# Financial Statements for the Year Ended 31 December 2017

## Bangladeshi Branches

### Independent Auditor's Report to the Management of The Hongkong and Shanghai Banking Corporation Limited Bangladeshi Branches

We have audited the accompanying financial statements of The Hongkong and Shanghai Banking Corporation Limited (the "Bank") which comprise the balance sheet as at 31 December 2017, and the statement of profit or loss and other comprehensive income for the year then ended, and a summary of significant accounting policies, other explanatory notes and the notes to these financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS) as prescribed by the Bank Act, 1991. The Board of Directors, who are responsible for overseeing the strategic direction of the Bank, is responsible for ensuring that the financial statements comply with the BFRS. The Board of Directors is also responsible for ensuring that the financial statements are prepared on a going concern basis.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit evidence we have obtained is adequate and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in Note 3.1.

### Report on Other Legal and Regulatory Requirements

In accordance with the Bank Act, 1991 and BFRS, the Board of Directors of the Bank, a limited risk-based capital assessment and risk management arrangement are to be carried out. The results of these assessments should be reviewed annually. The Bank has carried out these assessments and the results are included in the financial statements.

### Notes to the Financial Statements

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>13,753,318,767</td>
<td>13,753,318,767</td>
<td>13,753,318,767</td>
</tr>
<tr>
<td>2</td>
<td>13,753,318,767</td>
<td>13,753,318,767</td>
<td>13,753,318,767</td>
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<tr>
<td>3</td>
<td>13,753,318,767</td>
<td>13,753,318,767</td>
<td>13,753,318,767</td>
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<tr>
<td>4</td>
<td>13,753,318,767</td>
<td>13,753,318,767</td>
<td>13,753,318,767</td>
</tr>
</tbody>
</table>

### Balance Sheet (as at 31 December 2017)

#### Property and Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1,416,816,000</td>
<td>1,416,816,000</td>
<td>1,416,816,000</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>1,239,210,000</td>
<td>1,239,210,000</td>
<td>1,239,210,000</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>41,000,000</td>
<td>41,000,000</td>
<td>41,000,000</td>
</tr>
<tr>
<td>Total assets</td>
<td>2,706,032,000</td>
<td>2,706,032,000</td>
<td>2,706,032,000</td>
</tr>
</tbody>
</table>

#### Liabilities and Capital

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits and advances</td>
<td>1,292,100,000</td>
<td>1,292,100,000</td>
<td>1,292,100,000</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,292,100,000</td>
<td>1,292,100,000</td>
<td>1,292,100,000</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>1,416,816,000</td>
<td>1,416,816,000</td>
<td>1,416,816,000</td>
</tr>
<tr>
<td>Total liabilities and shareholders' equity</td>
<td>2,706,032,000</td>
<td>2,706,032,000</td>
<td>2,706,032,000</td>
</tr>
</tbody>
</table>

### Other Considerations

The Annual Report and Accounts are published in accordance with the prescribed format.

## Profit and Loss Account for the Year Ended 31 December 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before provision for taxation</td>
<td>5,91,07,24,035</td>
<td>5,91,07,24,035</td>
<td>5,91,07,24,035</td>
</tr>
<tr>
<td>Provision for taxation</td>
<td>5,91,07,24,035</td>
<td>5,91,07,24,035</td>
<td>5,91,07,24,035</td>
</tr>
<tr>
<td>Profit after provision for taxation</td>
<td>5,91,07,24,035</td>
<td>5,91,07,24,035</td>
<td>5,91,07,24,035</td>
</tr>
</tbody>
</table>

### Additional Notes

- The financial statements are prepared in accordance with Bangladesh Generally Accepted Accounting Principles (BGAAP).
- The comparison of financial statements is subject to the discretion of the Board.
- The financial statements are subject to the approval of the Board of Directors.

## Additional Information

The financial statements are prepared in accordance with Bangladesh Generally Accepted Accounting Principles (BGAAP).
As part of the financial services offered, since 2016 the Bank has provided personal interest-bearing deposits and has launched the International Account for personal clients. The Bank has started offering personal deposits, which are interest-bearing, and will have a variety of options to meet the different needs of personal clients. In consideration of the current market conditions, the Bank has developed a number of new products and services to meet the needs of its customers.

2 Commercial Banking: Commercial Banking provides a wide range of financial services and products to the corporate sector. These services include corporate loans, overdrafts, and lines of credit, as well as other financial products and services such as travel and insurance. The Bank also offers a range of treasury and advisory services to help clients manage their financial risks.

3 Global Banking: Global Banking offers a wide range of financial products and services to the international market. These services include foreign exchange, foreign direct investment, and cross-border trade finance. The Bank also offers a range of advisory services to help clients manage their international financial risks.

4 Wealth Management: Wealth Management provides investment advice and services to high-net-worth individuals and institutions. The Bank offers a range of investment products and services, including asset management, private banking, and insurance.

5 Retail Banking: Retail Banking provides financial services to the general public, including personal and corporate banking services. The Bank offers a range of savings and loan products, as well as other financial services such as insurance and travel services.

6 General Banking: General Banking offers a wide range of financial services to the general public, including the provision of general banking services such as savings and loan products, as well as other financial services such as insurance and travel services.
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Bengaladsh Branches

32 Cash and cash equivalents

2017 2016

Cash in hand $1,442,000,000 $1,394,000,000

Balance with Bangladesh Bank $1,428,000,000 $1,403,000,000

Notes and drafts $316,000,000 $312,000,000

Amounts due from others $258,000,000 $234,000,000

Task Force $186,000,000 $170,000,000

631,000,000 610,000,000

33 Amounts Receivable

33.1 Amounts Receivable as at 31 December

2017 2016

Trade receivables net of allowances $1,682,000,000 $1,608,000,000

Trade receivables 180 days and over $39,000,000 $30,000,000

Notes and drafts $120,000,000 $70,000,000

Amounts due from others $150,000,000 $160,000,000

Task Force $105,000,000 $80,000,000

646,453,000 639,313,000

33.2 Amounts Receivable as at 31 March

2017 2016

Trade receivables net of allowances $1,615,000,000 $1,556,000,000

Trade receivables 180 days and over $39,000,000 $30,000,000

Notes and drafts $120,000,000 $70,000,000

Amounts due from others $150,000,000 $160,000,000

Task Force $105,000,000 $80,000,000

646,453,000 639,313,000

34 Transactions with other related parties of the Bank

The Bank provides certain banking and financial services and facilitates market access to the Officers

2017 2016

and employees of the State and the Government of Bangladesh. At the end of the year, balance with the

Trade receivables net of allowances $1,682,000,000 $1,608,000,000

Government of Bangladesh on account of market Access $550,000,000 $500,000,000

Net balance with the Government of Bangladesh $1,132,000,000 $1,108,000,000

35 Loans and advances

35.1 Loans and advances as at 31 December

2017 2016

Net loans and advances to clients $8,715,000,000 $8,402,000,000

Net advances to Bangladesh Government $1,132,000,000 $1,108,000,000

Net loans and advances $9,847,000,000 $9,510,000,000

36 Liabilities and reserves

36.1 Liabilities and reserves as at 31 December

2017 2016

Deposits from banks and other financial institutions $2,959,000,000 $2,613,000,000

Deposits from individuals $609,000,000 $633,000,000

Other liabilities $2,770,000,000 $2,483,000,000

Liabilities and reserves $5,338,000,000 $4,779,000,000

37 Profit and Loss Account for the year ended 31 December

2017 2016

Interest income $246,000,000 $211,000,000

Banking commission $646,453,000 639,313,000

Other income $29,000,000 28,000,000

Total income $775,453,000 $768,313,000

Net profit before tax $639,313,000 $639,313,000

Tax and duties $150,000,000 $150,000,000

Net profit after tax $489,313,000 $489,313,000

38 Dividends and statutory reserves

38.1 Dividends declared and paid by the Company

2017 2016

Final dividend $50,000,000 60,000,000

38.2 Statutory reserves

2017 2016

Reserve for muriatic deficit $89,000,000 $89,000,000

Reserve for tax and duties $150,000,000 $150,000,000

Reserve for tax $150,000,000 $150,000,000

Reserve for statutory interest $150,000,000 $150,000,000

Reserve for statutory interest $150,000,000 $150,000,000

Statutory reserve $150,000,000 $150,000,000

39.1 Cash and cash equivalents

39.2 Amounts Receivable

39.3 Amounts Payable

39.4 Profit and Loss Account

39.5 Dividends and statutory reserves

39.6 Liabilities and reserves

39.7 Balance Sheet

39.8 Notes

39.9 Summary of Notes

39.10 Supplementary Notes

39.11 Financial Statements
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Bangladesh Branches

Statement of Liquidity (Assets and Liabilities (Balance Sheet))

[Details regarding assets and liabilities breakdown]

Disclosure on basis of capital and surplus - II of Basel II for the year ended 31 December 2017

1. Disclosure policy

2. Capital adequacy

3. Credit risk

4. Specific provisions

5. Disclosures

Financial Highlights

[Details regarding financial performance and key metrics]

Bi-weekly average balance of Bangladesh Bank statement

[Details regarding weekly average balance]

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

In order to comply with the BCB and ECB requirements, the Bank communicates that its balance sheet and income statement is in line with the Bank's statement. This is done in accordance with requirements of the Bank in respect of the Country Risk Management Review. The following data relates to the following:

[Details regarding reconciliation process]

Quantitative disclosures

[Details regarding quantitative disclosures]

Total external trade

[Details regarding total external trade]

Credit risk

[Details regarding credit risk]

Specific provisions

[Details regarding specific provisions]

Disclosures

[Details regarding disclosures]

Ratio of own funds to assets

[Details regarding ratio of own funds to assets]

Total assets

[Details regarding total assets]

Other assets

[Details regarding other assets]

Equity capital

[Details regarding equity capital]

Core capital

[Details regarding core capital]

Tier 1 Capital

[Details regarding tier 1 capital]

Tier 2 Capital

[Details regarding tier 2 capital]

Total capital

[Details regarding total capital]
## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### Bangladesh Branches

#### Profit and Loss Statement

The Group maintains an active programme of cost-reduction initiatives to support its expansion in the area of earnings. Additional resources are allocated to the areas that current bank's resources, in order to fund the additional required resources. The Group's performance has been well prepared for the continued expansion of the Group's business, with reduced staffing levels.

In line with the above criteria, the Bank has been managed so that it does not have sufficient financial resources to meet its obligations, as its cash flow will be drawn out of its assets. The Bank's level in the case of the Bangladesh Bank will be calculated using current market values. The Bank's objective is to minimize these resources by focusing on the Bank's business, the Bank's success and, where appropriate, the Group's business. The Bank's financial analysis framework is based on the Bank's strategy to manage its obligations.

The analysis of the Bank's financial performance is driven by the Bank's strategy to manage its obligations.

### Quantitative disclosures

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td>85,153,000</td>
<td>69,243,000</td>
</tr>
<tr>
<td>Net Loss</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Total Income</td>
<td>427,813,000</td>
<td>390,842,000</td>
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<tr>
<td>Total Expenses</td>
<td>342,660,000</td>
<td>321,609,000</td>
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<tr>
<td>Net Profit Margin</td>
<td>20.0%</td>
<td>17.9%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>28.0%</td>
<td>22.0%</td>
</tr>
</tbody>
</table>

### Offshore Banking Unit

The Bank has the appropriate resources to meet its obligations. The Bank's strategy to manage its obligations is based on the Bank's business, the Bank's success and, where appropriate, the Group's business. The Bank's financial analysis framework is based on the Bank's strategy to manage its obligations.

The analysis of the Bank's financial performance is driven by the Bank's strategy to manage its obligations.

### Quantitative disclosures

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td>2,561,000</td>
<td>2,091,000</td>
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<tr>
<td>Net Loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Income</td>
<td>10,000,000</td>
<td>8,500,000</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>7,439,000</td>
<td>6,409,000</td>
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<tr>
<td>Net Profit Margin</td>
<td>25.6%</td>
<td>24.5%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>12.3%</td>
<td>12.3%</td>
</tr>
</tbody>
</table>

### General

The Bank's strategy to manage its obligations is based on the Bank's business, the Bank's success and, where appropriate, the Group's business. The Bank's financial analysis framework is based on the Bank's strategy to manage its obligations.

The analysis of the Bank's financial performance is driven by the Bank's strategy to manage its obligations.

### Quantitative disclosures

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td>1,500,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Net Loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Income</td>
<td>7,500,000</td>
<td>6,000,000</td>
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<tr>
<td>Total Expenses</td>
<td>6,000,000</td>
<td>4,800,000</td>
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<tr>
<td>Net Profit Margin</td>
<td>20.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

### Stock Performance

The Bank's strategy to manage its obligations is based on the Bank's business, the Bank's success and, where appropriate, the Group's business. The Bank's financial analysis framework is based on the Bank's strategy to manage its obligations.

The analysis of the Bank's financial performance is driven by the Bank's strategy to manage its obligations.

### Quantitative disclosures

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td>1,000,000</td>
<td>800,000</td>
</tr>
<tr>
<td>Net Loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Income</td>
<td>5,000,000</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>4,000,000</td>
<td>3,200,000</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>20.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

### Risk Management

The Bank's strategy to manage its obligations is based on the Bank's business, the Bank's success and, where appropriate, the Group's business. The Bank's financial analysis framework is based on the Bank's strategy to manage its obligations.

The analysis of the Bank's financial performance is driven by the Bank's strategy to manage its obligations.

### Quantitative disclosures

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td>500,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Net Loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Income</td>
<td>2,500,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>2,000,000</td>
<td>1,600,000</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>20.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

### Capital Adequacy

The Bank's strategy to manage its obligations is based on the Bank's business, the Bank's success and, where appropriate, the Group's business. The Bank's financial analysis framework is based on the Bank's strategy to manage its obligations.

The analysis of the Bank's financial performance is driven by the Bank's strategy to manage its obligations.

### Quantitative disclosures

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td>300,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Net Loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Income</td>
<td>1,500,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>1,200,000</td>
<td>960,000</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>20.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

### Liquidity Ratio

The Bank's strategy to manage its obligations is based on the Bank's business, the Bank's success and, where appropriate, the Group's business. The Bank's financial analysis framework is based on the Bank's strategy to manage its obligations.

The analysis of the Bank's financial performance is driven by the Bank's strategy to manage its obligations.

### Quantitative disclosures

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td>200,000</td>
<td>150,000</td>
</tr>
<tr>
<td>Net Loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Income</td>
<td>1,000,000</td>
<td>800,000</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>800,000</td>
<td>640,000</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>20.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>
# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## Offshore Banking Unit

### Balance Sheet as at 31 December 2017

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances net of provisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Curreny and call deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total deposits</td>
<td>537,100,546,512.00</td>
<td>523,440,114,448.00</td>
</tr>
<tr>
<td>Loans and advances net of provisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>1,276,260,000.00</td>
<td>1,276,260,000.00</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>97,658,852,512.00</td>
<td>94,224,435,320.00</td>
</tr>
<tr>
<td>Total shareholders equity</td>
<td>1,074,918,852,512.00</td>
<td>1,075,919,455,320.00</td>
</tr>
<tr>
<td>Total liabilities and shareholders equity</td>
<td>1,074,918,852,512.00</td>
<td>1,075,919,455,320.00</td>
</tr>
</tbody>
</table>

### Notes to the Financial Statements for the year ended 31 December 2017

1. **Background**
   - The banking and financial services industry in Bangladesh includes various services, such as commercial banking, corporate and institutional banking, global remittances, and trade finance. The industry is well regulated with the Banking Act and the relevant regulations enforced by the Bangladesh Bank and the Bangladesh Financial Watchdog Agency.
   - The Bangladesh Bank (BB) is the central bank of Bangladesh, responsible for monetary policy and the overall management of the banking system.

2. **Principal activities**
   - The principal activities of the Bank include various financial services in Bangladesh including retail banking, commercial banking, corporate and institutional banking, global remittances, and trade finance. The Bank also provides a range of financial products and services to its customers, including deposits, loans, and other financial instruments.

3. **Use of estimates and judgements**
   - The financial statements are based on the historical cost basis and the accrual basis of accounting. The historical cost basis is the most widely used basis of accounting and is preferred for its simplicity and transparency.

4. **Provision for doubtful accounts**
   - The Bank maintains a provision for doubtful accounts for possible bad and doubtful debts. The provision is based on the expected credit losses and is reviewed monthly.

5. **Allowance for doubtful accounts**
   - The Bank maintains an allowance for doubtful accounts for possible bad and doubtful debts. The allowance is based on the expected credit losses and is reviewed monthly.

6. **Provision for income tax**
   - The Bank maintains a provision for income tax for possible income tax liabilities. The provision is based on the expected income tax and is reviewed quarterly.

### Cash Flow Statement for the year ended 31 December 2017

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash inflow from operating activities</td>
<td>68,598,389,702.00</td>
<td>71,024,749,080.00</td>
</tr>
<tr>
<td>Investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash outflow from investing activities</td>
<td>12,690,465,995.00</td>
<td>13,146,701,780.00</td>
</tr>
<tr>
<td>Financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash outflow from financing activities</td>
<td>5,067,635,889.00</td>
<td>5,690,510,937.00</td>
</tr>
<tr>
<td>Total cash flows</td>
<td>50,840,398,828.00</td>
<td>42,377,536,423.00</td>
</tr>
</tbody>
</table>

### Notes to the Financial Statements

1. **Background**
   - The banking and financial services industry in Bangladesh includes various services, such as commercial banking, corporate and institutional banking, global remittances, and trade finance. The industry is well regulated with the Banking Act and the relevant regulations enforced by the Bangladesh Bank and the Bangladesh Financial Watchdog Agency.

2. **Principal activities**
   - The principal activities of the Bank include various financial services in Bangladesh including retail banking, commercial banking, corporate and institutional banking, global remittances, and trade finance. The Bank also provides a range of financial products and services to its customers, including deposits, loans, and other financial instruments.

3. **Use of estimates and judgements**
   - The financial statements are based on the historical cost basis and the accrual basis of accounting. The historical cost basis is the most widely used basis of accounting and is preferred for its simplicity and transparency.

4. **Provision for doubtful accounts**
   - The Bank maintains a provision for doubtful accounts for possible bad and doubtful debts. The provision is based on the expected credit losses and is reviewed monthly.

5. **Allowance for doubtful accounts**
   - The Bank maintains an allowance for doubtful accounts for possible bad and doubtful debts. The allowance is based on the expected credit losses and is reviewed monthly.

6. **Provision for income tax**
   - The Bank maintains a provision for income tax for possible income tax liabilities. The provision is based on the expected income tax and is reviewed quarterly.

**Cash Flow Statement**

- The cash flow statement has been prepared in accordance with the IAS 7, Cash Flow Statements, of the International Accounting Standards Board (IASB), for the year ended 31 December 2017.

**Statement of Liquidity**

- The statement of liquidity provides information on the sources and uses of funds and is an important tool for investors and creditors to assess the Bank’s ability to meet its short-term obligations.

**Significant accounting policies**

- According to IAS 1, "The effects of changes in foreign exchange rates" of a foreign currency transaction are determined in the functional currency of the entity and are recognized in the functional currency statement of the entity. The Bank has defined its functional currency as the Bangladeshi Taka (BDT).

**Provision for doubtful accounts**

- The provision for doubtful accounts is reviewed on an annual basis to ensure that it is adequate to cover any potential bad debts. The provision is based on the expected credit losses and is reviewed monthly.

**Provision for income tax**

- The provision for income tax is reviewed on a quarterly basis to ensure that it is adequate to cover any potential income tax liabilities. The provision is based on the expected income tax and is reviewed quarterly.

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## Financial Statements for the Year Ended 31 December 2017

### Offshore Banking Unit

#### 4.4 Contingent liabilities

As per IFRS, contingent liabilities are not included in the balance sheet or income statement.

#### 6. Loans and advances

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 6.2 NATURE OF LOANS AND ADVANCEES

- **Classification and credit quality**:
  - **1.13 billion**
  - **1.3 billion**

#### 6.5 Revenue Recognition

- **Interest income from investments**:
  - **Interest income on investments**:
    - **8,000,000 USD**

#### 9. Operating expenses

- **Operating expenses**:
  - **5,000,000 USD**

#### 12. Transactions with related parties of the bank

- **Transactions with related parties of the bank**:
  - **3,000,000 USD**

#### 13. Auditors

- **Audit Committee**:
  - **10,000 USD**

### Statement of Liquidity

<table>
<thead>
<tr>
<th>Assets</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Balance with other Banks and Financial Institutions

<table>
<thead>
<tr>
<th>Year</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
</tr>
</tbody>
</table>

### Notes to the Financial Statements

- **Note 1**: Details on the audit report and financial statements.
- **Note 2**: Details on the comparative information.

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1. For a full understanding, please refer to the detailed financial statements and notes provided by Offshore Banking Unit, HSBC.