

**Auditor's Report and
Audited Financial Statements
of
Union Bank Limited
For the year ended 31 December 2016**

Auditors' Report
TO THE SHAREHOLDERS OF UNION BANK LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Union Bank Limited (the "Bank"), which comprise the balance sheet as at 31 December 2016, and the profit and loss account, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

The financial statements of Union Bank Limited for the year ended 31 December 2015 were audited by K. M. Hasan & Co., Chartered Accountants who expressed as unmodified opinion on those statements on 29 February 2016.

Management's Responsibility for the Financial Statements and Internal Controls

Management is responsible for the preparation of financial statements of the bank that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as stated in note- 2.1.1 and for such internal control as management determines is necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error. The Bank Company Act, 1991 as amended 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements of the Bank 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 of the Bank are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements of the Bank. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements of the Bank, 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.

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 of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2016, and financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as stated in note- 2.1.1.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, Securities and Exchange Rules 1987, the Bank Company Act, 1991 as amended in 2013 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:
 - i) internal audit, internal control and risk management arrangements of the Bank, as disclosed in note- 2.11 appeared to be adequate with immaterial control deficiencies as identified in management report;
 - 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 and its related entities;
- (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 profit and loss account of the Bank dealt with by the report are in agreement with the books of account;
- (e) the expenditure incurred was for the purposes of the Bank's business;

- (f) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and Bangladesh Financial Reporting Standard as explained in note- 2.1.1 as well as with related guidelines, circulars issued by Bangladesh Bank and the instruction given by Bangladesh Bank and decision taken in tripartite meeting amongst Inspection Team of Bangladesh Bank, External Auditors and the Management of Union Bank Limited held on 20 February 2017 and Bangladesh Bank instruction letter no. DBI-4/42(8)/2017-356 dated 22 February 2017;
- (g) provisions have been made for investments which are, in our opinion, doubtful of recovery;
- (h) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (i) the information and explanations required by us have been received and found satisfactory; and
- (j) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 3,072 person hours for the audit of the books and accounts of the Bank.

Dhaka
23 February 2017

Syful Shamsul Alam & Co
Chartered Accountants

UNION BANK LIMITED
Balance Sheet
As at 31 December 2016

Particulars	Notes	31.12.2016 Taka	31.12.2015 Taka
PROPERTY AND ASSETS			
Cash	3	6,120,557,231	4,327,474,716
In hand (Including foreign currency)	3.1	583,472,797	371,739,712
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currency)	3.2	5,537,084,434	3,955,735,004
Balance with other Banks and Financial Institutions	4.1	263,739,285	395,114,479
In Bangladesh		116,876,875	139,801,387
Outside Bangladesh		146,862,410	255,313,092
Placement with banks & Other Financial Institutions	4.2	3,078,517,919	6,695,732,775
Investments in Shares & Securities	5	3,868,479,214	3,106,187,398
Government		3,550,000,000	2,700,000,000
Others		318,479,214	406,187,398
Investments	6	67,150,190,750	45,592,869,263
General Investments (Bai-Murabaha, Bai-Muajjal, HPSM) etc.	6.A	52,351,997,718	37,548,628,509
Bills Purchased and Discounted	6.B	14,798,193,032	8,044,240,754
Fixed Assets Including Premises, Furniture and Fixtures	7	829,422,106	679,198,080
Other Assets	8	2,606,332,421	2,252,184,856
Non Banking Assets		-	-
Total Assets		83,917,238,926	63,048,761,567
LIABILITIES AND CAPITAL			
Liabilities			
Placement from Banks & other Financial Institutions	9	140,719,643	12,990,443
Deposits and Other Accounts	10	74,250,559,036	55,555,436,704
Mudaraba Savings Deposits	10.1	1,688,892,795	923,535,744
Mudaraba Term Deposits	10.2	54,741,355,944	45,296,112,256
Other Mudaraba Term Deposits	10.3	11,861,935,948	6,429,286,034
Al-Wadia Current Accounts and Other Accounts	10.4	5,569,007,885	2,847,238,630
Bills Payable	10.5	389,366,464	59,264,040
Other Liabilities	11	3,536,716,856	2,379,576,074
Deffered Tax Liabilities/(Assets)	11.a	(23,174,045)	(11,199,512)
Total Liabilities		77,904,821,490	57,936,803,709
Capital/Shareholders' Equity			
Paid-up Capital	12	4,708,000,000	4,280,000,000
Statutory Reserve	13	527,663,554	233,241,638
Other Reserve	14	145,749,665	145,749,665
Retained Earnings	15	631,004,217	452,966,555
		6,012,417,436	5,111,957,858
Total Liabilities and Shareholders' equity		83,917,238,926	63,048,761,567

UNION BANK LIMITED
Balance Sheet
As at 31 December 2016

Particulars	Notes	31.12.2016 Taka	31.12.2015 Taka
OFF- BALANCE SHEET ITEMS			
Contingent Liabilities			
Acceptances and Endorsements		2,755,510,113	2,012,432,593
Letters of Guarantee	16	365,851,995	612,755,013
Irrecoverable Letters of Credit	17	2,909,424,278	1,785,325,197
Bills for Collection	18	434,599,000	232,272,000
Other Contingent Liabilities		-	-
		<u>6,465,385,386</u>	<u>4,642,784,803</u>
Other Commitments			
Documentary credits and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Claims against the bank not acknowledged as debt		-	-
		-	-
Total Off -Balance Sheet Items Including Contingent Liabilities		<u>6,465,385,386</u>	<u>4,642,784,803</u>

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

Managing Director
(Current Charge)

Director

Director

Chairman

Signed in terms of our separate report of even date

Dhaka
23 February 2017

Syful Shamsul Alam & Co.
Chartered Accountants

UNION BANK LIMITED
Profit and Loss Account
For the year ended 31 December 2016

Particulars	Notes	31.12.2016 Taka	31.12.2015 Taka
Investments Income	19	8,027,089,936	6,163,131,029
Profit Paid on Deposits	20	(5,088,956,590)	(4,213,350,665)
Net Investment Income		2,938,133,346	1,949,780,364
Income from Investment in shares and securities	21	31,906,497	13,052,070
Commission, Exchange and Brokerage	22	189,705,866	85,111,934
Other Operating Income	23	19,703,651	13,342,014
		241,316,014	111,506,018
Total Operating Income		3,179,449,360	2,061,286,382
Operating Expenses			
Salary and Allowances	24	643,466,245	466,672,261
Rent, Taxes, Insurances, and Electricity etc.	25	213,330,618	166,492,896
Legal Expenses	26	600,600	573,589
Postage, Stamps, and Telecommunication etc.	27	17,637,289	12,601,836
Stationery, Printings, and Advertisements etc.	28	58,627,774	34,926,334
Chief Executive's Salary & Fees	29	9,408,548	8,800,000
Directors' Fees & Expenses	30	3,410,900	5,521,150
Shariah Supervisory Committee's Fess & Expenses	31	312,800	278,300
Auditors' Fees		330,000	200,000
Charges on Investment Losses		-	-
Depreciation and Repair to Bank's Assets	32	151,783,618	127,828,491
Zakat Expenses		15,000,000	6,000,000
Other Expenses	33	289,931,389	186,577,826
Total Operating Expenses		1,403,839,782	1,016,472,683
Profit/(Loss) before Provision and tax		1,775,609,578	1,044,813,699
Provisions for Classified Investments	11.2.1	42,000,000	1,000,000
Provisions for Unclassified Investments	11.2.2	233,000,000	177,000,000
Provision for off- balance sheet exposure	11.2.3	23,500,000	31,500,000
Other Provisions	11.2.4	5,000,000	-
Provisions for diminution in value of investment in share	11.5	-	47,000,000
Total Provision		303,500,000	256,500,000
Total Profit/(Loss) before Tax		1,472,109,578	788,313,699
Provision for Income Tax			
Current tax	2.9.1.1	634,474,533	310,751,939
Deferred tax	2.9.1.2	(11,974,533)	(10,751,939)
		622,500,000	300,000,000
Net Profit/(Loss) after Tax		849,609,578	488,313,699
Retained Earnings from previous year		75,816,555	122,315,596
Add: Net Profit/(Loss) after Tax		849,609,578	488,313,699
Profit available for Appropriation		925,426,133	610,629,295
Appropriations			
Statutory Reserve		294,421,916	157,662,740
General Reserve		-	-
Dividend		-	-
Retained earnings		631,004,217	452,966,555
		925,426,133	610,629,295
Earnings Per Share (EPS)	34	1.80	1.04

The annexed notes form an integral part of these financial statements

Managing Director
(Current Charge)

Director

Director

Chairman

Signed in terms of our separate report of even date

Dhaka
23 February 2017

Syful Shamsul Alam & CO.
Chartered Accountants

UNION BANK LIMITED
CASH FLOW STATEMENT
For the year ended 31 December 2016

Particulars	Notes	31.12.2016 Taka	31.12.2015 Taka
A. Cash Flow from Operating Activities			
Investments income receipts		8,122,778,937	6,497,505,983
Profit paid on deposit		(4,874,668,238)	(3,806,347,406)
Fee and Commission receipts		189,705,866	85,111,934
Dividend receipts		273,701	393,800
Payments to employees		(620,907,045)	(419,388,629)
Payments to suppliers		(58,627,774)	(34,926,334)
Income tax paid		(367,109,006)	(222,680,138)
Receipts from other operating activities	35	19,703,651	13,342,014
Payments for other operating activities	36	(578,701,474)	(413,628,927)
Operating Profit before changes in Operating Assets & Liabilities		<u>1,832,448,618</u>	<u>1,699,382,297</u>
Changes in Operating Assets & Liabilities			
(Increase)/ Decrease Investments to Customers		(21,557,321,487)	(17,315,082,029)
(Increase)/ Decrease of Other Assets	37	(51,294,764)	(1,256,626,705)
Increase/ (Decrease) Deposits from Customers		18,695,122,332	20,788,126,904
Increase/ (Decrease) of Other Liabilities	38	23,960,149	(211,338,264)
Cash Flow from Operating Assets and Liabilities		<u>(2,889,533,770)</u>	<u>2,005,079,906</u>
Net Cash Flow from Operating Activities		<u>(1,057,085,152)</u>	<u>3,704,462,203</u>
B. Cash Flow from Investing Activities			
Payments to Investment in Shares and Securities		(762,291,816)	(1,666,146,747)
Purchases of Property, Plant and Equipment		(263,859,767)	(360,362,559)
Net Cash Used in Investing Activities		<u>(1,026,151,583)</u>	<u>(2,026,509,306)</u>
C. Cash Flow from Financing Activities			
Increase/(Decrease) in Share Capital		-	-
Increase/(Decrease) in Other reserve		-	-
Increase/(Decrease) in Placement from Banks & other Financial Institutions		127,729,200	12,990,443
Net Cash Flow from Financing Activities		<u>127,729,200</u>	<u>12,990,443</u>
D. Net Increase/(Decrease) of Cash & Cash Equivalents (A+B+C)		<u>(1,955,507,535)</u>	<u>1,690,943,340</u>
E. Add/(Less): Effect of Exchange Rate on Cash & Cash Equivalents		<u>-</u>	<u>-</u>
F. Beginning Cash & Cash Equivalents		<u>11,418,321,970</u>	<u>9,727,378,630</u>
G. Ending Cash & Cash Equivalents (D+E+F)		<u>9,462,814,435</u>	<u>11,418,321,970</u>
The above closing Cash and Cash Equivalents include:			
In hand (Including foreign currency)		583,472,797	371,739,712
Balance with Bangladesh Bank and its agent bank(s)		5,537,084,434	3,955,735,004
Balance with other Banks and Financial Institutions		263,739,285	395,114,479
Placement with banks & Other Financial Institutions		3,078,517,919	6,695,732,775
		<u>9,462,814,435</u>	<u>11,418,321,970</u>

The annexed notes form an integral part of these financial statements

Managing Director
(Current Charge)

Director

Director

Chairman

Signed in terms of our separate report of even date

Dhaka
23 February 2017

UNION BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

Particulars	Paid-up Capital	Statutory Reserve	Other Reserve	Retained Earnings	Total
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Balance as on 01 January 2016	4,280,000,000	233,241,638	145,749,665	452,966,555	5,111,957,858
Changes in Accounting Policy	-	-	-	-	-
Restated Balance	4,280,000,000	233,241,638	145,749,665	452,966,555	5,111,957,858
Surplus/Deficit on account of revaluation of properties	-	-	-	-	-
Surplus/Deficit on account of revaluation of investments	-	-	-	-	-
Currency Translation Differences	-	-	-	-	-
Net Gains and Losses not Recognized in the Income Statement	-	-	-	-	-
Net Profit for the year	-	-	-	849,609,578	849,609,578
Dividends					
Stock	428,000,000	-	-	(428,000,000)	-
Cash	-	-	-	-	-
Transfer to Statutory Reserve	-	294,421,916	-	(294,421,916)	-
Transfer to Retained Earnings	-	-	-	50,850,000	50,850,000
Issue of Share Capital during the year	-	-	-	-	-
Balance as on 31 December 2016	4,708,000,000	527,663,554	145,749,665	631,004,217	6,012,417,436
Balance as on 31 December 2015	4,280,000,000	233,241,638	145,749,665	452,966,555	5,111,957,858

Managing Director
(Current Charge)

Director

Director

Chairman

Dhaka
23 February 2017

UNION BANK LIMITED
LIQUIDITY STATEMENT (ASSETS AND LIABILITY MATURITY ANALYSIS)
As at 31 December 2016

Particulars	Up to 01 Month	01-03 Months	03-12 Months	01-05 Years	More than 05 years	Total
	Taka	Taka	Taka	Taka	Taka	Taka
Assets						
Cash	583,472,797	-	-	-	-	583,472,797
Balance with banks & Other Financial Institutions	3,453,423,719	1,011,100,000	-	1,336,300,000	-	5,800,823,719
Placement with banks & Other Financial Institutions	-	2,988,517,919	-	90,000,000	-	3,078,517,919
Investments in Shares and Securities	418,479,214	1,100,000,000	2,050,000,000	300,000,000	-	3,868,479,214
Investments	2,716,200,000	9,571,900,000	51,769,000,000	3,093,090,750	-	67,150,190,750
Fixed Assets including Premises, Furniture & Fixtures	-	-	-	-	829,422,106	829,422,106
Other Assets	96,600,000	107,400,000	896,800,000	1,505,532,421	-	2,606,332,421
Non-banking Assets	-	-	-	-	-	-
Total Assets	7,268,175,730	14,778,917,919	54,715,800,000	6,324,923,171	829,422,106	83,917,238,926
Liabilities						
Placement from Banks & Other Financial Institutions	-	140,719,643	-	-	-	140,719,643
Deposits and Other Accounts	5,250,666,464	22,537,000,000	32,476,500,000	13,986,392,572	-	74,250,559,036
Other Liabilities	298,500,000	437,200,000	2,760,000,000	17,842,811	-	3,513,542,811
Total Liabilities	5,549,166,464	23,114,919,643	35,236,500,000	14,004,235,383	-	77,904,821,490
Net Liquidity Gap	1,719,009,266	(8,336,001,724)	19,479,300,000	(7,679,312,212)	829,422,106	6,012,417,436

Managing Director
(Current Charge)

Director

Director

Chairman

Dhaka
23 February 2017

UNION BANK LIMITED
Notes to the Financial Statements
For the year ended 31 December 2016

1. The Bank and its activities

1.1 Status of the Bank

Union Bank Limited (UBL) was incorporated (No. C-107837/13) in Bangladesh on 07 March 2013 as a banking company under Companies Act 1994 to carry on Sharia'h based scheduled commercial banking business. It obtained permission from Bangladesh Bank on 10 March 2013 to commence its business (Ref: BRPD (P-3)/745(60)/2013-1153). Presently the Bank carries banking activities through its fifty seven (57) branches in the country. The Bank has no overseas branches as at 31 December 2016.

The registered office of the Bank is located at Bahela Tower, 72 Gulshan Avenue, Gulshan-1, Dhaka-1212.

1.2 Nature of business/principal activities of the Bank

All kinds of commercial banking services are provided by the Bank to the customers following the principles of Islamic Sharia'h, the provisions of the Bank Company Act, 1991 and Bangladesh Bank's directives.

The bank renders commercial banking services to all types of customers. The range of services offered by the bank includes accepting deposit, making investment, discounting bills, conducting domestic and international money transfer, carrying out foreign exchange transactions in addition to international money transfers, and offering other customer services such as safe keeping, collections and issuing guarantees, acceptances and letters of credit. Core business of the bank includes deposit mobilization and investing activities comprising short-term, long-term, import and export financing. Financing activities are extended to different sectors of the economy that could be grouped into several sectors including Rural & Agriculture, Garments & Textiles, Jute, Cement & Bricks, Tannery, Steel & Engineering, Food & Beverage, Chemical & Pharmaceuticals, Printing & Packaging, Glass & Ceramics and Miscellaneous.

At a glance, the principal activities of the bank are:

- (a) To facilitate and handle all kinds of commercial banking services to its customers authorized by Bangladesh Bank.
- (b) To facilitate the export and import trade of Bangladesh.
- (c) To take part in international banking etc.

2 Significant accounting policies and basis for preparation of Financial Statements

2.1 Statements of Compliance

2.1.1 Departures from BFRS

The financial statements of the Bank are made up to 31 December 2016 and are prepared under the historical cost convention on a going concern basis and in accordance with the BRPD Circular # 15 dated 09 November 2009, with reference to the " First Schedule of Section 38(4) of the Bank Company Act 1991 as amended and by Bangladesh Bank BRPD Circular # 14 dated 25 June 2003, Other Bangladesh Bank Circulars, Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), The Companies Act 1994, The Bank Company Act, 1991, The Income Tax Ordinance 1984, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and other laws and rules applicable in Bangladesh.

In case the requirements of guidelines and circulars issued by Bangladesh Bank differ with those of other regulatory authorities and financial reporting standards (BFRSs), the guidelines and circulars issued by Bangladesh Bank prevails. As such the Bank has departed from those requirements of BFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below:

i. Provision on investments and off-balance sheet exposures

BFRS: As per BAS 39 "Financial Instruments: Recognition and Measurement" 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 investments (good/standard investments) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard, doubtful and bad & loss investments have to be provided at 20%, 50% and 100% respectively (except short-term agricultural and micro-credits where 5% for sub-standard and doubtful investments and 100% for bad & loss investments) depending on the duration of overdue. Again as per BRPD Circular No.14 dated 23 September 2012 and BRPD Circular No.19 dated 27 December 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 "Financial Instruments: Recognition and Measurement".

ii. Recognition of investment income in suspense

BFRS: Investment to customers are generally classified as 'loans and receivables' as per BAS 39 "Financial Instruments: Recognition and Measurement" and investment income is recognized through effective interest rate method over the term of the investment. Once an investment is impaired, investment income is recognized 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 an investment is classified, investment income on such investment are not allowed to be recognized as income, rather the corresponding amount needs to be credited to profit suspense account, which is presented as liability in the balance sheet.

iii. Investment in shares and securities

BFRS: As per requirements of BAS 39 "Financial Instruments: Recognition and Measurement" investment in shares and securities generally falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value (as measured in accordance with BFRS 13) 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; otherwise investments are recognized at cost.

iv. Revaluation gains/losses on Government securities

BFRS: As per requirement of BAS 39 "Financial Instruments: Recognition and Measurement" where securities will fall under the category of Held for Trading (HFT), any change in the fair value of held for trading assets is recognized through profit and loss account. Securities designated as Held to Maturity (HTM) are measured at amortized cost method and income from investments recognized through the profit and loss account.

Bangladesh Bank: HFT securities are revalued on the basis of mark to market and at year end any gains on revaluation of securities which have not matured as at the balance sheet date are recognized in other reserves as a part of equity and any losses on revaluation of securities which have not matured as at the balance sheet date are charged in the profit and loss account. Profit on HFT securities including amortization of discount are recognized in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortized at the year end and gains or losses on amortization are recognized in other reserve as a part of equity.

v. 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 will strictly be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed to be included in a single Other Comprehensive Income (OCI) 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.

vi. Financial instruments - presentation and disclosure

In several cases Bangladesh Bank guidelines categorize, recognize, measure and present financial instruments differently from those prescribed in BAS 39 "Financial Instruments: Recognition and Measurement". As such full disclosure and presentation requirements of BFRS 7 "Financial Instruments: Disclosures" and BAS 32 "Financial Instruments: Presentation" cannot be made in the financial statements.

vii. Financial guarantees

BFRS: As per BAS 39 "Financial Instruments: Recognition and Measurement", 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 guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

Bangladesh Bank: As per BRPD 14 dated 25 June 2003, financial guarantees such as letter of credit, letter of guarantee will be treated as off-balance sheet items. No liability is recognized for the guarantee except the cash margin.

viii. Balance with Bangladesh Bank: (Cash Reserve Requirement)

BFRS: Balance with Bangladesh Bank that are required to be kept as part of cash reserve requirement, should be treated as other asset as it is not available for use in day to day operations as per BAS 7 "Statement of Cash Flows".

Bangladesh Bank: Balance with Bangladesh Bank is treated as cash and cash equivalents.

ix. Cash flow statement

BFRS: 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 14 dated 25 June 2003 and BRPD 15 dated 09 November 2009, cash flow statement is to be prepared following a mixture of direct and indirect methods.

x. Non-banking asset

BFRS: No indication of Non-banking asset is found in any BFRS.

Bangladesh Bank: As per BRPD 14 dated 25 June 2003 and BRPD 15 dated 09 November 2009, there must exist a face item named Non-banking asset.

xi. Presentation of intangible asset

BFRS: An intangible asset must be identified and recognized, and the disclosure must be given as per BAS 38 "Intangible Assets".

Bangladesh Bank: There is no regulation for intangible assets in BRPD 14 dated 25 June 2003 and BRPD 15 dated 09 November 2009.

xii. Off-balance sheet items

BFRS: There is no concept of off-balance sheet items in any BFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Bangladesh Bank: As per BRPD 14 dated 25 June 2003 and BRPD 15 dated 09 November 2009, 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 net of provision

BFRS: Investments should be presented net of provision.

Bangladesh Bank: As per BRPD 14 dated 25 June 2003 and BRPD 15 dated 09 November 2009, provision on investments is presented separately as liability and cannot be netted off against investments.

xiv. Revenue

As per BAS 18 "Revenue", revenue should be recognized on accrual basis but due to the unique nature of Islamic Banks, income from investment under Mudaraba, Musharaka, Bai-Salam, Bai-as-Sarf and Ijarah modes is accounted for on realization basis as per AAOIFI and Bangladesh Bank guidelines.

2.1.2 Authorization of the financial statements for issue

The financial statements of the Bank have been authorized for issue by the Board of Directors on 23 February 2017.

2.1.3 Changes in accounting standards

No new International Financial Reporting Standards (IFRSs) have been adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) as Bangladesh Financial Reporting Standards (BFRSs) during the year that are effective for the first time for the financial year 2016 that have a significant impact on the Bank Company and accordingly no new accounting standards have been applied in preparing these financial statements.

2.1.4 Prior period adjustments

Prior period adjustments, if any, is recognized retrospectively as per BAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

2.2 Basis of Preparation of Financial Statements

The Financial Statements of Union Bank Limited (UBL) represent Balance Sheet and Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity and Liquidity Statement which comprise of the financial information/ transaction of all branches. All significant inter-branches transactions are eliminated on preparation of these financial statements.

2.3 Use of estimates and Judgements

In the preparation of the financial statements management is required 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 on going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future periods affected.

2.4 Accruals and Deferrals

Accruals and deferrals have been made as per the guidance of BAS # 1: Presentation of Financial Statements. In order to meet their objectives, financial statements except for Cash Flow Statement and related information are prepared on accrual basis of accounting. Under this basis, the effects of transactions and other events are recognized when they occur (and not when cash or its equivalent is received or paid) and they are recorded in accounts and reported in the financial statements of the year to which they relate.

2.5 Revenue Recognition

The revenues during the year are recognized on an accrual basis, which comply with the conditions of revenue recognition as provided in BAS # 18: Revenue.

2.5.1 Income from Investments

Income from investments has been accounted for on accrual basis except investment under Musharaka, Mudaraba and Bai-Salam. Income in case of Musharaka is accounted for on realization basis. The bank does not charge any rent during the gestation/interim period of investment under hire purchase, but it fixes the rent of the assets at a higher price in such a way to cover its expected rate of return. Such income is recognized on realization basis.

Income was calculated on daily product basis and charged periodically.

2.5.2 Income from Investments in Securities

Investment in shares and securities are recorded at cost. Provisions have been made against probable losses on the basis of year end reviewed by the management and in compliance with Bangladesh Bank circulars.

As per BAS-18 "Revenue" dividend income from investments in shares is recognized when the "Bank's" right to receive dividend is established. Bank recognized dividend income when:

- a. It is probable that economic benefits, associated with transaction will flow to the entity; and
- b. The amount of the revenue can be measured reliably.

Gain on sale of shares transferred to other income on realization basis.

Profit on investment in Bangladesh Govt. Islamic Investment Bond is recognized on accrual basis.

2.5.3 Commission Income

Commission and discount on Bills Purchased and Discounted are recognized at the time of realization. Commission charged to customers on letter of credit and guarantees are credited to income at the time of effecting the transactions.

2.5.4 Profit/Rent/Compensation Suspense Account

Profit/rent/compensation accrued on classified investments are suspended and accounted for as per circulars issued by the Bangladesh Bank. Moreover, income which are irregular (doubtful) as per Sharia'h are not included in the distributable income of the Bank.

Compensation on unclassified overdue Bai-Murabaha investments is charged as per Islamic Sharia'h such compensation is not shown as income of the Bank.

Profit received from the balances held with foreign banks and foreign currency charging account with Bangladesh Bank are also not credited to regular income since it is not permissible as per Sharia'h.

2.5.5 Profit paid and Other Expenses

In terms of the provision of BAS # 1: Presentation of Financial Statements, profit paid and other expenses are recognized on accrual basis.

2.5.6 Dividend Payments

Interim dividend is recognized when they are paid to shareholders. Final dividend is recognized when it is approved by the shareholders. The proposed dividend for the year ended 31 December 2016 has not been recognized as a liability in the balance sheet in accordance with the BAS # 10: Events After the Balance Sheet Date.

Dividend payable to the Bank's shareholders is recognized as a liability and deducted from the shareholders' equity in the period in which the shareholders' right to receive payment is established.

2.6 Foreign Currency Transactions

2.6.1 Foreign Currency

Items included in the financial statements of each entity of the bank are measured using the currency of the primary economic environment in which entity operates i.e. functional currency. The financial statements of the bank are presented in Taka which is bank's functional and presentation currency.

2.6.2 Foreign Currency Translations

Foreign currency transactions are converted into equivalent Taka currency at the ruling exchange rates on the respective dates of such transactions as per BAS # 21. Assets and liabilities in foreign currencies as at 31 December 2016 have been converted into Taka currency at the average of the prevailing buying and selling rates of the concerned foreign currencies at that date except "balances with other banks and financial institutions" which have been converted as per directives of Bangladesh Bank vide its circular no BRPD(R) 717/2004-959 dated 21 November 2004.

2.6.3 Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Taka terms at the rates of exchange ruling on the balance sheet date. The outstanding balances for the same as at 31 December 2016 have been shown in the Balance Sheet under Off-Balance Sheet items.

Exchange rates with major foreign currencies as on 31 December 2016 were as:

Currency Name	Exchange Rate (TK)
US \$	78.7800
Euro	82.9941
Yen	0.6888
ACU	78.7800
GBP	97.0394
CHF	77.6425
SGD	54.6469
AUD	57.1924
CAD	58.5673

2.6.4 Translation gains and losses

As per provision of BAS # 21: The Effects of Changes in Foreign Exchange Rates, foreign currency transactions are translated into Taka at rates prevailing on the dates of such transactions. The resulting exchange transaction gains and losses arising through foreign currency buying and selling transactions effected on different dates of the year have been adjusted by debiting /crediting exchange gain or loss account.

2.7 Assets and their basis of valuation

2.7.1 Cash and Cash Equivalents

As per provision of BAS # 7 Cash Flow Statements of Banks and Similar Financial Institutions for the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with central banks, treasury bills, and other eligible bills, amounts due from other banks and dealing securities other than those which are not available to finance the UBL day to day operations.

2.7.2 Investments

- a) Investments are stated in the balance Sheet at the net amount excluding unearned income and profit receivable.
- b) Provision for Investments Impairment:

As per instructions contained in Bangladesh Bank BCD circular no 34, dated November 16 1989, BCD circular no 20, dated 27 December 1994, BCD circular no 12, dated September 4, 1995, BRPD circular no 16, dated December 6, 1998, BRPD circular no 09, dated May 2001, BRPD circular no 5, dated June 5, 2006, BRPD circular no 14, dated September 23, 2012, BRPD circular no 19, dated December 27, 2012, BRPD circular no. 05, dated May 29, 2013, BRPD circular no. 16, dated November 18, 2014 and BRPD circular no. 08, dated August 02, 2015 respectively specific provisions are made against non performing investments are at the following rates:

Provision on Substandard Investments	20%
Provision on Doubtful Investments	50%
Provision on Bad & Loss Investments	100%

As per instructions of BRPD circular nos. 16, 09, 08, 05, 14,19,05,16 and 08dated December 6, 1998, May 14, 2001, October 2005, June 5, 2006, September 23, 2012, December 27, 2012, May 29, 2013, November 18, 2014 and August 02, 2015 respectively an amount has been set aside up of the total unclassified investments as on the balance sheet date at the following rates:

General Provision on:

- All Unclassified Investments of Small and Medium Enterprise (SME) 0.25%
- All Unclassified Investments (Other than investments under Consumer Financing, SME Financing, Housing Finance, Investment to professionals to set up business, Investment to Brokerage Houses, Merchant Banks, Stock Dealers etc.,) 1.00%
- Unclassified Consumer Financing (Other than Housing Finance and Investment for Professionals to set up business) 5.00%
- Unclassified Investment to Housing Finance and Investment for Professionals to set up business under Consumer Financing Scheme 2.00%
- Unclassified Investment to Brokerage House, Merchant Banks, Stock dealers, etc 2.00%
- Off-Balance sheet Exposure 1.00%

Provision for Short-term Agricultural and Micro-Credits:

- All unclassified investments (irregular & regular) 2.50%
- Classified as “Sub-Standard” & “Doubtful” 5.00%
- Classified as “Bad/Loss” 100.00%

d) When an investment is deemed to be uncollectible, it is written off against the related provision for impairments. Subsequent recoveries of such investments are credited to the income statement.

e) Investment are normally written off, when there is no chance of recovery of these amounts in accordance with BRPD Circular no. 2, Dated 13 January 2003 and BRPD Circular no. 15, Dated 23 September 2012 respectively. A separate Investment Monitoring and Recovery Division (IMRD) has been set up at the Head Office, which monitors investment Written-off and legal action through the Money Court. The process of Write-offs does not undermine or affect the amount claimed against the borrower by the Bank.

2.7.3 Investment in shares and securities

Investment in shares and securities (other than government treasury securities) are initially measured at fair value (which is actually the cost) and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss, or available for sale.

Investment in Bangladesh Government Islamic Investment Bond (BGIIIB) is measured both initially and subsequently at cost, which is also the fair value.

2.7.3.1 Valuation Method

Considerable value of Investments has been considered as follows:

Particulars	Valuation Method
Bangladesh Government Islamic Investment Bonds	Cost Price
Shares	Cost Price

2.7.4 Offsetting Financial Instruments

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

2.7.5 Property, Plant and Equipment

All property and equipment are classified and grouped on the basis of their nature as required in as per provision of BAS # 16: Property, Plant and Equipment.

The major categories of property and equipment held by the bank are furniture and fixtures, office equipments, motor vehicles and books.

As guided in paragraph 30 of BAS # 16 Property Plant and Equipment: all property and equipment are stated at historical cost less accumulated depreciation. The opening and closing carrying amounts of all property and equipment are presented including the amount of additions, disposals and depreciation charged during the year as required by BAS # 16. Maintenance expenses that does not increase the value of assets is charged to profit & loss account.

Depreciation on Property, Plant and Equipment

As required in paragraph 43 of BAS # 16 Property Plant and Equipment depreciation has been charged on property and equipment at the following rates using reducing balance method, except on office equipment, motor vehicles and building on which straight-line method is applied.

Nature of Assets	Rate	Method of Depreciation
Furniture and Fixtures	10%	Reducing Balance Method.
Office Equipment	20%	Reducing Balance Method except Computer Equipment where used Straight Balance Method.
Vehicles	20%	Straight Line Method.
Books	20%	Reducing Balance Method.

Depreciation on addition to fixed assets is charged in compliance with International Accounting Standard (BAS) # 16.

2.8 Statutory Reserve

As per section 24 of Bank Company Act 1991 (amended upto 2013), atleast 20% of the profit before tax is transferred to the statutory reserve each year until the baance of the reserve equates with the paid-up capital.

2.9 Liabilities and Provisions

2.9.1 Taxation

Tax expenses represent the sum of the tax which are payable during the current period.

2.9.1.1 Current Tax

Provision for corporate current income tax has been made @ 40% as prescribed in the Finance Act 2016 of the accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per income tax laws in compliance with BAS # 12: Income Taxes.

2.9.1.2 Deferred Tax

Deferred tax is recognized in compliance with BAS 12 "Income Taxes" and BRPD Circular no. 11 dated 12 December 2011, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the date of balance sheet. Deferred tax assets and liabilities are offset as there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each date of balance sheet and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2.9.2 Retirement Benefits of Employees

Required in BAS # 19: Employee Benefit, provident fund and gratuity benefits are given to eligible employee of the bank in accordance with the locally registered rules and the entity shall disclose the amount recognized as an expense for defined contribution plan.

2.9.2.1 Provident Fund

Provident fund benefits are given to employees of UBL in accordance with the locally registered Provident Fund Rules. The employees' provident fund is administered by a Board of Trustees and is funded by contributions of employees and the Bank at predetermined rates in equal proportion. These contributions are invested separately from the assets of UBL and the profit on such contributions credited to the members' account. The Fund is recognized by the National Board of Revenue (NBR) vide their letter # PFR(UBL)/LTU/2013-2014/1057(1-3) dated 30/04/2014.

2.9.2.2 Gratuity

The Company operates an unfunded gratuity scheme for its permanent employees, under which an employee is entitled to the benefits if his/her length of service is at least six (06) years. Adequate provision has been made for gratuity in line of BAS # 19 "Employee Benefits".

2.9.2.3 Workers' Profit Participation Fund (WPPF)

As per Bangladesh Labour Act, 2006 as amended in 2013 all companies fall within the scope of WPPF (which includes Bank) are required to provide 5% of its profit before charging such expense to their eligible employees within the stipulated time. But the provision for WPPF as per Bangladesh Labour Act 2006 as amended 2013 contradicts with the Bank Company Act 1991, section 11 sub section b(ii) . As such the Bank did not make any provision during the year for WPPF.

2.9.2.4 Social Security Benevolent Fund

The Bank operates a social security benevolent fund by all employees' contribution for the sake of death and disability of employees.

2.9.3 Deposits and Other Accounts

Deposit include non-profit bearing deposits, saving deposits, term deposits etc. They are brought to account at the gross value of the outstanding balance. Profit paid is charged to the Income Statement.

2.9.4 Contingent Liabilities, Commitments and Other Off-Balance Sheet items

As required in BAS # 37, Contingent Liabilities, commitments and other Off-Balance Sheet items are presented in details in the financial statements.

2.9.5 Sharing of Investment Income

In case of investments, Mudaraba fund gets preference over cost free fund. The investment income earned through deployment of Mudaraba fund is shared by the bank and the Mudaraba depositors at the pre-determined ratio fixed by the bank.

2.9.6 Zakat

Zakat is paid by the bank at the rate of 2.58% (instead of 2.50% as the bank maintains its account following Gregorian year) on the closing balances of share premium, statutory reserve, general reserve and exchange equalization account. Payment of zakat on paid up capital and deposits is the responsibility of the shareholders and depositor's respectively.

2.10 Others

2.10.1 Cash Flow Statement

Cash Flow Statement is prepared in accordance with BAS 7 "Statement of Cash Flows", and as per "Guidelines for Islamic Banking" issued by Bangladesh Bank through BRPD Circular No. 15 dated 09.11.2009 and BRPD Circular No.14 dated 25.06.2003. The Statement shows the structure of changes in cash and cash equivalents during the financial year.

2.10.2 Liquidity Statement

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

Balance with other Banks and financial institutions are on the basis of their maturity term;

Investments are on the basis of their respective maturity and repayment schedule;

Fixed assets are on the basis of their useful lives;

Other assets are on the basis of their realization / amortization;

Borrowing from other Banks, financial institutions and agents, etc. are as per their maturity / repayment term;

Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors;

Provisions and other liabilities are on the basis of their payment / adjustments schedule.

2.10.3 Comparative Information

As guided in paragraph 36 and 38 of BAS # 1 presentation of financial statements, comparative information in respect of the previous year have been presented in all numerical information in the financial statements and the narrative and descriptive information where, it is relevant for understanding of the current year's financial statements.

2.10.4 Earnings Per Share (EPS)

2.10.4.1 Basic Earnings Per Share

Earnings per share have been calculated in accordance with BAS # 33 "Earnings Per Share" (EPS) which has been shown on the face of profit and loss account. This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

2.10.4.2 Diluted Earnings Per Share

No diluted earnings per share is required to calculate for the year as there was no such component existed during the year under review.

2.10.5 Functional and Presentation Currency

The financial statements are presented in Bangladesh Taka (BDT).

2.11 Risk Management

In the ordinary course of business, the bank is exposed to a variety of risks the most important of which are investments risk, liquidity risk, market risk, operational risk, legal risk, and profit rate risk. These risks should be identified, measured and monitored through various control mechanisms across the bank in order to price its products and services on a risk-adjusted basis and to prevent undesirable concentrations. The policies and procedures for managing these risks are outlined in the notes below. The Bank has designed and implemented a framework of controls to identify, monitor and manage these risks, which are as follows:

2.11.1 Investments Risk

Investments risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of investments risk arises when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. To manage investments risk, the bank applies credit limits to its customers and obtains adequate collaterals. Investments risk in the Union Bank's portfolio is monitored, reviewed and analyzed by the Investments Risk Management (IRM).

Union Bank Ltd. established Asset-Liability Management Committee (ALCO) to screen out the banks/financial institutions and determine the maximum risk exposure on each of them. ALCO also assesses recommends and controls cross border/country risk. To manage the Non-Performing Investments (NPI), Union Bank Ltd. has in place comprehensive remedial management policy, which includes a framework of controls to identify weak investments and monitoring of these accounts.

2.11.2 Foreign Exchange Risk

Since Foreign Exchange Risk involves purchase and sale of any national currency against other national currency, thus Foreign Exchange Risk is the chance of loss due to unexpected movement of market price of the currencies of different countries or the price of the assets denominated by foreign currencies. The Foreign Exchange Risk of the bank is minimal as all the transactions are carried out on behalf of the customers against underlying Foreign Exchange transactions.

Treasury Division independently conducts the transactions and the Back Office of treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Market-to-Market rate as determined by Bangladesh Bank at the month end. All Nostro accounts are reconciled on daily basis and outstanding entries beyond 30 days are reviewed by the Management for their settlement.

2.11.3 Asset Liability Management

Asset Liability Management is the key success of any financial intermediary especially for Banks. Asset Liability Committee (ALCO) of the Bank monitors Balance Sheet Risk and liquidity risks of the bank. The Balance Sheet Risk encompasses most part of the Asset Liability risk and deal with change in earnings due to change in rate of profit, foreign exchange rates which are not of trading nature on the other hand, liquidity risk can be defined as the risk or chance of failure to meet up any withdrawal /disbursement request by a counterparty/customer. Asset Liability Committee (ALCO) reviews Liquidity requirement of the bank, the maturity of assets and liabilities, deposits and investments pricing strategy and the Liquidity contingency plan. The primary objective of the Asset Liability Committee (ALCO) is to monitor and avert significant volatility in Net Investments Income (NII), investment value and exchange earnings for the purpose of taking future action plan for better interest of the organization.

2.11.4 Prevention of Money Laundering

Money Laundering is the criminal practice of filtering ill-gotten gains or dirty money through a series of transaction so as to give the money a clean look that it appears to have originated from legal activities. It is a process of filtering money obtained through predicate offence such as corruption, fraud, drug trafficking etc. through the financial system. Money Laundering now a days is one of the greatest challenges that the Governments, Banks and Financial Institutions face in the globalize financial system.

Union Bank Limited identified the money laundering as one of its core risk areas and has been making all out efforts to prevent money laundering. For mitigating the risk, the bank has a designated Chief Anti-Money Laundering Compliance Officer (CAMLCO) at Central Compliance Unit under Anti-Money Laundering Division, Head Office, who has sufficient authority to implement and enforce corporate wide AML policy, procedure & measure and who is reporting directly to the Senior Management and the Board of Directors. Moreover, every branch of our bank has a designated Branch Anti-Money Laundering Compliance Officer (BAMLCO) under Branch Anti-Money Laundering Compliance Unit, who independently reviews the transaction of accounts, with verification of Know Your Customer (KYC) and Suspicious Transaction Report (STR). They are also sending Cash Transaction Report (CTR) to the Central Compliance Unit, Head Office on monthly basis by using FIU Reporting System Software provided by Bangladesh Bank and finally we send the same to Anti-Money Laundering Department of Bangladesh Bank. The Central Compliance Unit has also arranged Training/Workshop for developing awareness and skill regarding AML activities of Executives and Officers of the bank and conducting inspection regarding AML activities of our branch. Bank has established a Manual for Prevention of Money Laundering and issues circulars time to time giving specific guidelines in accordance with Bangladesh Bank guidelines, regulations, Anti-Money Laundering Act, 2012 & Anti Terrorism Act, 2012. All the guidelines and circulars issued by Bangladesh Bank from time to time are being strictly complied with by Central Compliance Unit and branches of the Bank.

2.11.5 Internal Control and Compliance

Internal Control & Compliance is considered as an eye of an organization. It is a mirror of operations and keeps record of the same. The primary objectives of internal control system are to help the bank to perform in a better height through the use of its resources & under the guidance of Internal Control system; bank identifies its weakness and takes appropriate measures to overcome the same. The main objectives of Internal Control are to ascertain the efficiency and effectiveness of activities, reliability, completeness and timeliness of financial and management information, compliance with applicable laws and regulations.

Operational loss arises for the cause of errors and fraud due to lack of internal control and compliance. Internal Control & Compliance Division undertakes periodical and special audit & inspection of its branches and departments/divisions of Head Office for reviewing its operation and compliance of the statutory requirement. The Audit Committee of the Board of Directors plays a vital role in providing a bridge between the Board and Management. The committee reviews the Financial Reporting process, Audit process and the Bank's process for compliance with laws, regulations and code of conduct.

2.11.6 Guideline on Information & Communication Technology

Banks are increasingly using sophisticated digital technology for banking activities with a view to achieving more customer satisfaction with less cost. In addition, it increases the efficiency of the banking and payment system, benefiting consumers and merchants leading to bring additional risks. These risks must be balanced against benefits i.e. must be controlled. Under this advanced and highly technical ICT environment banks must ensure that critical systems are not threatened by the risk exposures the banks take. For this purpose, a risk management process consisting of assessing risks, controlling risk exposure, and monitoring risks should be in place.

Information assets are critical to the services provided by the Bank to its customers. Protection and maintenance of these assets are vital to its sustainability. In order to ensure protection of critical IT assets from unauthorized access modification, disclosure and destruction, the Bank has already taken initiatives, which safeguard the interest of customers.

In this context bank is implementing a core banking software (Ababil) ensuring adequate security. To protect sensitive information of core banking software and other software in the event of any disaster, the bank implementing a disaster recovery site. The Bank has already developed its own ICT policies for various operation and services which are closely in line with the ICT guidelines of Bangladesh Bank.

The Bank has developed fault tolerance plan of human resources with detail job description for each IT personnel, segregation of duties of IT tasks and system support in respect of severity. Training is a key component of ICT Risk Management. The Bank has been continuously conducting training sessions on sensitive IT tasks (i.e. operational procedure, Business Continuity Planning, Disaster Recovery Planning etc.) for relevant employees. The Bank management has been putting continuous efforts to improve IT Operation Management, Problem Management, Change Management, Asset Management and Request Management to maintain maximum uptime of automated banking business. The Bank has been maintaining adequate physical security inside its workplace to properly protect ICT resources. The Bank is strictly following the Information Security Standard of Bangladesh Bank covering Password Control, User ID Maintenance, Input Control, Network Security, Data Encryption, Virus Protection and Access Control to Internet and Emailing. The bank is regularly conducting internal ICT audit to all its' branches and Head Office divisions to ensure proper implementation of the ICT policies.

2.11.7 Internal audit

Internal Audit is used as an important element to ensure good governance of UBL. Internal Audit activity of UBL is effective and it provides senior management with a number of important services. These include detecting and preventing fraud, testing internal control, and monitoring compliance with own policies & procedures, applicable rules & regulations, instructions/ guidelines of regulatory authority etc.

During the year 2016, Audit Division of Internal Control & Compliance Wing conducted inspection on most of the Branches/ Divisions of Head Office of the Bank and submitted reports presenting the findings of the audits/ inspections. Necessary control measures and corrective actions have been taken on the suggestions or observations made in these reports. The reports or key points of the reports have also been discussed in the meetings of the Audit Committee of the Board and necessary steps have been taken according to the decision of the said Committee for correct functioning of Internal Controls & Compliance.

2.11.8 Fraud and forgeries

Fraud means wrongful or criminal deception intended to result in financial or personal gain. It will never be possible to eliminate all frauds and no system is completely fraud proof, since many fraudsters are able to bypass control systems put in place. UBL continuously pays attention to implement and improve the anti-fraud internal controls for prevention of fraud and forgery. UBL assesses /evaluates the effectiveness of its Anti-Fraud Internal Control measures on quarterly basis as per the items/ areas mentioned in the prescribed checklist of Bangladesh Bank. During the year 2016, no incident of fraud have been detected by the Bank.

2.12 Risk Based Capital Adequacy

Basel III (or the Third Basel Accord) is a global, voluntary regulatory framework on bank capital adequacy, stress testing and market risk. Basel III has introduced to strengthen bank's capital requirements by increasing bank liquidity and decreasing bank leverage, to improve the banking sector's ability to absorb shocks arising from financial and economic stress; reducing the risk of spillover from the financial sector to the real economy; to improve risk management and governance as well as strengthen bank's transparency and disclosures. Bangladesh Bank BRPD circular no – 18 dated December 21, 2014, Bangladesh Bank issued a roadmap for implementation Basel – III in Bangladesh. From 2015 bank started it's reporting under Basel – III. Each year bank has to maintain additional capital conservation buffer 0.625%, this way after 2019 bank has to maintain capital conservation buffer 2.50%. So, after 2019 every bank must maintain Capital to Risk Weighted Assets Ratio (CRAR) 12.50%.

2.13 Stress Testing

Stress testing is one of the sophisticated risk management techniques that have been used to determine the reactions of different financial institution under a set of exceptional, but plausible assumptions through a series of test. At institutional level, stress testing techniques provide a way to quantify the impact of change in a number of risk factors on the assets and liabilities portfolio of the institution. Presently stress testing is being done by considering five different risk factors namely Profit rate, sale value of collateral, non-performing loans, stock price and foreign exchange rate.

UBL supplements their analysis of risk with stress testing. They perform stress tests because value-at-risk calculations are based on relatively recent historical data and only purport to estimate risk up to a defined confidence level. Therefore, they only reflect possible losses under relatively normal market conditions.

2.14 Reporting Period

The accounting year is 01 January to 31 December. The reporting year of 2016 is from 01 January 2016 to 31 December 2016.

2.15 Regulatory and legal compliance

Among others, the Bank complied with the requirements of the following circular, rules and regulations:

- a) The Bank Company Act, 1991 as amended
- b) The Companies Act, 1994
- c) "Guidelines for Islamic Banking" and BRPD Circular No. 14 dated 25.06.2003 issued by Bangladesh Bank through BRPD Circular No. 15 dated 09.11.2009.
- d) Other circulars, rules and regulations issued by Bangladesh Bank from time to time
- e) Income Tax Ordinance, 1984
- i) VAT Act, 1991
- j) Standards issued by AAOIFI
- k) The Stamp Act-1899
- l) The Customs Act-1969
- m) The Money Laundering Prevention Act, 2012
- n) The Anti-Terrorism (Amendment) Act, 2012 etc.

2.16 Compliance with Financial Reporting Standards as applicable in Bangladesh

Sl. No.	BFRS No.	BFRS Title	Compliance Status
1	1	First-time adoption of International Financial Reporting Standards	Not Applicable
2	2	Share-based Payment	Not Applicable
3	3	Business Combinations	Not Applicable
4	4	Insurance Contracts	Not Applicable
5	5	Non-current Assets Held for Sale and Discontinued Operations	Not Applicable
6	6	Exploration for and Evaluation of Mineral Resources	Not Applicable
7	7	Financial Instruments: Disclosures	Complied
8	8	Operating Segments	Complied
9	10	Consolidated Financial Statements	Not Applicable
10	11	Joint Arrangements	Not Applicable
11	12	Disclosure of Interests in other Entities	Not Applicable
12	13	Fair Value Measurement	Complied
Sl. No.	BAS No.	BAS Title	Compliance Status
1	1	Presentation of Financial Statements	Complied
2	2	Inventories	Not Applicable
3	7	Statement of Cash Flows	Complied
4	8	Accounting Policies, Changes in Accounting Estimates and Errors	Complied
5	10	Events after the Reporting Period	Complied
6	11	Construction Contracts	Not Applicable
7	12	Income Taxes	Complied
8	16	Property, Plant & Equipment	Complied
9	17	Leases	Complied
10	18	Revenue	Complied
11	19	Employee Benefits	Complied
12	20	Accounting for Government Grants and Disclosure of	Not Applicable
13	21	The Effects of Changes in Foreign Exchange Rates	Complied
14	23	Borrowing Costs	Not Applicable
15	24	Related Party Disclosures	Complied
16	26	Accounting and Reporting by Retirement Benefit Plans	Complied
17	27	Separate Financial Statements	Not Applicable
18	28	Investments in Associates and Joint Ventures	Not Applicable
19	29	Financial Reporting in Hyperinflationary Economics	Not Applicable
20	31	Interest in Joint Ventures	Not Applicable
21	32	Financial Instruments: Presentation	Complied
22	33	Earnings per Share	Complied
23	34	Interim Financial Reporting *	Complied
24	36	Impairment of Assets	Complied
25	37	Provisions, Contingent Liabilities and Contingent Assets	Complied
26	38	Intangible Assets	Complied
27	39	Financial Instruments: Recognition and Measurement	Complied
28	40	Investment Property	Not Applicable

(*) Complied while the quarterly and half-yearly interim financial reports were prepared during the year.

2.17 General

2.17.1 The figures have been rounded off to the nearest Taka.

2.17.2 Wherever considered necessary, previous year's figures have been rearranged for the purpose of comparison.

	31.12.2016	31.12.2015
	Taka	Taka
3 CASH		
3.1 Cash in Hand		
In Local Currency	583,355,334	371,352,597
In Foreign Currencies	117,463	387,115
	583,472,797	371,739,712
3.2 Balance with Bangladesh Bank and its Agent Bank		
In Local Currency	5,430,395,562	3,899,120,967
In Foreign Currencies	106,688,872	56,614,037
	5,537,084,434	3,955,735,004
	6,120,557,231	4,327,474,716
3.3 Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)		
Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) have been calculated and maintained in accordance with the Section 25 & 33 of the Bank Companies Act, 1991 and subsequent BCD Circular No.13 dated May 24,1992; BRPD Circular No. 12 dated September 06, 1998, BRPD Circular No.12, dated September 20, 1999, BRPD Circular No. 22 dated November 06, 2003, BRPD Circular No. 03 dated 17 February, 2005 and BRPD Circular No. 11 & 12 dated 25 August 2005, Bangladesh Bank Letter # DOS (SR) 1153/120-A/2009-46 dated 22 March 2009, MPD circular # 01 dated 04 May 2010, MPD circular # 04 & 05 dated 01 December 2010 and MPD circular # 01 dated 23 June 2014.		
3.4 Cash Reserve Ratio (CRR): 6.50% of Average Demand and Time Liabilities		
Required Reserve	4,075,252,920	3,110,319,277
Actual Reserve maintained	5,424,182,619	3,895,326,446
Surplus/(Short)	1,348,929,699	785,007,169
3.5 Statutory Liquidity Ratio (SLR): 5.50% of Average Demand and Time Liabilities:		
Required Reserve	3,735,648,497	2,631,808,619
Actual Reserve held	4,898,827,581	3,856,746,031
Surplus/(Short)	1,163,179,084	1,224,937,412
4 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS AND PLACEMENT		
4.1 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS		
A. Inside Bangladesh		
Al-Wadiah Current Accounts		
Janata Bank Ltd.	733,886	23,035
Others Accounts:		
Mudaraba Short Notice Deposits		
First Security Islami Bank Ltd.	109,548,309	130,120,712
Prime Bank Ltd.	25,000	25,000
Trust Bank Ltd.	2,147,363	1,582,640
Islami Bank Bangladesh Ltd.	4,422,317	8,050,000
	116,142,989	139,778,352
	116,876,875	139,801,387

B.	Outside Bangladesh	Currency	Amount	Rate	31.12.2016 Taka	31.12.2015 Taka
	Current Account					
	Sonali Bank (UK) Limited, UK	EURO	66,058.97	82.9941	5,482,504	48,861
	Sonali Bank (UK) Limited, UK	GBP	96.72	97.0394	9,386	93,034
	Sonali Bank (UK) Limited, UK	USD	120,983.33	78.7800	9,531,067	73,731,187
	Habib Bank Limited, New York, USA	USD	1,551,805.34	78.7800	122,251,225	145,906,483
	Habib Bank Limited, Karachi, Pakistan	ACU	4,620.03	78.7800	363,966	771,862
	AB Bank Ltd., Mumbai, India	ACU	77,074.32	78.7800	6,071,915	16,665,273
	United Bank of India, Kolkata, India	ACU	40,000.06	78.7800	3,151,205	17,774,618
	National Australia Bank	AUD	-	-	-	278,734
	Mizuho Bank Ltd. Tokyo, Japan	JPY	650.00	0.6888	448	42,369
	National Bank of Pakistan, Tokyo, Japan	JPY	1,010.00	0.6888	696	671
					146,862,410	255,313,092
	Total (A+B)				263,739,285	395,114,479

	31.12.2016	31.12.2015
	Taka	Taka
4.1.1 Maturity-wise Grouping (Inside and Outside Bangladesh)		
Payable on Demand	263,739,285	395,114,479
Up to Three Months	-	-
Three Months to One Year	-	-
One Year to Five Years	-	-
Above Five Years	-	-
	263,739,285	395,114,479
4.2 Placement with banks & Other Financial Institutions		
Reliance Finance Limited	2,988,517,919	6,605,732,775
Phoenix Finance and Investments Ltd.	90,000,000	90,000,000
	3,078,517,919	6,695,732,775
4.2.1 Maturity-wise Grouping (Placement with banks & other FI)		
Payable on Demand	-	-
Up to Three Months	2,988,517,919	6,696,712,775
Three Months to One Year	-	-
One Year to Five Years	90,000,000	-
Above Five Years	-	-
	3,078,517,919	6,696,712,775
5 INVESTMENTS IN SHARES AND SECURITIES		
Government Securities		
Bangladesh Govt. Islamic Investment Bonds	3,550,000,000	2,700,000,000
Others		
Subordinated Bond	300,000,000	-
Quoted Shares (Note - 5.1)	18,479,214	406,187,398
	318,479,214	406,187,398
	3,868,479,214	3,106,187,398
5.1 Quoted Shares		
Name of Companies	Acquisition cost	Acquisition cost
CVO Petrochemical Refinery Limited	-	18,693,911
Advance Chemical Industries Ltd.	29,388	-
Grameenphone Ltd.	-	2,392,092
RAK Ceramics (Bangladesh) Ltd.	1,551,180	1,895,371
Heidelberg Cement Bangladesh	-	617,460
Lafarge Surma Cement Ltd.	13,077,439	14,297,535
Bangladesh Thai Aluminium	256,020	-
Beacon Pharmaceuticals Ltd.	42,800	-
JMI Syringes & Medical Devices Ltd.	890,523	-
Unique Hotel & Resorts Ltd.	1,333,312	-
United Power Generation & Distribution Company Ltd.	230,920	-
National Bank Ltd.	-	365,696,892
Shahjibazar Power Co. Ltd.	408,615	488,213
Rahima Food Corporation Ltd.	-	1,446,907
Tallu Spinning Mills Ltd.	659,017	659,017
	18,479,214	406,187,398
5.2 Market Value of Quoted Shares	21,311,275	359,200,980
5.3 Maturity Grouping of Investments in Shares and Securities		
On Demand	-	-
One Month to three Months	1,518,479,214	1,106,187,398
Three Months to One Year	2,050,000,000	2,000,000,000
One Year to Five Years	-	-
More than Five Years	300,000,000	-
	3,868,479,214	3,106,187,398

	31.12.2016	31.12.2015
	Taka	Taka
6 INVESTMENTS (All Inside Bangladesh)		
General Investments (Bai-Murabah, Bai-Muajjal, HPSM etc.) (Note-6.A)	52,351,997,718	37,548,628,509
Bills Purchased and Discounted (Note - 6.B)	14,798,193,032	8,044,240,754
	67,150,190,750	45,592,869,263
6.A General Investment (Bai-Murabaha, Bai-Muajjal, HPSM etc.)		
Inside Bangladesh		
Bai Murabaha (Hypo)	1,090,816,521	1,544,427,878
Bai Murabaha against MTDR	10,145,675,843	3,324,237,489
Bai Murabaha TR	22,655,521,491	13,457,181,155
Bai Murabaha (Post Import) TR	1,737,641,723	418,271,296
Bai Murabaha (TR) SME	2,062,559,025	795,267,157
Bai Murabaha Agriculture	522,893,792	464,004,392
Bai Murabaha (TR) Agriculture	35,358,084	4,474,802
Bai Murabaha (TR) Women Entrepreneur	9,344,871	2,404,717
Bai Murabaha General	11,030,666,479	14,814,863,298
Bai Muazzal	44,457,411	81,118,686
HPSM (Real Estate)	489,075,882	583,407,285
HPSM (Transport)	21,801,972	16,146,564
HPSM (SME)	991,390	967,158
HPSM House Building Staff	140,676,930	74,889,113
HPSM Rural Housing	422,524	-
HPSM House Building General	67,418,758	31,399,557
HPSM Industrial Term	744,821,774	837,726,946
HPSM Machinery	1,168,388,032	358,102,803
HPSM Machinery Women Entrepreneur	1,445,656	1,384,000
Quard against MTDR	116,122,150	636,644,075
Car Leasing Scheme Staff	56,671,356	49,887,826
Murabaha EDF Investment	138,506,773	13,148,175
Bai Istisna	43,081,305	-
HPSM Consumer Durables (Scheme)	27,637,976	38,674,137
	52,351,997,718	37,548,628,509
Outside Bangladesh	-	-
	52,351,997,718	37,548,628,509
6.B Bills Purchased and Discounted		
Payable in Bangladesh	14,798,193,032	8,044,240,754
Payable outside Bangladesh	-	-
	14,798,193,032	8,044,240,754
	67,150,190,750	45,592,869,263
6.1 Maturity Grouping of Investments		
Payable on Demand	2,716,200,000	1,922,600,000
Up to Three Months	9,571,900,000	5,621,800,000
Three Months to One Year	51,769,000,000	34,494,600,000
One Year to Five Years	3,093,090,750	3,553,869,263
Above Five Years	-	-
	67,150,190,750	45,592,869,263
6.2 Analysis to disclose the following Significant Concentration including Bills Purchased & Discounted		
Investments to Directors of other Banks	6,117,046,423	5,113,066,046
Investments to Chief Executive and Other high Officials	-	-
Investments to Customers Group	51,513,038,314	32,554,640,894
Investments to Industry	9,302,959,578	7,770,141,761
Investment to staff	217,146,435	155,020,562
	67,150,190,750	45,592,869,263

	31.12.2016	31.12.2015
	Taka	Taka
6.3 Investments to Customers amounting to 10% or more of UBL's Total Regulatory Capital		
Number of Clients	25	13
Amount of Outstanding Investments:		
Funded	6,163,400,000	7,155,100,000
Non-funded	3,113,700,000	2,936,900,000
	9,277,100,000	10,092,000,000

6.4 Sector wise Investments

Agriculture	558,829,811	468,178,327
Ready Made Garments (RMG)	541,034,734	602,513,279
Textile	2,802,654,134	2,839,554,411
Ship Building	94,390,499	91,628,431
Ship Breaking	-	-
Other Manufacturing industry	2,091,147,875	1,134,383,811
SME Loans	2,073,763,006	798,639,033
Construction	-	54,533,645
Power, Gas	-	-
Transport, Storage and Communication	9,723,344	38,937,943
Trade Service	54,478,813,553	35,543,174,998
Commercial real estate financing	2,941,101,258	2,755,122,888
Residential real estate financing	72,967,583	31,399,557
Consumer credit	359,064,815	222,420,838
Capital market	88,125,191	438,598,882
Non Banking Financial Institutions (NBFI)	-	-
Others	1,038,574,947	573,783,218
	67,150,190,750	45,592,869,263

6.5 Geographical Location-wise Investments

Urban

Dhaka	37,341,797,778	26,827,872,319
Chittagong	24,750,914,950	16,239,175,952
Barisal	2,955,997	-
Rajshahi	66,234,588	32,131,508
Khulna	28,344,746	14,329,157
Rangpur	-	-
Sylhet	30,169,532	31,291,881
	62,220,417,591	43,144,800,817

Rural

Dhaka	143,151,205	84,942,327
Chittagong	4,661,145,043	2,318,205,225
Khulna	-	-
Barisal	-	-
Rangpur	86,963,058	36,254,643
Sylhet	19,544,228	8,666,251
Rajshahi	18,969,625	-
	4,929,773,159	2,448,068,446
	67,150,190,750	45,592,869,263

	31.12.2016 Taka	31.12.2015 Taka
6.6 Classification of Investments as per Bangladesh Bank (BRPD) Circular		
<u>Unclassified</u>		
Standard	66,748,440,264	45,586,497,608
Special Mention Account	354,099,412	5,484,518
	67,102,539,676	45,591,982,126
<u>Classified:</u>		
Sub-standard	23,564,907	396,938
Doubtful	18,745,530	490,199
Bad & Loss	5,340,637	-
	47,651,074	887,137
	67,150,190,750	45,592,869,263

6.7 Particulars of Required Provision for Investments

Classification status

Unclassified

Standard	731,562,036	514,996,197
Special Mention Account	6,515,231	81,845
	738,077,267	515,078,042

Classified:

Sub - Standard	1,545,371	76,323
Doubtful	5,915,198	225,672
Bad and Loss	1,179,934	-
	8,640,503	301,995
	746,717,770	515,380,037

Required Provision for Investments	746,717,770	515,380,037
Total Provision Maintained	828,000,000	529,500,000
Provision Excess/ (Shortfall)	81,282,230	14,119,963

* Details of provision as shown in note 2.7.2

6.8 Particulars of Investments

i) Investments considered good in respect of which the Bank Company is fully secured	42,985,700,000	32,633,107,990
ii) Investments considered good for which the bank holds no Security other than the debtors personal security	12,607,073,642	2,613,810,101
iii) Investment considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors	11,557,417,108	10,345,951,172
iv) Investments adversely classified; provision not maintained there against	-	-
	67,150,190,750	45,592,869,263
v) Investments due by directors or executives of the banking company or any of them taken either severally or jointly with any other person.	-	-
vi) Investments due by companies or firms in which the directors of the bank company are interested as directors partners or managing agents or in case of private companies, as members.	-	-

	31.12.2016 Taka	31.12.2015 Taka
vii) Maximum total amount of investments, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either separately or jointly with any other person.	-	-
viii) Maximum total amount of investments, including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in the case of private companies, as members.	-	-
ix) Investment due from other banking companies	-	-
x) Total amount of classified Investments on which profit is not credited to income	46,763,937	887,137
a. Movement of classified Investments		
Opening balance	887,137	-
Increase/ (Decrease) during the year	46,763,937	887,137
	47,651,074	887,137
b. Amount of provision kept against investment classified as 'bad/loss' on the reporting date of Balance Sheet	1,179,934	-
c. Profit credited to the profit/Rent/Compensation Suspense Account	6,588,660	54,179
xi) Amount of written off Investment:		
a. Cumulative amount	-	-
b. Amount written off during the period	-	-
c. Total amount of written off (a+b)	-	-
d. Amount recovered against such written- off up to this year	-	-
e. Amount of investment written- off against which suit has been filled to recover the same.	-	-
6.9 Security against Investments including bills purchased & discounted:		
Collateral of movable/immovable assets	32,723,902,008	22,239,920,341
Local banks & financial institutions guarantee	-	-
Government Guarantee	-	-
Foreign Banks guarantee	-	-
Export documents	12,607,073,642	7,881,825,440
Fixed deposits receipts:		
Own MTDR	10,261,797,992	3,960,881,564
MTDR of other Banks	-	-
Government Bonds	-	-
Personal guarantee	11,557,417,108	11,510,241,918
Other security	-	-
Unsecured	-	-
	67,150,190,750	45,592,869,263
6.10 Maturity Grouping of Bills Purchased and Discount		
Payable within one month	739,909,652	432,415,314
Over one month but less than three months	3,255,602,467	1,764,125,440
Over three months but less than six months	10,802,680,913	5,847,700,000
Six Months and Above	-	-
	14,798,193,032	8,044,240,754

	31.12.2016 Taka	31.12.2015 Taka
7 FIXED ASSETS INCLUDING PREMISES, FURNITURE & FIXTURES AT COST LESS ACCUMULATED DEPRECIATION (ANNEXURE-A)		
Furniture & Fixtures	601,760,096	412,535,627
Office Equipment	403,579,867	328,953,739
Vehicles	91,486,719	91,486,719
Books	49,640	40,470
	1,096,876,322	833,016,555
Less: Accumulated Depreciation	267,454,216	153,818,475
	829,422,106	679,198,080
8 OTHER ASSETS		
Inter - branch Transaction Account (Note - 8.a)	65,615,684	42,188,869
Accrued Income on MTDR	77,894,377	142,150,582
Advances, Deposits and Prepayment (Note - 8.1)	1,566,671,797	1,565,231,726
Advance Income Tax	751,864,237	384,755,231
Stock of Stationery	7,253,808	5,814,921
Suspense Account (Note - 8.2)	136,254,573	111,665,302
Stamps on Hand	777,945	378,225
	2,606,332,421	2,252,184,856
8.a Inter-branch transaction account represents outstanding Inter-branch and Head Office transaction (net) originated but yet to be responded at the balance sheet date. However, the status of non respondent entries on 31.12.2016 have been reconciled on 22.02.2017.		
8.1 Advance, Deposits and Prepayment		
Advance against Rent - Office	271,818,395	299,896,894
Prepayment	1,294,853,402	1,265,334,832
	1,566,671,797	1,565,231,726
8.2 Suspense Account		
Sundry Debtors	112,788,969	108,381,342
Advance against TA/DA	50,300	60,300
Advance against New Branch	23,415,304	3,223,660
	136,254,573	111,665,302
9 PLACEMENT FROM BANK AND OTHER FINANCIAL INSTITUTIONS		
Inside Bangladesh		
Bangladesh Bank (Refinance Scheme)	3,052,985	-
Bangladesh Bank (Export Deveopment Fund)	137,666,658	12,990,443
	140,719,643	12,990,443
Outside Bangladesh		
	-	-
	140,719,643	12,990,443
A. Security- wise grouping		
Secured Placement	-	-
Unsecured Placement	140,719,643	12,990,443
	140,719,643	12,990,443
B. Repayment Nature wise Grouping		
Repayable on demand	-	-
Others	140,719,643	12,990,443
	140,719,643	12,990,443

	31.12.2016	31.12.2015
	Taka	Taka
C. Maturity Analysis		
Repayable on Demand	-	-
Repayable within One Month	-	-
One Month to Six Months	-	-
Six Month to One Year	-	-
One Year to Five Years	140,719,643	12,990,443
Five Years to Ten Years	-	-
Unclaimed Deposits Ten Years and Over	-	-
	140,719,643	12,990,443
10 DEPOSITS AND OTHER ACCOUNTS		
Mudaraba Savings Deposits (Note-10.1)	1,688,892,795	923,535,744
Mudaraba Term Deposits (Note-10.2)	54,741,355,944	45,296,112,256
Other Mudaraba Term Deposits (Note-10.3)	11,861,935,948	6,429,286,034
Al-Wadia Current Accounts and Other Accounts (Note-10.4)	5,569,007,885	2,847,238,630
Bills Payable (Note-10.5)	389,366,464	59,264,040
	74,250,559,036	55,555,436,704
10.1 Mudaraba Savings Deposits		
As per BRPD Circular No. 06, dated 24 June 2007, total saving bank deposits amount is bifurcated into:		
9 % of total Mudaraba Savings Deposits	152,000,352	83,118,217
91% of total Mudaraba Savings Deposits	1,536,892,443	840,417,527
	1,688,892,795	923,535,744
10.2 Mudaraba Term Deposits- Maturity wise Grouping		
Payable on Demand	214,272,253	102,300,000
Up to Three Months	23,680,333,987	19,784,345,831
From Three Months to Six Months	16,950,336,692	10,654,412,090
Above Six Months to One Year	13,878,456,162	14,741,084,335
Above One Year to Two Years	8,016,850	5,900,000
Above Two Years	9,940,000	8,070,000
	54,741,355,944	45,296,112,256
10.3 Other Mudaraba term Deposits		
Mudaraba Monthly Savings Scheme	776,489,176	248,308,530
Mudaraba Double Benefit Deposits Scheme	5,683,183,650	3,432,194,132
Mudaraba Monthly Profit Scheme	4,924,587,928	2,574,339,942
Mudaraba Millionaire Savings Scheme	341,189,684	139,864,258
Mudaraba Kotipoti Deposit Scheme	34,987,584	12,973,679
Mudaraba Marriage Scheme	6,043,329	2,593,228
Mudaraba Pension Scheme	310,991	205,644
Mudaraba Hajj Deposit Scheme	2,150,117	164,500
Mudaraba Pension Scheme	39,780,939	17,571,101
Mudaraba Muhor Savings Scheme	387,181	39,000
Mudaraba Corepoty Sanchaya Scheme	52,825,369	1,032,020
	11,861,935,948	6,429,286,034
10.4 Al-Wadiah Current Accounts & Other Deposit Accounts		
Al-wadiah Current Deposits	2,189,112,488	1,993,573,378
Mudaraba Short Notice Deposits	3,014,678,858	462,126,562
Sundry Deposits (Note-10.4.1)	365,216,539	391,538,690
	5,569,007,885	2,847,238,630

	31.12.2016	31.12.2015
	Taka	Taka
10.4.1 Sundry Deposits		
Security Deposit	149,088,025	120,020,540
Sundry Creditors	19,152,971	32,607,386
Income Tax Deduction at Source -Profit on Deposit	32,332,853	27,359,032
Income Tax on Local L/C	31,939	10,256
Income Tax on Export bill (Foreign)	394,321	1,017,592
Income Tax on Export bill (Local)	29,280,728	-
Income Tax on Local/Buying Agents Commission	18,258	-
Excise Duty on Deposit & Investment	51,320,037	33,047,997
Tax on Honorarium	16,700	-
VAT on Online Charge	8,302	1,120
VAT on Commission TT/DD/PO/LG	16,385	13,093
VAT on Service Charge and Others	1,288,887	834,982
VAT Deduction Bills Paid	368,481	1,090,005
VAT Deduction from advertisement Bill	330,554	115,898
VAT on Rent and Others	814,167	508,272
VAT on Directors Fee	33,600	-
VAT on L/C	781,970	674,131
VAT on Postage	44,142	865
VAT on Security Service	52,001	23,397
VAT on Swift Charge	43,676	23,973
VAT on L/C Advising Charge	14,125	2,034
VAT on EXP Issue Charge	105	600
VAT on Acceptance Commission	113,286	215,608
VAT on Bank Guarantee Commission	69,748	386,278
VAT on ADD Confirmation charge	-	14,891
VAT on FDD collection charge	1,080	116,032
VAT on commission on export bill	98,976	171,293
VAT on income from ATM	259,947	55,969
VAT in Misc. Earnings	17,331	3,227
Income Tax Deduction at Source - Office rent	279,612	282,166
Income Tax Deduction at Source - Bills	602,280	688,887
Income Tax Deduction at Source - Advertising Bill	88,148	30,906
Income Tax Deduction at Source-Employee's	1,661,503	890,743
Income Tax on Foreign Buyer	154,705	-
Govt. Tax on Export (Garments)	-	5,348,284
Marginal Deposit Export	518,594	468,857
F.C. Held against B.B L/C	44,211,915	106,899,842
Sundry Deposit - Swift charge	2,564,408	30,908
Sundry Deposit LAC (Export)	17,478,604	2,635,532
S/D/A/C ATM Charge collection Account	177,297	57,563
D&B Credit report collection fee	534	27,161
ATM Charge (NPSB)	113,552	14,580
S/D/A/C VAT on Polli Bidyut Samity	614,399	427,201
Central Fund (RMG Sector)	795	-
NR. USD A/C Wall street Finance	-	826,042
NR. Taka A/C Wall street Finance	1,273,363	680,055
Security Deposit A/C Wall Street	1,946,250	1,946,250
S/D Cash incentive against export	40,470	170,070
NR. Tk. A/C Transfast Remittance	5,547,515	49,849,172
SD. A/C Transfast Remittance, LLC	1,950,000	1,950,000
	365,216,539	391,538,690

	31.12.2016	31.12.2015
	Taka	Taka
10.5 Bills Payable		
Pay Order Issued	389,362,858	59,264,040
Demand Draft Issued	3,606	-
	389,366,464	59,264,040
Maturity wise Grouping of Deposits and Other Accounts		
Repayable within One Month	3,309,968,096	3,183,400,000
One Month to Three Months	23,680,333,988	17,782,200,000
Three Months to One Year	30,828,792,854	26,919,400,000
One Year to Five Years	16,431,464,098	7,670,436,704
Repayable over Five Years	-	-
	74,250,559,036	55,555,436,704
10. A Deposits received from Banks (Note A-1)	1,009,706,498	2,000,000,000
10.B Deposits received from other than Bank		
Payable on Demand (Note B-1)	3,095,695,843	2,527,494,325
Other Deposits (Note B-2)	70,145,156,695	51,027,942,379
	73,240,852,538	53,555,436,704
	74,250,559,036	55,555,436,704
10. A.1 Deposits Received from Banks		
AB Bank Limited	6,303	-
Islami Bank Bangladesh Ltd.	1,007,375,805	1,850,000,000
Trust Bank Ltd.	675,915	-
South Bangla Agriculture and Commerce Bank Ltd.	1,545,283	-
Bank Asia Ltd.	-	150,000,000
NRB Global Bank Ltd.	103,192	-
	1,009,706,498	2,000,000,000
Maturity wise Grouping of Deposits Received from Banks		
Repayable on Demand	-	-
Repayable within One Month	1,009,706,498	400,000,000
Repayable over One Month but within Six Months	-	1,600,000,000
Repayable over Six Months but within one Year	-	-
Repayable over One Year but within Five Years	-	-
Repayable over Five Years but within Ten Years	-	-
Unclaimed Deposits for Ten Years and above	-	-
	1,009,706,498	2,000,000,000
B-1 Payable on Demand		
Al-wadiah Current Deposits	2,189,112,488	1,993,573,378
Mudaraba Saving Deposits (9%) (Note-10.1)	152,000,352	83,118,217
Bills Payable (Note-10.5)	389,366,464	59,264,040
Sundry Deposits (Note-10.4.1)	365,216,539	391,538,690
	3,095,695,843	2,527,494,325
B- 2 Other Deposits		
Mudaraba Saving Deposits (91%) (Note-10.1)	1,536,892,443	840,417,527
Mudaraba Term Deposits	54,741,355,944	43,296,112,256
Mudaraba Short Notice Deposits	2,004,972,360	462,126,562
Other Mudaraba Term Deposits (Note-10.3)	11,861,935,948	6,429,286,034
	70,145,156,695	51,027,942,379

	31.12.2016	31.12.2015
	Taka	Taka
11 OTHER LIABILITIES		
Inter - branch Transaction Account	-	-
Provision for Taxation (Note-11.1)	1,125,674,045	491,199,512
Accumulated Provision against Investments (Note-11.2)	828,000,000	529,500,000
Accrued Profit and Expenses Payable (Note-11.3)	1,409,270,022	1,194,981,670
Provision for Gratuity (Note-11.4)	17,867,446	16,060,000
Provisions for diminution in value of Investments in share (Note-11.5)	-	50,850,000
Provision for Zakat	15,025,000	6,025,000
Other provisions	5,000,000	-
Provident Fund	648,997	188,695
Benevolent Fund	572,491	868,504
Provision for Incentive Bonus	79,700,000	50,000,000
Provision for Audit fee	300,000	200,000
Clearing adjustment account	20,874,915	18,391,607
Compensation Realized	12,573,147	930,308
ATM Adjustment (NPSB)	783,936	4,620,260
Settlement account Foreign Remittance	3,158,328	3,199,632
Profit Rent Suspense	6,642,839	54,179
Compensation Receivable	6,487,983	8,145,442
Others	4,137,707	4,361,265
	3,536,716,856	2,379,576,074

11.1 Provision for Taxation

Opening balance	491,199,512	180,447,573
Add : Provision made during the year	634,474,533	310,751,939
Less: Adjustment/settlement during the year	-	-
Closing balance	1,125,674,045	491,199,512

Assessment for the year 2013, 2014 and 2015, return have been submitted u/s 82BB of Income Tax Ordinance 1984 but not yet completed and assessment for the year 2016 not yet due.

11.2 Accumulated Provision against Investments

Specific Provision for Classified Investments (Note -11.2.1)	43,000,000	1,000,000
General Provision for Unclassified Investment (Note -11.2.2)	715,000,000	482,000,000
General Provision for off- balance sheet exposure (Note -11.2.3)	70,000,000	46,500,000
	828,000,000	529,500,000

11.2.1 Movement in Specific Provision for Classified Investments

Provision held at the beginning of the year	1,000,000	-
Fully Provided Debts written off	-	-
Recoveries of amounts previously written off	-	-
Specific Provision for the year (Note-11.2.a)	42,000,000	1,000,000
Recoveries and Provisions no longer required	-	-
Net Charge to Profit and Loss Account	-	-
Provision held at the end of the year	43,000,000	1,000,000

11.2.2 General Provision for Unclassified Investment

Provision held at the beginning of the year	482,000,000	305,000,000
Addition/transfer during the year (Note-11.2.a)	233,000,000	177,000,000
Provision held at the end of the year	715,000,000	482,000,000

11.2.3 General Provision for off-balance sheet exposure

Provision held at the beginning of the year	46,500,000	15,000,000
Addition/transfer during the year (Note-11.2.a)	23,500,000	31,500,000
Provision held at the end of the year	70,000,000	46,500,000

	31.12.2016	31.12.2015
	Taka	Taka
11.2.4 Other Provisions		
To comply BRPD Circular no. 6 dated March 19 2015, BRPD letter no-16 dated 30 December 2015 and BRPD letter no-3 dated 16 February 2016 the Bank has been maintain a provision of lump sum amount for incentive of good borrower.		
11.2.a Provision for Investments during the year		
Specific Provision for Classified Investments	42,000,000	1,000,000
General Provision for Unclassified Investment	233,000,000	177,000,000
General Provision for off- balance sheet exposure	23,500,000	31,500,000
	298,500,000	209,500,000
11.3 Accrued Profit and Expenses Payable		
Mudaraba Term Deposit Receipt (MTDR)	977,492,939	979,440,873
Mudaraba Monthly Benefit Savings Scheme	32,820,904	9,889,772
Mudaraba Double Benefit Savings Scheme	351,235,109	184,628,158
Mudaraba Monthly Profit Scheme	25,279,794	13,270,153
Mudaraba Pension Prokolpa (Obolombon)	1,776,217	848,796
Mudaraba Marriage Deposit Scheme	196,461	80,811
Mudaraba Hajj Deposit Scheme	77,732	7,388
Mudaraba Millionaire Savings Scheme	16,997,015	6,318,455
Mudaraba Kotipoti Deposit Scheme (MKDS)	1,638,612	474,106
Mudaraba Pension deposit Scheme	27,743	14,585
Mudaraba Mohor Saving Scheme	10,158	645
Mudaraba Corepoty Sanchaya Prokalpa	1,717,338	7,928
	1,409,270,022	1,194,981,670
11.4 Provision for Gratuity		
Opening Balance	16,060,000	4,060,000
Add: Provision made during the year	17,000,000	16,000,000
	33,060,000	20,060,000
Less: Adjustment	15,192,554	4,000,000
Closing Balance	17,867,446	16,060,000
11.5 Provisions for diminution in value of Investments in share		
Opening Balance	50,850,000	3,850,000
Add: Provision made during the year	-	47,000,000
	50,850,000	50,850,000
Less: Adjustment	50,850,000	-
Closing Balance	-	50,850,000
11.a Deffered Tax Liabilities/(Assets)		
Opening Balance	(11,199,512)	(447,573)
Add: Addition during the year	(11,974,533)	(10,751,939)
	(23,174,045)	(11,199,512)
Less: Adjustment	-	-
Closing Balance	(23,174,045)	(11,199,512)
12 CAPITAL		
AUTHORISED CAPITAL		
1,000,000,000 Ordinary Shares of Taka 10 each.	10,000,000,000	10,000,000,000
12.1 Issued, Subscribed and Paid-Up Capital		
470,800,000 Ordinary Shares of Taka 10 each issued	4,708,000,000	4,280,000,000

	31.12.2016 Taka	31.12.2015 Taka
12.2 Category of shareholding as at 31 December 2016		
<u>Name of Category</u>	<u>Percentage (%)</u>	<u>Percentage (%)</u>
Sponsors/Directors	100.00	100.00
Financial Institutes	-	-
Non-Resident Bangladeshi	-	-
General Public	-	-
	100.00	100.00

12.3 Classification of Shareholders by holding position as at 31 December 2016

<u>Shareholding Range</u>	<u>No. of Shares</u>	<u>Percentage (%)</u>
Less than 500 Shares	-	-
501 to 5000 Shares	-	-
5001 to 10,000 Shares	-	-
10,001 to 20,000 Shares	-	-
20,001 to 30,000 Shares	-	-
30,001 to 40,000 Shares	-	-
40,001 to 50,000 Shares	-	-
50,001 to 100,000 Shares	-	-
100,001 to 1,000,000 Shares	1,000,000	0.21
Over 1,000,001 Shares	469,800,000	99.79
	470,800,000	100.00

12.4 Regulatory Capital Requirement in line with Basel-III

I. Tier - 1 Capital

a. Common Equity Tier-1 Capital (CET-1)

Paid up Capital	4,708,000,000	4,280,000,000
Statutory Reserve	527,663,554	233,241,638
Other Reserve	145,749,665	145,749,665
Retained Earnings	631,004,217	452,966,555
	6,012,417,436	5,111,957,858
Less: Regulatory Adjustments (Deferred tax assets)	23,174,045	11,199,512
	5,989,243,391	5,100,758,346

b. Additional Tier –1 Capital (AT-1)

-	-
-	-

Total Tier 1 Capital (a + b)

5,989,243,391	5,100,758,346
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II. Tier –2 Capital

General Provision	785,000,000	495,924,976
	785,000,000	495,924,976

A. Total Regulatory Capital (I+II)

6,774,243,391	5,596,683,322
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B. Total Risk Weighted Assets

58,315,036,798	42,247,723,691
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C. Minimum Capital Requirement

5,831,503,680	4,224,772,369
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D. Surplus/(Deficiency); (A - C)

942,739,711	1,371,910,953
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Capital to Risk Weighted Assets Ratio (CRAR)

11.62%	13.25%
---------------	---------------

Capital to Risk Weighted Assets Ratio (CRAR):

a. Common Equity Tier-1 Capital to Risk Weighted Assets

10.27%	12.07%
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b. Tier - 1 Capital to Risk Weighted Assets

10.27%	12.07%
--------	--------

c. Tier - 2 Capital to Risk Weighted Assets

1.35%	1.17%
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Total (b+c)

11.62%	13.25%
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	31.12.2016	31.12.2015
	Taka	Taka
13 STATUTORY RESERVE		
Opening Balance	233,241,638	75,578,898
Transferred during the year from Profit & Loss A/C	294,421,916	157,662,740
Closing Balance	527,663,554	233,241,638
14 OTHER RESERVE	145,749,665	145,749,665
This represents profit prior to incorporation i.e. 07 March 2013.		
15 RETAINED EARNINGS		
Opening Balance	452,966,555	122,315,596
Add: Net Profit after tax for the year	849,609,578	488,313,699
Less: Transferred to Statutory Reserve	294,421,916	157,662,740
Less: Transferred to Paid up Capital	428,000,000	-
Add: Transferred from provision for Investment in Shares	50,850,000	-
Closing Balance	631,004,217	452,966,555
16 LETTER OF GUARANTEES		
Money for which the Bank is contingently liable in respect of guarantees are given favoring:		
Letters of Guarantee - Local	365,851,995	612,755,013
Letter of Guarantee - Foreign	-	-
	365,851,995	612,755,013
16.1 Money for Which the Bank is Contingently Liable in respect of Guarantees:		
Directors	-	-
Government	-	-
Banks and Other Financial Institutions	-	-
Others	365,851,995	612,755,013
	365,851,995	612,755,013
17 IRREVOCABLE LETTERS OF CREDIT		
Letters of Credit - Cash	2,645,263,052	1,458,229,907
Letter of Credit - Cash Inland	-	-
Back to Back Letters of Credit - Local	187,750,226	210,896,290
Back to Back Letters of Credit - Foreign	76,411,000	116,199,000
	2,909,424,278	1,785,325,197
18 BILLS FOR COLLECTION ISSUED BY THE BANK		
Foreign Documentary Bills	214,846,000	223,786,000
Outward Bills	-	-
Inland Documentary Bills	219,753,000	8,486,000
	434,599,000	232,272,000
19 INVESTMENT INCOME		
Profit Received from:		
Deposit with Other Banks	462,450,612	1,026,752,542
Bai Murabaha - General	1,873,299,757	2,097,744,381
Bai Murabaha Hypothecation	187,895,073	306,480,720
Bai Murabaha against MTDR	801,439,870	518,829,621
Bai Murabaha - TR	2,743,705,398	900,416,293
Bai Murabaha - Agriculture	48,745,832	62,108,732
Musharaka - MDB	1,294,974,547	969,418,047
Bai Muajjal General	6,454,367	5,266,915
Bai Muajjal Real Estate	8,253	536,240
Bai Muajjal Agriculture	-	35,139
Bai Murabaha Post Import Bill - TR	177,403,977	20,852,960
HPSM Transport	3,446,585	1,610,807
HPSM Industry	105,768,482	107,379,477

	31.12.2016	31.12.2015
	Taka	Taka
HPSM Real Estate	89,855,535	89,568,576
HPSM Machinery	106,809,403	27,492,188
HPSM Consumer Durables	5,283,680	5,038,351
HPSM SME	185,940	81,034
HPSM Rural House Building	5,460,805	-
Quard against MTDR	997,705	487,381
Bill Purchased - Foreign	409,744	-
Bai Murabaha Import Bill (MIB)	107,451,420	18,248,861
Bai Murabaha EDF Investment	154,047	1,488,147
Back to Back Bill	4,349,460	3,046,979
Bai Istisna	539,444	247,638
	8,027,089,936	6,163,131,029

20 PROFIT PAID ON DEPOSITS

Profit Paid on:

Mudaraba Term Deposit	3,797,628,817	3,550,436,561
Mudaraba Double Benefit Deposits Scheme	602,102,338	340,500,332
Mudaraba Monthly Savings Scheme	51,903,101	16,037,819
Mudaraba Monthly Benefit Savings Scheme	452,706,257	199,560,915
Bangladesh Government Islami Bond	29,822,486	49,315,068
Mudaraba Savings Deposits	53,123,710	19,095,969
Mudaraba Short Notice Deposits	66,614,881	27,126,831
Mudaraba no Frill Savings Deposits	17,690	-
Mudaraba Marriage Scheme	415,925	161,925
Mudaraba Pension Deposit Scheme	2,848,668	1,207,160
Mudaraba Millionaire Deposit Scheme	26,787,579	9,341,540
Mudaraba Hajj Deposit Scheme	93,522	9,254
Mudaraba Mohor Savings Scheme	18,159	645
Mudaraba Corepoty Savings Scheme	2,069,023	7,928
Mudaraba Kotipoti Deposit Scheme	2,804,434	548,718
	5,088,956,590	4,213,350,665

21 INCOME FROM INVESTMENT IN SHARES AND SECURITIES

Bangladesh Govt. Islamic Investment Bond (Note-21.1)	-	13,750,000
Other Bond	24,237,500	-
Profit/(Loss) on sale of shares	7,395,296	(1,091,730)
Dividend Income	273,701	393,800
	31,906,497	13,052,070

21.1 During the year 2016 two bonds has been matured but Bangladesh Bank informed vide their letter no; (Islamic Bond)/182/2016-1196 & 1216 dated 04.12.16 & 11.12.16 respectively that, profit will be provided to UBL after the year end 2016 for which no income has been recognized during the year.

22 COMMISSION, EXCHANGE AND BROKERAGE

Commission	130,573,997	60,554,287
Exchange Gain	59,131,869	24,557,647
Exchange Earning	63,199,807	26,300,654
Less: Exchange Loss	4,067,938	1,743,007
	189,705,866	85,111,934

23 OTHER OPERATING INCOME

Account maintenance charge	14,466,267	7,751,043
Clearing cheque processing fee	154,039	81,985
Investment processing fee	932,750	1,009,593
Miscellaneous Earnings	4,150,595	4,499,393
	19,703,651	13,342,014

	31.12.2016	31.12.2015
	Taka	Taka
24 SALARY AND ALLOWANCES		
Basic Salary	222,298,094	168,499,007
Bonus	107,438,634	97,640,071
Bank's Contribution to Staff Provident Fund	16,992,203	10,892,212
Gratuity	17,000,000	16,000,000
House Rent Allowance	105,475,256	66,510,890
Conveyance Allowance	13,196,099	8,274,183
Leave Fare Allowance	56,042,942	34,547,003
Entertainment Allowance	20,894,454	13,139,558
Medical Allowance	25,816,787	16,009,920
Utility Services	25,589,359	16,041,397
House Maintenance Allowance	26,338,906	16,739,360
Bengali New Year Allowance	3,264,162	-
Other Allowances	3,119,349	2,378,660
	643,466,245	466,672,261
25 RENT, TAXES, INSURANCE, ELECTRICITY ETC.		
Rent	155,124,091	124,861,917
Insurance	32,973,531	22,367,861
Rates and Taxes	2,431,850	2,998,498
Water Charges	358,261	282,564
Gas Charges	216,770	199,580
Electric Bills	22,226,115	15,782,476
	213,330,618	166,492,896
26 LEGAL EXPENSES		
Law Charges	8,625	42,750
Stamp	9,225	15,086
Other Professional Charges	582,750	515,753
	600,600	573,589
27 POSTAGE, STAMP AND TELECOMMUNICATION		
Telephone - Office	3,250,028	3,009,715
Telegram, Telex, Internet, Fax and Email charge	7,092,400	5,046,763
Stamp	91,445	44,770
Telephone - Residence	9,480	3,019
Swift charge	4,437,277	3,353,080
Postage	2,756,659	1,144,489
	17,637,289	12,601,836
28 STATIONERY, PRINTING AND ADVERTISEMENT		
Publicity and Advertisement	34,526,229	26,151,009
Printing and Stationery	24,101,545	8,775,325
	58,627,774	34,926,334
29 CHIEF EXECUTIVE'S SALARY & FEES		
Basic Pay	3,621,774	3,600,000
House Rent Allowances	1,357,258	1,200,000
Leave Fare Allowance	1,357,258	1,200,000
Bonus	1,650,000	1,600,000
Bengali New Year Allowance	65,000	-
House Maintenance Allowance	1,357,258	1,200,000
	9,408,548	8,800,000

	31.12.2016	31.12.2015
	Taka	Taka
30 DIRECTORS' FEES & EXPENSES		
Fees	1,554,800	1,454,750
Travel	1,856,100	4,066,400
	3,410,900	5,521,150
31 SHARIA'H SUPERVISORY COMMITTEE'S FEES AND EXPENSES		
Fees	312,800	278,300
Travel	-	-
	312,800	278,300
32 DEPRECIATION AND REPAIRS TO FIXED ASSETS		
Depreciation on Fixed Assets (Annexure - A)	113,635,741	92,445,161
Repairs:	38,147,877	35,383,330
Office equipment	14,750,867	12,135,731
Renovation and Maintenance of Office Premises	57,841	30,720
Furniture and Fixtures	80,735	17,255
Repair & Maintenance of Vehicle	23,258,434	23,199,624
	151,783,618	127,828,491
33 OTHER EXPENSES		
Car Expense	29,027,307	20,882,978
Wages	75,486,113	50,162,053
Traveling	9,518,624	12,274,436
Donation and Subscription:		
Donation	113,278,710	51,252,790
Subscription	2,598,400	1,534,000
Newspaper and Periodicals	324,838	292,749
Entertainment	10,379,364	9,751,765
Conveyance	3,361,668	2,593,323
Bank charges	4,067,104	2,864,344
Refreshment	1,877,365	1,063,843
Holiday Banking allowances	1,107,974	547,024
Medical Expense	2,901,466	2,330,627
Training, Seminar and Workshop	3,257,115	2,126,569
Photocopy, Photograph & Toner	1,691,462	1,085,760
Generator Expenses	4,062,294	2,814,234
Washing and Cleaning	206,762	120,622
Upkeep Branches Premises	1,176,155	863,912
Online Expenses	2,426,430	1,976,610
Office Maintenance	6,102,547	4,866,922
Crockery Expense	185,485	188,808
Meeting Expenses	14,166,813	12,800,424
ATM Expenses	957,461	1,458,033
Miscellaneous Expenses	1,769,932	2,726,000
	289,931,389	186,577,826
34 EARNINGS PER SHARE (EPS)		
A. Net Profit after Tax	849,609,578	488,313,699
B. Weighted Average Number of Ordinary Shares	470,800,000	470,800,000
Earnings Per Share (A/B)*	1.80	1.04

* Prior period EPS has been restated to comply with BAS-33 "Earning Per Share".

	31.12.2016	31.12.2015
	Taka	Taka
35 RECEIPTS FROM OTHER OPERATING ACTIVITIES		
Account maintenance charge	14,466,267	7,751,043
Clearing cheque processing fee	154,039	81,985
Investment processing fee	932,750	1,009,593
Miscellaneous Earnings	4,150,595	4,499,393
	19,703,651	13,342,014
36 PAYMENTS FOR OTHER OPERATING ACTIVITIES		
Rent, Taxes, Insurances, Electricity etc.	213,330,618	166,492,896
Legal Expenses	600,600	573,589
Postage, Stamps, Telecommunications etc.	17,637,289	12,601,836
Directors' fees	3,410,900	5,521,150
Sharia'h Supervisory Committee's fees and expenses	312,800	278,300
Auditor's Fee	330,000	200,000
Repair of Fixed Assets	38,147,877	35,383,330
Zakat Expenses	15,000,000	6,000,000
Other Expenses	289,931,390	186,577,826
	578,701,474	413,628,927
37 INCREASE / DECREASE OF OTHER ASSETS		
Inter - branch Transaction Account	65,615,684	42,188,869
Advances, Deposits and Prepayment	1,566,671,797	1,565,231,726
Stock of Stationery	7,253,808	5,814,921
Suspense Account	136,254,573	111,665,302
Stamps on Hand	777,945	378,225
	1,776,573,807	1,725,279,043
(Increase)/Decrease during the year	(51,294,764)	(1,256,626,705)
38 INCREASE / DECREASE OF OTHER LIABILITIES		
Provision for Zakat	15,025,000	6,025,000
Benevolent Fund	572,491	868,504
Clearing Adjustment Account	20,874,915	18,391,607
Others	34,083,940	21,311,086
	70,556,346	46,596,197
Increase /(Decrease) during the year	23,960,149	(211,338,264)
39 NUMBER OF EMPLOYEES		
Executives and Officers	849	666
Members of Staff (Contractual)	202	166
	1,051	832

40 RELATED PARTY TRANSACTIONS

During the year, the Bank carried out some transaction with related party in the normal course of business and on an arm's length basis. The name of this related party, nature of this transaction and total value has been set out in accordance with provisions of International Accounting Standard # 24 (IAS# 24) Related Party disclosure and as defined in the BRPD Circular no. 14 issued by the Bangladesh Bank on June 25, 2003. The significant related party transactions during the year were as follows:

i) Significant Contracts where Bank is a Party and wherein Directors have Interest

<u>Name of the Party</u>	<u>Nature of Transaction</u>	<u>Nature of Relationship</u>	<u>Total Value (in Taka)</u>
Reliance Finance Ltd.	Mudaraba Term Deposits	Common Director	<u>2,988,517,919</u>
Times Securities Ltd.	Investment in Share	Common Director	<u>32,456,809</u>
ii) Related Party Transactions			Nil
iii) Shares issued to Directors and Executives without consideration or exercisable at discount			Nil
iv) Lending to Related Parties is effected as per requirements of Section 27 (1) of the Bank Companies Act, 1991.			Nil
v) Business other than banking business with any related concern of the Directors as per Section 18(2) of the Bank Companies Act, 1991			Nil
vi) Investment in the Securities of Directors and their related concern			Nil

41 DIRECTORS' INTEREST IN DIFFERENT BUSINESSES OR ENTITIES

Sl. No	Name of the Directors	Status with the Bank	Names of firms/companies in which interested as proprietor, partner, director, managing agent, guarantor, employee, etc.
1	Shahidul Alam	Chairman	Managing Director Galco Steel (Bangladesh) Ltd. Prasad Paradise Resorts Ltd. S. Alam Vegetable Oil Ltd. Director First Security Islami Capital & Investment Ltd. Reliance Brokerage Services Ltd. Proprietor M/s. Tazin Enterprise Sonali Traders
2	Ahsanul Alam	Vice Chairman	Managing Director Genesis Textiles Accessories & Apparels Ltd. Western Designers Ltd. Chairman Hasan Abasan (Pvt) Ltd. Proprietor Genesis Enterprise Chief Executive S. Alam & Co.

Sl. No	Name of the Directors	Status with the Bank	Names of firms/companies in which interested as proprietor, partner, director, managing agent, guarantor, employee, etc.
3	Hussain Muhammad Ershad	Director	Chairman Podagonj Cold Storage Ltd.
4	Ms. Marzina Sharmin	Director	Managing Director Unique Investment & Securities Limited Times Securities Limited Director Reliance Finance Limited Proprietor M/s. Marzina Trading
5	Mortuza Siddique Chowdhury	Director	Chairman Tower Aviation Ltd. Al- Sharaf Airways Ltd. MRM Trading Ltd. Marsa Fishing Ltd. Managing Director Mortuza Assets Ltd. Director Al- Sharaf Ltd.
6	Shahedul Huq	Director	Managing Partner Crystal Bridge (Pvt) Ltd. Director Xebac Trading Service Proprietor S. Huq Properties Ltd.
7	Showkat Hossain, FCA	Director	Resident Partner Hoda Vasi Chowdhury & Co. Director Chittagong WASA Director (Independent) Chittagong Stock Exchange Ltd.
8	Rashedul Alam	Director	Managing Director Global Trading Corporation Ltd. Director S. Alam Steels Ltd. Bangladesh Petro Chemical Ltd. S. Alam Hatchery Ltd. Ocean Resorts Ltd. S. Alam Properties Ltd. Fatehabad Farm Ltd. Proprietor Rafe Enterprise Khurshed Poribohon Sangstha
9	Ms. Farzana Begum	Director	Managing Director Shah Amanat Prakritik Gas Co. Ltd. Lion Securities & Investment Ltd. Director Global Trading Corporation Ltd Proprietor M/s. Farzana Trading Enterprise

Sl. No	Name of the Directors	Status with the Bank	Names of firms/companies in which interested as proprietor, partner, director, managing agent, guarantor, employee, etc.
10	Ms. Mehe Zebunnesa Rahman	Director	Director, BBA Programme & Asst. Prof. Southeast University
11	Mohammad Fazlay Morshed	Director	Managing Director MRM Trading Ltd. Ex-Managing Director Chattagong Logistic Ltd. Ex-Adviser C&A Fabrics Ltd.
12	Mohammad Manzoor Alam Seth	Director	Adviser C&A Accessories Ltd. Partner Shobel Engineers & Construction
13	Md. Enayet Ullah, FCA	Independent Director	Partner Shafiq Basak & Co. Chartered Accountants Ex-Adviser Shafiq Basak & Co. Chartered Accountants Ex-Partner Khan Ohab Shafiq Rahman & Co. Chartered Accountants
14	Mohammad Abdul Quddus	Independent Director	EX- Chief Executive Officer (CEO) First Security Islami Bank Foundation EX- Managing Director NRB Global Bank Ltd.

42 AUDIT COMMITTEE

a) Constitution

Name	Status with the Bank	Status with the Committee	Educational Qualification
Showkat Hossain, FCA	Director	Chairman	B. Com, Fellow Chartered Accountants
Mortuza Siddique Chowdhury	Director	Member	FAZIL
Shahedul Huq	Director	Member	Bachelor of Business Administration

b) During the year under review, the Audit Committee of the Board conducted 07 (seven) meeting.

c) The following steps have been taken for implementation of an effective Internal Control Procedure of the Bank:

A strong powerful division formed for internal audit and inspection as well as compliance thereof.

The division is divided into three separate units i.e. Audit & Inspection , compliance and Monitoring to implement effective internal control and compliances headed by highly experienced bankers.

Audit and Inspection unit is established with a view to carrying out comprehensive internal audit in the branch level and ensure the transparency and accountability in the banking operations in light of the guidelines of the regulatory authorities and policies set by the bank with regular intervals.

Monitoring Unit is established with a view to implementing proper banking practices in the branches. Day to day operations is the focusing area to implement the rules and procedures of the regulatory bodies, bank's policies and other prudential guidelines.

Compliance unit is established to take effective measures for collection and timely submission of compliances of internal, external and Bangladesh Bank Inspection Reports.

The committee is placing its report regularly to the Board of Directors of the bank mentioning its review and recommendations on internal system, compliance of rules and regulations and establishment of good governance within

The board has given the responsibility to implement internal control system in the bank as per requirement of core risk management and framework provided by the Bangladesh Bank.

43 EVENTS AFTER BALANCE SHEET DATE

a) The Board of Directors of the Bank in its 38th Board meeting held on 23 February 2017 approved the financial statements of the Bank for the year ended 31 December 2016 and recommended 12% Stock Dividend for shareholders for the year 2016 to be approved in the next Annual General Meeting and authorized the same for issue.

b) There is no other significant event that has occurred between the balance Sheet date and the date when the financial statements were authorized for issue by the Board of Director which require adjustment in the financial statements.

Managing Director
(Current Charge)

Director

Director

Chairman

Dhaka
23 February 2017

UNION BANK LIMITED
SCHEDULE OF FIXED ASSETS
As on 31 December 2016

Figure in Taka

Particulars	C O S T				D E P R E C I A T I O N				Written down value as on 31 December'16
	Balance as on 01 January'16	Addition during the year	Sales/Transfer during the period	Balance as on 31 December'16	Balance as on 01 January'16	Charged for the period	Adjustment on sale/transfer during the period	Balance as on 31 December'16	
Furniture & Fixtures	412,535,627	189,224,469	-	601,760,096	41,191,647	43,876,719	-	85,068,366	516,691,730
Office Equipment	328,953,739	74,626,128	-	403,579,867	83,837,198	51,462,034	-	135,299,232	268,280,635
Vehicles	91,486,719	-	-	91,486,719	28,779,634	18,293,287	-	47,072,921	44,413,798
Books	40,470	9,170	-	49,640	9,996	3,701	-	13,697	35,943
Total Dec' 2016	833,016,555	263,859,767	-	1,096,876,322	153,818,475	113,635,741	-	267,454,216	829,422,106
Total Dec' 2015	472,653,996	360,362,559	-	833,016,555	61,373,314	92,445,161	-	153,818,475	679,198,080

UNION BANK LIMITED
FINANCIAL HIGHLIGHTS
For the year ended 31 December 2016

Particulars	2016	2015
Paid-up Capital	4,708,000,000	4,280,000,000
Total Regulatory Capital	6,774,243,391	5,596,683,322
Total Regulatory Capital Surplus/(deficit)	942,739,711	1,371,910,953
Total Assets	83,917,238,926	63,048,761,567
Total Deposits	74,250,559,036	55,555,436,704
Total Investments	67,150,190,750	45,592,869,263
Total Contingent Liabilities and Commitments	6,465,385,386	4,642,784,803
Investment Deposit Ratio (in %)	90.44%	82.07%
Percentage of Classified Investments against total Investments (in %)	0.0709%	0.0019%
Profit before Provision and Tax	1,775,609,578	1,044,813,699
Amount of Classified Investments during the year	47,651,074	887,137
Provision kept against Classified Investments	42,000,000	1,000,000
Investments Provision Surplus/(deficit)	81,282,230	14,119,963
Cost of Fund	9.53%	11.82%
Profit Earning Assets	74,360,927,168	55,789,903,915
Non-profit Earning Assets	9,556,311,758	7,258,857,652
Return on Investment in Shares & securities (ROI)(in %)	0.82%	0.42%
Return on Assets (ROA)(in %)	1.16%	0.94%
Income from Investment in Shares and Securities	31,906,497	13,052,070
Earnings Per Share (Tk.)	1.80	1.04
Net Income Per Share (Tk.)	1.80	1.04
Price Earnings Ratio (Times)	N/A	N/A