Westpac Banking Corporation	-	592,381
Malayan Banking Berhad	6,089,801	5,526,451
The Bank of Tokyo Mitsibishi UJF Ltd	1,646,937	3,077,975
Bank of Tokyo Mitsubishi UJF Ltd	4,088,875	6,284,750
Australiab and New Zealand Banking Group	17,877,840	16,557,943
Afrasia Bank Limited	22,770	-
Bank of Ayudhya Plc (Head Office)	600,000	-
Bank of Ayudhya PLC Bangkok Sathor	600,000	-
Saudia British Bank	3,457,466	-
Total Non Group Vostro	**549,563,289**	**643,513,460**

	2017 Taka	2016 Taka
C. Overdrawn Nostro Account Balances		
SCB New York - USD	1,481,347,460	2,336,650,662
	1,481,347,460	**2,336,650,662**
D. Margin Deposit from Banks		
SCB London	46,694	46,694
Bank of China	659,825	627,911
KBC Bank NV, Belgium	332,155	277,422
	1,038,674	**952,027**
E. Total Vostro (A+B+C+D)	**6,873,343,615**	**7,460,920,573**
14.2 Borrowings from other banks, financial institutions and agents - inside and outside Bangladesh		
Inside Bangladesh	5,855,050,337	5,736,920,282
Outside Bangladesh	6,862,393,330	7,460,920,573
	12,717,443,667	**13,197,840,855**
14.3 Borrowings from other banks, financial institutions and agents - secured and unsecured		
Secured	5,844,100,052	5,736,920,284
Unsecured	6,873,343,612	7,460,920,571
	12,717,443,664	**13,197,840,855**
14.4 Borrowings from other banks, financial institutions and agents - residual maturity grouping		
Payable on demand	6,873,296,919	3,805,540,904
Payable within 1 month	1,019,519,813	4,445,939,680
Payable within 1 to 3 months	2,451,212,809	2,367,111,088
Payable within 3 to 12 months	2,373,414,123	2,578,343,847
Payable within 1 to 5 years	-	-
Payable over 5 years	-	905,334
	12,717,443,664	**13,197,840,855**
15 Deposits and other accounts		
Current and other accounts	61,899,266,503	50,198,298,624
Bills payable	1,799,200,495	2,083,355,280
Savings deposits	63,395,493,305	56,765,071,283
Term deposits	44,846,387,060	39,400,125,909
Short term deposits	22,583,728,440	22,644,125,009
Other deposits (payable on demand)*	9,135,572,656	10,584,207,555
	203,659,648,459	**181,675,183,660**

*Other deposits include BDT 12,522,391.69 which had remained unclaimed for more than 10 years. The entire amount is deposited to Bangladesh Bank on 8 February 2018.

15.1 Residual maturity grouping of deposits and other accounts (other than bank deposit)		
Payable on demand	137,060,387,735	119,606,764,253
Payable within 1 month	31,485,768,025	30,458,046,389
Payable within 1 to 6 months	15,648,429,901	18,750,980,678
Payable within 6 to 12 months	11,108,579,508	9,151,528,080
Payable within 1 to 5 years	8,156,640,733	3,389,760,155
Payable within 5 to 10 years	199,842,556	318,104,105
	203,659,648,459	**181,675,183,660**
16 Other liabilities		
Obligation under finance lease	17,071,328	77,698,035
Interest payable	876,959,155	897,099,979
Specific provision for loans and advances (Note 16.1)	3,241,197,966	3,506,398,869
General provisions (Note 16.1)	4,661,764,205	3,888,595,180
Interest suspense account (Note - 16.2)	545,594,418	439,347,577
Net defined benefit (asset) liability (Note - 16.3)	542,148,449	1,148,413,404
Provision for income tax (Note - 16.4)	2,720,216,215	3,265,287,787
Accruals for performance bonus	548,998,269	485,180,178
Other provisions	198,642,360	178,076,150
Accrued expenditure	513,385,540	468,075,417
Suspense account	2,712,900,109	1,288,791,901
Sundry creditors	360,115,965	269,825,995
Deferred tax liability (Note - 13.2)	115,861,316	302,088,518
VAT payable	70,349,061	140,351,798
Tax deducted at source	210,049,556	174,578,930
Disputed tax on profit remittance	6,632,727,816	6,632,727,816
Unamortised fees	3,929,752	2,928,976
Unrealised loss on forward contracts	39,199,983	43,567,385
Accrued bonus points	24,939,278	10,356,611
Funds held from clients	1,455,800,824	1,057,046,290
Rental payable	259,092,588	266,526,208
Adjustment due to use of Bangladesh Bank conversion rate	75,602	33,111,193
Others	361,642,546	176,253,926
	26,112,662,300	**24,752,328,125**

16.1 Provision for loans and advances and off-balance sheet exposures

General provision		
Opening balance	**3,888,595,180**	**3,185,298,694**
Provision charged / (released) during the year	346,677,249	182,563,771
Provision on off-balance sheet exposures charged / (released)	426,491,776	520,732,715
Charge in profit and loss account	773,169,025	703,296,486
Total general provision	**4,661,764,205**	**3,888,595,180**
Specific provision		
Opening balance	**3,506,398,870**	**3,412,721,625**
Add: Provision made during the year	1,698,228,603	1,089,555,929
Less: Release/Recovery during the year	(696,572,402)	(498,054,711)
Less: Recovery of debts previously written-off	-	-
Charge in profit and loss account	**1,001,656,201**	**591,501,218**
Less : Written-Off (net of recovery) during the year	(1,267,804,877)	(525,828,580)
Add : Translation increase/(decrease)	947,772	47,389
Add : Transferred from Interest In suspense	-	27,957,217
Total specific provisions	**3,241,197,966**	**3,506,398,869**
Total provisions	**7,902,962,171**	**7,394,994,049**

16.1.1 Adequacy of provision vis a vis provision required to be maintained	Base for provision 2017 only Taka	2017 Taka	2016 Taka
General provision			
On off-balance sheet exposures @ 1%	221,256,967,429	2,212,569,674	1,786,077,898
On standard loans (excluding SMA) at prescribed rates	154,515,952,299	2,418,963,749	2,070,416,575
On special mention accounts (SMA) @ 5%	1,508,684,070	30,230,780	32,100,707
	377,281,603,798	**4,661,764,203**	**3,888,595,180**
Specific provision			
On sub-standard loans and advances	412,830,759	82,566,152	193,879,677
On doubtful loans and advances	139,282,386	69,641,193	60,989,561
On bad / loss loans and advances	2,581,810,530	2,581,810,530	2,953,038,665
	3,133,923,675	**2,734,017,875**	**3,207,907,903**
Total provision required to be maintained		7,395,782,078	7,096,179,390
Total provision maintained		7,902,962,171	7,394,994,049
Excess / (deficit) provision at 31 December		**507,180,093**	**298,814,659**

16.2 Interest suspense account		
Opening balance	439,347,578	437,097,991
Addition during the year	572,967,760	2,663,799,532
Amount of recovery during the year	(418,069,961)	(2,563,822,847)
Waived during the year	-	(25,582,339)
Written off during the year	(48,650,959)	(42,499,640)
Transferred to Specific Provision	-	(29,645,120)
	545,594,418	**439,347,577**

16.3 Net defined benefit (asset) liability

Latest actuarial valuation of the gratuity scheme was performed by an actuary as at 31 December 2014. Till date there is a funding deficit of Taka 542.14 million.

Present value of defined benefit obligation (Note - 16.3.1)	2,837,502,449	2,529,233,404
Fair value of plan assets (Note - 16.3.1)	(2,295,354,000)	(1,380,820,000)
Net defined benefit (asset) / liability	**542,148,449**	**1,148,413,404**
16.3.1 Movement in net defined benefit (asset) liability		
Changes in the present value of defined benefit obligations		
Opening balance	2,529,233,404	2,466,680,282
Current Service Cost	252,152,000	239,498,000
Interest cost	165,026,000	177,644,000
Remeasurement losses (gain)	87,953,045	(4,197,878)
Benefit paid	(196,862,000)	(350,391,000)
Closing balance	**2,837,502,449**	**2,529,233,404**
Changes in the fair value of plan assets		
Opening balance	1,380,820,000	1,309,605,000
Expected returns on plan assets	94,300,000	107,922,000
Contribution received	999,443,000	260,239,000
Remeasurement (losses) / gain	17,653,000	53,445,000
Benefit paid	(196,862,000)	(350,391,000)
Closing balance	**2,295,354,000**	**1,380,820,000**

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	2017 Taka	2016 Taka
16.4 Provision for income tax		
Opening balance	3,265,287,787	3,457,048,475
Provision made during the year	3,566,199,182	4,817,978,620
Amount paid during the year	(4,111,270,754)	(5,009,739,308)
Closing balance	**2,720,216,215**	**3,265,287,787**
17 Other reserves		
General reserve	735,905	735,905
Actuarial gain/(loss)	(214,708,614)	(174,286,114)
Revaluation reserve account	83,149,149	182,355,769
Equity reserve - amortisation on HTM securities	(79,122,959)	(260,829,321)
	(209,946,519)	**(252,023,761)**
18 Appropriation of net income		
Movement in profit and loss account balance has been detailed in statement of changes in equity.		
Opening balance	31,511,451,349	32,555,862,837
Profit remitted to Head Office	-	(9,052,735,294)
Net profit for the year	7,474,218,651	8,008,323,805
	38,985,670,000	**31,511,451,348**
19 Interest income		
Secured cash credits	39,407,530	42,150,667
Personal Credit	3,768,580,812	3,423,852,645
Loans against property	230,999,525	358,222,781
Term loans	2,922,397,551	3,014,644,732
Revolving loans	935,793,497	763,971,385
Loans against trust receipts	312,639,777	326,921,677
Auto loans	117,896,836	81,922,635
House building loan	752,942,585	739,019,475
Credit cards	1,167,187,199	1,146,873,441
Overdraft	336,263,401	354,311,352
Islamic auto finance	45,306,869	49,791,732
Islamic personal finance	52,762,872	20,830,234
Islamic mortgage	332,532,219	343,981,191
Islamic SME finance against property	318,037,860	53,800,473
Islamic finance against trust receipt	6,782,018	1,837,302
Islamic import invoice financing	8,839,144	24,651,393
Islamic corporate short term finance	60,861,571	87,411,796
Bills discounted and purchased	1,383,051,579	1,079,854,541
Money market loan	28,774,694	13,102,264
Bank placement	310,023,377	115,232,932
Nostro account balances	9,313,944	4,143,554
Bangladesh Bank - FCY	31,688,746	13,984,968
Reverse repo	42,418,996	88,666,810
	13,214,502,602	**12,149,179,980**
20 Interest expense on deposits and borrowings		
Fixed deposit	1,669,423,333	1,633,743,904
Call deposit	401,259,912	337,972,022
Savings account	547,642,082	530,804,923
Money market deposit	34,666,559	22,226,617
Repo	14,321	1,336
Nostro account balances	2,214,558	219,676
Deposit insurance premium	122,706,946	110,142,229
Others	19,408,709	11,586,069
	2,797,336,420	**2,646,696,776**
21 Income from investments		
Interest from Government Bonds and Treasury Bills	2,586,417,409	4,457,206,272
Gain / (loss) arising from disposal of government securities	95,754,806	270,899,490
Dividend from CDBL shares	22,500,000	22,500,000
	2,704,672,215	**4,750,605,762**
22 Commission, exchange and brokerage income		
Commission income*	3,669,909,614	3,618,168,027
Exchange income	3,054,869,135	2,197,709,437
	6,724,778,749	**5,815,877,464**

* Commission Includes export income BDT 537,112,995 (2016: BDT 536,727,780) and custodial service income for stock exchange BDT 111,354,171 (2016: BDT 91,559,074).

23 Other operating income		
Gain on sale of fixed assets	2,779,393	4,456,051
Miscellaneous income	503,553	1,361,477
	3,282,946	**5,817,528**
24 Repair, maintenance and depreciation		
Repair and maintenance	210,845,053	222,967,519
Depreciation (Annexure - A)	276,222,213	302,901,093
	487,067,266	**525,868,612**
25 Other expenses		
Non lending losses	60,923,810	3,454,975
Travelling and transportation	88,160,937	79,706,924
Support services	220,475,427	253,188,756
Subscription	4,672,356	5,625,952
Entertainment	21,179,731	28,579,223
Security services	59,177,815	52,925,369
Computer expenses	51,102,369	61,406,389
Interest on leases	6,374,584	20,907,792
Training & Workshop	27,823,564	21,487,236
Car Running Expenses	33,936,120	62,524,472
Staff Insurance expenses	102,651,925	100,347,792
Archiving and Document Storage	22,079,808	19,000,033
Bank charges (Corresponding Bank)	12,090,057	13,191,585
Card Production costs	12,702,201	20,240,739
Property verification charges	45,738,279	35,430,875
Security delivery services	46,662,532	76,774,986
Clearing House Charges	11,483,348	7,450,170
Collection Expenses -General	2,728,171	17,429,278
Other	353,141,390	290,098,012
	1,183,104,424	**1,169,770,559**
26 Cash and cash equivalents		
Cash in hand (including foreign currencies)	3,249,188,422	2,786,359,988
Balance with Bangladesh Bank	20,074,162,820	15,444,171,070
Balance with Sonali Bank (agent of Bangladesh Bank)	54,645,936	47,643,695
Balance with other banks and financial institutions	26,360,696,856	31,707,012,446
	49,738,694,034	**49,985,187,199**
27 Contingent liabilities and commitments		
Acceptances and endorsements	66,831,972,046	57,768,506,484
Letters of guarantee (Note 27.1)	69,363,381,367	40,657,216,799
Irrevocable letters of credit	50,285,143,935	43,353,267,832
Bills for collection	15,921,838,076	14,529,936,303
Other commitments		
Forward contracts	18,854,632,005	22,298,862,430
	221,256,967,429	**178,607,789,848**
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	61,669,142,533	34,169,965,480
Others	7,694,238,834	6,487,251,319
	69,363,381,367	**40,657,216,799**

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.

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 BAS 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 - 8 under Group Nostro and in Note - 14.2 under Group Vostro and Overdrawn 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:

Salaries and other short-term employee benefits	249,071,976	243,601,343
Bonuses paid or payable	106,817,123	73,141,152
Post employment benefits - provident fund and gratuity fund	23,279,840	20,508,164
	379,168,939	**337,250,659**

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Loans to senior management (CMT) of the Bank amounted to Tk. 205,431,978 as at 31 December 2017 (2016:Tk. 191,398,896) 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 from among employees of the Bank. The Bank does not charge these schemes any fees for management or administrative purposes.

In 2017, the Bank contributed BDT 999,468,527 to the gratuity fund and BDT 148,968,045 to the provident fund. As at 31 December 2017, the provident fund had a balance of BDT 83,016,842 (2016: BDT 68,484,789) and the gratuity fund had a balance of BDT 1,399,786,679 (2016 : BDT 476,721,878) 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 2016 by the provident fund amounted to BDT 2,447,573 (2016: BDT 3,619,156) and on deposit maintained with it in 2017 by the gratuity fund amounted to BDT 47,663,173 (2016 : BDT 22,528,274).

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 - 8, 13 and 14.

30 General

30.1 Reconciliation of books of accounts

There were no unidentified balances in the inter-branch accounts (inside and outside Bangladesh) as at 31 December 2017. Total four entries were unreconcilred amounting to a total of EUR 73.19 (2016: total EUR 65.43) and JPY 398 (JPY 197.00).

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 has developed strategies based on Bangladesh Bank regulations and its internal policies to manage foreign exchange risk from dealings in foreign exchange products such as spot, forward and derivatives with clients. 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 various risk limits which are monitored and reported daily to management and through several regulatory reports. The proper escalation of any management directive is also tracked and any action plans are monitored by the Bank's risk management structure. Changes in policy, limits and regulations are escalated and adhered to timely. Settlement of foreign exchange trades and management of nostro accounts are also subject to limits set by management. These are also tracked and escalated as part of the overall foreign exchange risk management process.

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

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- 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 revised 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 problem, 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

According to BRPD circular no. 12 dated 23 December 2002, all banks are advised to constitute an audit committee comprising members of the Board. The audit committee will assist the Board in fulfilling its oversight responsibilities including implementation of the objectives, strategies and overall business plans set by the Board for effective functioning of the Bank. The committee will review the financial reporting process, the system of internal control and management of financial risks, the internal audit process, and the Bank's process for monitoring compliance with laws and regulations and its own code of business conduct.

Being a branch of a foreign bank, the Bank does not have a local Board of Directors from whom to select an audit committee. However, the Bank has received a dispensation from Bangladesh Bank on 24 March 2011 with regards to this requirement. At the country level, the Bank has 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 Group Audit and Risk Committee through the relevant regional committees. The Bank has an internal audit department. 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 2017 was USD (10,750,408) equivalent BDT (889,058,813).

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 2017 in foreign currencies have been converted into Taka at the following rates:

		2017 Taka	2016 Taka
GBP 1	=	111.2191	96.5236
EUR 1	=	98.6694	82.4107
USD 1	=	82.7000	78.7000
CAD 1	=	65.5387	58.2769
AUD 1	=	64.4440	56.8017
SGD 1	=	61.7971	54.3283
SAR 1	=	22.0522	20.9822
MYR 1	=	24.4793	24.4793
DKK 1	=	13.2521	11.0843
NOK 1	=	10.0145	9.0649
HKD 1	=	10.5817	10.1480
SEK 1	=	10.0170	8.6126
JPY 1	=	0.7327	0.6764
CHF 1	=	84.3189	76.9193
AED 1	=	22.5341	21.4441

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Mohammod Masud Rana FCA
Chief Financial Officer, Bangladesh

Dhaka, 28 February 2018

Schedule of fixed assets including premises, furniture and fixtures

Standard Chartered Bank
Bangladesh Branches
Schedule of fixed assets including premises, furniture and fixtures
as at 31 December 2017

Annexure - A

Figures in Taka

Particulars	Cost				Depreciation				Net book value as at 31 December 2017
	Balance as at 1 January 2017	Additions during the year	Disposals/ adjustments during the year	Balance as at 31 December 2017	Balance as at 1 January 2017	Charge for the year	On disposals /adjustments	Balance as at 31 December 2017	
Own assets									
Free hold premises	-	-	-	-	-	-	-	-	-
Fixed equipments	1,074,936,224	59,254,874	-	1,134,191,098	985,601,117	71,236,538	-	1,056,837,655	77,353,443
Computer and office equipment	1,256,787,494	135,756,431	-	1,392,543,925	1,119,136,279	87,345,459	-	1,206,481,738	186,062,186
Furniture and fittings	485,020,450	45,420,023	-	530,440,473	373,753,846	65,056,456	-	438,810,302	91,630,170
Motor vehicle	78,648,431	2,504,000	(10,000,000)	71,152,431	33,132,840	13,974,610	(2,666,667)	44,440,783	26,711,648
Sub-total	**2,895,392,598**	**242,935,328**	**(10,000,000)**	**3,128,327,926**	**2,511,624,082**	**237,613,063**	**(2,666,667)**	**2,746,570,478**	**381,757,448**
Leased assets									
Capitalised leased vehicles	382,811,988	-	(42,250,000)	340,561,988	323,307,287	38,609,150	(33,730,833)	328,185,603	12,376,385
Sub-total	**382,811,988**	**-**	**(42,250,000)**	**340,561,988**	**323,307,287**	**38,609,150**	**(33,730,833)**	**328,185,603**	**12,376,385**
Total 2017	**3,278,204,586**	**242,935,328**	**(52,250,000)**	**3,468,889,914**	**2,834,931,369**	**276,222,213**	**(36,397,500)**	**3,074,756,082**	**394,133,832**

Schedule of fixed assets including premises, furniture and fixtures
as at 31 December 2016

Figures in Taka

Particulars	Cost				Depreciation				Net book value as at 31 December 2016
	Balance as at 1 January 2016	Additions during the year	Disposals/ adjustments during the year	Balance as at 31 December 2016	Balance as at 1 January 2016	Charge for the year	On disposals /adjustments	Balance as at 31 December 2016	
Own assets									
Free hold premises	-	-	-	-	-	-	-	-	-
Fixed equipments	1,074,936,224	-	-	1,074,936,224	908,021,384	77,579,733	-	985,601,117	89,335,107
Computer and office equipment	1,209,934,864	46,852,630	-	1,256,787,494	1,043,460,282	75,675,997	-	1,119,136,279	137,651,214
Furniture and fittings	485,020,450	-	-	485,020,450	310,190,974	63,562,872	-	373,753,846	111,266,604
Motor vehicle	52,162,687	27,733,000	(1,247,256)	78,648,431	19,657,458	13,475,382	-	33,132,840	45,515,591
Sub-total	**2,822,054,225**	**74,585,630**	**(1,247,256)**	**2,895,392,598**	**2,281,330,098**	**230,293,985**	**-**	**2,511,624,082**	**383,768,516**
Leased assets									
Capitalised leased vehicles	547,061,988	-	(164,250,000)	382,811,988	395,553,512	72,607,108	(144,853,334)	323,307,287	59,504,701
Sub-total	**547,061,988**	**-**	**(164,250,000)**	**382,811,988**	**395,553,512**	**72,607,108**	**(144,853,334)**	**323,307,287**	**59,504,701**
Total 2016	**3,369,116,213**	**74,585,630**	**(165,497,256)**	**3,278,204,586**	**2,676,883,610**	**302,901,093**	**(144,853,334)**	**2,834,931,369**	**443,273,217**

Balance with other banks and financial institutions (Outside Bangladesh)

Standard Chartered Bank
Bangladesh Branches
Balance with other banks and financial institutions (Outside Bangladesh)
as at 31 December 2017

Annexure - B

Particulars	Currency name	2017			2016		
		Foreign currency	Exchange rate	Equivalent local currency	Foreign currency	Exchange rate	Equivalent local currency
Non Group Nostro							
Royal Bank of Canada, Toronto	CAD	169,888	65.60	11,145,258	155,722	58.65	9,132,930
Nordea Bank Norge, OSLO	NOK	0	10.00	2	0	9.12	1
Credit Suisse Zurich	CHF	173,722	84.36	14,655,510	938,431	77.36	72,593,841
Svenska Handelsbanken	SEK	-	10.02	-	-	8.65	-
Westpac Banking Corporation	AUD	26,966	64.38	1,736,038	-	56.85	-
Al Rajhi Bank	SAR	200,000	22.03	4,405,261	0	20.98	10
Bank of America Merrill Lynch	USD	-	82.70	-	8,272	78.78	651,670
Nordea Bank	SEK	0	10.02	3	14,371	8.65	124,286
Nordea Bank Denmark	DKK	500	13.25	6,620			
Total				**31,948,691**			**82,502,738**

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Balance with other banks and financial institutions (Outside Bangladesh)

Standard Chartered Bank
Bangladesh Branches
Balance with other banks and financial institutions (Outside Bangladesh)
as at 31 December 2017

Annexure - B

Particulars	Currency name	2017			2016		
		Foreign currency	Exchange rate	Equivalent local currency	Foreign currency	Exchange rate	Equivalent local currency
Group Nostro							
SCB HongKong -HKD	HKD	2,809	10.58	29,724	2,550	10.16	25,906
SCB Nepal Nostro -USD	USD	783,209	82.70	64,771,416	534,261	78.78	42,089,063
SCB London -GBP	GBP	353,449	111.10	39,267,877	691,526	97.23	67,239,940
SCB Bombay ACU -EUR	EUR	3,674	98.66	362,527	2,949	82.85	244,336
SCB Bombay ACU -USD	USD	-	82.70	-	8,864,905	78.78	698,377,211
SCB Karachi ACU -USD	USD	2,916,419	82.70	241,187,814	2,252,343	78.78	177,439,585
SCB Colombo ACU -USD	USD	1,330,433	82.70	110,026,794	1,211,858	78.78	95,470,166
SCB Frankfurt -EUR	EUR	-	98.66	-	566,803	82.85	46,956,837
SCB Dhaka OBU -USD	USD	231,000,000	82.70	19,103,700,000	289,000,000	78.78	22,767,420,000
SCB London -USD	USD	62,000,000	82.70	5,127,400,000	-	78.78	-
SCB Singapore -SGD	SGD	-	61.81	-	19,297	54.39	1,049,659
SCB Tokyo -JPY	JPY	701,342,868	0.73	513,988,703	201,224,905	0.67	135,613,140
SCB London -USD	USD	261,328	82.70	21,611,808	239,022	78.78	18,830,184
SCB Mauritius -USD	USD	-	82.70	-	-	78.78	-
SCB Dhaka OBU-EUR	EUR	1,000,000	98.66	98,661,100	2,000,000	82.85	165,690,096
SCB Mumbai-USD	USD	-	82.70	-	92,000,000	78.78	7,247,760,000
SCB Dubai- AED	AED	1,000	22.53	22,534	-	97.23	-
Total				**25,321,030,298**			**31,464,206,123**

Liquidity Statement

Standard Chartered Bank
Bangladesh Branches
Liquidity Statement
(Asset and Liability Maturity Analysis)
as at 31 December 2017

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	23,377,997,177	-	-	-	-	23,377,997,177
Balance with Bangladesh Bank, agent bank, other banks and financial institutions	26,360,696,855	-	-	-	-	26,360,696,855
Money at call or short notice	-	-	-	-	-	
Investments	39,589,614,062	5,567,827,009	12,529,153,334	441,058,330	788,175,023	58,915,827,758
Loans and advances	42,259,241,641	47,068,552,776	23,929,829,539	37,321,321,610	10,192,382,395	160,771,327,960
Fixed assets including premises, furniture and fixtures	-	-	-	-	394,133,833	394,133,833
Other assets	12,528,548,924	-	-	-	1,229,783,355	13,758,332,279
Non-banking assets	-	-	-	-	-	-
Total assets	**144,116,098,659**	**52,636,379,785**	**36,458,982,873**	**37,762,379,940**	**12,604,474,606**	**283,578,315,862**
Liabilities						
Balance with Bangladesh Bank, agent bank, other banks and financial institutions	7,892,816,732	2,451,212,809	2,373,414,123	-	-	12,717,443,664
Deposits and other accounts	168,546,155,760	9,304,645,037	17,452,364,372	8,156,640,733	199,842,556	203,659,648,459
Provision and other liabilities (including equity)	19,364,074,092	-	3,984,438,704	-	43,852,710,943	67,201,223,739
Total liabilities	**195,803,046,584**	**11,755,857,846**	**23,810,217,199**	**8,156,640,733**	**44,052,553,500**	**283,578,315,862**
Net Liquidity Gap	**(51,686,947,925)**	**40,880,521,939**	**12,648,765,674**	**29,605,739,207**	**(31,448,078,894)**	**-**

Financial Highlights

Standard Chartered Bank
Bangladesh Branches
Financial Highlights 2017

Annexure - D

Sl. no.	Particulars		2017	2016
1	Capital - fund deposited with Bangladesh Bank	Taka	2,312,837,956	2,223,946,156
2	Total capital	Taka	44,639,368,469	36,117,093,051
3	Capital surplus / deficit	Taka	16,625,646,827	13,055,772,194
4	Total assets	Taka	283,578,315,863	253,108,726,384
5	Total deposits	Taka	203,659,648,459	181,675,183,660
6	Total loans and advances	Taka	160,771,327,960	131,743,827,684
7	Total contingent liabilities and commitments	Taka	221,256,967,429	178,607,789,848
8	Advances / deposit ratio	%	78.94%	72.52%
9	Classified advances as (%) of total advances	%	2.95%	4.22%
10	Net profit after tax and provisions	Taka	7,474,218,650	8,008,323,806
11	Amount of classified loans during current year	Taka	1,917,687,098	2,286,334,150
12	Amount of provisions against classified loans	Taka	3,241,197,966	3,506,398,869
13	Provision surplus / shortage	Taka	507,180,093	298,814,659
14	Interest expenses	Taka	2,797,336,420	2,646,696,776
15	Interest bearing assets	Taka	222,255,874,983	192,886,025,769
16	Non-interest bearing assets	Taka	61,322,440,881	60,222,700,614
17	Return on investment (ROI)	%	18.19%	23.92%
18	Return on assets (ROA)	%	2.79%	3.37%
19	Income from investment	Taka	2,704,672,215	4,750,605,762

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 2017

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.

	As per Bangladesh Bank statement	As per the Bank's general ledger	Reconciling difference
Local currency	Taka	Taka	Taka
Bangladesh Bank Dhaka	15,338,941,410	13,993,968,523	1,344,972,887
Bangladesh Bank Chittagong	424,998,900	417,199,920	7,798,980
Bangladesh Bank Sylhet	110,718,708	94,626,642	16,092,066
Bangladesh Bank Khulna	121,980,934	108,716,348	13,264,586
Bangladesh Bank Bogra	56,557,321	56,020,772	536,549
Bangladesh Bank Dhaka - Al Wadia C/A- BDT	2,800,000,000	2,800,000,000	-
	18,853,197,273	**17,470,532,206**	**1,382,665,067**
Credited by the Bank but not debited by Bangladesh Bank			5,203,664,203
Debited by the Bank but not credited by Bangladesh Bank			518,679,418
Credited by Bangladesh Bank but not debited by the Bank			159,663,735
Debited by Bangladesh Bank but not credited by the Bank			3,461,983,454
			1,382,665,067

	As per Bangladesh Bank statement	As per the Bank's general ledger		Reconciling difference
Foreign currency	USD	USD	Taka	USD
USD clearing account	41,367,260	29,835,581	2,467,402,548	11,531,679
USD capital account	-	-	-	-
Total	**41,367,260**	**29,835,581**	**2,467,402,548**	**11,531,679**
Credited by the Bank but not debited by Bangladesh Bank				7,433,378
Debited by the Bank but not credited by Bangladesh Bank				133,547
Credited by Bangladesh Bank but not debited by the Bank				5,898,716
Debited by Bangladesh Bank but not credited by the Bank				1,666,868
				11,531,679

	As per Bangladesh Bank statement	As per the Bank's general ledger		Reconciling difference
	GBP	GBP	Taka	GBP
GBP clearing account	667,708	665,350	73,999,694	2,358
	667,708	**665,350**	**73,999,694**	**2,358**
The Bank credited but Bangladesh Bank had not debited				2,358
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				-
				2,358

	As per Bangladesh Bank statement	As per the Bank's general ledger		Reconciling difference
	JPY	JPY	Taka	JPY
JPY clearing account	566,388	566,388	414,975	-
	566,388	**566,388**	**414,975**	**-**
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				-
				-

	As per Bangladesh Bank statement	As per the Bank's general ledger		Reconciling difference
	EUR	EUR	Taka	EUR
EUR clearing account	646,997	626,470	61,813,397	20,528
	646,997	**626,470**	**61,813,397**	**20,528**
The Bank credited but Bangladesh Bank had not debited				20,528
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				-
				20,528
Total (Taka)			**20,074,162,820**	

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 Institution of Chartered Accountants of Bangladesh (ICAB) into Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standards (BAS) 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 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) @ 0.625% 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 1 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 are provided as under:

Disclosures on Risk Based Capital (Basel III)

Common Equity Tier I	2017 (Taka)	2016 (Taka)
Fund Deposited with Bangladesh Bank	2,312,837,956	2,223,946,156
Retained Earnings	38,985,670,000	31,511,451,349
Actuarial Gain/(Loss)	(214,708,614)	(174,286,114)
Less: Regulatory Adjustment for Deffered Tax Assets as per Bangladesh Bank Guidelines	(1,202,025,506)	(1,476,359,163)
	39,881,773,836	**32,084,752,229**
Additional Tier I	-	-
Total Tier I	**39,881,773,836**	**32,084,752,229**

Tier II	2017 (Taka)	2016 (Taka)
General Provision	4,661,764,205	3,888,595,180
Revaluation Reserve for Securities	95,830,428	143,745,642
	4,757,594,633	**4,032,340,822**
Total Capital	**44,639,368,469**	**36,117,093,051**

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 Indictor Approach for operational risk.

Quantitative Disclosures:

Details of Risk Weighted Assets as on 31 December 2017:

Risk Weighted Assets	2017 (Taka)	2016 (Taka)
On balance sheet exposures	153,423,342,645	118,347,471,047
Off-balance sheet exposures	92,968,225,018	75,824,115,442
Total Credit risk	246,391,567,663	194,171,586,489
Market risk	1,116,602,671	2,116,373,576
Operational risk	32,629,046,090	34,325,248,509
Total Risk Weighted Assets	280,137,216,424	230,613,208,574
Capital requirement for Credit risk	24,639,156,766	19,417,158,649
Capital requirement for Market risk	111,660,267	211,637,358
Capital requirement for Operational risk	3,262,904,609	3,432,524,851
Minimum Capital Requirement	28,013,721,642	23,061,320,857

	2017	2016
Common Equity Tier -I Ratio	14.24%	13.91%
Tier I Capital Adequacy Ratio	14.24%	13.91%
Tier II Capital Ratio		
Capital to Risk Weighted Assets Ratio (CRAR)	15.93%	15.66%

Risk management

Effective risk management is fundamental to being able to generate profits consistently and sustainably and is thus a central part of the financial and operational management of the Bank. Through the risk management framework we manage enterprise-wide risks, with the objective of maximizing risk-adjusted returns while remaining within our risk appetite. As part of this framework, we use a set of principles that describe the risk management culture we wish to sustain:

- **Balancing risk and return:** Risk is taken in support of the requirements of our stakeholders, in line with our strategy and within our risk appetite
- **Responsibility:** It is the responsibility of all employees to ensure that risk-taking is disciplined and focused. We take account of our social responsibilities and our commitments to customers in taking risk to produce a return.
- **Accountability:** Risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk-taking must be transparent, controlled and reported.
- **Anticipation:** We seek to anticipate future risks and ensure awareness of all known risks.
- **Competitive advantage:** We seek to achieve competitive advantage through efficient and effective risk management and control.

D. Credit Risk

Qualitative Disclosures:

Credit risk is the potential for loss due to failure of a counterparty to meet its obligations to pay the Bank in accordance with agreed terms.

Credit risk is managed through a framework which sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework.

A comprehensive framework is in place for the management of counterparty credit risk. This includes a structured process for the delegation of credit approval authority and for monitoring compliance with appetite. Policy and procedures are defined to support credit underwriting activities at all levels of the Group. These policies are defined at 3 levels-Group, Business and Country level.

All credit decisions are subject to underwriting standards which mandate defined processes and procedures for performing credit checks and detailed due diligence reviews. Systems and controls are in place to monitor collateral value and loan covenants. Each counterparty is also required to have an approved limit in place prior to drawdown of funds. Limit excesses are actively managed and subject to reporting and escalation.

Counterparties are subject to credit rating and these ratings are reviewed on a regular basis. Active monitoring of account level activity and limit utilization trends help to inform the early alert and risk trigger mechanisms. Potential problem accounts are investigated, monitored and appropriate action is taken. Standing Committees dedicated to account and portfolio monitoring supported by portfolio information reports are a well established discipline. The portfolio is monitored from the point of view of industry concentrations, risk grade distribution and tenor and security profiles amongst other parameters.

Credit risk from traded products is managed within the overall credit risk appetite for corporates and financial institutions. The credit risk exposure from traded products is derived from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential market movements.

Past dues and impaired exposures are defined in accordance with the relevant Bangladesh Bank regulations. Specific and general provisions are computed periodically in accordance with the Bangladesh Bank regulations.

Quantitative Disclosures:

Details of Credit Risk as on 31 December 2017:	2017 Taka	2016 Taka
Gross Credit risk exposures:		
Funded	283,578,315,863	253,108,726,383
Non-funded	221,256,967,429	178,607,789,848
Total	**504,835,283,292**	**431,716,516,231**
Distribution of risk exposure by claims:		
Cash and cash equivalents	3,249,188,422	2,786,359,988
Claims on Sovereigns and Central Bank	20,074,162,820	15,491,814,765
Claims on banks	26,415,342,792	31,707,012,446
Investments	32,424,352,275	27,192,233,470
Claims on corporate	97,077,652,195	80,693,040,200
Claims on Consumer and SME Loan	63,693,675,765	51,050,787,479
Fixed Assets	394,133,832	443,273,218
Others assets	13,777,019,279	9,655,035,429
Off-balance sheet items	221,256,967,429	178,607,789,848
Total	**478,362,494,809**	**397,627,346,843**
Credit risk mitigation:		
Claims secured by financial collateral	1,675,260,454	1,578,749,189
Net exposures after the application of haircuts	1,313,718,502	1,139,237,372
Claims secured by eligible Guarantee		
Gross non-performing assets (NPAs)		
Non-performing asset (NPAs) to outstanding loans and advances	2.95%	4.22%
Movement of non-performing assets (NPAs)		
Opening balance	5,562,722,252	4,761,691,247
Net movement during the year	(816,030,658)	801,031,005
Closing balance	**4,746,691,594**	**5,562,722,252**
Movement of specific provision for (NPAs)		
Opening balance of specific provision	3,506,398,869	3,412,721,625
Written off during the period	(1,267,804,877)	(525,828,580)
Recovers during the period	(696,572,402)	(498,054,711)
Provision made during the period	1,698,228,603	1,089,555,929
Other Movement	-	27,957,217
Translation increase / (decrease)	947,772	47,389
Closing balance of specific provision	**3,241,197,965**	**3,506,398,869**

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Standard Chartered

Geographical Distribution of Credit Exposure:

Geographical Distribution of Credit Exposure:

2017	Dhaka Taka	Chittagong Taka	Narayangonj Taka	Khulna Taka	Sylhet Taka	Bogra Taka	Total Taka
Cash and cash equivalents	1,902,154,677	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**

2016	Dhaka Taka	Chittagong Taka	Narayangonj Taka	Khulna Taka	Sylhet Taka	Bogra Taka	Total Taka
Cash and cash equivalents	2,025,690,473	567,091,931	15,511,642	87,296,818	44,987,602	45,781,523	2,786,359,988
Claims on Sovereigns and Central Bank	15,491,814,765	-	-	-	-	-	15,491,814,765
Claims on Banks	31,707,012,446	-	-	-	-	-	31,707,012,446
Investments	27,192,233,470	-	-	-	-	-	27,192,233,470
Claims on Corporate	67,303,217,497	12,999,822,703	-	-	-	390,000,000	80,693,040,200
Claims on Consumer and SME Loans and Large Loan	44,055,021,008	5,383,871,687	667,125,820	306,404,283	472,111,728	166,252,954	51,050,787,479
Fixed Assets	441,224,443	1,129,017	35,858	133,717	135,183	615,000	443,273,218
Others Assets	4,994,702,569	2,988,085,741	507,270,101	501,449,216	557,046,273	106,481,529	9,655,035,429
Total on-balance sheet Items	**193,210,916,671**	**21,940,001,077**	**1,189,943,421**	**895,284,033**	**1,074,280,786**	**709,131,006**	**219,019,556,995**
Off-balance Sheet Items	144,868,340,894	33,739,448,954	-	-	-	-	178,607,789,848
Total	**338,079,257,565**	**55,679,450,031**	**1,189,943,421**	**895,284,033**	**1,074,280,786**	**709,131,006**	**397,627,346,843**

Industry Distribution of Exposure:

Industry Distribution of Exposure:

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	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	-	-	-	-	-	-	-	-	187,501,104,306	221,256,967,429
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**

2016	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	Retail and SME and Large Loan Taka	Others Taka	Total Taka
Cash and cash equivalents	2,786,359,988	-	-	-	-	-	-	-	-	-	2,786,359,988
Claims on Sovereigns and Central Bank	15,491,814,765	-	-	-	-	-	-	-	-	-	15,491,814,765
Claims on Banks	31,707,012,446	-	-	-	-	-	-	-	-	-	31,707,012,446
Investments	-	-	-	-	-	-	-	-	-	27,192,233,470	27,192,233,470
Claims on Corporate	-	9,181,844,167	42,786,720,829	1,011,268,895	7,208,951,527	9,328,921,275	8,259,082,116	2,916,251,391	-	-	80,693,040,200
Claims on Consumer and SME Loans and Large Loans	-	-	-	-	-	-	-	-	51,050,787,479	-	51,050,787,479
Fixed Assets	-	-	-	-	-	-	-	-	-	443,273,218	443,273,218
Others Assets	-	-	-	-	-	-	-	-	-	9,655,035,429	9,655,035,429
Total on-balance sheet Items	**49,985,187,199**	**9,181,844,167**	**42,786,720,829**	**1,011,268,895**	**7,208,951,527**	**9,328,921,275**	**8,259,082,116**	**2,916,251,391**	**51,050,787,479**	**37,290,542,117**	**219,019,556,995**
Off-balance Sheet Items	33,755,863,123	-	-	-	-	-	-	-	-	144,851,926,725	178,607,789,848
Total	**83,741,050,322**	**9,181,844,167**	**42,786,720,829**	**1,011,268,895**	**7,208,951,527**	**9,328,921,275**	**8,259,082,116**	**2,916,251,391**	**51,050,787,479**	**182,142,468,842**	**397,627,346,843**

Maturity Breakdown of Credit Exposure:

Maturity Breakdown of Credit Exposure:

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	26,415,342,791	-	-	-	-	26,415,342,791
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**

2016 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	2,786,359,988	-	-	-	-	2,786,359,988
Claims on Sovereigns and Central Bank	15,491,814,765	-	-	-	-	15,491,814,765
Claims on Banks	31,617,012,446	90,000,000	-	-	-	31,707,012,446
Investments	5,742,222,736	3,464,702,360	10,625,312,845	6,979,161,820	380,833,709	27,192,233,470
Claims on Corporate	42,070,822,148	20,851,508,516	12,613,686,929	4,940,997,144	216,025,463	80,693,040,200
Claims on Consumer and SME Loans	8,718,454,242	2,580,252,992	9,574,686,232	22,364,013,144	7,813,380,870	51,050,787,479
Fixed Assets	-	-	-	-	443,273,218	443,273,218
Others Assets	8,156,409,899	-	-	-	1,498,625,531	9,655,035,429
Total on-balance sheet Items	**114,583,096,223**	**26,986,463,867**	**32,813,686,006**	**34,284,172,107**	**10,352,138,791**	**219,019,556,995**
Off-balance Sheet Items	88,792,428,383	39,901,739,017	30,005,553,689	18,482,891,265	1,425,177,494	178,607,789,848
Total	**203,375,524,607**	**66,888,202,884**	**62,819,239,695**	**52,767,063,372**	**11,777,316,285**	**397,627,346,843**

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 ALM under the supervision of ALCO. This risk arises principally from the re-pricing mismatch between commercial assets and liabilities. ALM 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. ALM 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	28,361.22
Market value of Liabilities	24,225.80
Weighted Average Duration of Assets (DA)	0.56
Weighted Average Duration of Liabilities (DL)	0.22
Duration Gap (DA-DL)	0.37
Yield to Maturity (YTM- Assets)	4.71%
Yield to Maturity (YTM- Liabilities)	1.22%

Magnitude of Interest Rate Change	1%	2%	3%
Changes in Market value of Equity due to an increase in interest Rate	(101.45)	(202.89)	(304.34)

Stress Testing	Minor	Moderate	Major
Regulatory capital (after shock)	4,362.49	4,261.04	4,159.60
RWA (after shock)	27,912.28	27,810.83	27,709.38
CAR (after shock)	15.63%	15.32%	15.01%

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.

Disclosures on Risk Based Capital (Basel III)

(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 quantitative measure of market risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time. VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 per cent. This confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced six times per year.

Losses beyond the confidence interval are not captured by the VaR, which therefore gives no indication of the size of unexpected losses in these situations. The VaR measurement is complemented by regularly stress testing market risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both, historical market events and forward looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs.

Quantitative Disclosure:

Details of Market Risk as on 31 December 2017:

Capital requirements for:	2017 Taka	2016 Taka
Interest rate risk	22,754,386	65,815,666
Equity position risk	-	-
Foreign exchange risk	88,905,881	145,821,691
Commodity risk	-	-
Total	**111,660,267**	**211,637,358**

H. Operational Risk

Qualitative Disclosures:

Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events. It is the Bank's objective to minimize exposure to operational risks, subject to cost trade-offs. This objective is ensured through a framework of policies and procedures that drive risk identification, assessment, control and monitoring at business / function, country levels.

Responsibility for the management of operational risks rests with the business and functional management as an integral part of their role. An independent Operational Risk function within the Group Risk function works alongside business and functional management, to ensure operational risk exposures are managed within acceptable risk tolerance limits. Group Operational Risk is responsible for setting the operational risk policy, defining standards for measurement and for the operational risk capital calculation.

Governance over operational risks is ensured through a defined structure of risk committees at group, business function and country levels. Country Operational Risk Committees ("CORC") have the responsibility for oversight of operational risks and significant issues at a country level. The monthly CORC process ensures that operational risks, losses and results of assurance reviews are managed within acceptable risk tolerance limits.

The bank's Pillar I approach is Basic Indicator Approach (BIA) as set out in the Guidelines on Risk Based Capital Adequacy.

The bank proactively monitors its exposure to material loss events by leveraging on internal experience (via risks and losses) and industry experience. The types of events that could result in a material operational risk loss / business disruption include:

- Internal and external fraud.
- Damage to physical assets.
- Business disruption and system failures.
- Failure in execution, delivery and process management.

Quantitative Disclosures:

Capital requirement for Operational risk as on 31 December 2017 was BDT 3,262,904,609

I. Leverage Ratio:

Leverage ratio is the ratio of tier 1 capital to total on and off-balance sheet exposures. The leverage ratio was introduced into the Basel III framework as a non-risk based backstop limit, to supplement risk-based capital requirements.

In order to avoid building-up excessive on and off-balance sheet leverage in the banking system, a simple, transparent, non-risk based leverage ratio has been introduced by the Bangladesh Bank. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The leverage ratio is intended to achieve the following objectives:

- Constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- Reinforce the risk based requirements with an easy to understand and a non-risk based measure.

The Bank has calculated the regulatory leverage ratio as per the guideline of Basel III. The numerator, capital measure is calculated using the new definition of Tier I capital applicable from 01 January 2015. The denominator, exposure measure, is calculated on the basis of the Basel III leverage ratio framework as adopted by the Bangladesh Bank. The exposure measure generally follows the accounting value, adjusted as follows:

- On-balance sheet, non derivative exposures are included in the exposure measure net of specific provision;
- Physical or financial collateral is not considered to reduce on-balance sheet exposure;
- Loans are not netted with deposits;
- Off balance sheet items are converted into credit exposure equivalents through the use of creditconversion factors (CCFs). Depending on the risk category of the exposure a CCF of 20%, 50% or 100% is applied. Commitments that are unconditionally cancellable at any time by the bank without prior notice, a CCF of 10% is applied;
- Item deducted from Tier I capital such as deferred tax assets is excluded.

Quantitative disclosures:		2017	2016
Leverage Ratio (%)		10.06%	9.44%
A.	On Balance Sheet Exposure	280,337,117,889	249,904,977,936
B.	Off Balance Sheet Exposure	117,418,315,188	91,524,031,432
C.	Total Deduction From on and off balance sheet exposure/ Regulatory adjustment made to Tier I Capital	1,202,025,506	1,476,359,163
Total Exposure (A+B-C)		**396,553,407,570**	**339,952,650,206**

J. Liquidity Ratio

Qualitative disclosures:

Liquidity risk is the potential that the Bank either does not have sufficient liquid financial resources available to meet all its obligations as they fall due, or can only access these financial resources at excessive cost. Liquidity is managed by the Country Asset Liability Management Committee (ALCO) within the pre-defined liquidity limits set by and in compliance with Group liquidity policies and local regulatory requirements.

Liquidity management of the Bank is centered on the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) based on BASEL III. The Bank has Asset Liability Management (ALM) desk to manage this risk with active monitoring and management from Market and Traded Credit Risk (MTCR) Department.

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) has been adopted by the bank for liquidity risk management. LCR ensures that banks maintain enough high quality unencumbered liquid assets to meet its liquidity needs for 30 calendar time-line whereas NSFR ensures availability of stable funding is greater than required funding over 1 year period.

ALCO monitors the liquidity risk on a monthly basis. Based on the detail recommendation from ALM desk, ALCO takes appropriate action to manage the liquidity risk. These ratios are regularly monitored at ALCO. Also Bank has internal risk control framework which outlines clear and consistent policies and principles for liquidity risk management.

Quantitative disclosures:	2017	2016
Liquidity Coverage Ratio (%)	123.11%	191.57%
Net Stable Funding Ratio (%)	133.03%	137.46%
Stock of High Liquid Assets	49,796,139,998	52,319,700,911
Total Net Cash Outflows over the next 30 Calender days	25,438,010,683	14,815,289,493
Available Amount of Stable Funding	249,076,774,832	221,766,214,719
Required Amount of Stable Funding	187,228,509,606	161,334,681,348

K. Remuneration

Qualitative disclosures:

(a) Information relating to the bodies that oversee remuneration:

(i) Name, composition and mandate of the main body overseeing remuneration

Group Remuneration Committee ("Committee") is the main body overseeing remuneration policy across the Bank. The Committee is comprised of independent non-executive directors and is one of six board level committees. The Committee reviews, and is responsible for setting the principles, parameters and governance framework of the Group and its subsidiaries' remuneration policy. The terms of reference of the Committee can be found on the Group's website. Further information on the activities of the Committee can be found in the Group's Annual Report.

(ii) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.

Though the Bank has no permanent external consultant for managing remuneration, but expert opinion may have been sought by the Management, on a case to case basis, or third party vendor is engaged for various retirement benefits accounting or getting local market information on remuneration and benefits.

(iii) A description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches

Standard Chartered (the "Group") is regulated globally by the UK Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The remuneration rules of the PRA and FCA are based on the principles adopted by the G20 countries in relation to the Financial Stability Board's ("FSB") Principles for Sound Compensation Practices and their Implementation Standards. The rules also include the provisions of the European Union's Capital Requirements Directive IV.

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(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 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 set out by the PRA and the FCA.

- In line with PRA and FCA regulation, the Group applies specific rules to variable remuneration for MRTs:
  - o Variable remuneration is capped at two times fixed remuneration
  - o A minimum of 40 percent of variable remuneration is deferred, increasing to 60% when variable remuneration is greater than GBP 500,000. This deferred over a period of 7 years for Senior Managers (with no vesting prior to year 3), 5 years for Risk Managers and 3 years for Other MRTs;
  - o At least 50 per cent of any variable remuneration (both deferred and non-deferred) is delivered in shares; and
  - o Upfront shares are subject to a minimum 12 month post-vest retention period. Deferred shares are subject to a minimum 12 month post-vest retention period for Senior Managers and Other MRTs, and a minimum six month post-vest retention period for Risk Managers.
- The table below summarises the groups of employees who have been identified as MRTs in accordance with the regulatory requirements:

Quantitative criteria	Qualitative criteria
This captures employees who: - Have been awarded total remuneration of €500,000 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	This broadly identifies the following employees: - Group executive and non-executive directors - A member of senior management which is defined as one or more of the following: 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 we can demonstrate that they do not have the ability to have a material impact on the Group's risk profile. The table below sets out the approval required for the different levels of prior year total remuneration.

€500k-€750k	The Group must notify exclusion to the relevant regional authority e.g. PRA
€750k-€1m	Approval required from the relevant regional authority e.g. PRA
€1m+	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.

The Group's remuneration approach is consistent with effective risk management and delivery of the Group's strategy and values. The Group's approach is underpinned by:

- A competitive remuneration opportunity that enables us to attract, motivate and retain employees;
- A clearly defined performance management framework that ensures employees have clear objectives and receive ongoing feedback;
- Remuneration outcomes that relate to the performance of the individual, the business they work in, and the Group. The Group aims to ensure that everyone is aligned to deliver long-term sustainable growth in the interests of shareholders;
- Variable remuneration that recognises the achievement, conduct, behaviours and values of each individual, ensuring reward is aligned to the Group's performance. Both what is achieved and how it is achieved is taken into account;
- An appropriate mix of fixed and variable remuneration, with the level of fixed remuneration based on an individual's role and the business' risk profile;
- Remuneration that is fair and transparent. An equal pay review is undertaken as part of the pay review process globally; and
- A core level of benefits that protects all employees and reflects the Group's commitment to employee wellbeing.

Element		Operation
Fixed remuneration	Salary	• 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	• 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). • The Group does not award discretionary pension benefits.
Variable remuneration	Variable remuneration	• Employees are typically eligible to be considered for variable remuneration (determined 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 LTIP award depending on the category of Group employee. • Annual incentive is delivered in the form of cash, shares and/or deferred shares and deferred cash. • 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. • Last year the Group implemented changes to the operation of discretionary incentives. The changes have increased transparency and the link between achievement and demonstration of expected values and behaviours, and the level of incentives.
Variable remuneration	Variable remuneration	• 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. • For MRTs, at least 40 per cent of variable remuneration must be deferred. This increases to 60 per cent if variable remuneration is at least GBP 500,000. Refer to Section 4 for more information. • For non-MRT employees, variable remuneration over a defined threshold is subject to a graduated level of deferral. • 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 specified 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 European Banking Authority's ("EBA") rules on retention requirements were implemented with effect 1 January 2017, as well as the change to the Group's deferral framework, where the variable remuneration threshold for 60% deferral has been reduced from USD750,000 to USD600,000.
- Prudential Regulatory Authority's ("PRA") new policy statement on buy-outs was introduced. This apply to variable remuneration given to new hires (often known as a Buy-out Award) which is (or is deemed to be) compensation for outstanding deferred remuneration from a previous employer that has been forfeited as a result of termination of employment. Where an event has occurred that would have resulted in Ex-post Risk Adjustment being applied to the forfeited award (as determined by the previous employer), the new employer should reduce, or make all reasonable efforts to recover an amount corresponding to the Buy-out, in the amounts notified to it by the previous employer

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

Performance and reward decisions for the control functions (including those of Risk, Compliance, HR and Legal) are determined independently of the business.

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;
- Shareholder returns and position in the market;
- Regulatory expectations; and
- The risk and control environment and adjustments for material events / issues in the Group and/or specific business lines.

At an individual level, employees are assessed annually in relation to what they have achieved and how they have achieved it, based on the values and 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 performance measures: Variable remuneration, including both annual incentive awards and the long term incentive plan ("LTIP"), are comprised of a balance of financial and strategic measures. This ensures employees are incentivised to deliver the strategy both in the short-term and over the longer term, and ensures an appropriate focus on the execution of the strategy, prudent risk-taking and investor interests.
- Risk adjusted metrics: The Group uses appropriate risk-adjusted metrics as a measure of performance for both the LTIP and annual scorecards. This incentivises improvements in shareholder returns whilst ensuring that returns are not generated by excessive risk taking.
- Governance processes: Additional governance processes provide further safeguards against inappropriate outcomes. The Committee ensures that the design of measures and the subsequent remuneration outcomes are appropriate. Members of the Committee serve on other Board Committees, including the Audit, Board Financial Crime Risk, Board Risk and Brand Values and 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.

Variable remuneration is subject to the Group Ex-Post Risk Adjustment of Remuneration policy (previously known as Group Claw-Back 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 specified circumstances.

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.

- The Group introduced scorecards, which played an integral role in the determination of Group Total Variable Compensation ("TVC") for the 2016 performance year. The scorecards take into consideration financial and non-financial targets, including those related to conduct and remediation programs.
- The Group has revised its Target TVC approach, based on the newly introduced scorecards, for employees in businesses and functions excluding Corporate and Institutional Banking ("CIB") and Private Banking ("PvB"). CIB and PvB retain a discretionary approach, in line with market practice for those businesses, to provide greater flexibility.

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.

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;
- Shareholder returns and position in the market;
- Regulatory expectations; and
- The risk and control environment and adjustments for material events / issues in the Group and/or specific business lines.

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

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

- Employees are typically eligible to be considered for variable remuneration (determined based on group, business and individual performance).
- Individual incentives are linked to the Group scorecard, the individual's business area scorecard and individual performance.

Last year the Group implemented changes to the operation of discretionary incentives. The changes have increased transparency and the link between achievement and demonstration of expected values and behaviours, and the level of incentives.

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

The Bank will in general implement the risk adjustment methodology to adjust the incentives for weak performance.

(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.

- Variable remuneration rewards and incentivises the achievement of business and individual objectives as well as adherence to the Group's values.
- 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.
- For MRTs, at least 40 per cent of variable remuneration must be deferred. This increases to 60 per cent if variable remuneration is at least GBP 500,000.
- For other employees, annual variable remuneration over a defined threshold is subject to a graduated level of deferral, as shown below:

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

- Deferred variable remuneration is typically delivered 50% in shares and 50% in cash.

(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 (previously known as Group Claw-Back 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 specified circumstances.

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 in the table in question e(i) above, unless superseded by regulatory requirements. Any deferred variable remuneration is typically split equally between deferred cash and deferred shares
- 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 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:

Disclosures on Risk Based Capital (Basel III)

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

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.

The deferral mechanism applies to the variable compensation of all employees in the Group, unless superseded by the remuneration requirements of the PRA and FCA, or any other regulator. For MRTs, at least 40% of variable compensation must be deferred, increasing to at least 60% when variable remuneration is more than GBP 500,000. Where a long-term incentive award is granted, this may result in the aggregate level of deferred variable remuneration exceeding the Group's deferral mechanism.

Quantitative Disclosure:

g)	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	In 2017, there were 6 REMCO meetings.
h)	• 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.	Employees with variable remuneration: 1366 Guaranteed bonuses: NIL Sign-on awards: NIL 1 severance payment was made and total amount of payment: BDT 12,066,078
i)	• 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 Outstanding deferred shares value: BDT 3,929,925 Total deferred remuneration: BDT 7,859,850
j)	Breakdown of amount of remuneration awards for the financial year to show: • fixed and variable • deferred and non-deferred • different forms used (cash, shares and share linked instruments, other forms).	Fixed: BDT 2,910,385,822 Variable: BDT 535,785,675 Deferred: BDT 7,859,850 Non deferred: BDT 527,925,825 Upfront Cash: BDT 527,925,825 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: • Total amount of outstanding deferred remuneration and retained remuneration exposed to expost 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 7,484,330 Explicit: BDT 1,579,958 Implicit: BDT 5,904,372

Disclosures on Repo and Reverse repo

Annexure - G

Standard Chartered Bank
Bangladesh Branches
Disclosures on Repo and Reverse repo

(a) Disclosure regarding outstanding Repo as on 31 December 2017

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 2017

Sl. No.	Counter party name	Agreement Date	Reversal Date	Amount (1st leg cash consideration)
1	BRAC Bank Limited	28-Dec-17	1-Jan-18	206,503,052
Total				206,503,052

(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	-	49,783,200	409,177
2	Securities purchased under reverse repo			
	(i) Bangladesh bank	-	-	-
	(ii) Other banks & FIs	-	5,643,960,753	1,244,304,211

Credit Rating

	Long term	Short term
Year 2017	AAA	ST-1
Year 2016	AAA	ST-1
Outlook	Stable	
Date of current Rating	March 11, 2018	

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).

Standard Chartered Bank
Offshore Banking Unit, Bangladesh
Financial Statements 2017

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying 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 2017, and the profit and loss account, cash flow statement and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements and Internal Controls

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards 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. The Bank Companies Act, 1991 and Bangladesh Bank regulations require the management to ensure effective internal audit, internal control and risk management functions of the Bank. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in note 2.2.

Report on Other Legal and Regulatory Requirements

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

(a) 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;

(b) 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:

i) internal audit, internal control and risk management arrangements of the Bank appeared to be materially adequate; and

ii) 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.

(c) 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;

(d) the balance sheet and the profit and loss account dealt with by the report are in agreement with the books of account;

(e) 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;

(f) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;

(g) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

(h) the information and explanation required by us have been received and found satisfactory; and

(i) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 300 person hours for the audit of the books and accounts of the Bank.

Dhaka, 28 February 2018

M. J. ABEDIN & CO
Chartered Accountants

Balance Sheet

Standard Chartered Bank
Offshore Banking Unit, Bangladesh
Balance Sheet as at 31 December 2017

PROPERTY AND ASSETS	Notes	2017 USD	2017 Taka	2016 USD	2016 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		42,956,620	3,552,512,502	46,434,913	3,654,427,639
Outside Bangladesh		10,128,689	837,642,557	8,704,880	685,074,039
		53,085,309	4,390,155,059	55,139,793	4,339,501,678
Money at call and short notice		-	-	-	-
Investments					
Government securities		-	-	-	-
Other investments		-	-	-	-
		-	-	-	-
Loans and advances					
Loans, cash credit, overdrafts, etc.	6	98,008,227	8,105,280,371	106,747,768	8,401,049,331
Bills purchased and discounted	7	649,818,824	53,740,016,751	610,808,648	48,070,640,578
		747,827,051	61,845,297,122	717,556,416	56,471,689,909
Fixed assets including premises, furniture and fixtures		-	-	-	-
Other assets	8	7,722,616	638,660,429	6,863,747	540,176,826
Non banking assets		-	-	-	-
Total assets		808,634,976	66,874,112,610	779,559,956	61,351,368,413
LIABILITIES AND CAPITAL					
Liabilities					
Borrowings from other banks, financial institutions and agents	9	618,416,950	51,143,081,738	648,708,618	51,053,368,226
Deposits and other accounts	10				
Current and other accounts		52,287,057	4,324,139,637	37,509,303	2,951,982,178
Term deposits		3,211,421	265,584,535	3,176,000	249,951,200
Other deposits		188,742	15,608,926	178,744	14,067,131
		55,687,220	4,605,333,098	40,864,047	3,216,000,509
Other liabilities	11	91,810,503	7,597,066,035	62,433,460	4,913,513,386
Total liabilities		765,914,673	63,345,480,871	752,006,125	59,182,882,121
Equity					
Fund deposited with Bangladesh Bank as capital		-	-	-	-
Other reserve		-	-	-	-
Profit and loss account balance		42,720,303	3,528,631,739	27,553,831	2,168,486,292
Total equity		42,720,303	3,528,631,739	27,553,831	2,168,486,292
Total liabilities and equity		808,634,976	66,874,112,610	779,559,956	61,351,368,413
OFF-BALANCE SHEET ITEMS					
Contingent liabilities					
Acceptances and endorsements		7,745,673	640,567,190	14,667,681	1,154,346,512
Letters of guarantee		57,692	4,771,111	63,045	4,961,675
Irrevocable letters of credit		18,000,657	1,488,654,372	17,141,903	1,349,067,783
Bills for collection		101,560,962	8,399,091,538	73,963,963	5,820,963,880
		127,364,984	10,533,084,211	105,836,592	8,329,339,850
Other commitments		-	-	-	-
Total off-balance sheet items		127,364,984	10,533,084,211	105,836,592	8,329,339,850

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

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Mohammod Masud Rana FCA
Chief Financial Officer, Bangladesh

As per our report of same date.

Dhaka, 28 February 2018

M. J. ABEDIN & CO
Chartered Accountants

Profit and Loss Account

Standard Chartered Bank
Offshore Banking Unit, Bangladesh
Profit and Loss Account for the year ended 31 December 2017

	Notes	2017 USD	2017 Taka	2016 USD	2016 Taka
Interest income	12	29,657,376	2,405,462,202	26,672,618	2,093,041,876
Interest expense on deposits and borrowings	13	7,833,982	636,355,517	4,283,741	336,177,932
Net interest income		21,823,394	1,769,106,685	22,388,877	1,756,863,944
Commission, exchange and brokerage	14	1,962,926	193,267,901	1,839,285	149,840,739
Other operating income		-	-	-	-
Total operating income		23,786,320	1,962,374,586	24,228,162	1,906,704,683
Salaries and allowances		147,673	11,939,326	151,092	11,858,866
Rent, taxes, insurance, electricity, etc.		23,172	1,881,276	21,813	1,711,658
Legal expenses		43	3,484	52	4,113
Postage, stamps, telephone, telex, etc.		4,241	341,700	4,130	324,173
Stationery, printing, advertisements, etc.		3,934	319,294	2,114	166,306
Repairs and maintenance		24,298	1,980,109	23,656	1,856,624
Other expenses	15	40,630	3,296,149	36,744	2,883,429
Total operating expenses		243,991	19,761,338	239,601	18,805,169
Profit before provision		23,542,329	1,942,613,248	23,988,561	1,887,899,514
Provision for loans and advances and off balance sheet exposures	11.1	916,874	75,825,484	2,305,198	181,419,085
Provision for diminution in value of investments		-	-	-	-
Total provision		916,874	75,825,484	2,305,198	181,419,085
Total profit before tax		22,625,455	1,866,787,764	21,683,363	1,706,480,429
Provisions for income tax	11.2	9,983,200	825,610,630	9,215,428	725,254,182
Net profit after tax		12,642,255	1,041,177,134	12,467,935	981,226,247

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

Naser Ezaz Bijoy
Chief Executive Officer, Bangladesh

Mohammod Masud Rana FCA
Chief Financial Officer, Bangladesh

As per our report of same date.

Dhaka, 28 February 2018

M. J. ABEDIN & CO
Chartered Accountants

Cash Flow Statement

Standard Chartered Bank
Offshore Banking Unit, Bangladesh
Cash Flow Statement for the year ended 31 December 2017

	2017 USD	2017 Taka	2016 USD	2016 Taka
A) Cash flows from operating activities				
Interest receipts in cash	28,791,597	2,306,505,903	24,334,361	1,908,120,916
Interest payments	(8,028,908)	(643,370,727)	(3,462,630)	(271,482,300)
Fee and commission received	1,962,926	193,267,087	1,839,515	149,858,794
Cash payments to employees	(147,673)	(11,939,326)	(151,091)	(11,858,866)
Cash payments to suppliers	(9,215,428)	(2,064,957)	(9,059,801)	(11,217,897)
Income taxes paid	(40,338)	(725,257,810)	(142,212)	(711,194,565)
Operating profit before changes in operating assets and liabilities	13,322,176	1,117,140,170	13,358,142	1,052,226,081
Increase/decrease in operating assets and liabilities				
Loans and advances to customers	(30,668,859)	(5,373,607,209)	(225,577,444)	(17,849,232,952)
Other assets	6,909	472,697	(16,410)	(1,293,079)
Deposits from customers	14,823,173	1,389,332,590	8,257,436	656,381,559
Borrowing from other banks and financial institutions	(30,291,668)	89,713,513	210,552,078	16,658,079,838
Other liabilities	28,229,568	2,508,633,307	11,505,611	911,096,099
	(17,900,877)	(1,385,455,103)	4,721,271	375,031,465
Net cash from operating activities	(4,578,701)	(268,314,932)	18,079,413	1,427,257,546
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	-	-	(10,742,410)	(842,204,944)
D) Net increase/(decrease) in cash and cash equivalents (A+B+C)	(4,578,701)	(268,314,932)	7,337,003	585,052,602
E) Effects of exchange rate changes on cash and cash equivalents	2,524,217	318,968,314	103,611	10,063,474
F) Opening cash and cash equivalents	55,139,793	4,339,501,678	47,699,179	3,744,385,602
G) Closing cash and cash equivalents (D+E+F) (Note - 16)	53,085,309	4,390,155,059	55,139,793	4,339,501,678

Statement of Changes in Equity

Standard Chartered Bank
Offshore Banking Unit, Bangladesh
Statement of Changes in Equity for the year ended 31 December 2017

Particulars	Fund deposited with Bangladesh Bank		Other reserve		Profit and loss account balance		Total	
	USD	Taka	USD	Taka	USD	Taka	USD	Taka
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
Balance as at 1 January 2016	-	-			25,724,695	2,019,401,515	25,724,695	2,019,401,515
Currency translation differences	-	-	-	-	103,611	10,063,474	103,611	10,063,474
Net profit for the year	-	-	-	-	12,467,935	981,226,246	12,467,935	981,226,246
Profit remitted to Head Office					(10,742,410)	(842,204,944)	(10,742,410)	(842,204,944)
Balance as at 31 December 2016	-	-	-	-	27,553,832	2,168,486,292	27,553,831	2,168,486,292

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 2017

1 The Bank and its activities

1.1 Name of the bank

Standard Chartered Bank (SCB), Bangladesh Branches ('the bank') commenced the operations of its Offshore Banking Unit (OBU) in Bangladesh 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.

1.2 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.

2 Basis of preparation of Financial Statements

2.1 Reporting period & Approval of financial statements

The financial statements cover a calendar year from 1 January 2017 to 31 December 2017. The financial statements are authorized for issue by the management of the bank on 28 February 2018.

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 interest entities such as banks. The Bank 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 2017 have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and the requirements of The Bank 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 Bank Companies Act 1991 and provisions and circulars issued by the central bank (herein after called Bangladesh Bank (BB)) differ with those of BFRS, the requirements of The Bank 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 Bank 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 (ICAB) as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards(BFRS) respectively.

Material departures from the requirements of BAS and BFRS are as follows:

i) Presentation of financial statements

BAS/BFRS: As per BAS 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 BAS 1, the entity shall also present current and non-current assets and liabilities as separate classifications in its statement of financial position.

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, BRPD circular no. 16 dated 18 November 2014, BRPD circular no. 12 dated 20 August 2017 and BRPD circular no. 15 dated 27 September 2017, a general provision at 0.25% to 5% under different categories of unclassified loans (standard/SMA loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad/losses loans has to be provided at 5% to 20%, 5% to 50% and 100%, respectively for loans and advances depending on the duration of overdue. Again as per BRPD circular no. 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39.

ii) Provision on loans and advances

BFRS: As per BAS 39, 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 and BRPD circular no. 16 dated 18 November 2014, a general provision at 0.25% to 5% under different categories of unclassified loans (standard/SMA loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad/losses loans has to be provided at 5% to 20%, 5% to 50% and 100%, respectively for loans and advances depending on the duration of overdue. Again as per BRPD circular no. 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39.

iii) Recognition of interest in suspense

BFRS: Loans and advances to customers are generally classified as 'loans and receivables' as per BAS 39 and interest income is recognised through effective interest method over the term of the loan. Once a loan is impaired, interest income is recognised in profit and loss account on the same basis based on revised carrying amount.

Bangladesh Bank: As per BRPD circular no. 14 dated 23 September 2012, once a loan is classified, interest on such loans are not allowed to be recognised as income, rather the corresponding amount needs to be credited to an interest in suspense account, which is presented as liability in the balance sheet.

iv) Other comprehensive income

BFRS: As per *BAS 1 Presentation of Financial Statements* Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income Statement.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which are to be followed by all banks. The templates for financial statements issued by Bangladesh Bank do not include OCI nor are the elements of OCI allowed to be included in a single other comprehensive income statement. As such the Bank does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

v) Financial instruments – presentation and disclosure

Bangladesh Bank guidelines categorise, recognise, measure and present financial instruments differently from those prescribed in *BAS 32 Financial Instruments: Presentation*, BAS 39 and BFRS 7 *Financial Instruments: Disclosures*. As such full disclosure and presentation requirements of BFRS 7 and BAS 32 are not made in the financial statements.

vi) Financial guarantees

BFRS: As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are recognised initially at fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantees is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, financial guarantees such as letter of credit, letter of guarantee etc. are reported as off-balance sheet items.

vii) Cash flow statement

BFRS: As per *BAS 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.

viii) Off-balance sheet items

BFRS: As per BFRS 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.

ix) Loans and advances net of provision

BFRS: Loans and advances shall be recognised net of impairment loss as per BAS 39.

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.

2.4 Foreign Currency

According to BAS 21 The Effects of Changes in Foreign Exchange Rates,tansactions 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.

2.5 Functional and reporting currency

The financial statements of OBU are presented in United States Dollar (USD) which is the OBU's functional and reporting currency. The balance sheet and profit and loss accounts are also presented in Bangladeshi Taka using the exchange rate prevailing at the balance sheet date and average exchange rate of the month during which the transactions incurred respectively.

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:

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