

**Auditor's Report and  
Audited Financial Statements  
of  
Union Bank Limited  
For the year ended 31 December 2017**

**Auditors' Report**  
**TO THE SHAREHOLDERS OF UNION BANK LIMITED**

We have audited the accompanying financial statements of Union Bank Limited (the "Bank"), which comprise the balance sheet as at 31 December 2017, 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.

**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 (BFRSs) 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 in 2013 & 2018 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 2017, 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 and other applicable rules and regulations.

### **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 & 2018 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 and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- (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 Standards 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 22 April 2018 and Bangladesh Bank instruction letter no. DBI-4/42(8)/2018-849 dated 26 April 2018;
- (g) Adequate provisions have been made for investments, other assets and off-balance sheet items 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 3,083 person hours for the audit of the books and accounts of the Bank.

**Place: Dhaka**  
**Dated: 30 April 2018**

**Syful Shamsul Alam & Co**  
**Chartered Accountants**

**UNION BANK LIMITED**  
**Balance Sheet**  
**As at 31 December 2017**

Particulars	Notes	December 2017 Taka	December 2016 Taka
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	3	<b>11,257,005,478</b>	<b>6,120,557,231</b>
In hand (Including foreign currency)	3.1	801,321,303	583,472,797
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currency)	3.2	10,455,684,175	5,537,084,434
<b>Balance with other Banks and Financial Institutions</b>	4.1	<b>244,582,063</b>	<b>263,739,285</b>
In Bangladesh		38,074,756	116,876,875
Outside Bangladesh		206,507,307	146,862,410
<b>Placement with banks &amp; Other Financial Institutions</b>	4.2	<b>9,263,887,421</b>	<b>3,078,517,919</b>
<b>Investments in Shares &amp; Securities</b>	5	<b>4,984,525,024</b>	<b>3,868,479,214</b>
Government		4,650,000,000	3,550,000,000
Others		334,525,024	318,479,214
<b>Investments</b>	6	<b>100,753,547,130</b>	<b>67,150,190,750</b>
General Investments etc.	6.A	84,268,614,957	52,351,997,718
Bills Purchased and Discounted	6.B	16,484,932,173	14,798,193,032
<b>Fixed Assets Including Premises, Furniture and Fixtures</b>	7	<b>849,999,808</b>	<b>829,422,106</b>
<b>Other Assets</b>	8	<b>4,324,019,497</b>	<b>2,606,332,421</b>
<b>Non Banking Assets</b>		-	-
<b>Total Assets</b>		<b>131,677,566,421</b>	<b>83,917,238,926</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Placement from Banks &amp; other Financial Institutions</b>	9	<b>5,141,390,322</b>	<b>140,719,643</b>
<b>Deposits and Other Accounts</b>	10	<b>114,049,889,571</b>	<b>74,250,559,036</b>
Mudaraba Savings Deposits	10.1	2,876,904,725	1,688,892,795
Mudaraba Term Deposits	10.2	80,432,924,516	54,741,355,944
Other Mudaraba Term Deposits	10.3	16,035,274,892	11,861,935,948
Al-Wadia Current Accounts and Other Accounts	10.4	14,185,117,907	5,569,007,885
Bills Payable	10.5	519,667,531	389,366,464
<b>Other Liabilities</b>	11	<b>5,611,985,916</b>	<b>3,536,716,856</b>
<b>Deferred Tax Liabilities/(Assets)</b>	11.a	<b>(28,199,024)</b>	<b>(23,174,045)</b>
<b>Total Liabilities</b>		<b>124,775,066,785</b>	<b>77,904,821,490</b>
<b>Capital/Shareholders' Equity</b>			
Paid-up Capital	12	5,272,960,000	4,708,000,000
Statutory Reserve	13	876,837,431	527,663,554
Other Reserve	14	145,749,665	145,749,665
Retained Earnings	15	606,952,540	631,004,217
<b>Total Shareholders' Equity</b>		<b>6,902,499,636</b>	<b>6,012,417,436</b>
<b>Total Liabilities and Shareholders' equity</b>		<b>131,677,566,421</b>	<b>83,917,238,926</b>

**UNION BANK LIMITED**  
**Balance Sheet**  
**As at 31 December 2017**

Particulars	Notes	December 2017 Taka	December 2016 Taka
<b>OFF- BALANCE SHEET ITEMS</b>			
<b>Contingent Liabilities</b>			
Acceptances and Endorsements		3,079,016,917	2,755,510,113
Letters of Guarantee	16	315,956,779	365,851,995
Irrecoverable Letters of Credit	17	2,465,280,671	2,909,424,278
Bills for Collection	18	1,532,780,000	434,599,000
Other Contingent Liabilities		-	-
<b>Total</b>		<b><u>7,393,034,367</u></b>	<b><u>6,465,385,386</u></b>
<b>Other Commitments</b>			
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		-	-
Other-Commitments		-	-
<b>Total</b>		<b><u>-</u></b>	<b><u>-</u></b>
<b>Total Off -Balance Sheet Items Including</b>			
<b>Contingent Liabilities</b>		<b><u>7,393,034,367</u></b>	<b><u>6,465,385,386</u></b>

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

**Managing Director**

**Director**

**Director**

**Chairman**

See annexed auditor's report of even date

**Dhaka**  
30 April 2018

**Syful Shamsul Alam & Co.**  
**Chartered Accountants**

**UNION BANK LIMITED**  
**Profit and Loss Account**  
For the year ended 31 December 2017

Particulars	Notes	December 2017 Taka	December 2016 Taka
Investments Income	19	10,587,605,824	8,027,089,936
Profit Paid on Deposits	20	(6,905,419,048)	(5,088,956,590)
<b>Net Investment Income</b>		<b>3,682,186,776</b>	<b>2,938,133,346</b>
Income from Investment in Shares and Securities	21	61,680,973	31,906,497
Commission, Exchange and Brokerage	22	233,620,013	189,705,866
Other Operating Income	23	33,587,630	19,703,651
		<b>328,888,616</b>	<b>241,316,014</b>
<b>Total Operating Income</b>		<b>4,011,075,392</b>	<b>3,179,449,360</b>
<b>Operating Expenses</b>			
Salary and Allowances	24	849,834,207	643,466,245
Rent, Taxes, Insurances, Electricity etc.	25	303,826,381	213,330,618
Legal Expenses	26	1,010,223	600,600
Postage, Stamps, Telecommunication etc.	27	18,699,907	17,637,289
Stationery, Printings, Advertisements etc.	28	42,946,375	58,627,774
Chief Executives Salary and Fees	29	8,013,979	9,408,548
Auditors' Fees		345,000	330,000
Directors' Fees & Expenses	30	2,037,500	3,410,900
Shariah Supervisory Committee's Fees & Expenses	31	188,398	312,800
Depreciation and Repair of Bank's Assets	32	179,296,411	151,783,618
Zakat Expenses		20,000,000	15,000,000
Other Expenses	33	312,107,628	289,931,389
<b>Total Operating Expenses</b>		<b>1,738,306,009</b>	<b>1,403,839,782</b>
<b>Profit/(Loss) before Provision and tax</b>		<b>2,272,769,383</b>	<b>1,775,609,578</b>
Provisions for Classified Investments	11.2.1	157,000,000	42,000,000
Provisions for Unclassified Investments	11.2.2	360,900,000	233,000,000
Provisions for Off Balance Sheet items	11.2.3	5,000,000	23,500,000
Other Provisions	11.2.4	1,500,000	5,000,000
Provisions for diminution in value of investment in share	11.5	2,500,000	-
<b>Total Provisions</b>		<b>526,900,000</b>	<b>303,500,000</b>
<b>Total Profit/(Loss) before Tax</b>		<b>1,745,869,383</b>	<b>1,472,109,578</b>
<b>Provision for Income Tax</b>			
Current Tax	2.9.1.1	860,812,162	634,474,533
Deferred Tax Income	2.9.1.2	(5,024,979)	(11,974,533)
		<b>855,787,183</b>	<b>622,500,000</b>
<b>Net Profit/(Loss) after Tax</b>		<b>890,082,200</b>	<b>849,609,578</b>
Retained Earnings from Previous Year		66,044,217	75,816,555
Add: Net Profit/(Loss) after Tax		890,082,200	849,609,578
<b>Profit available for Appropriation</b>		<b>956,126,417</b>	<b>925,426,133</b>
<b>Appropriations:</b>			
Statutory Reserve		349,173,877	294,421,916
General Reserve		-	-
Dividend		-	-
Retained earnings		606,952,540	631,004,217
		<b>956,126,417</b>	<b>925,426,133</b>
<b>Earnings Per Share (EPS)</b>	34	<b>1.69</b>	<b>1.61</b>

The annexed notes form an integral part of these financial statements

Managing Director

Director

Director

Chairman

See annexed auditor's report of even date

Dhaka  
30 April 2018

Syful Shamsul Alam & Co.  
Chartered Accountants

**UNION BANK LIMITED**  
**CASH FLOW STATEMENT**  
For the year ended 31 December 2017

Particulars	Notes	31.12.2017 Taka	31.12.2016 Taka
<b>A. Cash Flow from Operating Activities</b>			
Investments income receipts		10,639,984,913	8,122,778,937
Profit paid on deposit		(6,336,096,383)	(4,874,668,238)
Fee and Commission receipts		233,620,013	189,705,866
Dividend receipts		275,644	273,701
Payments to employees		(821,735,711)	(620,907,045)
Payments to suppliers		(42,946,375)	(58,627,774)
Income tax paid		(859,144,306)	(367,109,006)
Receipts from other operating activities	35	33,587,630	19,703,651
Payments for other operating activities	36	(702,737,048)	(578,701,474)
<b>Operating Profit before changes in Operating Assets &amp; Liabilities</b>		<b>2,144,808,377</b>	<b>1,832,448,618</b>
<b>Changes in Operating Assets &amp; Liabilities</b>			
(Increase)/ Decrease Investments to Customers		(33,603,356,380)	(21,557,321,487)
(Increase)/ Decrease of Other Assets	37	(854,516,530)	(51,294,764)
Increase/ (Decrease) Deposits from Customers		39,799,330,535	18,695,122,332
Increase/ (Decrease) of Other Liabilities	38	87,121,758	23,960,149
<b>Cash Flow from Operating Assets and Liabilities</b>		<b>5,428,579,383</b>	<b>(2,889,533,770)</b>
<b>Net Cash Flow from Operating Activities</b>		<b>7,573,387,760</b>	<b>(1,057,085,152)</b>
<b>B. Cash Flow from Investing Activities</b>			
Payments to Investment in Shares and Securities		(1,116,045,810)	(762,291,816)
Purchases of Property, Plant and Equipment		(155,352,102)	(263,859,767)
<b>Net Cash Used in Investing Activities</b>		<b>(1,271,397,912)</b>	<b>(1,026,151,583)</b>
<b>C. Cash Flow from Financing Activities</b>			
Increase/(Decrease) in Share Capital		-	-
Increase/(Decrease) in Other reserve		-	-
Increase/(Decrease) in Placement from Banks & other Financial Institutions		5,000,670,679	127,729,200
<b>Net Cash Flow from Financing Activities</b>		<b>5,000,670,679</b>	<b>127,729,200</b>
<b>D. Net Increase/(Decrease) of Cash &amp; Cash Equivalents (A+B+C)</b>		<b>11,302,660,527</b>	<b>(1,955,507,535)</b>
<b>E. Add/(Less): Effect of Exchange Rate on Cash &amp; Cash Equivalents</b>		-	-
<b>F. Beginning Cash &amp; Cash Equivalents</b>		<b>9,462,814,435</b>	<b>11,418,321,970</b>
<b>G. Ending Cash &amp; Cash Equivalents (D+E+F)</b>		<b>20,765,474,962</b>	<b>9,462,814,435</b>
<b>The above closing Cash and Cash Equivalents include:</b>			
In hand (Including foreign currency)	3.1	801,321,303	583,472,797
Balance with Bangladesh Bank and its agent bank(s)	3.2	10,455,684,175	5,537,084,434
Balance with other Banks and Financial Institutions	4.1	244,582,063	263,739,285
Placement with banks & Other Financial Institutions	4.2	9,263,887,421	3,078,517,919
		<b>20,765,474,962</b>	<b>9,462,814,435</b>

The annexed notes form an integral part of these financial statements

Managing Director

Director

Director

Chairman

See annexed auditor's report of even date



**UNION BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2017

Particulars	Paid-up Capital	Statutory Reserve	Other Reserve	Retained Earnings	Total
	Taka	Taka	Taka	Taka	Taka
<b>Balance as on 01 January 2017</b>	<b>4,708,000,000</b>	<b>527,663,554</b>	<b>145,749,665</b>	<b>631,004,217</b>	<b>6,012,417,436</b>
Changes in Accounting Policy	-	-	-	-	-
<b>Restated Balance</b>	<b>4,708,000,000</b>	<b>527,663,554</b>	<b>145,749,665</b>	<b>631,004,217</b>	<b>6,012,417,436</b>
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	-	-	-	890,082,200	890,082,200
<b>Dividends</b>					
Stock	564,960,000	-	-	(564,960,000)	-
Cash	-	-	-	-	-
Transfer to Statutory Reserve	-	349,173,877	-	(349,173,877)	-
Transfer to Retained Earnings	-	-	-	-	-
Issue of Share Capital during the year	-	-	-	-	-
<b>Balance as on 31 December 2017</b>	<b>5,272,960,000</b>	<b>876,837,431</b>	<b>145,749,665</b>	<b>606,952,540</b>	<b>6,902,499,636</b>
<b>Balance as on 31 December 2016</b>	<b>4,708,000,000</b>	<b>527,663,554</b>	<b>145,749,665</b>	<b>631,004,217</b>	<b>6,012,417,436</b>

Managing Director

Director

Director

Chairman

Dhaka

30 April 2018

**UNION BANK LIMITED**  
**LIQUIDITY STATEMENT (ASSETS AND LIABILITY MATURITY ANALYSIS)**  
As at 31 December 2017

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
<b>Assets</b>						
Cash	5,470,165,498	-	-	-	5,786,839,980	11,257,005,478
Balance with banks & Other Financial Institutions	244,582,063	-	-	-	-	244,582,063
Placement with banks & Other Financial Institutions	-	3,273,887,421	5,900,000,000	90,000,000	-	9,263,887,421
Investments in Shares and Securities	450,000,000	1,650,000,000	2,584,525,024	300,000,000	-	4,984,525,024
Investments	12,073,500,000	28,879,600,000	53,456,500,000	3,417,147,130	2,926,800,000	100,753,547,130
Fixed Assets including Premises, Furniture & Fixtures	-	-	-	408,464,484	441,535,324	849,999,808
Other Assets	197,700,000	908,900,000	1,434,800,000	1,782,619,497	-	4,324,019,497
Non-banking Assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>18,435,947,561</b>	<b>34,712,387,421</b>	<b>63,375,825,024</b>	<b>5,998,231,111</b>	<b>9,155,175,304</b>	<b>131,677,566,421</b>
<b>Liabilities</b>						
Placement from Banks & Other Financial Institutions	5,000,000,000	141,390,322	-	-	-	5,141,390,322
Deposits and Other Accounts	7,113,289,571	39,944,000,000	42,732,400,000	19,341,500,000	4,918,700,000	114,049,889,571
Other Liabilities	110,000,000	186,007,022	3,329,492,687	1,958,287,183	-	5,583,786,892
<b>Total Liabilities</b>	<b>12,223,289,571</b>	<b>40,271,397,344</b>	<b>46,061,892,687</b>	<b>21,299,787,183</b>	<b>4,918,700,000</b>	<b>124,775,066,785</b>
<b>Net Liquidity Gap</b>	<b>6,212,657,990</b>	<b>(5,559,009,923)</b>	<b>17,313,932,337</b>	<b>(15,301,556,072)</b>	<b>4,236,475,304</b>	<b>6,902,499,636</b>

Managing Director

Director

Director

Chairman

Dhaka  
30 April 2018

**UNION BANK LIMITED**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2017**

**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. The Bank is one of the interest-free Shariah based banks in the country and its modus- operandi are substantially different from other conventional Banks. 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 sixty eight (68) branches operating as per Islamic Shariah prevailing in the country. The Bank has no overseas branches as at 31 December 2017.

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
- (b) To facilitate the export and import business of Bangladesh.
- (c) To take part in international banking services etc.

**2 Significant accounting policies and basis for preparation of Financial Statements**

**2.1 Statements of Compliance**

The financial statements of the Bank are made up to 31 December 2017 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.

**2.1.1 Departures from BFRS**

In case the requirements of guidelines and circulars issued by Bangladesh Bank differ with those of other regulatory authorities and Bangladesh 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 30 April 2018.

#### **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 2017 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. This fund is transferred to Union Bank Foundation as per the policy 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**

Profit paid and other expenses incurred by the Bank 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 2017 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 2017 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 2017 have been shown in the Balance Sheet under Off-Balance Sheet items.

Exchange rates with major foreign currencies as on 31 December 2017 were as:

Currency Name	Exchange Rate (TK)
US \$	82.7000
Euro	99.3910
Yen	0.7430
ACU	82.7000
GBP	111.2999
CHF	90.1782
SGD	63.3751
AUD	64.7043
CAD	66.3002

### 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, BRPD circular no. 08, dated August 02, 2015, BRPD circular no. 12, dated August 20, 2017 and BRPD circular no. 15, dated September 20, 2017 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, 08, 12 and 15 dated December 6, 1998, May 14, 2001, October 2005, June 5, 2006, September 23, 2012, December 27, 2012, May 29, 2013, November 18, 2014, August 02, 2015, August 20, 2017 and September 27, 2017 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)	1.00%
• Classified as "Sub-Standard" & "Doubtful"	5.00%
• Classified as "Bad/Loss"	100.00%

c) 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.

d) 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 (BGIB) 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 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 and motor vehicles 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 Line Method.
Vehicles	20%	Straight Line Method.
Books	20%	Reducing Balance Method.

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

### 2.8 Statutory Reserve

As per section 24 of Bank Company Act 1991 (amended upto 2013), at least 20% of the profit before tax is transferred to the statutory reserve each year until the balance 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 no # 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". The Fund is recognized by the National Board of Revenue (NBR) vide their letter no # 08.01.0000.035.02.0043.2016/28 dated 02/04/2017.

#### **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**

Deposits 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 has 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 have been shown on the face of profit and loss account. These have 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 are 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 investment limits to its customers and obtains adequate collaterals. Investments risk monitored, reviewed and analyzed by the All Risk Committee (ARC) management issues are of the bank in its monthly meetings.

#### **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 2017, 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 2017, no incident of fraud have been detected by the Bank.

## **2.12 Risk Based Capital Adequacy**

Basel Accord is a set of agreements set by the Basel Committee on Bank Supervision (BCBS), which provides recommendations on banking regulations in regards to capital risk, market risk and operational risk. The purpose of the accord is to ensure that financial institutions have enough capital on account to meet obligations and absorb unexpected losses. As such, Basel-III has been introduced for improving 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 and improving risk management and governance as well as strengthening banks transparency and disclosures. The ultimate objectives of Basel-III are to strengthen the capital framework, enhance risk coverage, supplement the risk-based capital requirement with a leverage ratio, reduce pro-cyclicality and promote counter cyclical buffers, address systemic risk through introducing a global liquidity standard. For implementation of Basel-III in Bangladesh, a roadmap has been released by Bangladesh Bank vide BRPD Circular # 18, dated 21 December 2014. Under the Basel-III framework, banks have to maintain additional capital conservation buffer at 0.625 % per year from 2016 to 2019 where aggregated capital conservation buffer will be 2.50% at the end of 2019 and at that stage total capital to risk weighted asset ratio (CRAR) will be at 12.50%. Apart, as a part of liquidity coverage, banks need to implement Liquidity Coverage Ratio (LCR) at  $\geq 100\%$ , Net Stable Funding Ratio (NSFR)  $> 100\%$  and Leverage Ratio at minimum 3% simultaneously.

## **2.13 Stress Testing**

Stress testing is one of the sophisticated risk management techniques that has 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 2017 is from 01 January 2017 to 31 December 2017.

## **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 subject to departure described in note - 2.1, where we have followed Bangladesh Bank guidelines:**

Sl. No.	BFRS	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	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
29	41	Agriculture	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.

	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>Taka</b>	<b>Taka</b>
<b>3 CASH</b>		
<b>3.1 Cash in Hand</b>		
In Local Currency	798,366,575	583,355,334
In Foreign Currencies	2,954,728	117,463
	<b>801,321,303</b>	<b>583,472,797</b>
<b>3.2 Balance with Bangladesh Bank and its Agent Bank</b>		
In Local Currency	10,394,563,486	5,430,395,562
In Foreign Currencies	61,120,689	106,688,872
	<b>10,455,684,175</b>	<b>5,537,084,434</b>
	<b>11,257,005,478</b>	<b>6,120,557,231</b>
<b>3.3 Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)</b>		
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.		
<b>3.4 Cash Reserve Ratio (CRR): 6.50% of Average Demand and Time Liabilities</b>		
Required Reserve	5,786,839,980	4,075,252,920
Actual Reserve maintained	10,370,618,850	5,424,182,619
<b>Surplus/(Short)</b>	<b>4,583,778,870</b>	<b>1,348,929,699</b>
<b>3.5 Statutory Liquidity Ratio (SLR): 5.50% of Average Demand and Time Liabilities:</b>		
Required Reserve	4,896,556,906	3,735,648,497
Actual Reserve held	10,059,770,031	4,898,827,581
<b>Surplus/(Short)</b>	<b>5,163,213,125</b>	<b>1,163,179,084</b>
<b>4 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS AND PLACEMENT</b>		
<b>4.1 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS</b>		
<b>A. Inside Bangladesh</b>		
<b>Al-Wadiah Current Accounts</b>		
Janata Bank Ltd.	<b>20,085</b>	<b>733,886</b>
<b>Others Accounts:</b>		
<b>Mudaraba Short Notice Deposits</b>		
First Security Islami Bank Ltd.	30,356,856	109,548,309
Prime Bank Ltd.	20,627	25,000
Trust Bank Ltd.	605,811	2,147,363
Islami Bank Bangladesh Ltd.	7,071,377	4,422,317
	<b>38,054,671</b>	<b>116,142,989</b>
	<b>38,074,756</b>	<b>116,876,875</b>

**B. Outside Bangladesh**

<b>Particular</b>	<b>Currency</b>	<b>Amount</b>	<b>Rate</b>	<b>31.12.2017 Taka</b>	<b>31.12.2016 Taka</b>
<b>Current Account</b>					
Sonali Bank (UK) Limited, UK	EURO	-	-	-	5,482,504
Sonali Bank (UK) Limited, UK	GBP	1,422.96	111.3000	158,375	9,386
Sonali Bank (UK) Limited, UK	USD	-	-	-	9,531,067
Sonali Bank (UK) Limited, UK	ACU	16,278.64	82.7000	1,346,244	-
Habib Bank Limited, New York, USA	USD	-	-	-	122,251,225
Habib American Bank, New York, USA	USD	1,019,502.20	82.7000	84,312,832	-
Kookmin Bank, Korea	USD	1,452,725.25	82.7000	120,140,378	-
Habib Bank Limited, Karachi, Pakistan	ACU	-	-	-	363,966
AB Bank Ltd., Mumbai, India	ACU	5,796.43	82.7000	479,365	6,071,915
United Bank of India, Kolkata, India	ACU	171.11	82.7000	14,151	3,151,205
Mizuho Bank Ltd. Tokyo, Japan	JPY	74,310.00	0.7430	55,212	448
National Bank of Pakistan, Tokyo, Japan	JPY	1,010.00	0.7430	750	696
				<b>206,507,307</b>	<b>146,862,410</b>
<b>Total (A+B)</b>				<b>244,582,063</b>	<b>263,739,285</b>

	31.12.2017 Taka	31.12.2016 Taka
<b>4.1.1 Maturity-wise Grouping ( Inside and Outside Bangladesh)</b>		
Payable on Demand	244,582,063	263,739,285
Up to Three Months	-	-
Three Months to One Year	-	-
One Year to Five Years	-	-
Above Five Years	-	-
	<b>244,582,063</b>	<b>263,739,285</b>
<b>4.2 Placement with banks &amp; Other Financial Institutions</b>		
Reliance Finance Limited	3,273,887,421	2,988,517,919
Phoenix Finance and Investments Ltd.	90,000,000	90,000,000
Union Capital Ltd.	1,100,000,000	-
Industrial and Infrastructure Development Finance Company Ltd.	1,100,000,000	-
International Leasing and Financial Services Ltd.	1,100,000,000	-
Islamic Finance and Investment Ltd.	1,100,000,000	-
First Finance Ltd.	1,000,000,000	-
FAS Finance and Investment Ltd.	500,000,000	-
	<b>9,263,887,421</b>	<b>3,078,517,919</b>
<b>4.2.1 Maturity-wise Grouping (Placement with banks &amp; other FI)</b>		
Payable on Demand	-	-
Up to Three Months	3,273,887,421	2,988,517,919
Three Months to One Year	5,900,000,000	-
One Year to Five Years	90,000,000	90,000,000
Above Five Years	-	-
	<b>9,263,887,421</b>	<b>3,078,517,919</b>
<b>5 INVESTMENTS IN SHARES AND SECURITIES</b>		
<b>Government Securities</b>		
Bangladesh Govt. Islamic Investment Bonds	4,650,000,000	3,550,000,000
<b>Others</b>		
Subordinated Bond	300,000,000	300,000,000
Quoted Shares (Note - 5.1)	34,525,024	18,479,214
	<b>334,525,024</b>	<b>318,479,214</b>
	<b>4,984,525,024</b>	<b>3,868,479,214</b>
<b>5.1 Quoted Shares</b>		
<b>Name of Companies</b>	<b>Acquisition cost</b>	<b>Acquisition cost</b>
CVO Petrochemical Refinery Limited	229,493	-
Advance Chemical Industries Ltd.	-	29,388
Doreen Power Generations and Systems Limited	1,932,780	-
RAK Ceramics (Bangladesh) Ltd.	-	1,551,180
Nahee Aluminum Composite Panel Ltd.	973,091	-
Lafarge Surma Cement Ltd.	3,478,860	13,077,439
Bangladesh Thai Aluminium	5,883,741	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 Polymer	5,169,075	-
Nurani Dyeing & Sweater Ltd.	8,212,720	-
Ratanpur Steel Re-Rolling Mills Ltd.	4,812,955	-
Shahjibazar Power Co. Ltd.	-	408,615
National Tubes Ltd.	2,947,307	-
Tallu Spinning Mills Ltd.	885,002	659,017
	<b>34,525,024</b>	<b>18,479,214</b>
<b>5.2 Market Value of Quoted Shares</b>	<b>32,224,500</b>	<b>21,311,275</b>

	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>Taka</b>	<b>Taka</b>
<b>5.3 Maturity Grouping of Investments in Shares and Securities</b>		
On Demand	-	-
One Month to three Months	2,100,000,000	1,518,479,214
Three Months to One Year	2,584,525,024	2,050,000,000
One Year to Five Years	300,000,000	-
More than Five Years	-	300,000,000
	<b><u>4,984,525,024</u></b>	<b><u>3,868,479,214</u></b>
<b>6 INVESTMENTS (All Inside Bangladesh)</b>		
General Investments (Bai-Murabah, Bai-Muajjal, HPSM etc.) (Note-6.A)	84,268,614,957	52,351,997,718
Bills Purchased and Discounted (Note - 6.B)	16,484,932,173	14,798,193,032
	<b><u>100,753,547,130</u></b>	<b><u>67,150,190,750</u></b>
<b>6.A General Investment ( Bai-Murabaha, Bai-Muajjal, HPSM etc.)</b>		
<b>Inside Bangladesh</b>		
Bai Murabaha (Hypo)	1,458,439,749	1,090,816,521
Bai Murabaha against MTDR	32,217,421,289	10,145,675,843
Bai Murabaha TR	36,255,863,099	22,655,521,491
Bai Murabaha (Post Import) TR	2,708,144,656	1,737,641,723
Bai Murabaha (TR) SME	2,656,133,996	2,062,559,025
Bai Murabaha Agriculture	582,532,633	522,893,792
Bai Murabaha (TR) Agriculture	156,191,993	35,358,084
Bai Murabaha (TR) Women Entrepreneur	15,119,812	9,344,871
Bai Murabaha General	3,089,266,914	11,030,666,479
Bai Muazzal	-	44,457,411
Bai Muazzal Real Estate (Short Term)	638,721,944	-
Bai Muazzal (Guarantee)	516,234	-
HPSM (Real Estate)	971,235,717	489,075,882
HPSM (Transport)	53,025,005	21,801,972
HPSM (SME)	-	991,390
HPSM House Building Staff	225,531,375	140,676,930
HPSM Rural Housing	2,284,755	422,524
HPSM House Building General	169,770,763	67,418,758
HPSM Industrial Term	661,759,892	744,821,774
HPSM Machinery	2,100,820,939	1,168,388,032
HPSM Machinery Women Entrepreneur	1,419,306	1,445,656
Quard against MTDR	-	116,122,150
Car Leasing Scheme Staff	67,018,506	56,671,356
Murabaha EDF Investment	125,050,562	138,506,773
Bai Istisna	69,690,718	43,081,305
HPSM Consumer Durables (Scheme)	42,655,100	27,637,976
	<b><u>84,268,614,957</u></b>	<b><u>52,351,997,718</u></b>
<b>Outside Bangladesh</b>	-	-
	<b><u>84,268,614,957</u></b>	<b><u>52,351,997,718</u></b>
<b>6.B Bills Purchased and Discounted</b>		
Payable in Bangladesh	16,484,932,173	14,798,193,032
Payable outside Bangladesh	-	-
	<b><u>16,484,932,173</u></b>	<b><u>14,798,193,032</u></b>
	<b><u>100,753,547,130</u></b>	<b><u>67,150,190,750</u></b>
<b>6.1 Maturity Grouping of Investments</b>		
Payable on Demand	12,073,500,000	2,716,200,000
Up to Three Months	28,879,600,000	9,571,900,000
Three Months to One Year	53,456,500,000	51,769,000,000
One Year to Five Years	3,417,147,130	3,093,090,750
Above Five Years	2,926,800,000	-
	<b><u>100,753,547,130</u></b>	<b><u>67,150,190,750</u></b>

	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>Taka</b>	<b>Taka</b>
<b>6.2 Analysis to disclose the following Significant Concentration including Bills Purchased &amp; Discounted</b>		
Investments to Directors of other Banks	7,741,531,571	6,117,046,423
Investments to Chief Executive and Other high Officials	-	-
Investments to Customers Group	73,569,907,712	51,513,038,314
Investments to Industry	19,117,228,605	9,302,959,578
Investment to staff	324,879,242	217,146,435
	<b>100,753,547,130</b>	<b>67,150,190,750</b>
<b>6.3 Investments to Customers amounting to 10% or more of UBL's Total Regulatory Capital</b>		
Number of Clients	<b>24</b>	<b>25</b>
Amount of Outstanding Investments:		
Funded	8,117,500,000	6,163,400,000
Non-funded	1,666,600,000	3,113,700,000
	<b>9,784,100,000</b>	<b>9,277,100,000</b>
<b>6.4 Sector wise Investments</b>		
Agriculture	743,666,265	558,829,811
Ready Made Garments (RMG)	1,236,095,987	541,034,734
Textile	5,178,305,666	2,802,654,134
Ship Building	125,795,109	94,390,499
Ship Breaking	-	-
Other Manufacturing industry	1,536,282,512	2,091,147,875
SME Loans	2,667,731,475	2,073,763,006
Construction	2,656,358	-
Power, Gas	1,300,439,453	-
Transport, Storage and Communication	9,456,410	9,723,344
Trade Service	75,663,051,075	54,478,813,553
Commercial real estate financing	3,257,764,461	2,941,101,258
Residential real estate financing	190,761,012	72,967,583
Consumer credit	676,985,513	359,064,815
Capital market	1,401,854,179	88,125,191
Non Banking Financial Institutions (NBFI)	-	-
Others	6,762,701,655	1,038,574,947
	<b>100,753,547,130</b>	<b>67,150,190,750</b>
<b>6.5 Geographical Location-wise Investments</b>		
<b><u>Urban</u></b>		
Dhaka	51,377,837,064	37,341,797,778
Chattogram	36,164,969,204	24,750,914,950
Barishal	37,901,572	2,955,997
Rajshahi	191,204,261	66,234,588
Khulna	72,847,158	28,344,746
Rangpur	1,006,310	-
Sylhet	72,692,241	30,169,532
Mymensingh	38,111,770	-
	<b>87,956,569,580</b>	<b>62,220,417,591</b>
<b><u>Rural</u></b>		
Dhaka	539,039,086	143,151,205
Chattogram	12,065,877,439	4,661,145,043
Khulna	-	-
Barishal	-	-
Rangpur	121,072,041	86,963,058
Sylhet	58,653,206	19,544,228
Rajshahi	12,335,778	18,969,625
	<b>12,796,977,550</b>	<b>4,929,773,159</b>
	<b>100,753,547,130</b>	<b>67,150,190,750</b>

	31.12.2017 Taka	31.12.2016 Taka
<b>6.6 Classification of Investments as per Bangladesh Bank (BRPD) Circular</b>		
<b><u>Unclassified</u></b>		
Standard	97,877,876,402	66,748,440,264
Special Mention Account	2,303,598,390	354,099,412
	<b>100,181,474,792</b>	<b>67,102,539,676</b>
<b><u>Classified:</u></b>		
Sub-standard	55,983,114	23,564,907
Doubtful	83,408,010	18,745,530
Bad & Loss	432,681,214	5,340,637
	<b>572,072,338</b>	<b>47,651,074</b>
	<b>100,753,547,130</b>	<b>67,150,190,750</b>

**6.7 Particulars of Required Provision for Investments and Off Balance Items**

**Classification status**

**Unclassified (a)**

Standard	997,845,210	666,908,182
Special Mention Account	21,984,496	6,515,231
	<b>1,019,829,706</b>	<b>673,423,413</b>

**Classified (b)**

Sub - Standard	9,210,617	1,545,371
Doubtful	16,056,810	5,915,198
Bad and Loss	158,327,705	1,179,934
	<b>183,595,132</b>	<b>8,640,503</b>

**Off Balance Items (c)**

	<b>73,930,344</b>	<b>64,653,854</b>
	<b>1,277,355,182</b>	<b>746,717,770</b>

Required Provision for Investments (a+b+c)	1,277,355,182	746,717,770
Total Provision Maintained	1,350,900,000	828,000,000
<b>Provision Excess/ (Shortfall)</b>	<b>73,544,818</b>	<b>81,282,230</b>

\* 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	52,336,109,102	42,985,700,000
ii) Investments considered good for which the bank holds no Security other than the debtors personal security	48,417,438,028	12,607,073,642
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
iv) Investments considered bad or doubtful not provided for	-	-
<b>Total</b>	<b>100,753,547,130</b>	<b>67,150,190,750</b>
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.	-	-
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.	-	-

	<b>31.12.2017</b> <b>Taka</b>	<b>31.12.2016</b> <b>Taka</b>
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	524,421,264	46,763,937
a. Movement of classified Investments		
Opening balance	47,651,074	887,137
Increase/ (Decrease) during the year	524,421,264	46,763,937
	<b>572,072,338</b>	<b>47,651,074</b>
b. Amount of provision kept against investment classified as 'bad/loss' on the reporting date of Balance Sheet	151,658,353	1,179,934
c. Profit credited to the profit/Rent/Compensation Suspense Account	65,129,264	6,588,660
xi) Amount of written off Investment:		
a. Cumulative amount	-	-
b. Amount written off during the period	-	-
c. <b>Total amount of written off (a+b)</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.	-	-
<b>6.9 Security against Investments including bills purchased &amp; discounted:</b>		
Collateral of movable/immovable assets	52,336,109,102	32,723,902,008
Local banks & financial institutions guarantee	-	-
Government Guarantee	-	-
Foreign Banks guarantee	-	-
Export documents	14,741,720,881	12,607,073,642
Fixed deposits receipts:		
Own MTDR	32,217,421,334	10,261,797,992
MTDR of other Banks	-	-
Government Bonds	-	-
Personal guarantee	-	11,557,417,108
Other security	1,458,295,813	-
Unsecured	-	-
	<b>100,753,547,130</b>	<b>67,150,190,750</b>
<b>6.10 Maturity Grouping of Bills Purchased and Discount</b>		
Payable within one month	1,992,432,173	739,909,652
Over one month but less than three months	3,633,000,000	3,255,602,467
Over three months but less than six months	10,859,500,000	10,802,680,913
Six Months and Above	-	-
	<b>16,484,932,173</b>	<b>14,798,193,032</b>
<b>7 FIXED ASSETS INCLUDING PREMISES, FURNITURE &amp; FIXTURES AT COST LESS ACCUMULATED DEPRECIATION (ANNEXURE-A)</b>		
Furniture & Fixtures	692,595,059	601,760,096
Office Equipment	457,965,043	403,579,867
Vehicles	101,456,719	91,486,719
Books	211,603	49,640
	<b>1,252,228,424</b>	<b>1,096,876,322</b>
Less: Accumulated Depreciation	402,228,616	267,454,216
	<b>849,999,808</b>	<b>829,422,106</b>



	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>Taka</b>	<b>Taka</b>
<b>8 OTHER ASSETS</b>		
Inter - branch Transaction Account (Note - 8.a)	129,964,639	65,615,684
Accrued Income on MTDR	81,920,617	77,894,377
Advances, Deposits and Prepayment (Note - 8.1)	2,365,237,554	1,566,671,797
Advance Income Tax	1,611,008,543	751,864,237
Stock of Stationery	9,373,993	7,253,808
Suspense Account (Note - 8.2)	125,330,086	136,254,573
Stamps on Hand	1,184,065	777,945
	<b>4,324,019,497</b>	<b>2,606,332,421</b>
<b>8.a</b> 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 31.12.2017 have been reconciled on 27.03.2018.		
<b>8.1 Advance, Deposits and Prepayment</b>		
Advance against Rent - Office	312,365,990	271,818,395
Prepayment	2,052,871,564	1,294,853,402
	<b>2,365,237,554</b>	<b>1,566,671,797</b>
<b>8.2 Suspense Account</b>		
Sundry Debtors	104,440,085	112,788,969
Advance against TA/DA	50,300	50,300
Advance against New Branch	20,839,701	23,415,304
	<b>125,330,086</b>	<b>136,254,573</b>
<b>9 PLACEMENT FROM BANK AND OTHER FINANCIAL INSTITUTIONS</b>		
<b>Inside Bangladesh</b>		
Bangladesh Bank (Refinance Scheme)	16,665,586	3,052,985
Bangladesh Govt. Islamic Investment Bond Funds	5,000,000,000	-
Bangladesh Bank (Export Development Fund)	124,724,736	137,666,658
	<b>5,141,390,322</b>	<b>140,719,643</b>
<b>Outside Bangladesh</b>	-	-
	<b>5,141,390,322</b>	<b>140,719,643</b>
<b>A. Security- wise grouping</b>		
Secured Placement	-	-
Unsecured Placement	5,141,390,322	140,719,643
	<b>5,141,390,322</b>	<b>140,719,643</b>
<b>B. Repayment Nature wise Grouping</b>		
Repayable on demand	-	-
Others	5,141,390,322	140,719,643
	<b>5,141,390,322</b>	<b>140,719,643</b>
<b>C. Maturity Analysis</b>		
Repayable on Demand	-	-
Repayable within One Month	5,000,000,000	-
One Month to Six Months	141,390,322	140,719,643
Six Month to One Year	-	-
One Year to Five Years	-	-
Five Years to Ten Years	-	-
Unclaimed Deposits Ten Years and Over	-	-
	<b>5,141,390,322</b>	<b>140,719,643</b>
<b>10 DEPOSITS AND OTHER ACCOUNTS</b>		
Mudaraba Savings Deposits (Note-10.1)	2,876,904,725	1,688,892,795
Mudaraba Term Deposits (Note-10.2)	80,432,924,516	54,741,355,944
Other Mudaraba Term Deposits (Note-10.3)	16,035,274,892	11,861,935,948
Al-Wadia Current Accounts and Other Accounts (Note-10.4)	14,185,117,907	5,569,007,885
Bills Payable (Note-10.5)	519,667,531	389,366,464
	<b>114,049,889,571</b>	<b>74,250,559,036</b>

	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>Taka</b>	<b>Taka</b>
<b>10.1 Mudaraba Savings Deposits</b>		
As per BRPD Circular No. 06, dated 24 June 2007, total saving bank deposits amount is bifurcated into:		
9 % of total Mudaraba Savings Deposits	258,921,425	152,000,352
91% of total Mudaraba Savings Deposits	2,617,983,300	1,536,892,443
	<b>2,876,904,725</b>	<b>1,688,892,795</b>
<b>10.2 Mudaraba Term Deposits- Maturity wise Grouping</b>		
Payable on Demand	86,470,973	214,272,253
Up to Three Months	41,019,529,008	23,680,333,987
From Three Months to Six Months	16,880,015,347	16,950,336,692
Above Six Months to One Year	20,925,671,324	13,878,456,162
Above One Year to Two Years	1,513,104,650	8,016,850
Above Two Years	8,133,214	9,940,000
	<b>80,432,924,516</b>	<b>54,741,355,944</b>
<b>10.3 Other Mudaraba term Deposits</b>		
Mudaraba Monthly Savings Scheme	1,767,279,339	776,489,176
Mudaraba Double Benefit Deposits Scheme	6,801,759,131	5,683,183,650
Mudaraba Monthly Profit Scheme	6,523,239,495	4,924,587,928
Mudaraba Millionaire Savings Scheme	609,982,619	341,189,684
Mudaraba Kotipoti Deposit Scheme	53,522,610	34,987,584
Mudaraba Marriage Scheme	13,790,902	6,043,329
Mudaraba Pension Deposit Scheme	393,377	310,991
Mudaraba Hajj Deposit Scheme	9,839,836	2,150,117
Mudaraba Union Pension Prokolpa	67,237,530	39,780,939
Mudaraba Muhor Savings Scheme	2,816,850	387,181
Mudaraba Corepoty Sanchaya Scheme	173,088,703	52,825,369
Mudaraba Barakah Deposit Scheme	12,324,500	-
	<b>16,035,274,892</b>	<b>11,861,935,948</b>
<b>10.4 Al-Wadiah Current Accounts &amp; Other Deposit Accounts</b>		
Al-wadiah Current Deposits	2,799,631,705	2,189,112,488
Mudaraba Short Notice Deposits	10,780,621,583	3,014,678,858
Sundry Deposits (Note-10.4.1)	604,864,619	365,216,539
	<b>14,185,117,907</b>	<b>5,569,007,885</b>
<b>10.4.1 Sundry Deposits</b>		
Security Deposit	322,627,442	149,088,025
Sundry Creditors	71,553,103	19,152,971
Income Tax Deduction at Source -Profit on Deposit	79,153,791	32,332,853
Income Tax on Local L/C	56,025	31,939
Income Tax on Export bill (Foreign)	1,064,380	394,321
Income Tax on Export bill (Local)	2,684,830	29,280,728
Income Tax on Local/Buying Agents Commission	64,469	18,258
Excise Duty on Deposit & Investment	76,652,607	51,320,037
Tax on Honorarium	13,400	16,700
VAT on Online Charge	4,364	8,302
VAT on Commission TT/DD/PO/LG	29,648	16,385
VAT on Service Charge and Others	1,809,852	1,288,887
VAT Deduction Bills Paid	4,020,595	368,481
VAT Deduction from advertisement Bill	15,150	330,554
VAT on Rent and Others	2,069,410	814,167
VAT on Directors Fee	27,600	33,600
VAT on L/C	907,262	781,970
VAT on Postage	16,828	44,142
VAT on Security Service	60,356	52,001
VAT on Swift Charge	63,446	43,676
VAT on L/C Advising Charge	17,961	14,125
VAT on EXP Issue Charge	510	105
VAT on Acceptance Commission	3,099,347	113,286
VAT on Bank Guarantee Commission	57,461	69,748
VAT on Professional Fee	2,640	-

	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>Taka</b>	<b>Taka</b>
VAT on FDD collection charge	4,740	1,080
VAT on commission on export bill	291,794	98,976
VAT on income from ATM	91,939	259,947
VAT in Misc. Earnings	23,204	17,331
Income Tax Deduction at Source - Office rent	696,832	279,612
Income Tax Deduction at Source - Bills	1,999,961	602,280
Income Tax Deduction at Source - Advertising Bill	4,040	88,148
Income Tax Deduction at Source-Employee's	1,812,875	1,661,503
Income Tax on Directors' Fee	18,400	-
Income Tax on Foreign Buyer	-	154,705
Income Tax on Professional Fee	6,245	-
Marginal Deposit Export	3,586,621	518,594
F.C. Held against B.B L/C	14,636,738	44,211,915
Sundry Deposit - Swift charge	4,839,383	2,564,408
Sundry Deposit LAC (Export)	1,503,238	17,478,604
S/D/A/C ATM Charge collection Account	212,933	177,297
D&B Credit report collection fee	2,298	534
ATM Charge (NPSB)	120,542	113,552
S/D/A/C VAT on Polli Bidyut Samity	3,146,971	614,399
Central Fund (RMG Sector)	43,130	795
NR. Taka A/C Small World Finance	1,931,451	-
Security Deposit A/C Small World Finance	813,000	-
NR. Taka A/C Wall street Finance	685,038	1,273,363
Security Deposit A/C Wall Street	744,000	1,946,250
S/D Cash incentive against export	35,340	40,470
NR. Tk. A/C Transfast Remittance	805,679	5,547,515
SD. A/C Transfast Remittance, LLC	735,750	1,950,000
	<b>604,864,619</b>	<b>365,216,539</b>
<b>10.5 Bills Payable</b>		
Pay Order Issued	519,667,531	389,362,858
Demand Draft Issued	-	3,606
	<b>519,667,531</b>	<b>389,366,464</b>
<b>10.6 Maturity wise Grouping of Deposits and Other Accounts</b>		
Repayable within One Month	7,113,289,571	3,309,968,096
One Month to Three Months	39,944,000,000	23,680,333,988
Three Months to One Year	42,732,400,000	30,828,792,854
One Year to Five Years	19,341,500,000	16,431,464,098
Repayable over Five Years	4,918,700,000	-
	<b>114,049,889,571</b>	<b>74,250,559,036</b>
<b>10. A Deposits received from Banks (Note A-1 )</b>	<b>17,596,274,103</b>	<b>1,009,706,498</b>
<b>10.B Deposits received from other than Bank</b>		
Payable on Demand (Note B-1)	4,183,085,280	3,095,695,843
Other Deposits (Note B-2 )	92,270,530,188	70,145,156,695
	<b>96,453,615,468</b>	<b>73,240,852,538</b>
	<b>114,049,889,571</b>	<b>74,250,559,036</b>
<b>10. A.1 Deposits Received from Banks</b>		
AB Bank Limited	5,229	6,303
Janata Bank Ltd.	1,300,000,000	-
Islami Bank Bangladesh Ltd.	11,658,466,529	1,007,375,805
Al-Arafah Islami Bank Ltd.	1,000,000,000	-
National Bank Ltd.	1,280,000,000	-
Agrani Bank Ltd.	600,000,000	-
Sonali Bank Ltd.	500,000,000	-
Rupali Bank Ltd.	1,250,000,000	-
Trust Bank Ltd.	5,317,931	675,915
South Bangla Agriculture and Commerce Bank Ltd.	78,225	1,545,283
First Security Islami Bank Ltd.	9,053	-
NRB Global Bank Ltd.	2,397,136	103,192
	<b>17,596,274,103</b>	<b>1,009,706,498</b>

	<b>31.12.2017</b> <b>Taka</b>	<b>31.12.2016</b> <b>Taka</b>
<b>Maturity wise Grouping of Deposits Received from Banks</b>		
Repayable on Demand	-	-
Repayable within One Month	8,166,274,103	1,009,706,498
Repayable over One Month but within Six Months	9,430,000,000	-
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	-	-
	<b>17,596,274,103</b>	<b>1,009,706,498</b>
<b>B-1 Payable on Demand</b>		
Al-wadiah Current Deposits	2,799,631,705	2,189,112,488
Mudaraba Saving Deposits (9%) (Note-10.1)	258,921,425	152,000,352
Bills Payable (Note-10.5)	519,667,531	389,366,464
Sundry Deposits (Note-10.4.1)	604,864,619	365,216,539
	<b>4,183,085,280</b>	<b>3,095,695,843</b>
<b>B- 2 Other Deposits</b>		
Mudaraba Saving Deposits (91%) (Note-10.1)	2,617,983,300	1,536,892,443
Mudaraba Term Deposits	71,002,924,516	54,741,355,944
Mudaraba Short Notice Deposits	2,614,347,480	2,004,972,360
Other Mudaraba Term Deposits (Note-10.3)	16,035,274,892	11,861,935,948
	<b>92,270,530,188</b>	<b>70,145,156,695</b>
<b>11 OTHER LIABILITIES</b>		
Inter - branch Transaction Account	-	-
Provision for Taxation (Note-11.1)	1,986,486,207	1,125,674,045
Accumulated Provision against Investments (Note-11.2)	1,350,900,000	828,000,000
Accrued Profit and Expenses Payable (Note-11.3)	1,978,592,687	1,409,270,022
Provision for Gratuity (Note-11.4)	23,567,446	17,867,446
Provisions for diminution in value of Investments in share (Note-11.5)	2,500,000	-
Provision for Zakat	20,000,000	15,025,000
Other provisions (Note-11.2.4)	6,500,000	5,000,000
Provident Fund	761,472	648,997
Benevolent Fund	819,421	572,491
Provision for Incentive Bonus	110,000,000	79,700,000
Provision for Audit fee	345,000	300,000
Clearing adjustment account	2,952,186	20,874,915
Compensation Realized	14,822,267	12,573,147
ATM Adjustment (NPSB)	3,976,460	783,936
Settlement account Foreign Remittance	237,838	3,158,328
Profit Rent Suspense	65,129,264	6,642,839
Compensation Receivable	31,217,917	6,487,983
Others	13,177,751	4,137,707
	<b>5,611,985,916</b>	<b>3,536,716,856</b>
<b>11.1 Provision for Taxation</b>		
Opening balance	1,125,674,045	491,199,512
Add : Provision made during the year	860,812,162	634,474,533
Less: Adjustment/settlement during the year	-	-
Closing balance	<b>1,986,486,207</b>	<b>1,125,674,045</b>
Assessment for the year 2013, 2014, 2015 and 2016 return have been submitted u/s 82BB of Income Tax Ordinance 1984 but not yet completed and assessment for the year 2017 not yet due.		
<b>11.2 Accumulated Provision against Investments</b>		
Specific Provision for Classified Investments (Note -11.2.1)	200,000,000	43,000,000
General Provision for Unclassified Investment (Note -11.2.2)	1,075,900,000	715,000,000
General Provision for off- balance sheet exposure (Note -11.2.3)	75,000,000	70,000,000
	<b>1,350,900,000</b>	<b>828,000,000</b>

	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>Taka</b>	<b>Taka</b>
<b>11.2.1 Movement in Specific Provision for Classified Investments</b>		
Provision held at the beginning of the year	43,000,000	1,000,000
Fully Provided Debts written off	-	-
Recoveries of amounts previously written off	-	-
Specific Provision for the year (Note-11.2.a)	157,000,000	42,000,000
Recoveries and Provisions no longer required	-	-
Net Charge to Profit and Loss Account	-	-
<b>Provision held at the end of the year</b>	<b>200,000,000</b>	<b>43,000,000</b>
<b>11.2.2 General Provision for Unclassified Investment</b>		
Provision held at the beginning of the year	715,000,000	482,000,000
Addition/transfer during the year (Note-11.2.a)	360,900,000	233,000,000
<b>Provision held at the end of the year</b>	<b>1,075,900,000</b>	<b>715,000,000</b>
<b>11.2.3 General Provision for off-balance sheet exposure</b>		
Provision held at the beginning of the year	70,000,000	46,500,000
Addition/transfer during the year (Note-11.2.a)	5,000,000	23,500,000
<b>Provision held at the end of the year</b>	<b>75,000,000</b>	<b>70,000,000</b>
<b>11.2.4 Other Provisions</b>		
Provision held at the beginning of the year	5,000,000	-
Addition/transfer during the year	1,500,000	5,000,000
<b>Provision held at the end of the year</b>	<b>6,500,000</b>	<b>5,000,000</b>
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 maintained a provision of lump sum amount for incentive of good borrower.		
<b>11.2.a Provision for Investments during the year</b>		
Specific Provision for Classified Investments	157,000,000	42,000,000
General Provision for Unclassified Investment	360,900,000	233,000,000
General Provision for off- balance sheet exposure	5,000,000	23,500,000
	<b>522,900,000</b>	<b>298,500,000</b>
<b>11.3 Accrued Profit and Expenses Payable</b>		
Mudaraba Term Deposit Receipt	1,415,171,183	977,492,939
Mudaraba Monthly Benefit Savings Scheme	75,437,818	32,820,904
Mudaraba Double Benefit Savings Scheme	413,652,360	351,235,109
Mudaraba Monthly Profit Scheme	30,253,164	25,279,794
Mudaraba Pension Prokolpa	3,266,176	1,776,217
Mudaraba Marriage Deposit Scheme	498,537	196,461
Mudaraba Hajj Deposit Scheme	357,872	77,732
Mudaraba Millionaire Savings Scheme	30,195,339	16,997,015
Mudaraba Kotipoti Deposit Scheme	2,563,444	1,638,612
Mudaraba Pension deposit Scheme	36,984	27,743
Mudaraba Mohor Saving Scheme	84,155	10,158
Mudaraba Corepoty Sanchaya Prokalpa	6,792,866	1,717,338
Mudaraba Barakah Deposit Scheme	282,789	-
	<b>1,978,592,687</b>	<b>1,409,270,022</b>
<b>11.4 Provision for Gratuity</b>		
Opening Balance	17,867,446	16,060,000
Add: Provision made during the year	23,500,000	17,000,000
	<b>41,367,446</b>	<b>33,060,000</b>
Less: Adjustment	17,800,000	15,192,554
<b>Closing Balance</b>	<b>23,567,446</b>	<b>17,867,446</b>

	31.12.2017 Taka	31.12.2016 Taka
<b>11.5 Provisions for diminution in value of Investments in share</b>		
Opening Balance	-	50,850,000
Add: Provision made during the year	2,500,000	-
	<b>2,500,000</b>	<b>50,850,000</b>
Less: Adjustment	-	50,850,000
<b>Closing Balance</b>	<b>2,500,000</b>	<b>-</b>
<b>11.a Deferred Tax Liabilities/(Assets)</b>		
Opening Balance	(23,174,045)	(11,199,512)
Add: Addition during the year	(5,024,979)	(11,974,533)
	<b>(28,199,024)</b>	<b>(23,174,045)</b>
Less: Adjustment	-	-
<b>Closing Balance</b>	<b>(28,199,024)</b>	<b>(23,174,045)</b>
<b>12 CAPITAL</b>		
<b>AUTHORISED CAPITAL</b>		
1,000,000,000 Ordinary Shares of Taka 10 each.	<b>10,000,000,000</b>	<b>10,000,000,000</b>
<b>12.1 Issued, Subscribed and Paid-Up Capital</b>		
527,296,000 Ordinary Shares of Taka 10 each issued	<b>5,272,960,000</b>	<b>4,708,000,000</b>
<b>12.2 Category of shareholding as at 31 December 2017</b>		
<b><u>Name of Category</u></b>	<b><u>Percentage (%)</u></b>	<b><u>Percentage (%)</u></b>
Sponsors/Directors	100.00	100.00
Financial Institutes	-	-
Non-Resident Bangladeshi	-	-
General Public	-	-
	<b>100.00</b>	<b>100.00</b>
<b>12.3 Classification of Shareholders by holding position as at 31 December 2017</b>		
<b><u>Shareholding Range</u></b>	<b><u>No. of Shares</u></b>	<b><u>Percentage (%)</u></b>
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	-	-
Over 1,000,001 Shares	527,296,000	100.00
	<b>527,296,000</b>	<b>100.00</b>
<b>12.4 Regulatory Capital Requirement in line with Basel-III</b>		
<b><u>I. Tier - 1 Capital</u></b>		
<b><u>a. Common Equity Tier-1 Capital (CET-1)</u></b>		
Paid up Capital	5,272,960,000	4,708,000,000
Statutory Reserve	876,837,431	527,663,554
Other Reserve	145,749,665	145,749,665
Retained Earnings	606,952,540	631,004,217
	<b>6,902,499,636</b>	<b>6,012,417,436</b>
<b><u>b. Additional Tier –1 Capital (AT-1)</u></b>	-	-
	-	-
<b>Total Tier 1 Capital (a + b)</b>	<b>6,902,499,636</b>	<b>6,012,417,436</b>
<b><u>II. Tier –2 Capital</u></b>		
General Provision	1,150,900,000	785,000,000
	<b>1,150,900,000</b>	<b>785,000,000</b>
<b>A. Total Regulatory Capital (I+II)</b>	<b>8,053,399,636</b>	<b>6,797,417,436</b>

	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>Taka</b>	<b>Taka</b>
<b>B. Total Risk Weighted Assets</b>	68,696,648,753	58,315,036,798
<b>C. Minimum Capital Requirement</b>	<b>6,869,664,875</b>	<b>5,831,503,680</b>
<b>D. Capital Surplus/(Shortfall); (A - C)</b>	<b>1,183,734,761</b>	<b>965,913,756</b>
<b>Capital to Risk Weighted Assets Ratio (CRAR)</b>	<b>11.72%</b>	<b>11.66%</b>
<b>Capital to Risk Weighted Assets Ratio (CRAR):</b>	<b>Held</b>	<b>Held</b>
a. Common Equity Tier-1 Capital to Risk Weighted Assets	10.05%	10.31%
b. Tier - 1 Capital to Risk Weighted Assets	10.05%	10.31%
c. Tier - 2 Capital to Risk Weighted Assets	1.68%	1.35%
<b>Total (b+c)</b>	<b>11.72%</b>	<b>11.66%</b>
<b>13 STATUTORY RESERVE</b>		
Opening Balance	527,663,554	233,241,638
Transferred during the year from Profit & Loss A/C	349,173,877	294,421,916
Closing Balance	<b>876,837,431</b>	<b>527,663,554</b>
<b>14 OTHER RESERVE</b>	<b>145,749,665</b>	<b>145,749,665</b>
<b>15 RETAINED EARNINGS</b>		
Opening Balance	631,004,217	452,966,555
Add: Net Profit after tax for the year	890,082,200	849,609,578
Less: Transferred to Statutory Reserve	349,173,877	294,421,916
Less: Transferred to Paid up Capital	564,960,000	428,000,000
Add: Transferred from provision for Investment in Shares	-	50,850,000
Closing Balance	<b>606,952,540</b>	<b>631,004,217</b>
<b>16 LETTER OF GUARANTEES</b>		
Money for which the Bank is contingently liable in respect of guarantees are given favoring:		
Letters of Guarantee - Local	315,956,779	365,851,995
Letter of Guarantee - Foreign	-	-
	<b>315,956,779</b>	<b>365,851,995</b>
<b>16.1 Money for Which the Bank is Contingently Liable in respect of Guarantees:</b>		
Directors	-	-
Government	-	-
Banks and Other Financial Institutions	-	-
Others	315,956,779	365,851,995
	<b>315,956,779</b>	<b>365,851,995</b>
<b>17 IRREVOCABLE LETTERS OF CREDIT</b>		
Letters of Credit - Cash	2,031,129,192	2,645,263,052
Letter of Credit - Cash Inland	-	-
Back to Back Letters of Credit - Local	291,252,479	187,750,226
Back to Back Letters of Credit - Foreign	142,899,000	76,411,000
	<b>2,465,280,671</b>	<b>2,909,424,278</b>
<b>18 BILLS FOR COLLECTION ISSUED BY THE BANK</b>		
Foreign Documentary Bills	215,417,000	214,846,000
Outward Bills	-	-
Inland Documentary Bills	1,317,363,000	219,753,000
	<b>1,532,780,000</b>	<b>434,599,000</b>

	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>Taka</b>	<b>Taka</b>
<b>19 INVESTMENT INCOME</b>		
<b>Profit Received from:</b>		
Deposit with Other Banks	340,895,252	462,450,612
Bai Murabaha - General	1,150,418,242	1,873,299,757
Bai Murabaha Hypothecation	80,686,440	187,895,073
Bai Murabaha against MTDR	2,618,772,283	801,439,870
Bai Murabaha - TR	3,559,152,642	2,743,705,398
Bai Murabaha - Agriculture	62,184,075	48,745,832
Musharaka - MDB	1,662,436,948	1,294,974,547
Bai Muajjal General	949,984	6,454,367
Bai Muajjal Guarantee	70,761	-
Bai Muajjal Real Estate	18,694,444	8,253
Bai Murabaha Post Import Bill - TR	259,252,746	177,403,977
HPSM Transport	4,614,748	3,446,585
HPSM Industry	91,391,059	105,768,482
HPSM Real Estate	118,368,572	83,859,087
HPSM Employees House Building	9,999,052	5,996,448
HPSM Machinery	194,446,425	106,809,403
HPSM Consumer Durables	4,861,753	5,283,680
HPSM SME	111,037	185,940
HPSM Rural House Building	3,732,385	5,460,805
Quard against MTDR	1,445,550	997,705
Bill Purchased - Foreign	1,107,314	409,744
Bai Murabaha Import Bill (MIB)	379,544,048	107,451,420
Bai Murabaha EDF Investment	1,712,980	154,047
Back to Back Bill	16,105,688	4,349,460
Bai Istisna	6,651,396	539,444
	<b>10,587,605,824</b>	<b>8,027,089,936</b>

**20 PROFIT PAID ON DEPOSITS**

**Profit Paid on:**

Mudaraba Term Deposit	4,941,044,842	3,797,628,817
Mudaraba Double Benefit Deposits Scheme	750,916,762	602,102,338
Mudaraba Monthly Savings Scheme	125,848,939	51,903,101
Mudaraba Monthly Benefit Savings Scheme	606,971,307	452,706,257
Bangladesh Government Islami Bond	71,157,315	29,822,486
Mudaraba Savings Deposits	75,755,867	53,123,710
Mudaraba Short Notice Deposits	257,746,449	66,614,881
Mudaraba no Frill Savings Deposits	92,478	17,690
Mudaraba Marriage Scheme	970,973	415,925
Mudaraba Union Pension Prokolpo	5,971,841	2,819,500
Mudaraba Pension Deposit Scheme	38,163	29,168
Mudaraba Millionaire Deposit Scheme	51,996,018	26,787,579
Mudaraba Hajj Deposit Scheme	531,878	93,522
Mudaraba Mohor Savings Scheme	116,252	18,159
Mudaraba Corepoty Savings Scheme	11,006,943	2,069,023
Mudaraba Kotipoti Deposit Scheme	4,970,215	2,804,434
Mudaraba Barakah Deposit Scheme	282,806	-
	<b>6,905,419,048</b>	<b>5,088,956,590</b>

**21 INCOME FROM INVESTMENT IN SHARES AND SECURITIES**

Bangladesh Govt. Islamic Investment Bond	23,259,689	-
Other Bond	31,587,500	24,237,500
Profit/(Loss) on sale of shares	6,558,140	7,395,296
Dividend Income	275,644	273,701
	<b>61,680,973</b>	<b>31,906,497</b>



	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>Taka</b>	<b>Taka</b>
<b>22 COMMISSION, EXCHANGE AND BROKERAGE</b>		
Commission	145,918,503	130,573,997
<b>Exchange Gain</b>	<b>87,701,510</b>	<b>59,131,869</b>
Exchange Earning	98,119,718	63,199,807
Less: Exchange Loss	10,418,208	4,067,938
	<b>233,620,013</b>	<b>189,705,866</b>
<b>23 OTHER OPERATING INCOME</b>		
Account maintenance charge	21,669,203	14,466,267
Clearing cheque processing fee	153,447	154,039
Investment processing fee	798,525	932,750
Miscellaneous Earnings	10,966,455	4,150,595
	<b>33,587,630</b>	<b>19,703,651</b>
<b>24 SALARY AND ALLOWANCES</b>		
Basic Salary	285,805,287	222,298,094
Bonus	152,445,788	107,438,634
Bank's Contribution to Staff Provident Fund	22,169,362	16,992,203
Gratuity	23,500,000	17,000,000
House Rent Allowance	138,028,106	105,475,256
Conveyance Allowance	17,320,701	13,196,099
Leave Fare Allowance	73,279,783	56,042,942
Entertainment Allowance	27,707,498	20,894,454
Medical Allowance	33,486,242	25,816,787
Utility Services	33,338,707	25,589,359
House Maintenance Allowance	34,535,603	26,338,906
Bengali New Year Allowance	4,057,134	3,264,162
Other Allowances	4,159,996	3,119,349
	<b>849,834,207</b>	<b>643,466,245</b>
<b>25 RENT, TAXES, INSURANCE, ELECTRICITY ETC.</b>		
Rent	224,605,477	155,124,091
Insurance	47,273,216	32,973,531
Rates and Taxes	2,798,235	2,431,850
Water Charges	536,033	358,261
Gas Charges	279,879	216,770
Electric Bills	28,333,541	22,226,115
	<b>303,826,381</b>	<b>213,330,618</b>
<b>26 LEGAL EXPENSES</b>		
Law Charges	48,100	8,625
Stamp	26,180	9,225
Other Professional Charges	935,943	582,750
	<b>1,010,223</b>	<b>600,600</b>
<b>27 POSTAGE, STAMP AND TELECOMMUNICATION</b>		
Telephone - Office	3,871,120	3,250,028
Telegram, Telex, Internet, Fax and Email charge	8,524,919	7,092,400
Stamp	22,590	91,445
Telephone - Residence	7,170	9,480
Swift charge	3,082,343	4,437,277
Postage	3,191,765	2,756,659
	<b>18,699,907</b>	<b>17,637,289</b>

	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>Taka</b>	<b>Taka</b>
<b>28 STATIONERY, PRINTING AND ADVERTISEMENT</b>		
Publicity and Advertisement	22,617,353	34,526,229
Printing and Stationery	20,329,022	24,101,545
	<b>42,946,375</b>	<b>58,627,774</b>
<b>29 CHIEF EXECUTIVE'S SALARY &amp; FEES</b>		
Basic Pay	2,954,704	3,621,774
House Rent Allowances	1,136,425	1,357,258
Leave Fare Allowance	1,136,425	1,357,258
Bonus	1,650,000	1,650,000
Bengali New Year Allowance	-	65,000
House Maintenance Allowance	1,136,425	1,357,258
	<b>8,013,979</b>	<b>9,408,548</b>
<b>30 DIRECTORS' FEES &amp; EXPENSES</b>		
Fees	1,104,000	1,554,800
Travel	933,500	1,856,100
	<b>2,037,500</b>	<b>3,410,900</b>
<b>31 SHARIA'H SUPERVISORY COMMITTEE'S FEES AND EXPENSES</b>		
Fees	147,200	312,800
Travel	41,198	-
	<b>188,398</b>	<b>312,800</b>
<b>32 DEPRECIATION AND REPAIRS TO FIXED ASSETS</b>		
Depreciation on Fixed Assets (Annexure - A)	<b>134,774,400</b>	<b>113,635,741</b>
<b>Repairs:</b>	<b>44,522,011</b>	<b>38,147,877</b>
Office equipment	19,563,937	14,750,867
Renovation and Maintenance of Office Premises	20,741	57,841
Furniture and Fixtures	253,027	80,735
Repair & Maintenance of Vehicle	24,684,306	23,258,434
	<b>179,296,411</b>	<b>151,783,618</b>
<b>33 OTHER EXPENSES</b>		
Car Expense	39,841,396	29,027,307
Wages	101,417,491	75,486,113
Traveling	9,008,741	9,518,624
<b>Donation and Subscription:</b>		
Donation	84,534,050	113,278,710
Subscription	3,047,422	2,598,400
Newspaper and Periodicals	381,796	324,838
Entertainment	16,121,352	13,432,884
Conveyance	4,928,398	3,361,668
Bank charges	5,759,097	4,067,104
Holiday Banking allowances	894,082	1,107,974
Medical Expense	5,098,845	2,901,466
Training, Seminar and Workshop	4,087,914	3,257,115
Photocopy, Photograph & Toner	2,061,766	1,691,462
Generator Expenses	4,875,884	4,062,294
Washing and Cleaning	313,967	206,762
Online Expenses	2,734,260	2,426,430
Office Maintenance	8,221,199	6,102,547
Crockery Expense	396,927	185,485
Meeting Expenses	12,606,163	14,166,813
ATM Expenses	2,849,141	957,461
Miscellaneous Expenses	2,927,737	1,769,932
	<b>312,107,628</b>	<b>289,931,389</b>

	<b>31.12.2017</b> Taka	<b>31.12.2016</b> Taka
<b>34 EARNINGS PER SHARE (EPS)</b>		
A. Net Profit after Tax	890,082,200	849,609,578
B. Weighted Average Number of Ordinary Shares	527,296,000	527,296,000
Earnings Per Share (A/B)*	<u><u>1.69</u></u>	<u><u>1.61</u></u>
*Prior period EPS have been restated to comply BAS-33; Earnings Per Share (EPS).		
<b>35 RECEIPTS FROM OTHER OPERATING ACTIVITIES</b>		
Account maintenance charge	21,669,203	14,466,267
Clearing cheque processing fee	153,447	154,039
Investment processing fee	798,525	932,750
Miscellaneous Earnings	10,966,455	4,150,595
	<u><u>33,587,630</u></u>	<u><u>19,703,651</u></u>
<b>36 PAYMENTS FOR OTHER OPERATING ACTIVITIES</b>		
Rent, Taxes, Insurances, Electricity etc.	303,826,381	213,330,618
Legal Expenses	1,010,223	600,600
Postage, Stamps, Telecommunications etc.	18,699,907	17,637,289
Directors' fees	2,037,500	3,410,900
Sharia'h Supervisory Committee's fees and expenses	188,398	312,800
Auditor's Fee	345,000	330,000
Repair of Fixed Assets	44,522,011	38,147,877
Zakat Expenses	20,000,000	15,000,000
Other Expenses	312,107,628	289,931,390
	<u><u>702,737,048</u></u>	<u><u>578,701,474</u></u>
<b>37 INCREASE / DECREASE OF OTHER ASSETS</b>		
Inter - branch Transaction Account	129,964,639	65,615,684
Advances, Deposits and Prepayment	2,365,237,554	1,566,671,797
Stock of Stationery	9,373,993	7,253,808
Suspense Account	125,330,086	136,254,573
Stamps on Hand	1,184,065	777,945
	<u><u>2,631,090,337</u></u>	<u><u>1,776,573,807</u></u>
(Increase)/Decrease during the year	<u><u>(854,516,530)</u></u>	<u><u>(51,294,764)</u></u>
<b>38 INCREASE / DECREASE OF OTHER LIABILITIES</b>		
Provision for Zakat	20,000,000	15,025,000
Benevolent Fund	819,421	572,491
Clearing Adjustment Account	2,952,186	20,874,915
Others	133,906,497	34,083,940
	<u><u>157,678,104</u></u>	<u><u>70,556,346</u></u>
Increase /(Decrease) during the year	<u><u>87,121,758</u></u>	<u><u>23,960,149</u></u>
<b>39 NUMBER OF EMPLOYEES</b>		
Executives and Officers	1,050	849
Members of Staff (Contractual)	258	202
	<u><u>1,308</u></u>	<u><u>1,051</u></u>

#### 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 have 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	3,273,887,421
Times Securities Ltd.	Investment in Share	Common Director	34,525,024
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

<u>Sl. No</u>	<u>Name of the Directors</u>	<u>Status with the Bank</u>	<u>Names of firms/companies in which interested as proprietor, partner, director, managing agent, guarantor, employee, etc.</u>
1	Shahidul Alam	Chairman	<b>Managing Director</b> Galco Steel (Bangladesh) Ltd. Prasad Paradise Resorts Ltd. S. Alam Vegetable Oil Ltd. Norinco Engineering Limited <b>Director</b> Reliance Brokerage Services Ltd. <b>Proprietor</b> M/s. Tazin Enterprise Sonali Traders
2	Ahsanul Alam	Vice Chairman	<b>Managing Director</b> Genesis Textiles Accessories & Apparels Ltd. Western Designers Ltd. <b>Chairman</b> Hasan Abasan (Pvt) Ltd. <b>Director</b> Norinco Engineering Ltd. <b>Proprietor</b> Genesis Enterprise <b>Chief Executive</b> 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	<b>Chairman</b> Podagonj Cold Storage Ltd.
4	Ms. Marzina Sharmin	Director	<b>Managing Director</b> Unique Investment & Securities Ltd. Times Securities Limited <b>Director</b> Infinite CR Strips Industries Ltd. Kingston Flour Mills Ltd. <b>Proprietor</b> M/s. Marzina Trading
5	Shahedul Huq	Director	<b>Managing Partner</b> Crystal Bridge (Pvt) Ltd. <b>Proprietor</b> S. Huq Properties Ltd.
6	Rashedul Alam	Director	<b>Managing Director</b> Global Trading Corporation Ltd. <b>Director</b> S. Alam Steels Ltd. Bangladesh Petro Chemical Ltd. S. Alam Hatchery Ltd. Ocean Resorts Ltd. S. Alam Properties Ltd. Fatehabad Farm Ltd. <b>Proprietor</b> Rafe Enterprise Khurshed Poribohon Sangstha
7	Showkat Hossain, FCA	Director	<b>Senior Partner</b> Hoda Vasi Chowdhury & Co. <b>Director</b> Chittagong WASA
8	Ms. Farzana Begum	Director	<b>Managing Director</b> Shah Amanat Prakritik Gas Co. Ltd. Lion Securities & Investment Ltd. <b>Director</b> Global Trading Corporation Ltd. Infinite CR Strips Industries Ltd. Kingston Flour Mills Ltd. <b>Proprietor</b> M/s. Farzana Trading Enterprise
9	Mohammad Fazlay Morshed	Director	<b>Managing Director</b> MRM Trading Ltd. Chittagong Logistics Ltd. Morshed Enterprise Ltd. Worth Avenue Steels Ltd. <b>Adviser</b> C & A Fabrics Ltd.
10	Mohammad Manzoor Alam Seth	Director	<b>Adviser</b> C & A Accessories Ltd. <b>Partner</b> Shobel Engineers & Construction

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.
11	Ziauddin Ahmed	Director	<b>Chairman:</b> First Communication (IGP) Ltd. <b>Advisor:</b> KN Harbor Consortium
12	Ms. Mehe Zebunnesa Rahman	Director	<b>Director, BBA Programme &amp; Asst. Prof.</b> Southeast University
13	Wahidul Alam Seth	Director	<b>Director</b> Reliance Brokerage Services Ltd. <b>Proprietor</b> INTRA DG Print
14	Mohammad Abdul Quddus	Independent Director	<b>EX- Chief Executive Officer (CEO)</b>  First Security Islami Bank Foundation <b>EX- Managing Director</b> NRB Global Bank Ltd.
15	Md. Enayet Ullah, FCA	Independent Director	<b>Partner</b>  Shafiq Basak & Co. Chartered Accountants <b>Ex-Adviser</b> Shafiq Basak & Co. Chartered Accountants <b>Ex-Partner</b> Khan Wahab Shafique Rahman & Co. Chartered Accountants

#### 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
Farzana Begum	Director	Member	BA
Mohammad Fazlay Morshed	Director	Member	B.Com

b) During the year under review, the Audit Committee of the Board conducted 04 (Four) 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 organization.

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 48th Board meeting held on 30 April 2018 approved the financial statements of the Bank for the year ended 31 December 2017 and recommended 10% Stock Dividend for shareholders for the year 2017 to be approved in the next Annual General Meeting and authorized the same for issue.

b) The shareholders of the Bank approved 12% stock dividend for the year ended 2016 on the 4th Annual General Meeting held on 21 April 2018 which was held in compliance with the Bank Company Act 1991 and Companies Act 1994.

c) 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**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Chairman**

**Dhaka**  
30 April 2018

**UNION BANK LIMITED**  
**SCHEDULE OF FIXED ASSETS**  
**As on 31 December 2017**

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'17
	Balance as on 01 January'17	Addition during the period	Sales/Transfer during the period	Balance as on 31 December'17	Balance as on 01 January'17	Charged for the period	Adjustment on sale/transfer during the period	Balance as on 31 December'17	
Furniture & Fixtures	601,760,096	90,834,963	-	692,595,059	85,068,366	55,607,538	-	140,675,904	551,919,155
Office Equipment	403,579,867	54,385,176	-	457,965,043	135,299,232	58,848,524	-	194,147,756	263,817,287
Vehicles	91,486,719	9,970,000	-	101,456,719	47,072,921	20,281,126	-	67,354,047	34,102,672
Books	49,640	161,963	-	211,603	13,697	37,212	-	50,909	160,694
<b>Total Dec' 2017</b>	<b>1,096,876,322</b>	<b>155,352,102</b>	<b>-</b>	<b>1,252,228,424</b>	<b>267,454,216</b>	<b>134,774,400</b>	<b>-</b>	<b>402,228,616</b>	<b>849,999,808</b>
<b>Total Dec' 2016</b>	<b>833,016,555</b>	<b>263,859,767</b>	<b>-</b>	<b>1,096,876,322</b>	<b>153,818,475</b>	<b>113,635,741</b>	<b>-</b>	<b>267,454,216</b>	<b>829,422,106</b>



**UNION BANK LIMITED**  
**FINANCIAL HIGHLIGHTS**  
For the year ended 31 December 2017

Amount in Taka

SL. No.	Particulars	<u>2017</u>	<u>2016</u>
1	Paid-up Capital	5,272,960,000	4,708,000,000
2	Total Regulatory Capital	8,053,399,636	6,797,417,436
3	Total Regulatory Capital Surplus/(deficit)	1,183,734,761	965,913,756
4	Total Assets	131,677,566,421	83,917,238,926
5	Total Deposits	114,049,889,571	74,250,559,036
6	Total Investments	100,753,547,130	67,150,190,750
7	Total Contingent Liabilities and Commitments	7,393,034,367	6,465,385,386
8	Investment Deposit Ratio (in %)	88.34%	90.44%
9	Percentage of Classified Investments against total Investments (in %)	0.5678%	0.0709%
10	Profit before Provision and Tax	2,272,769,383	1,775,609,578
11	Amount of Classified Investments during the year	572,072,338	47,651,074
12	Provision kept against Classified Investments	200,000,000	43,000,000
13	Investments Provision Surplus/(deficit)	73,544,818	81,282,230
14	Cost of Fund	9.35%	9.53%
15	Profit Earning Assets	115,246,541,638	74,360,927,168
16	Non-profit Earning Assets	16,431,024,783	9,556,311,758
17	Income from investments	10,587,605,824	8,027,089,936
18	Return on investments (ROI in %)	10.51%	11.95%
19	Income from Investment in Shares and Securities	61,680,973	31,906,497
20	Return on Investment in Shares & securities (ROI in %)	1.24%	0.82%
21	Return on Assets (ROA)(in %)	0.83%	1.16%
22	Earnings Per Share (Tk.)	1.69	1.61
23	Net Income Per Share (Tk.)	1.69	1.61
24	Price Earnings Ratio (Times)	N/A	N/A