

Standard Chartered Bank

Bangladesh Branches

Financial Statements 2008

Balance Sheet

Standard Chartered Bank Bangladesh Branches

Balance Sheet as at 31 December 2008

PROPERTY AND ASSETS	Notes	2008 Taka	2007 Taka
Cash	6		
In hand (including foreign currencies)		1,306,116,666	1,412,095,017
With Bangladesh Bank (including foreign currencies)		10,099,270,810	9,072,217,490
		11,405,387,476	10,484,312,507
Balances with other banks and financial institutions	7		
Inside Bangladesh		812,357,884	1,244,786,808
Outside Bangladesh		1,999,064	5,456,674
		814,356,948	1,250,243,482
Money at call and short notice	8	100,000,000	
Investments	9		
Government securities		16,392,210,881	11,258,655,039
Reverse repo			1,379,830,672
Shares of Central Depository Bangladesh Limited		18,000,000	18,000,000
		16,410,210,881	12,276,655,039
Loans and advances			
Loans, cash credits, overdrafts, etc.	10	65,328,736,307	56,253,478,077
Bills discounted and purchased	11	2,039,362,260	1,379,830,672
		67,368,098,567	57,633,308,749
Fixed assets including premises, furniture and fixtures	12	1,381,935,764	1,456,336,200
Other assets	13	7,831,130,756	9,917,064,450
Non-banking assets			
Total assets		105,311,120,392	93,017,920,427
LIABILITIES AND CAPITAL			
Borrowing from other banks and financial institutions and agents	14		2,280,000,000
Deposits and other accounts	15		
Current and other accounts, etc.		16,212,229,619	16,547,428,866
Bills payable		1,569,675,987	1,546,229,610
Savings deposits		20,194,097,644	19,713,444,993
Term deposits		24,607,037,883	16,654,629,700
Short term deposits		18,816,156,593	17,266,896,195
Other deposits		1,365,645,514	1,612,581,503
		82,764,843,240	73,341,210,867
Other liabilities	16	10,400,702,386	8,936,725,178
Total liabilities		93,165,545,626	82,557,936,045
Capital/shareholders' equity			
Fund deposited with Bangladesh Bank	5.1	1,836,608,545	1,829,052,728
Other reserves	17	357,754,404	207,976,762
Profit and loss account	18	9,951,211,817	8,422,954,892
Total capital/shareholders' equity		12,145,574,766	10,459,984,382
Total liabilities and capital/shareholders' equity		105,311,120,392	93,017,920,427
OFF BALANCE SHEET ITEMS	27		
Contingent liability			
Acceptances and endorsements		7,212,198,386	4,316,948,081
Letters of guarantee		14,159,022,402	13,324,479,930
Irrevocable letters of credit		7,640,360,471	9,516,357,583
Other contingent liabilities		61,455,964	755,504,712
Bills for collection		1,302,249,552	1,205,540,829
Other commitments			
Forward contracts		20,824,319	10,847,107
		30,396,111,095	29,129,678,242

The annexed notes 1 to 29 form an integral part of these financial statements.

Osman Morad
Chief Executive Officer, Bangladesh

Imtiaz Ibne Sattar
Chief Financial Officer

As per our report of same date.

Dhaka, 30 March 2009

Rahman Rahman Huq
Chartered Accountants

Profit and Loss Account

Standard Chartered Bank Bangladesh Branches

Profit and Loss Account for the year ended 31 December 2008

	Notes	2008 Taka	2007 Taka
Interest income	19	9,643,689,912	7,555,249,429
Interest expense on deposits and borrowings	20	3,099,396,035	2,305,835,368
Net interest income		6,544,293,877	5,249,414,061
Income from investments	21	1,019,691,855	1,337,906,135
Commission, exchange and brokerage	22	3,265,263,931	2,747,656,870
Other operating income	23	3,826,648	84,958,228
Total operating income		10,833,076,311	9,419,935,294
Salaries and allowances		1,451,981,852	1,203,266,532
Rent, taxes, insurance, lighting etc.		247,916,288	226,803,150
Legal expenses		18,054,016	19,694,660
Postage, stamp, telegram and telephone		141,852,164	146,838,155
Auditors' fee		399,736	396,000
Printing, stationery and advertisement		145,300,107	138,166,981
Chief executive officer's salary		7,430,751	7,414,035
Repair, maintenance and depreciation	24	504,588,339	401,940,558
Other expenses	25	835,520,415	594,859,351
Total operating expenses		3,353,043,668	2,739,379,422
Profit before provisions		7,480,032,643	6,680,555,872
Provisions for loans and advances and off balance sheet exposures	16.2	573,067,919	361,577,399
Profit before tax		6,906,964,724	6,318,978,473
Provisions for tax:			
Current tax expense	4.5	3,090,392,240	2,300,294,503
Deferred tax expense/(income)	4.6	(62,711,109)	91,008,907
		3,027,681,131	2,391,303,410
Profit after tax		3,879,283,593	3,927,675,063

The annexed notes 1 to 29 form an integral part of these financial statements.

Osman Morad
Chief Executive Officer, Bangladesh

Imtiaz Ibne Sattar
Chief Financial Officer

As per our report of same date.

Dhaka, 30 March 2009

Rahman Rahman Huq
Chartered Accountants

Statement of changes in equity

Standard Chartered Bank Bangladesh Branches

Statement of changes in equity for the year ended 31 December 2008

	Capital Taka	Other reserves Taka	Profit and loss account Taka	Total Taka
Balance as at 1 January 2007	1,838,386,384	30,932,888	7,597,832,140	9,467,151,412
Profit remitted to Head Office	-	-	(3,102,552,311)	(3,102,552,311)
Revaluation of foreign currency held as capital during the year 2007	(9,333,656)	-	-	(9,333,656)
MTM gain/(loss) for HTM securities	-	177,043,874	-	177,043,874
Net profit for the year 2007	-	-	3,927,675,063	3,927,675,063
Balance as at 31 December 2007	1,829,052,728	207,976,762	8,422,954,892	10,459,984,382
Profit remitted to Head Office	-	-	(2,351,026,668)	(2,351,026,668)
Revaluation of foreign currency held as capital during the year 2008	7,555,817	-	-	7,555,817
MTM gain/(loss) for HTM securities	-	(116,252,338)	-	(116,252,338)
Equity reserve - amortised discount on HTM securities	-	212,295,742	-	212,295,742
Net profit for the year 2008	-	-	3,879,283,593	3,879,283,593
Revaluation reserve account	-	53,734,238	-	53,734,238
Balance as at 31 December 2008	1,836,608,545	357,754,404	9,951,211,817	12,145,574,766

Cash Flow Statement

Standard Chartered Bank Bangladesh Branches

Cash Flow Statement for the year ended 31 December 2008

	Notes	2008 Taka	2007 Taka
A) Cash flows from operating activities			
Interest received		9,613,260,819	7,415,028,013
Interest paid		(2,744,678,620)	(2,206,405,337)
Commission, exchange and brokerage received		3,260,457,430	2,706,660,509
Cash paid to employees		(1,459,412,603)	(1,210,680,567)
Cash paid to suppliers		(1,043,498,716)	(903,329,873)
Income tax paid		(2,330,870,797)	(2,362,998,492)
Operating cash flows before changes in operating assets and liabilities		5,295,257,513	3,438,274,253
Changes in operating assets and liabilities:			
Money at call and short notice		(100,000,000)	250,000,000
Loans and advances to customers		(9,726,287,023)	(10,235,470,415)
Other assets		2,071,514,559	(1,372,134,144)
Customer deposits		9,423,632,373	9,209,487,986
Borrowing from other banks and financial institutions		(2,280,000,000)	1,680,000,000
Other liabilities		1,284,375,168	394,766,257
Net cash provided for operating activities		5,968,492,590	3,364,923,937
B) Cash flows from investment activities			
Income from investments		1,283,364,436	1,301,061,683
Investment in Treasury bills, etc.		(4,232,886,731)	597,776,896
Proceeds from disposal of assets		28,017,434	84,407,888
Purchase of property, plant and equipment		(218,328,443)	(939,184,407)
Proceeds from disposal of merchant acquiring business		-	62,950,350
Net cash received from investing activities		(3,139,833,304)	1,107,012,410
C) Cash flows from financing activities			
Profit remitted to Head Office		(2,351,026,668)	(3,102,552,311)
Net cash provided for financing activities		(2,351,026,668)	(3,102,552,311)
D) Net increase/(decrease) in cash and cash equivalent (A+B+C)		477,632,618	1,369,384,036
E) Gain (loss) on revaluation of foreign currency deposited with central bank as capital		7,555,817	(9,333,656)
F) Opening cash and cash equivalents		11,734,555,989	10,374,505,609
G) Closing cash and cash equivalents (D+E+F)	26	12,212,194,424	11,734,555,989

Notes to the Financial Statements

Standard Chartered Bank Bangladesh Branches

Notes to the Financial Statements as at and for the year ended 31 December 2008

1. Background

Standard Chartered Bank (SCB), Bangladesh Branches ("the Bank") commenced its banking operations in Bangladesh in 1948 after obtaining a banking licence from the central bank. Standard Chartered Bank is incorporated in England by Royal Charter 1853. The liability of its stockholders is limited.

2. Nature of business

The principal activity of SCB Bangladesh is to provide a comprehensive range of financial services, commercial banking, trade services, cash management, treasury and securities and custodial services.

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. A separate balance sheet and profit and loss account for Islamic Banking operations of the Bank is included in Annexure - E.

2.1 The financial statements were authorised for issue by the Chief Executive Officer and the Chief Financial Officer on 30 March 2009.

3. Basis of preparation

3.1 Statement of compliance

The financial statements are prepared in accordance with the Bank Companies Act 1991, the Companies Act 1994, Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS) and other applicable directives issued by relevant Bangladesh authorities, in particular BRPD Circular No. 14, dated 25 June 2003. In 2008, the Bank recognised amortised discount on investment securities classified as Held to Maturity (HTM) directly in equity in accordance with DOS Circular Letter No. 5, dated 26 May 2008 issued by Bangladesh Bank. The Bank's management is of the opinion that the amount of amortised discount so recognised is not material to the financial statements.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for investments in Treasury bills and Treasury bonds which have been "Marked to market" in accordance with the directives of Bangladesh Bank as communicated vide BRPD Circular no. 15 dated 31 October 2005.

Functional and presentation currency

The financial statements are presented in Bangladesh Taka, which is the Bank's functional currency.

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 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 on loans and advances

The Bank assesses its loans and advances for objective evidence of impairment on a regular basis and particularly at the year end. While the primary criteria set out in BRPD Circular No. 5, dated 5 June 2006, for determining whether a loan is impaired is objective, being based on the 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 situation 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 asset may be utilised.

Retirement benefits - liability for gratuity

The determination of the Bank's liability for gratuity involves the use of estimates regarding demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and medical costs) that will influence the cost of the benefit.

4. Significant accounting policies

4.1 Foreign currencies

Foreign currency transactions have been converted into Bangladeshi Taka at the rates prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date have been retranslated into Taka at the rates prevailing on the balance sheet date. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of USD kept as capital which is reflected in capital. This treatment is in accordance with directions of the central bank.

Other than above, all exchange differences are recognised in the profit and loss account.

4.2 Interest income

Interest income and expense are recognised in the income statement using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Interest is accrued on a daily basis and applied to customer accounts every quarter i.e., 31 March, 30 June, 30 September and 31 December.

Interest income and expense presented in the income statement include:

- interest on financial assets and liabilities at amortised cost
- interest on investment securities other than the amount of amortised discount on securities classified as Held to Maturity (HTM) which are recognised directly in equity in accordance with DOS Circular Letter No. 5, dated 26 May 2008.

4.3 Commission, exchange and brokerage

Fee and commission income is recognised when the corresponding service is provided.

4.4 Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

4.5 Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

4.6 Taxation

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

4.6.1 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 2008 has been made on the basis of the provisions of the Income Tax Ordinance 1984 and the Finance Ordinance 2008. Currently the tax rate applicable for banks is 45%. Additionally, banks may have to pay excess profit tax @ 15% on so much of their profits as exceeds fifty percent of the aggregate of their capital and reserves as defined in the Bank Companies Act 1991. In 2008, the Bank's profit did not exceed fifty percent of the aggregate of its capital and reserves. Accordingly, excess profit tax was not applicable.

4.6.2 Deferred taxation

As per BAS 12: Income Taxes, deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities and their tax base. 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. In 2008, deferred tax asset/liability is arrived at by applying the corporate tax rate applicable for banks (45 percent) on the temporary deductible/taxable differences. Excess profit tax is not considered for deferred tax purposes. The deferred tax asset/income or liability/expense does not create a legal obligation to, or recoverability from, the income tax authority.

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.

4.7 Financial assets and liabilities

Recognition

The Bank initially recognises loans and advances and deposits on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

4.7.1 Loans and advances and provisioning

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