Annual Integrated Report / 2016

Empowering Lives Inspiring Changes



Growing Together...

LankaBangla™ FINANCE

Empowering lives
Inspiring changes

As a company, LankaBangla Finance has been evolving over two decades. In phases, it has reengineered the process to bring in confidence among people, it moved forward with right products and services for the consumer, spread across to connect lives and now inspire lives to bring in changes. The worth of investing on individual or any business with more authority and control over its path is a vitally important process that helps to explore every day as a life transformation. The transformative effect it can have when an individual takes control of the reins of his or her life and decides to move further. Empowerment drives accessing and marshaling the passion, power and purpose; inside of an individual hence he can live and pursue truly as he wants to. LankaBangla is in a position to help that individual or his business empowered and make him the master of his own fate, not deluding him that he is in complete control, but he realizes that he "co-creates" what's occurring in life, and therefore can shift what's happening by generating the right changes within himself and acquiring the right kind of support to help him move forward.

An empowered life is completely different and it inspires changes towards goodness.



Growing Together...

LankaBangla™
FINANCE



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LankaBangla™
FINANCE

Safura Tower (Level 11), 20 Kemal Ataturk Avenue, Banani, Dhaka-1213

Notice is hereby given that 20th Annual General Meeting of the Shareholders of LankaBangla Finance Limited will be held on March 30, 2017 at 11:00 a.m. at MIDAS Centre (12th Floor), House # 05, Road # 16 (New), 27 Old Dhanmondi, Dhaka-1209 to transact the following businesses:

AGMA-01-20-17	To receive and adopt the Directors' Report, Auditors' Report and Audited Financial Statements for the year ended 31st December 2016
AGMA-02-20-17	To declare dividend for the year 2016
AGMA-03-20-17	To appoint/elect Directors in accordance with regulatory requirements
AGMA-04-20-17	To appoint Auditors of the Company for the year 2017 until conclusion of 21st AGM and to fix their remuneration
AGMA-05-20-17	To transact any other business with the permission of the Chairman

Dated, Dhaka
March 09, 2017

By Order of the Board

Mostafa Kamal FCA
Company Secretary

Notes:

- The record date is fixed on March 09, 2017. The Shareholders, whose names will appear in the Share Register of the Company at the closing of business on the record date, will be eligible to attend the meeting and get dividends.
- The Board of Directors has recommended 15% Cash Dividend i.e. Tk. 1.50 per share of Tk. 10.00 each and 15% Stock Dividend i.e. 15 (Fifteen) Bonus Shares for every 100 (Hundred) Ordinary Shares held.
- A shareholder eligible to attend and vote in the AGM may appoint a Proxy to attend and vote on his/her behalf. The Proxy Form duly completed and stamped must be deposited at the registered office of the Company not later than 48:00 hours before the time fixed for the meeting.
- Admission into the meeting room will be allowed on production of the Attendance Slip attached with the Proxy Form.

AMARSTOCK

BRIEF ABOUT INTEGRATED REPORTING

Annual Integrated Report

We face a time of substantial and all encompassing change. Amid the excitement and managing great change we are careful about the success of our clients and the trust and support of our stakeholders, strengthening our commercial sustainability. Annual Report for the year 2016 of LankaBangla has been presented as an 'Integrated Report' with the aim to utter how LankaBangla Finance Limited, as a growing organization, has effectively managed its business to deliver consistent value to its stakeholders. It incorporates 'efforts' the company has undertaken towards contributing towards economic prosperity, environmental sustainability and social well-being for a brighter future.

Scope and boundary

Our 2016 annual integrated report covers the period between 1st January 2016 and 31 December 2016. All materials that matters, up to group board of directors (Board) approval on 13 Feb 2017, are included here. The annual integrated report reflects operations of LankaBangla Finance Limited (LBFL) and its subsidiaries. Unless indicated otherwise, all data pertains to the group, which includes our financial operations and subsidiaries.

In presenting the Annual Integrated Report, we have consistently followed the guidelines issued by the Institute of Chartered Accountants of Bangladesh (ICAB) in the form of 'Integrated Reporting Checklist', which is in congruence with the integrated reporting framework prototype issued by the International Integrated Reporting Council (IIRC).

In explaining the Company's operations and financial performance, financial information has been extracted from the Audited Financial Statements for the year ended 31 December 2016 with relevant comparative information. The financial statements consistently comply with the requirements of:

- Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs),
- Relevant rules & regulations of Bangladesh Bank (The Central Bank);
- Companies Act 1994;
- Financial Institutions Act 1993;
- Securities and Exchange Rules 1987;
- The Income Tax Ordinance 1984;
- And other applicable laws and regulations of the land.

The Sustainability requirements, as elaborated separately in our Sustainability Report, adhere to the guidelines issued by the Global Reporting Initiative (GRI)-G4 Framework.

To report our corporate governance practices, we have followed the revised Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission (BSEC).

The scope of our Annual Report comprises of activities that have been carried out within the geographical boundaries of Bangladesh, as we do not have operation or subsidiary in other countries.

Materiality

Our annual integrated report aims to present a balanced and concise analysis of our strategy, performance, governance and prospects. In determining the content to be included in this report, we considered the issues that are material to maintain the commercial viability and social relevance required to achieve our vision in the medium term.

We show the process of determining material issues as a business tool that facilitates integrated thinking. The materiality determination process undertaken in 2016 complemented our day-to-day stakeholder engagements, going beyond these engagements and placing particular emphasis on aspects that are likely to influence the social, economic and physical environments in which we operate. Our material issues have been revised and are outlined on pages from 177 to 178 of this report.

Based on our leadership engagement, governance processes and our formal and informal stakeholder engagement initiatives, particularly with investors, we are confident that all material matters have been identified and disclosed in this report. Management of group functions and the business units approved the relevant content in the annual integrated report.

External Assurance

Sl.	Assurance on	External Assurer
1	Consolidated and Separate Financial Statements of LankaBangla Finance Limited	ACNABIN, Chartered Accountants, an independent member of Baker Tilly International
2	Consolidated and Separate Financial Statements of LankaBangla Securities Limited	Ahmed Zaker & Co. Chartered Accountants
3	Financial Statements of LankaBangla Investments Limited	Syful Shamsul Alam & Co. Chartered Accountants A member of UHY International Limited
4	Financial Statements of LankaBangla Asset Management Company Limited	
5	Financial Statements of LankaBangla Foundation	MMH & Co, Chartered Accountants
6	Corporate Governance	
7	Provident Fund	Syful Shamsul Alam& Co. Chartered Accountants A member of UHY International Limited
8	Gratuity Fund	
9	IT Security compliance & Gap review	Rahman Rahman Huq Chartered Accountants an independent member of KPMG
10	Eligibility Compliance of LankaBangla Finance Limited for participating in the Investment Promotion and Financing Facilities (IPFF) project	ACNABIN, Chartered Accountants, an independent member of Baker Tilly International

Responsibility of the Annual Integrated Report

Managing Director of LankaBangla finance Limited acknowledges the responsibility to ensure the integrity of the disclosure contained in the Integrated Report presented herewith that comprises the discussion and analysis, disclosures pertaining to stewardship, which should be read in conjunction with the audited financial statements. In his opinion, the integrated report, incorporated in this annual report has been prepared in accordance with the IIRC's international integrated reporting framework and addresses all material issues and fairly presents the group's integrated performance.



Mohammed Nasir Uddin Chowdhury
Managing Director

TRIPLE BOTTOM LINE HIGHLIGHTS

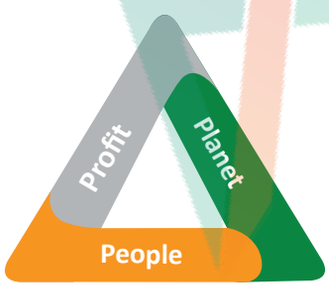
Financial Highlights

	Actuals 2016 BDT M	Actuals 2015 BDT M	Change %
Results for the year			
Gross Income	7,311	6,237	17.23%
Interest Income	5,662	4,787	18.26%
Interest Expenses	3,964	3,715	6.71%
Profit before Tax	947	533	77.66%
Provision for Taxation	151	112	34.94%
Profit after Tax	796	421	89.02%
Financial Position at the year end			
Shareholders' Fund (Stated Capital and Reserves)	6,687	6,262	6.78%
Deposits from Customers	40,033	29,992	33.48%
Lease, Loans & Advances	51,244	41,819	22.54%
Total Investment	5,037	4,373	15.18%
Fund Under Management (FUM)	112,233	87,134	28.80%
Total Assets	63,935	50,448	26.74%
Investors			
Gross Dividend	830	722	15.00%
Earnings per Share (BDT)	2.87	1.53	87.39%
Dividends per Share (BDT)	3.00	3.00	0.00%
Net Assets per Share (BDT)	24.16	22.63	6.78%
Ratios			
Return on Shareholders' Funds (%)	12.29%	6.37%	5.92%
Return on Average Assets (%)	1.39%	0.94%	0.45%
Year on Year Growth in Dividends on Ordinary Shares (%)	15%	65%	-50.00%
Interest Cover (Times)	1.34	1.24	0.09
Equity : Assets (%)	10.46%	12.41%	-1.95%
Debt : Equity (%)	763%	625%	138.43%
P/E Ratio (Times)	12.11	18.90	-6.80
Non-Performing Loans Ratio (%)	3.20%	3.22%	-0.02%
Advance Growth (%)	33.35%	37.58%	-4.23%
Deposit Growth (%)	33.48%	79.79%	-46.31%
Statutory Ratios			
Core Capital to RWA - Minimum Required 5%	11.28%	12.67%	-1.39%
Capital Adequacy Ratio (CAR) - Min. Req. 10%	12.05%	12.67%	-0.62%
Cash Reserve Ratio (CRR) - Minimum Required 2.5%	2.52%	2.51%	0.01%
Statutory Liquidity Reserve - Minimum Required 5%	5.08%	5.05%	0.03%

Non Financial Highlights

	Actuals 2016 BDT M	Actuals 2015 BDT M
Economic Sustainability		
Direct economic value generated & distributed	2,049	1,464
Economic value addition	554	155
Community investment cost	5	5
Number of new branches launched	5	2
Employee benefit fund	296	157
Environment Sustainability		
Electricity consumption in value	30.1	20.2
Fuel cost	2.8	2.0
Water consumption in value	2.7	1.9
Significant environment fines	Nil	Nil
Environment protection expenditure	0.1	0.1
Number of environmental grievances	Nil	Nil
Labor Sustainability		
Total workforce in number	1,792	1,491
Recruitments in number	298	134
Attrition rate	145	89
Retention rate after parental leave	100%	100%
Number of injuries	Nil	Nil
Average training hours per employee	40.9	32.7
Employee performance appraisal as a percentage of total workforce	100%	100%
Human Rights Sustainability		
Incidents of discriminations	Nil	Nil
Incidents of child labor (below 18 years)	Nil	Nil
Incidents of forced labor	Nil	Nil
Human rights incidents reported and resolved	Nil	Nil

Strategic Focus on Triple Bottom Line



People: Focus on providing real solutions that enrich the lives of our clients, customers, employees, suppliers, business partners and communities connected to our work

Profit: Use our financial competence to trigger sustainable nation-wide development so as to raise Socio-economic position of our Country in long run

Planet: Work to create a healthier planet by supporting the environment that supports us. In doing so, we strive to challenge the way people think about the role of financial institute in building a greener planet.

BRIEF ABOUT LANKABANGLA FINANCE LIMITED

"LankaBangla is the country's leading provider of integrated financial services including corporate financial services, retail financial services, SME financial services, stock broking, corporate advisory and wealth management services. Under the broadest umbrella of products and service offerings, we are the lone financial institution to operate credit card (MasterCard and VISA) and also provide third party card processing services to different banks in Bangladesh. Since 2006 LankaBangla has been listed in both DSE & CSE in Bangladesh."

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LANKABANGLA IN 2016

LankaBangla is the country's leading provider of integrated financial services including Corporate Financial Services, Personal Financial Services, SME Financial Services, Stock Broking, Corporate Advisory and Wealth Management Services.

Lanka Bangla Finance Limited (LBFL)

As one of the leading NBFI in Bangladesh, LBFL's asset base was BDT 57 billion as at the end of 2016. Fund Under Management crossed the milestone figure BDT 100 billion by the end of 2016 which is at its highest level since the inception of LBFL. LBFL's Investment portfolio (Leases, loans & advances and investments) reached to a new height of BDT 47 billion by the end of 2016 which was possible only after registering yearly asset disbursement of nearly BDT 46 billion.

Net profit after Tax of LBFL crossed the landmark of BDT 1,000 million for the second consecutive years and for the year 2016 LBFL's Net profit after Tax was BDT 1,072 million.

LBFL on the verge of expanding its wings and drive for reaching to the furthest ends. With this sentiment LBFL has opened 5 new branches in the year 2016 and reached to a total tally of 19 Branches within the jurisdiction of the country and is planning to open 10 more branches in the year 2017.

LBFL has always been very passionate about Human Capital Management within the organization. It is the employees who are fueling the performance of LBFL bring it to the position where it is now. Total employees of LBFL as at 31 December 2016 was 1,527, which consists of 497 Full Time Employees (FTE), 176 Business Support Officer (BSO) and 854 Product Marketing Officers (PMO).

In order to facilitate the continuous Asset growth, LBFL in this year has increase its Authorized Capital to BDT 10,000 million and a 2:1 right issue of shares is already approved by the Shareholders in the 9th EGM held on 14 December 2016. Thus the capital base of LBFL has been further strengthened targeting the facilitation of the above average growth of assets compared to the industry.

The touch of excellence in operation resulted in boosting the solvency and efficiency of LBFL and which as a logical consequence improved its Credit Rating. LBFL's Credit rating has been done by Credit Rating Agency of Bangladesh (CRAB) and LBFL has been rated "AA3" for long term and "ST-2" for short term as at 31 July 2016.

Prudent and transparent reporting is in the philosophy of LankaBangla. LBFL has been awarded in both National and International level on a continuous basis. In the year 2016 LBFL has been awarded with the following recognitions:

- SAFA Best Presented Annual Report Awards 2014 as "Category Winner – Financial Service Sector"
- SAFA Best Presented Annual Report Awards 2014 as "Overall Winner"
- SAFA Best Presented Annual Report Awards 2015 as "Category Winner – Financial Service Sector"
- 16th ICAB National Award for Best Presented Annual Report, 2015 as 2nd Position
- 16th ICAB National Award for Integrated Reporting, 2015
- Received ICMAB Best Corporate Award, 2015

Net profit after Tax of LBFL crossed the landmark of BDT 1,000 million for the second consecutive years

Increase its Authorized Capital to BDT 10,000 million and a 2:1 right issue of shares is already approved by the Shareholders

LBFL has been rated "AA3" for long term and "ST-2" for short term as at 31 July 2016

SAFA Best Presented Annual Report Awards as "Category Winner – Financial Service Sector" for the second consicutive years

LankaBangla Securities Limited (LBSL)

LBSL is the leader in Customer transaction in the stock brokerage industry. LankaBangla Securities Limited has been able to maintain its legacy to retain the top position in both the stock exchanges, DSE and CSE in 2016. LBSL ranked Number One consecutively in last 12 years in DSE and 13 years in CSE. LBSL's Market share in DSE for the year 2016 was 6.47% & 8.23% in CSE.

LBSL's profitability is increasing after going through long term bearish trend in the market. For the year 2016 profit after tax of LBSL stood at BDT 149 million registering a 183% growth over BDT 53 million of 2015.

Country's 1st ever Zero Coupon Bond by a stock brokerage company has been issued by LBSL in the year 2016 to meet the ongoing financial requirement of the company and to reduce the cost of fund.

Country's first ever online payment gateway for stock brokerage company has been introduced by LBSL. Clients of LBSL will able to deposit any amount of money using VISA, Master, AMEX debit/ credit card from anywhere in the world to invest in the secondary market or applying for IPO shares.

LBSL's IT wing successfully developed the i-broker application which enables the customers to obtain one stop brokerage services simply using their mobile phones. The customers can deposit money, withdraw fund, view their investment portfolio, financial ledger, income tax certificate etc. by using this application. This application software is the first of its kind in any brokerage house of the country.

LBSL ranked Number One consecutively in last 12 years in DSE and 13 years in CSE

Country's 1st ever Zero Coupon Bond by a stock brokerage company has been issued by LBSL in the year 2016

Country's first ever online payment gateway for stock brokerage company

LankaBangla Investments Limited (LBIL)

2016 was a successful year for LankaBangla Investments Limited (LBIL) as it achieved some landmarks in the capital market activities. In 2016, LBIL was the first to arrange 3 IPO roadshows in a row under the reformed BSEC Public Issue Rules. LBIL acted as the Issue manager of IPO of Aamra Networks Limited and also took the lead by getting approval to conduct the electronic bidding of Aamra Networks Limited (ANL), (first IPO with premium) under reformed book-building Method. LBIL has always been keen to satisfy its stakeholder's interest and for the development of Capital Market of Bangladesh. It is evident by its efforts in developing the IPO Application process and providing valuable inputs in the reformation of Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

In 2016 LBIL acted as the Issue Manager of Evince Textiles Limited, the first IPO under fixed price method under reformed Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015. The issue size was BDT 170 Million. In addition to that, LBIL is rendering its comprehensive services to STS Holdings Limited, issue size was BDT 750 million and Runner Automobiles Limited, issue size was BDT 1,000 million as the Registrar to the Issues under Book-Building method. LBIL acted as the Issue Manager for Rights Offering of Summit Alliance Port Limited, issue size was BDT 515.30 million and GPH Ispat Limited, the issue size was BDT 2,619.54 million which got consent from BSEC in 2016. LBIL has underwritten an amount of BDT 2,847 million for various Initial Public Offering and Rights Offering in 2016.

LBIL acted as the Issue Manager & Advisor for merger of Summit Power Limited & its subsidiaries; largest merger in the Private Power Generation Sector and also acted as the Issue Manager & Arranger for Preference Share Issuance of Doreen Power House & Technologies Limited; Preference Share issuance with unique Term Sheet arrangement. LBIL acted as the Issue Manager & Arranger for Zero Coupon Bond (ZCB) Issuance of LankaBangla Securities Limited (LBSL); 1st Zero Coupon Bond issuance by Brokerage House in Bangladesh.

LBIL acted as the Issue Manager & Advisor of the company valuation of System Solutions & Development Technologies (SSD-TECH) Ltd.; feasibility Study of Powerpac Economic Zone Pvt Ltd.; 1st ever Public Private Partnership (PPP) based economic zone of Bangladesh and foreign equity arrangement for Ajinomoto Bangladesh Limited.

LBIL has introduced monthly deposit scheme for discretionary portfolio management in 2016 and obtained good response from target customers and generated good return. LBIL acted as the sponsor in "4th Finance Asia Bangladesh Investment Summit" in HongKong on April, 2016 and presented discussion paper on Investment opportunities and challenges in Bangladesh.

Took the lead by getting approval to conduct the Electronic bidding of Aamra Networks Limited (First IPO under reformed Book-building Method)

Issue Manager of Evince Textiles Limited (First IPO under fixed price method under reformed)

LankaBangla Asset Management Company Limited (LBAMCL)

2016 was a monumental year for LankaBangla Asset Management Company Limited (LBAMCL) as it made a kick-start in the fund management activities. LBAMCL launched an open ended mutual fund named "LankaBangla 1st Balanced Unit Fund" for investors with an initial size of BDT 250 million and BDT 10 Face Value per unit. LankaBangla Finance Limited is the 'Sponsor' of the fund whereas Bangladesh General Insurance Company Limited is the 'Trustee' of the fund. At the end of 2016, Net Asset Value (NAV) of the fund stood at BDT 10.71 per unit at market value.

LBAMCL has already secured sponsorship from a Shariah based Bank to launch Shariah Compliant Unit Fund in the capital market of Bangladesh.

LBAMCL is making ground to manage Private Equity, Venture Capital and Impact Funds. The company received registration certificate from Bangladesh Securities and Exchange Commission (BSEC) on December 20, 2016 to act as an 'Alternative Investment Fund Manager'.

LBAMCL also focused on expansion and capacity development of the organization in 2016 which led to relocation of its corporate office and establishment of a full-fledged independent research department as well as Alternative Fund management wing.

In 2016, LBAMCL has raised its paid up capital from BDT 100 million to BDT 500 million by issuing 40mn shares of BDT 10 each to its existing shareholders. The equity of the company stood at BDT 963.10 million at the end of 2016.

LBAMCL launched an open ended mutual fund named "LankaBangla 1st Balanced Unit Fund" for investors with an initial size of BDT 250 million

ORGANIZATIONAL OVERVIEW

Growing Together

Two decades back LankaBangla Finance Limited started its journey in 1997 as a joint-venture financial institution in multinational collaboration with a license from Bangladesh Bank under Financial Institution Act-1993. Today, LankaBangla is the country's leading integrated financial services provider that include Corporate Financial Services, Personal Financial Services, SME Financial Services, Liability Management, Stockbroking, Corporate Advisory and Wealth Management Services.

LankaBangla has implemented business process re-engineering to build capacity for its clients' superior service experience. The company now operates from a centralized administrative framework through cutting edge technological environment. LankaBangla is fueling a wide operational periphery covering major business hubs of the country.

Under a wide umbrella of products and services, LankaBangla is the only financial institution to operate credit card (Master and VISA) and also provide third party card processing services to different banks in Bangladesh.

LankaBangla is the market leader in the capital market services and has been giving an all-out effort to develop an efficient, vibrant and transparent capital market in Bangladesh. Its subsidiary, LankaBangla Securities Limited is providing top-notch brokerage services and leading the industry with cutting edge trading, top rated research information, and customer service. The group has another subsidiary, LankaBangla Investments Limited. It is a premier investment bank in the country providing corporate advisory, issue management, and portfolio management services. LankaBangla Asset Management Company Limited is providing professional wealth management services to some of its customers.

In quest of sustainable business, LankaBangla is positioning itself to provide enduring value to the people, customers, shareholders and the communities. There are other key divisions involved in setting up strategic priorities and upholding the living standard of our community. These divisions are involved among many others in prudent balance sheet management operation and maintenance of a strong IT infrastructure and recruiting as well as nurturing top-notch human resources.

LankaBangla Finance is the recipient of National Award for Best Published Accounts and Reports for the past few years announced by the Institute of Chartered Accountants of Bangladesh (ICAB). It also received "Category Winner - Financial Service Sector" for the "Best Presented Annual Report" for consecutive two years (2014 & 2015) from South Asian Federation of Accountants (SAFA) (an Apex body of SAARC). This is undoubtedly an igniting accomplishment and it is a reflection of ethical practices, right compliance and a great team work.

LankaBangla practices participatory management and adheres to industry's best practices in all its endeavors. Increasing stakeholders' value is a natural driving force for the people at LankaBangla.

Our long-standing sustainability efforts are creating environmental and social value while we move forward. By embracing high ethical standards, governance, and transparency, LankaBangla dreams to go further and grow bigger. Its ethos is simple. The company envisions its success lies in becoming the growth partner of its enterprising clients. LankaBangla is committed to empowering lives and inspire changes in community.



CODE OF CONDUCT GUIDING PRINCIPLES

LankaBangla is a value driven organization with strict adherence to principles even if the situation sometimes provides temporary benefit to the company. The guiding principles are set with the objective of upholding the company's reputation and dignity and treating them as absolutely priceless. The company's affairs get the utmost priority of all the employees.

Our reputation not only affects whether or not someone will be our customer, it also determines whether we are proud to be associated with this organization.

The Code of Conduct is designed to guide the employees of the company to observe, comply with the prudential norms of conduct, manner and behavior. It is in alignment with the Company's Vision and Values to achieve the Mission and Objectives, and aims at enhancing the ethical and transparent process in managing the affairs of the Company. It also applies to every employee of LankaBangla and may be furnished to others for discharging the responsibilities. In addition to the ethical guidelines included in the code, there are many laws and regulations that affect each of the business that we do. Complying with law is mandatory for everyone and is not subject to business priorities or individual decision.

Personal Responsibilities

- Be an ethical role model by maintaining integrity and devotion to work
- Protect and enhance company's interest, dignity and reputation
- Act in accordance with the highest standards, professionalism and excellence in quality output
- Adherence to the company's policies, rules and regulations that obviously apply to the job
- Always act and behave like an ambassador of the company

Workplace Responsibilities

- Treat colleagues with respect and dignity
- Support the company's commitment to diversity and equal employment opportunity
- Provide a positive work environment free from intimidation and harassment
- Do not hold any outside positions with, or accept business opportunities from anyone who does business or competes with the company
- Ensure that financial records are accurate and complete and also ensuring cost efficiency.
- Maintain an effective system of internal control and compliance over financial reporting and operational activities
- Protect company's assets and properties

Marketplace Responsibilities

- Act responsibly in all sorts of communications with customers, suppliers, vendors, partners and regulatory authorities
- Safeguard the privacy, confidentiality and security of customer data
- Make only factual and truthful statements about company's products and services
- Gather business intelligence properly and ethically
- Prevent the use of company's services against money laundering purposes

Corporate Citizenship

- Support all communities and optimize contributions to the society
- Protect general safety of the environment
- Respond to public and cooperate with the government



VISION, MISSION & CORE VALUES



VISION

To be the most preferred financial service provider in creating, nurturing and maximizing value to the stakeholders, thereby, GROWING TOGETHER.

MISSION

- Be a growth partner for our customers, ensuring financing and superior experience
- Maintain a culture of meritocracy in the DNA of the company
- Be sustainable and ensure quality returns to our valued shareholders
- Uphold efforts to develop our community

CORE VALUES

We have strong values that are well embedded in our culture. Our values create the following goals to help us deliver our strategy:

- Cherish a sense of ownership
- Be customer centric
- Grow as a team
- Act with integrity and professionalism
- Deal with respect

FORWARD LOOKING STATEMENT

"The next is Now" is the motto of LankaBangla's journey in 2017 which signifies the objective of marching ahead of time. What would be that next prominent strategy for the penetration in the financial landscape of Bangladesh, is well deemed and happening NOW in our territory.

- In 2017, we would put high emphasis on the Retail and SME Financial Services to achieve a fragmented portfolio to diversify risk and high yield. Through establishing credit delivery channels, staffed with the required skill sets, making improved process flow, and decentralizing credit decisions, we will expand our business at high pace.
- With the objective of optimizing the Company's funding mix, we would look forward to more diversified sources of fund. The Cost of Fund is also anticipated to come down with the diversification of the Company's' funding portfolio. ALCO will be more vibrant in 2017 to tap market level opportunities.
- We would be upgrading our interface and functions by using latest technology, systems and tools. This will increase operational efficiency, reduce lead time, and speed up customer service. It will also enable quicker information dissemination to loan and liability clients, thereby saving cost.
- We believe product diversification is the key to achieving customer satisfaction by meeting the tailor made needs of customers. Innovation would be a continuously sought out strategy in the foreseeable future.
- In 2017, more emphasis will be given to running the branches more independently so that we can deliver the finest customer service. Branch will be the main focal point and one stop service delivery center for business acquisitions, retention and development, and for providing customer care and maintaining relationship with all parties.
- Cost control will be one of the top strategies for 2017. We would take initiatives to reduce cost to income ratio as minimum as possible.
- Continuous monitoring will be done to restrict NPL at a tolerable low level. Initiatives will be taken to increase the efficiency level of Recovery & Monitoring team and Special Asset Management Team to reduce NPL at minimum level.
- While we engage in our activities we will be maintaining strict compliance and good governance in norms and regulations to ensure long term sustainability of the company. Putting priority in ecological balance of the environment, we plan to grow together with our stakeholders.



CORPORATE INFORMATION

Registered Name of the Company	LankaBangla Finance Limited
Legal Form	Public Limited Company, listed with Dhaka Stock Exchange and Chittagong Stock Exchange, having incorporated in Bangladesh on November 5, 1996 under Companies Act, 1994
Company Registration Number	C-31702 (823)/96
Bangladesh Bank License No.	FID(L) - 1053/41-1088
Corporate Office	Safura Tower (Level 11) 20 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh Phone: (880-2) 9883701-10, Fax: (880-2) 58810998
Company E-mail	info@lankabangla.com
Company Website	www.lankabangla.com
Corporate, Personal, Liabilities & SME Financial Services Division	Assurance Nazir Tower, (Level-9), 65/B Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh Phone: (880-2) 9883701-10, Fax: (880-2) 8810998 E-mail: info@lankabangla.com
Card Centre	Assurance Nazir Tower, (Level-6/B), 65/B Kemal Ataturk Avenue, Banani, Phone: (880-2) 55035243-55 Email: cards@lankabangla.com
Contact Centre & GIS	Safura Tower (Level 8) 20 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh Contact Centre Number: Local-16325 Overseas-0961101632
Operations Division	Safura Tower (Level 13) 20 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh Phone: (880-2) 9883701-10 Fax: (880-2) 58810998
Tax Consultant	Adil & Associates 50, PuranaPaltan Line (3rd floor), Dhaka-1000, Bangladesh
Legal Advisors	Sadat Sarwat& Associates House # 28, Road # 23 Gulshan-1, Dhaka-1212
Auditors	ACNABIN Chartered Accountants BDBL Bhaban (Level 13 & 14) 12 Kawran Bazar Commercial Area, Dhaka-1215, Bangladesh Phone: (880-2) 8144347-52 & 8189428-29 Fax: (880-2) 8144353 E-mail: acnabin@bangla.net www.acnabin-bd.com

BRANCHES AND SUBSIDIARIES OF LANKABANGLA FINANCE LIMITED

Branches of LankaBangla Finance Limited Branches

Principal Branch, Banani	Assurance Nazir Tower, 65/B Kemal Ataturk Avenue (Level-3), Banani, Dhaka- 1213, Bangladesh Phone: (880-2) 55034079-90 E-mail: banani@lankabangla.com
Dhanmondi Branch	MIDAS Centre (8th Floor, North Side) House No # 05, Road No # 16 (New), 27 (Old) Dhanmondi-1209, Dhaka, Bangladesh Phone: (880-2) 9114460, 9114451, 9114648, 9114574 E-mail: dhanmondi@lankabangla.com
Uttara Branch	Uttara Tower (4th Floor), Plot # 1, Jasimuddin Avenue, Sector # 03, Uttara C/A Uttara Model Town, Dhaka- 1230, Bangladesh Phone: (880-2) 7914230, 8931412-3 E-mail: uttara@lankabangla.com
Mirpur Branch	Northern Khan Height Tower (Level 3) Plot No # 34, Road No # 03, Block # D Section # 11, Mirpur, Dhaka-1216, Bangladesh Phone: (880-2) 9037841, 9037842-8, 9037851-2 Fax: (880-2) 9037848 E-mail: mirpur@lankabangla.com
Motijheel Branch	Peoples Insurance Bhaban (10th Floor) 36 Dilkusha C/A, Dhaka- 1000, Bangladesh Phone: (880-2) 9514570-2, 9513714-16, 9514767-8 E-mail: motijheel@lankabangla.com
Agrabad Branch	Hal's Aster Anwer (14th Floor), 1728 Sheikh Mujib Road, Agrabad, Chittagong 4100, Bangladesh E-mail: agrabad@lankabangla.com
CDA Avenue Branch	Yunusco City Centre (8th Floor) 807/1056, CDA Avenue, OR Nizam Road Khulshi, Chittagong 4000, Bangladesh Phone: (880-31) 2868901-3 E-mail: cdaavenue@lankabangla.com
Sylhet Branch	Khoirun Bhaban (Level 3) Holding No # 118, Azadi, Mirboxtula, Sylhet 3100, Bangladesh Phone: (880-821) 728420 E-mail: sylhet@lankabangla.com
Comilla Branch	Omri Mansion (3rd Floor), 349/KA (new) Badurtola, Kandir Par, Comilla 3500, Bangladesh Phone: (880-81) 73371-2 E-mail: comilla@lankabangla.com
Narsingdi Branch	56/1 Jalpatty Road (2nd Floor) Madhabdi Bazar, Narsingdi 1604, Bangladesh Phone: (880-2) 9446730-31 E-mail: narsingdi@lankabangla.com
Jessore Branch	Mohashin Super Market (2nd Floor) 10 R. N. Road, Jessore 7400, Bangladesh Phone: (880-421) 71146-47 E-mail: jessore@lankabangla.com
Barisal	Yunus Plaza (1st Floor), 444 K.B. Hemayet Uddin Road Barisal 8200, Bangladesh Phone: (880-431) 61884, 65030, 61225 E-mail: barisal@lankabangla.com

Bogra	Bogra Trade Center (Level-4), Dotto Bari, Borogola Bogra 5800, Bangladesh Phone: (880-51) 71031-35 E-mail: bogra@lankabangla.com
Mymensingh	Sabit Sharif Bhaban (2nd Floor), 55/A BoroBazer Mymensingh 2200, Bangladesh Phone: (880-91) 62901-2
Khulna	Tribune Tower (2nd floor), 2/A KDA Avenue Khulna 9200, Bangladesh Phone: (880-041) 731480, 731513
Rajshahi	Ahmed Plaza (2nd floor), 182-Alo Patti, Ghoramara Boalia, Rajshahi, Bangladesh Phone: (880-0721) 771216, 771035-6
Narayangonj	Akter Square-1 (3rd floor) 68, B.B. Road, Narayangonj, Bangladesh Phone: (880-0671) 7631342-3
Chowmuhani	Morshed Alam Complex (3rd floor), South west corner, Karimpur Road, Begumgonj, Chowmuhani, Noakhali, Bangladesh Phone: (880-0321) 54411-6
Bangshal Booth	5 Old Bangshal Lane, 57 New shahid Sayed Nazrul Islam Sharani (Level-3), Dhaka- 1000, Bangladesh Phone: (880-2) 9586007-9, 9513822, Fax: (880-2) 7112904 E-mail: bangshal@lankabangla.com

Branches of LankaBangla Securities Limited

LankaBangla Securities Limited (Subsidiary of LankaBangla Finance Limited)	A. A. Bhaban (Level 5) 23, Motijheel Commercial Area, Dhaka-1000, Bangladesh Tel: (88 02) 9563901-5, Fax: (88 02) 9563902 Web: www.lankabangla.com
Principal Branch, Motijheel	DSE Annex Building (1st Floor) 9/E, Motijheel C/A, Dhaka-1000 Phone: (88 02) 9561868, Fax: (88 02) 9562207 E-mail: resan@lbsbd.com ANNEX: Eunoos Trade Center (Level 15) 52-53, Dilkusha, Dhaka-1000 Phone: (88 02) 9581629, 9581630 E-mail: riyadh@lbsbd.com
Banani Branch	Assurance Nazir Tower (Level-6) 65/B, Kemal Ataturk Avenue,Banani, Dhaka-1213 Phone: (88 02) 55035306-8, Fax: (88 02) 55035309 E-mail: aziz@lbsbd.com
Dhanmondhi Branch	MIDAS Centre (8th floor) House No: 05, Road No: 16(New) 27 (Old) Dhanmondhi, Dhaka-1209 Phone :+880-2-9112650,9137159, Fax : +880-2-9112648 E-mail: elahi@lbsbd.com
Uttara Branch	Uttara Tower (4th Floor), Plot-1, Jasimuddin Avenue, Sector-03, Uttara C/A Uttara Model Town, Dhaka-1230 Phone: (88 02) 8958575, 8951658, Fax: (88 02) 8959286 E-mail: mosharef@lbsbd.com

Narayangonj Branch	Haji Plaza (2nd Floor), 53/1, S.M. Maleh Road Tan Bazar, Narayangonj Phone: (88 02) 7632352, 7630582, Fax: (88 02) 7630560 E-mail: mokhles@lbsbd.com
Agrabad Branch	HAL'S ASTER ANWAR, 13th floor 1398(Old), 1728(New), Sk.Mujib Road Agrabad, Chittagong Phone: (880-31) 2525836-8, Fax: (880-31) 2525839 E-mail: amir@lbsbd.com, sowkat@lbsbd.com
Khatungonj Branch	Asma Chamber, 1016 (Old) Ram Joy Mohajan Lane, Khatungonj, Chittagong Phone: (880 31) 630011, 632276, 626709, Fax: (880 31) 627312 E-mail: nazim@lbsbd.com
Nasirabad Branch	Rahima Center (5th Floor) 1839, CDA Avenue, Nasirabad, Chittagong Phone: (880 31) 2554171-3, Fax: (880 31) 2554174 E-mail: munir@lbsbd.com
Sylhet Branch	J.R. Tower (3rd Floor),Jail Road, Sylhet-3100 Phone : (880-821) 711143,711752,711912 Fax: (880-821) 711918 E-mail: Shamsuddin@lbsbd.com
Comilla Branch	Nahar Plaza (1st Floor) 67/58, Nazrul Islam Avenue, Kandirpar, Comilla Phone: (88 081) 62117, 62109, 61768, Fax: (88 081) 62116 E-mail: nazir@lbsbd.com
Barisal Branch	LankaBangla Securities Information Center Yunus Plaza (1st floor) 444 KB Hemayet Uddin Road, Barisal-8200 Phone : 0431-63105,61641

LankaBangla Investments Limited

LankaBangla Investments Limited (Subsidiary of LankaBangla Finance Limited)	City Centre (Level 24), 90/1 Motijheel C/A, Dhaka-1000, Bangladesh Phone: (880-2) 9512621, 55110910-16,Fax: (880-2) 9561107 E-mail: info@lankabangla-investments.com Web: www.lankabangla-investments.com

LankaBangla Asset Management Company Limited

LankaBangla Asset Management Company Limited (Subsidiary of LankaBangla Finance Limited)	Praasad Trade Centre, 4th Floor, 6 Kemal Ataturk Avenue Banani C/A, Dhaka-1213, Bangladesh E-mail: amcl@lankabangla.com Web: www.lankabangla.com

LankaBangla Information Systems Limited

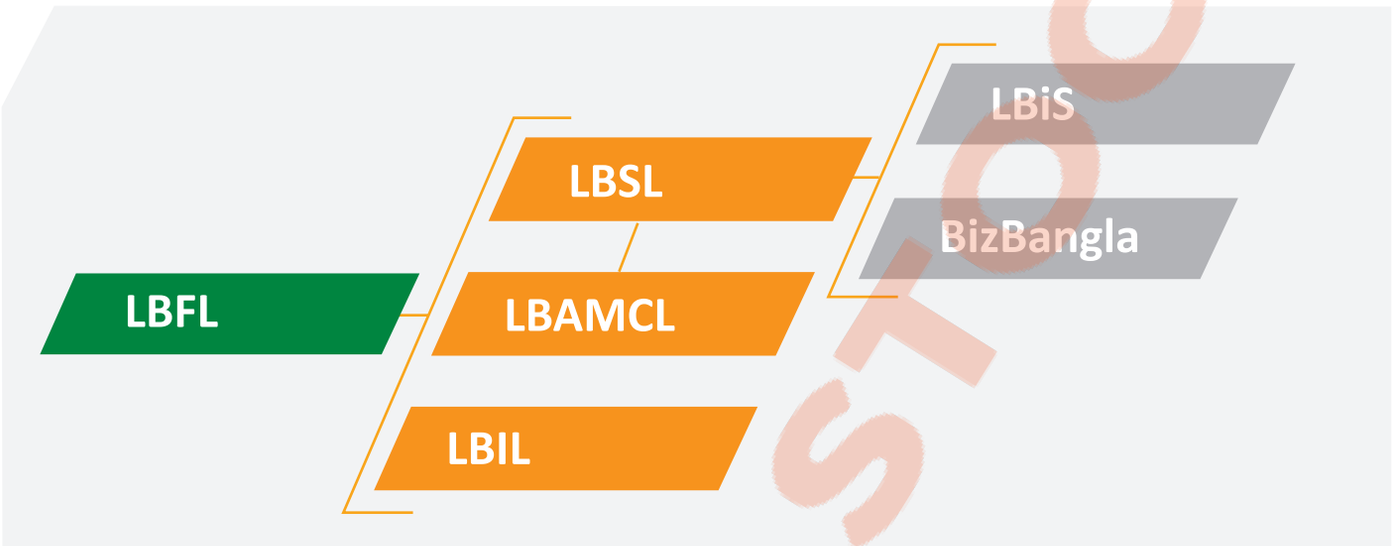
LankaBangla Information Systems Limited (Subsidiary of LankaBanglaSecurities Limited)	20, Kemal Ataturk Avenue, Level-11, Banani, Dhaka-1213

BizBangla Media Limited

BizBangla Media Limited (Subsidiary of LankaBanglaSecurities Limited)	12, Kazi Nazrul Islam Avenue, BDBL Bhaban (Level-17), Kawran Bazar, Dhaka-1215

GROUP STRUCTURE

The Group consists of a total of six companies including the Parent LankaBangla Finance Limited(LBFL). LBFL has direct holding on three companies LankaBangla Securities Limited (LBSL), LankaBangla Investment Limited (LBIL) and LankaBangla Asset Management Company Limited (LBAMCL). LBFL has indirect holding on two companies LankaBangla Information System Limited (LBiS) and BizBangla Media Limited.



The table below shows the Group Shareholding Structure of LankaBangla Finance Ltd.

Sl.	Name	Place of business	Direct Ownership Interest	Indirect Ownership Interest	Total Ownership Interest
1	LankaBangla Securities Limited	Bangladesh	90.9091570%	5.5976097%	96.5067667%
2	LankaBangla Investments Limited	Bangladesh	99.9999964%	-	99.9999964%
3	LankaBangla Asset Management Company Limited	Bangladesh	99.9998000%	-	99.9998000%
4	LankaBangla Information System Limited	Bangladesh	-	96.3137532%	96.3137532%
5	BizBangla Media Limited	Bangladesh	-	77.2054134%	77.2054134%





BUSINESS DIVISIONS OF LANKABANGLA FINANCE LIMITED

Corporate Financial Services

The Corporate Financial Services Division of LankaBangla is responsible for proving the full spectrum of corporate finance advice to middle market businesses, both public and private. Proper guidance to access various lease, loans and advances is provided to corporate and institutional clients and also providing access to the company's extensive branch network. The division delivers services through 3 (three) units, namely Corporate & Institutions Unit, Project & Structured Finance Unit and Emerging & Commercial Business Unit.

Corporate and Institutional Service Unit

Corporate and Institutional unit prides at being the leader in providing the right funding ideas to its clients. It offers a comprehensive range of lending solutions that can turn ambition into accomplishment. The unit has a team of professionals who works within specialized industry groups, enabling them to understand each client's specific needs and determine the most cost-effective way to access the necessary funds. From a straightforward Term Loan to complex Club Financing, the Corporate and Institutional Unit can help by providing a range of options and solutions. LankaBangla Finance Limited combines broad knowledge of the industry with a deep understanding of the unique circumstances of the client. The smart and experienced team will help the client to integrate these two perspectives into a cohesive strategy, developing the most appropriate financial solutions. The unit is equipped with relationship managers with efficient management skills and sound knowledge of the industry and market which is necessary in providing a complete range of corporate financial solutions suited to the respective clients. To better understand customers, different distinct units are created each with a focus area. Each specialized group has its own Relationship Management Teams that pride themselves on their sub-specialties. Through their focus on industry sub-specialties, the teams have developed a wealth of understanding about the industry. The organization must be a legitimate corporate entity with potential business prospects in order to avail the loan facilities. Also the entity must have a successful business track record with sound repayment history. The followings are the products offered by Corporate and Institute Unit:

- Lease Finance
- Term Finance
- Short Term Finance
- Revolving Finance
- Loan against TDR
- Work Order Finance
- Club Finance
- Bridge Finance
- Project Finance

Emerging and Commercial Business Unit

At LankaBangla, we understand the importance of adequate cash flow working as a blood circulation for live-running of a business. With this objective in mind, the Emerging and Commercial Unit of LankaBangla Finance constantly strives to provide innovative financial solutions to meet working capital needs of businesses. The unit helps to manage cash flow for effective cash management of business. To overcome the challenges of cash constraints in everyday business, the Emerging and Commercial Unit offers working capital solutions to give business a positive cash flow boost – freeing up working capital, giving the financial freedom and flexibility to grow business. These are uniquely structured working capital solutions against receivables, lifting orders, confirmed payables, credit advisory, collections, etc. The procedure is relatively kept simple for the convenience of the clients. Through the products/services offered by this unit, LankaBangla intends to be an active partner in the management of the client's supply/delivery chain. The followings are the products offered by Emerging and Commercial Business Unit:

- Factoring Finance
- Distributor Finance
- Reverse Factoring

Project and Structured Finance Unit

Project & Structured Finance Unit is comprised of specialized professionals with capabilities to successfully manage the unique and multi dimensional process of project finance transactions. The unit conducts the necessary technical, financial and economic feasibility of all types of projects and product structuring in a customized manner as per clients' requirements. By engaging from the very early stages of implementing projects, analysis of various perspectives as to the viability of the project can be taken. At the post-booking stage, monitoring the progress of the project implementation is undertaken. The unit devises solutions that balance the requirements of customers, suppliers and capital providers. Financial solutions like syndicated loan, preference share, bond etc. are some in its wide array of services. Long and well established relationships with the financial community allows for efficient syndication of loans.

Apart from being a corporate entity with successful business track records and sound repayment history, the entity must have credit sales and a minimum of one year continuous operation. The followings are the products offered by Project and Structured Finance Unit:

- Syndicate Finance
- Project/Infrastructure Finance
- Private Placement of Equity
- Preferred Stock
- Fixed Income Securities (Bond)
- Advisory Service

Personal Financial Services

The Personal Financial Service division offers a variety of personal financial services to fulfill the needs of individuals. By providing innovative, customized solutions and services, the Retail division of LankaBangla Finance is one of the leaders in the market of personal financial services. The division currently provides services through two different sectors namely Loan Unit and Card Center. The division delivers services through 5 (Five) units namely Auto Loan Unit, Home and Mortgage Loan Unit, Personal Loan Unit and Card Centre and alternative delivery channel (ADC).

Auto Loan Unit

The Auto Loan Unit specializes in car financing for individuals and institutions alike. It deals with all sales, marketing, business promotional activities, as well as relationship management with individuals, corporate customers and auto dealers. It also engages in customer service activities including planning, budgeting, target setting & allocation, and also execution, monitoring & evaluation of sales deal, customer service quality, etc. The unit has also started providing Motor Cycle loan to individual professional and corporate houses. The loan facilities are at competitive rates with convenient repayment options. Auto Loan of LankaBangla has the following features:

- Loan facility up to 90% of vehicle price but not exceeding BDT 15.00 million for individual client
- Up to 100% loan facility for institution/organization
- 100% loan facility for the individual customer secured by full or partial TDR/ FDR and for the employee of specialized corporate
- Three (3) months grace/moratorium period facility for salaried individual
- Loan tenure from 12 to 72 months
- Loan facility for both individual and institution/ organizational name
- Early settlement & partial pre-payment facility

Home & Mortgage Unit

With a host of Home Loan options, the Home & Mortgage Unit aims to meet the individual needs for housing solutions. The activities of Home & Mortgage Loan Unit include sales, marketing, business promotions, and relationship management with customers and developers. The unit provides customer service management like planning, budgeting, target setting and allocation, and also execution, monitoring and evaluation of sales deal, customer service quality, etc. Home loan serves the following purpose:

- To buy a new or used apartment or ready home & commercial space
- To renovate existing apartment & home & commercial space
- To construct apartment or home
- Existing loan pay off/ loan takeover

Proposed property and/or any property acceptable to LankaBangla may be taken as collateral. Property is required to be Registered Mortgage through TPA (Tripartite Agreement) or Registered Mortgage as per Law prevailing in Bangladesh. The following features differentiate Home Loan from that of the competitors:

- Highest loan ceiling of BDT 100 million
- Loan term up to 20 years including maximum 12 months moratorium period
- EMI calculation on Monthly Reducing Balance Method
- Partial Prepayment or Early Settlement options at any time on outstanding principal amount.
- Approval of home loan before purchase of apartment for high net worth customer
- Loan disbursement during the construction stage
- Disburse against tripartite agreement or registered mortgage
- Top up facility
- Loan takeover facility
- Semi Fixed and Variable interest rate – anyone can choose
- Loan facilities for Non-Resident Bangladeshis

Personal Loan Unit

The Personal Loan Unit offers any purpose loans for personal exigencies. The unit deals with all sales, marketing, business promotional activities, as well as relationship management with corporate houses, and other customer service activities such as planning, budgeting, target setting and allocation,and also execution, monitoring and evaluation of sales deal, customer service quality, etc. Doctors Loan, Travelling loan, Marriage loan and Loan for Land lord/ lady are offered under this unit. Short term loan against lien of deposits, shares of listed companies, savings instruments etc. are also offered under this unit for any purpose. The following features make the personal loan of LankaBangla a leading financial product in the market:

- Highest loan ceiling of BDT 20 lac
- Highest loan tenure up to 60 months
- Top up loan facility
- Partial disbursement options
- Partial prepayment option

Credit Card Unit

LankaBangla is the lone Financial Institute that offers cards and provides third party card processing services through its state-of-the-art card software. Card Centre deals with issuing of MasterCard and VISA credit cards. There are mainly three categories of MasterCard-Titanium, Gold and Classic and two categories of VISA card-Gold and Classic for individual and corporate clients.

Sl.	Name	Place of business	Valid in	Limit Range
1	MasterCard Classic	BDT	Bangladesh	BDT 20,000 – BDT 59,999
2	MasterCard Gold	BDT	Bangladesh	BDT 60,000 – BDT 149,999
3	MasterCard Titanium	BDT	Bangladesh	BDT 150,000 – BDT 500,000
4	VISA Classic	BDT	Bangladesh	BDT 20,000 – BDT 59,999
5	VISA Gold	BDT	Bangladesh	BDT 60,000 – BDT 500,000
6	Corporate Card	BDT	Bangladesh	BDT 500,000

The basic features of LankaBangla Credit Card are as follows:

- Unsecured & revolving credit line
- Safer substitute to cash
- Monthly billing on purchases & cash withdrawals
- Partial payment options
- Card members can pay outstanding in full to avoid any interest payments
- Minimum required payment per month: 5% or BDT 500 whichever is higher
- Interest free periods – Minimum of 15 days or Maximum 45 days

- Cash Withdrawal Facility – 50% of Credit Limit, No Interest Free period on Cash Advance
- Interest calculated daily, applied monthly on billing date

Alternative Delivery Channels (ADC)

LankaBangla Finance has been launched Alternative Delivery Channels (ADC) department with an objective to create, develop & manage an integrated, customer focused, alternative way of customer serving, branding, business promotion and development.

ADC has started its function from 01 November 2016. At this moment, ADC is entrusted with the responsibilities of supervising, monitoring of LankaBangla website, social media (like facebook page, Linkedin page & Youtube), online leads and any other digital channels for smooth Operation & Branding for further business promotion.

The responsibilities of ADC are given below:

- Manages leads with concerned product heads and their focal points for eCRM (electronic Customer Relationship Management) and also with concerned branches
- Concerned departments and branches address the Leads(prospective customer) immediately and update the follow up with ADC
- ADC maintains the MIS of all Leads generated through website and social media and contact center
- ADC ensures all updates at LankaBangla website & posts for social media and customer database

SME Financial Services

Small and medium enterprises (SMEs) are acknowledged worldwide as lifeblood of local trade, commerce and industry. With lower energy supply, lesser infrastructure facilities and minor environmental risk, SMEs contribute notably to alleviation of poverty, creation of employment opportunities, women empowerment and equitable distribution of income as well as diversification of industrial sector in Bangladesh. A strong, vibrant financial sector can play a significant role in the growth and development of Small and Medium Enterprises by providing credit support to potential entrepreneurs. LankaBangla Finance Ltd., with the belief of 'Growing Together', has focused in SME business and performed well so far. Through the SME Financial Service division, the company offers various SME products based on the needs of the business. The value created by this unit is demonstrated through the unique relationship model, industry expertise, and local market advantage. The SME division deals with all sorts of activities- sales, marketing, business promotions, relationship management, customer service, budgeting, target setting and allocation, and also execution, monitoring and evaluation of sales deals.

Some of the value addition activities of the SME Financial Service division are as follows:

- Flexible Collateral norms based on client's financials, business and nature of Collateral.
- No hidden costs on loan sanction.
- Working capital limits to support growth plans and enhancements based on the client's further requirements - ranging from BDT 0.3 million to BDT 200 million.
- E-mail & Mobile alert supports to existing client.
- Choice of fixed tenure for repayment (12 months to 60 months).

SME Division of LankaBangla has created a sound footprint in the year 2015 and it enjoyed higher growth in every parameter than that of previous year and is expecting to excel further. The division is working on new product introduction, cluster analysis and finding out prospective sectors. The focus on SME growth is reflected by various campaign arrangements, SME Fair, etc. A dedicated team for each branch is working to develop woman entrepreneurship in Bangladesh. LBFL is providing SME finance facilities to different types of sector with increased focus on women. By availing the refinancing facility through Bangladesh Bank, LBFL is able to offer attractive rates for prospective women entrepreneurs of Bangladesh.

The services offered by the SME Financial Division can be summarized as following:

- Limits offered to Small Enterprise: loan amount from BDT 0.3 million to BDT 30 million
- Limits offered to Medium Enterprise: loan amount from BDT 30 million to BDT 200 million
- Collaterals: Funding against commercial, industrial, residential property & liquid securities
- Facilities offered: Term Loan, Short Term Loan, Revolving loan, Structured Finance
- Management Services
- Fast processing and quick availability of loans
- Best suited for: Retailers, Traders, Manufacturers, Wholesalers, Distributors, Importers, Exporters, and Dealers
- Pre-requisites: Minimum two years business experience

The followings are the products offered by SME Financial Service segment:

Small Business

- Ahona (Unsecured loan)
- Biswas (Partial Secured Loan)
- Anonnya (Women Entrepreneur)
- Abash (Loan for Construction Mess)
- Durbar (Commercial Vehicle Finance)
- Somporko (Startup Finance)

Medium Business

- Astha (Fully Secured)
- Swarnali (Agro Processing Industry Finance)
- Ejara (Lease Finance)

Liability Management

Liability Management division offers a wide range of deposit products which can be both beneficial and profitable as per the client's needs. The unit provides high quality services coupled with maximum security. Depositors are able to earn lucrative returns from the hard earned deposits as well as avail loan facilities against their deposits. The key features of the deposit schemes are as follows:

- Flexible Tenor
- Competitive higher return and interest rate
- Wide range of deposit products

- Minimum deposit amount BDT 50,000 only
- Minimum tenor of 3 month
- Auto renewal facility
- Loan facilities against deposits within 24 hours
- No account opening or maintenance fee
- Multiple deposit account opening facility
- Product switching facility on maturity
- Wide branch network

Following are the General Terms and Conditions set out for the deposit schemes:

- Minimum account opening balance BDT 50,000
- Minimum tenor of 3 months
- Mode of payment for deposits through cheque or pay order in favor of "LankaBangla Finance Ltd."
- Deposit amount cannot be en-cashed before the completion of Three (3) months as per the rules of Bangladesh Bank
- Tax and Excise duty will be applied on deposit accounts as per Government rules and regulations

The Liability Management division allows the company to reduce bank borrowing dependencies by increasing core deposits and to balance the heat of extreme volatility of money market. In this regard two separate units have been formed as follows:

Retail Liability Department

The core objective of Retail Liability Department is to focus on retail deposits. Different Liability products are being offered to customers to cater their requirements. Considering the nature of retail clients and to provide the best customer service through strong relationships, various retail deposit teams consisting of a large pool of product marketing officers have been deployed throughout the branches all over Bangladesh. All members of the teams work under predefined monthly targets.

Corporate Liability Department

LankaBangla Finance welcomes the opportunity to establish relationships with corporate clients willing to keep their funds with the company. Over the years we have received large deposits from various corporate houses which benefited us to enrich our portfolio. We understand that our corporate clients seek qualified and committed financial partners for investment of their funds. Our endeavor to reduce dependencies on bank borrowing has been facilitated by collection of large corporate deposits. In this regard, we have formed a separate corporate TDR team with professional Relationship Officers who are concentrating solely on providing RM based services to corporate houses.

Treasury & FI

Treasury is a financial hub which operates as a financial clearing house for all other parts of the organization. Treasury ensures the availability of funds at the right time, right place at the possible minimum cost. In LankaBangla the Treasury & FI division is mainly responsible for these activities vis-à-vis another core area of concentration is the Balance Sheet management. Treasury & FI division is internally structured in four major units, namely- Asset Liability Management Unit, Money Market Unit, FI & Central Bank Dealings Unit and Capital Market Unit.

Treasury performs its responsibility under two broad heads; treasury front office and treasury mid office. The core functions of Treasury & FI's are as under.

Treasury Front Office

- Significant interactions with various counterparties
- Money Market Operation, i.e. Dealings with Overnight/ Placement/Treasury Line etc.
- Dealings with Govt. fixed income securities
- Striking of deals (trading) and ensuring profits from arbitrage dealing
- Credit relationship with Banks & FI's
- Seeking the alternate source of fund, e.g. issuing of debt instrument, foreign loan etc.
- Maintenance of CRR & SLR
- Liquidity Management by prudent Cash Management
- Repo & Reverse Repo dealings i.e. ALS/LS, Repo & Special Repo with Central Bank, Interbank repo
- Investment in commercial paper and other money market instrument to genarate revenue

Treasury Mid Office

- Set up Treasury policies and strategies
- Monitoring, measurement, analysis and reporting of risks namely
- Interest rate risks
- Liquidity risk
- Asset Liability Management (ALM)

Capital Market Unit

Capital Markets Unit at LankaBangla is responsible for formulating equity and fixed income investment strategies, trading at proprietary fund and effectively managing risks thereon. The portfolio is managed following a rigorous top down-bottom up investment process driven by economic, sector and company fundamental research and technical quantitative analysis.

SUBSIDIARIES OF LANKABANGLA FINANCE LIMITED

LankaBangla Securities Limited

LankaBangla Securities Limited (LBSL) is committed to providing top notch brokerage services and leading the industry with cutting edge trading, top rated research and customer service. LankaBangla Securities began as Vanik Bangladesh Securities Ltd in 1997 with their activities confined only within the Chittagong Stock Exchange (CSE) Ltd. A year later, they made a step ahead and introduced themselves to the Dhaka Stock Exchange (DSE). It rebranded to LankaBangla Securities Ltd. in 2005 following a restructuring of the company. The company is 90.91% owned subsidiary of LankaBangla Finance Limited (LBFL) which is one of the leading listed non-banking financial institutions in Bangladesh engaged in Leasing, Credit Card Services, Corporate Financing, and Financial Consultancy. LBFL is owned, by a group of highly successful local business entrepreneurs of Bangladesh- Sampath Bank Limited of Sri Lanka, One Bank Limited of Bangladesh, and the general public. With all these on the back, our house LBSL is undoubtedly a global one which knows clients' preferences, acts on their choice, and guarantees the most comfortable investment environment while investing in Bangladesh. LankaBangla Securities Ltd. is the leader in customer transactions. The ability to meet the demands considering every client's time horizon, goals, and risk tolerance have made the company settle relations with thousands of retail and institutional clients all over the globe. This is reflected in the fact that the brokerage house is crowned as the largest in terms of transaction value for the 9th consecutive time in DSE and 10th in CSE in 2014. At LBSL, people specialize in developing the country's most efficient stock brokerage workforce with unmatched skills and consummate perfectionism. Also, in whichever corner of the country the customers are, LBSL gets them covered with their 10 branches spread in the leading cities and towns. Quality, convenience, and reliability are some things that LBSL provides the customers at the highest level and which the customers can expect from their brokers. This is the key as LBSL has a strong network of key clients all over the world. Furthermore, the local and international recognitions from financial institutions, custodian banks, corporations, international fund managers, and other fellow brokers for its professionalism has laid the foundation of strength and further success. Apart from NITA trading, LankaBangla Securities Ltd. (LBSL) is offering trading facilities to foreign institutional clients comprising of different funds, international brokers, banks, etc. who are interested in trading Bangladeshi securities. Throughout the world, any client of an international broker can trade in the Bangladesh Capital Market through LBSL. To make it better, LBSL foreign trade execution team has a Bloomberg terminal on its dedicated foreign trade desk which connects the team with every fund manager around the globe assuring 100% compliant trading for the foreign clients. Possessing a strong equity base, LBSL focuses on the diversification strategy following which LBSL has made an equity participation in BizBangla Media Limited which is publishing the country's first Bengali business daily 'The Daliy Bonik Barta'. Besides, LankaBangla Securities Limited is one of the directors of MIDAS Financing Limited, a renowned financial institution. LBSL has already initiated establishing an independent IT subsidiary LankaBangla Information Systems Limited.

Brokerage Services

With an efficient trade management process and smart pool of traders, LBSL helps to minimize hidden transaction costs which range from market impact to delay costs to missed trade opportunity cost. LBSL provides "Trade Execution Service" for its clients in Dhaka and Chittagong Stock Exchange. It trades in the portfolio accounts maintained with LankaBangla Investments Limited and IDLC Finance Ltd as well as providing custodial services to clients for safe custody of securities. In addition, extended credit facilities are provided through margin trading services. Relevant information to assess the costs and risks of trading is provided to give the client strength of buying and selling interest. LBSL is not merely an agent of a client's order. Apart from representing order to the market, the company always takes care of every valuable transaction. This is reflected in the belief "Brokerage is more than Commission." LBSL actively assists in block trade whereby the opposite side of the trade is actively sought.

NITA (Non Resident Investors' Taka Account)

LBSL has been successfully providing services of NITA Trading through which Non-Resident Bangladeshis (NRBs) are able to transact under Non-resident Investor's Taka Account (NITA). The company is also dedicated to using extensive resources to offer new products and services to the existing clients and also to attract new clients. The choice of an object oriented approach and using the latest technology has given them the flexibility to extend their product and service range as well as ensuring performance, security and scalability.

Internet Trading Services

LBSL has adopted internet trading facilities for its distance clients for trade execution. LBSL's step toward internet trading is not only enriching the door of potential clientele but also ensuring the company's participation in the overall development of Bangladesh Capital Market. With an understanding of the need of information as source of quicker decision making, LankaBangla Securities Ltd. is the first to launch a full-fledged financial portal in Bangladesh. LankaBangla Financial Portal is designed to bring all possible information to the client's doorsteps. From market news to DGEN graph and from Economic Indicators to various Analyst Tools, everything is available in this information hive. As the portal is updated on a real-time basis, one can never fall behind. The portal is intended to provide a fast and cost effective way for a company to deliver shareholder value, over and beyond expectations, and stay ahead of BSEC legislation. LankaBangla Financial Portal is providing "Investor Relationship Pages" so that companies can add value to their company websites by strengthening the investor relationship section. LBSL provides the necessary solutions by delivering complex financial data and news correctly and consistently to all the stakeholders of a company at the same time.

Activities of the World class Investor Relation Pages through LankaBangla Portal are as follows:

- Keep existing shareholders transparently informed and engaged with the financial progress of the company.
- Become the focal point for the client's financial information towards potential investors.

- Stay compliant with BSEC regulations.
- Transparency and engagement, driving economic growth.
- Investors can obtain all Investor Relations contents from the relevant Listed Company Website.
- The listed company could choose to subscribe to a few or all data services provided by LankaBangla Financial Portal.
- Once subscribed, LankaBangla Financial Portal would provide i-frames for each service.
- I-frames are customizable in themes to match the look and feel of the listed company website.
- I-frames should be integrated on to the company website.
- LankaBangla Financial Portal will assume full responsibility for maintaining the services and providing updated information to the clients.

Foreign Trading Services

LBSL has in place world-class equity trading platform for foreign institutional investors. It has dedicated foreign trading team with separate booth especially for foreign trade with access to Bloomberg terminal on the trading desk. The team stays connected 24X7 with foreign clients ensuring smooth communication, efficient execution and successful settlement by maintaining maximum confidentiality. Fulfilling the clients' needs has always been the top most priority for the company.

CDBL Services

LBSL operates as a Full Service DP at both DSE and CSE. Apart from their BO Account Opening and Maintenance services, they provide their clientele with De-materialization and Re-materialization services. They offer safe transfers and transmission through CDBL as well as they provide their customers with customized services related to Pledging, Un-pledging and Confiscation of Securities.

Research Services

LBSL firmly believes in the knowledge based investment in the capital market to keep pace with the advanced market and sophisticated clients. Apart from efficient and effective brokerage services, LBSL is backed by the strength of a comprehensive Research Unit, which provides a range of services from company, industry and country research to corporate valuation. One of the important functions of LBSL is to carry out capital market research for themselves and their valued customers. Their Research & Analysis Department is one of the most important departments solely dedicated to these functions. The Capital Market Research Department is continually generating knowledge based reports on the overall capital market, the macro economy, and the individual companies listed on the stock exchanges. The team puts its effort to analyze the capital market along with the fundamental and technical indicators of listed securities of DSE and CSE. The approach is to understand the psychology and trend history of the market, and most importantly the actions of investors. The flagship magazine "Market Pulse" published from the Publication Department has continued drawing attention and appreciation from readers here and outside the country. Other efforts involve publishing Daily Market Report, Weekly Market Report, Macro Economic Review, Sector Updates, Specific Company Valuations, and IPO analysis.

Cutting Edge IT Infrastructure

With IT endeavor, LankaBangla Securities Ltd. has successfully implemented Enterprise Resource Planning (ERP) in its entire sister ventures. Apart from this, the other most recent implementation and development of LBSL IT includes the Tier II Data Center, Market Data Service with Financial Information Exchange (FIX), deployment of Oracle Database Appliance (ODA) for the first time in Bangladesh, and introduction of Strong Backup System with EMC Avamar aimed for ensuring data availability. In 2013, the 24-hour call center (16325: local; +8809611016325: international) got opened up. Most importantly, LBSL's IT advancements have found new heights through recognition in the Oracle website. Also, the group website for LankaBangla got launched by end of the year. As part of the ongoing ventures, Fixed Assets' QR Coding is going on across the 11 branches of the company spreaded countrywide. Much effort has been put to reorganize the back office software as well. The implementation of the OMS (Order Management System) for direct market access (DMA) is on process and the team is closely working on it with the Chittagong Stock Exchange (CSE); investors will get the flavor of DMA through LBSL OMS very shortly. This is the first time in Bangladesh to provide DMA through Broker House instead of exchange provided application. It offers multi-channel e-trading to its customers (web, mobile, and client server) and advantages of Multi Asset Class (Equity, Derivatives, Bond, Commodity, etc.) trading option, smart order routing, multiple exchanges and Cross Border supported application, MIS & centralized risk management. It has ability to create interfaces to other systems such as accounting systems banking solutions and depository systems; and real time access charting with strategies, indicators and patterns. The Algo trading (VWAP, TAWP, POV, IS, etc.) and STP-Gate/FIX protocol supported system is the advanced option for the futuristic capital market. It requires Ultra low latency bandwidth and configurable network architecture for Broker and Investors. The LBSL OMS is the open platform to integrate with other stock exchange trading engine. It is the new milestone for the capital market in Bangladesh. Dealers and inventors can place the order based on conditions and strategies using real time technical analysis and risk management.

New Products of LankaBangla Securities Limited

LBSL IPO

Thanks to the online interface provided by LankaBangla Securities Limited, investment in IPO is now an easy activity. An investor does not have to go through the hassle of waiting in line for hours with application. Rather, investment can be made in IPO online, irrespective of the location. For investing in IPO online, a registered customer just needs to select the IPO, and the IPO will be processed automatically. In other words, LBSL takes full responsibility once the IPO application form has been submitted. Alternatively, LBSL allows the option to physically come to its office and fill out the IPO application form.

LBSL Easy Investment Plan (EIP)

Regardless of age, income and experience, similar to a deposit pension scheme, Easy Investment Plan (EIP) facilitates a simple and convenient way of investing in the stock market.

LBSL Premium

To value its premium clients, LankaBangla Securities Limited. provides a suite of exclusive equity investment privileges and services not available elsewhere. With LBSL premium account, an investor will always remain on top of his investments.

LBSL Beginner

Equity is an important asset class to participate in the underlying growth story of the country, industry and company. But investment in equity requires in depth knowledge and analysis about different variables which an investor finds difficult to process. LankaBangla Securities Ltd. provides an investor with the necessary information and knowledge, and provides confidence to invest.

LBSL Halal

LBSL Halal has been designed to accommodate the value of a client's special circumstances. Many investors want to make the stock market investment sharia compliant and thus LBSL facilitates the investor with a list of Sharia Compliant Companies (Baskets) included in DSE shariah index where necessary investment can be made.

LankaBangla Investments Limited (LBIL)

LankaBangla Investments Limited is a premier investment bank in the country providing corporate advisory, issue management and portfolio management services. It is a fully owned subsidiary of LankaBangla Finance Limited, one of the leading Non-Banking Financial Institutions in Bangladesh. LBIL was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSCF), vide registration no. C 83568/10 dated 29 March 2010 as a Private Limited Company under the Companies Act, 1994. LBIL inherited its merchant banking operation from its parent company, LankaBangla Finance Limited, which was the first merchant bank to offer discretionary portfolio management services back in 1997. The Company obtained Merchant Banking license (registration certificate no. MB-57/2010) from the Securities and Exchange Commission on 2 January 2011 and spun off its merchant banking operation as a separate company. Later on the company converted itself into a public limited company with effect from 12 June 2013. LBIL has positioned itself prominently in investment banking arena of Bangladesh through its wide range of services including Primary Market Services and Portfolio Management Services.

LBIL has competent human resources with a combination of experience, diversified knowledge, and knowledge on regulations, which makes LBIL a major force in investment banking business of Bangladesh. Our human resources are well capable of providing optimum financial solutions for our clients. LBIL values on long term sustainable business operation and relationship with clients. We provide tailored financial solution for client with in-depth analysis.

Services of LankaBangla Investments Limited

LBIL offers a wide selection of Investment Banking Services for institutional clients seeking to raise finances for business development, to merge with or acquire another business, to re-structure for better performance, or to grow business by exploring new territories.

Corporate Advisory

The pursuit of a long term financial goal begins with a Corporate Advisor who can help you reach it. Armed with a deep understanding of your distinctive needs, LBIL as Corporate Advisor can plan and execute strategies from the products and services of Investment Banking suite.

Bond Issuance

LankaBangla Investments Limited combines expertise on debt origination and structuring with established distribution capabilities to a large base of investors. The origination team works directly with issuers, including corporations, banks and other entities that seek funding. LBIL advises these clients on debt financing strategies from a wide range of Bond Structures.

Alternative financing

LBIL provides Issue Management and Subscription Arrangement in case of Preference Share issuance, Commercial Paper issuance and Equity arrangement through Private Placement. With the market insight and expertise LBIL provides best possible services to its clients.

Mergers and Acquisitions

LankaBangla Investments Limited acts as the financial advisor for all transections related to Merger or Acquisitions, whether the client is the bidder or the target. Our service starts from designing the scheme to Post-merger compliance.

Joint Advisory Services

LBIL provides Advisory services for the Joint Venture projects. Regular services under this segment includes aligning both local and foreign investors, assisting in legal and regulatory compliances, research support for both the investors, designing the financial structure of the joint venture etc. Notable achievements of the Investment Banking Services (IBS) of LankaBangla Investment Ltd. are as follows:

- Successfully issued and arranged fund of BDT 400 million through preference share issuance for Doreen Power House & Technologies Limited (DPHTL). BSEC accorded consent for raising capital through preference share issuance of DPHTL in 2015. The Investment Banking team acted as the Lead arranger of the issue and successfully completed the Financial Closing in 2016
- The Investment Banking team prepared the Feasibility Report on PowerPac Economic Zone under Corporate Advisory Services provided to PowerPac Holdings Limited. This feasibility report was first ever feasibility report for an Economic Zone under PPP model completed by any investment banks in Bangladesh
- SSD-TECH operates in VAS and ISP Business and is considered as one of the leading VAS providers. IBS team prepared the valuation report on SSD-TECH under Corporate Advisory Services. It was a completely new experience for LBIL to complete a valuation report of a company operating in VAS industry
- Ajinomoto Bangladesh Limited is foreign entity operating in Bangladesh. The IBS team provided Corporate Advisory Services for BDT 210 Million Foreign Equity arrangement of Ajinomoto Bangladesh Limited

Primary Market Services

LBIL provides assistance to institutional clients seeking to raise funds through Issue Management, Capital raising & Private Placement business. The Primary Market Services Team has wide range of experiences in managing different types of issues across various industries, leading to obtaining of indepth knowledge of the regulatory framework and processes.

Capital Raising for Private & Public Ltd. Companies

Services include Transaction feasibility analysis, Capital Raising, Pricing & Valuation, Negotiating with Investors, and Effective Project Management to successful closing.

Issue Management

LBIL assists companies with good growth potential and excellent business ideas to raise fund through initial public offering. With the finest issue management services LBIL not only aids clients to increase the value of their companies but also assists in increasing the supply of quality shares in the capital market. LBIL acts as issue manager for Private Placement, Initial Public Offering (IPO), Direct Listing, Rights Offering and Repeat Public Offering (RPO).

Corporate Advisory Services

Our Corporate Advisory Services in this segment include:

- Capital Restructuring: Our expert team of professionals is adept in rebuilding the existing capital structure of client's Company which will derive optimum value in changing business conditions. Our methods are especially focused on improving the operational efficiency of the client
- Financial Consultancy: We provide in-depth and complete financial solutions which include advice, guidance and service to the issuer especially in ensuring compliance related to financial disclosure requirements
- Feasibility of IPO: We determine the feasibility of an IPO given the company's fundamentals including business model and management capability, growth potential and market size, financial track record, shareholders' objectives etc.
- Post Issue Services: The transformation from a private company to a public enterprise is a life-changing process for any organization and it will continue long after the actual IPO transaction. Our Post Issue Services ease the activities of the company that has gone public
- Company Valuation: In the quest for discovering the economic value of an owner's interest in business, we conduct business valuation, where we consider the relevant industry and business aspects along with historical performance and future growth of the business entity
- Corporate Governance Structuring: We assist companies to adapt its internal structure to meet the requirements of the Corporate Governance framework guideline authorized by the regulators

Underwriting

LBIL provides underwriting services for public issues to create efficiencies in the capital markets and reduce risk for Public Issues, Repeat Offering and Rights Issue. LBIL has underwritten a large number of issues in various industries.

Value Added Services

We offer value added services which are unique, 1st time in Bangladesh and Global Standard. It includes:

- Compliance Guideline
- IPO Readiness
- Customized Equity Financing Strategy

Since the beginning from 2015, Primary Market Service department of LBIL have successfully completed a number of landmark transactions worth around BDT 7,650 million including 4 Initial Public Offer and 2 Rights Offer for reputed conglomerates in diversified sectors.

Portfolio Management Services

Portfolio management refers to investment in diversified types of assets such as different equity securities and bond securities. Two types of accounts are available in LankaBangla Investments Ltd. One of them is discretionary portfolio account, "AlphaPlus" (managed by Investment Team of LBIL) and other one is Non-Discretionary portfolio account (Managed by clients). In the portfolio management services, LBIL do vast research and maintain proper combinations of securities that gives maximum return with minimum risk for LBIL discretionary clients. LBIL's portfolio management service is designed to provide personalized, secure and simple financial solutions for a wide range of investors, who wish to enhance their opportunities while minimizing their administrative burden. With an objective of introducing new investment avenue for potential investors under the Discretionary Portfolio Management Services, Investment Banking Services of LBIL developed new Product named "LankaBangla Nishchinto" in end 2015. This product is designed to facilitate the investment in capital market, through a monthly investment scheme like DPS. This new product has added strength to the discretionary product portfolio of LBIL.

Discretionary Portfolio Management

In the ever changing capital market, managing investment has become an increasingly complex and time consuming process for a company or an individual to handle in isolation. For effective investment, one has to go through the hassle of following tons of financial data and market information continuously. LBIL provides Discretionary Portfolio Management Services which relieves the investors from the hassles and burden of following market information as well as investment management. LBIL offers three Discretionary products for its clients.

AlphaPlus (Investments Best Managed)

Discretionary Portfolio Management Service offers a number of benefits to clients. It frees them from the burden of making day-to-day investment decisions, which may be better made by a qualified portfolio manager who is attuned to the vagaries of the market. Delegating the investing process to a competent manager leaves the client free to focus on his/her priorities. Efficient trade execution by LBIL team also ensures optimum benefit for the client.

AlphaPlus INITIAL

Some potential investors having small savings left for investment, faces problem in making investments, as their

investment amount in most cases is too small for investment in secondary market and little opportunity is available to invest that small amount in fixed income securities. Moreover, the potential return from investment in fixed income securities is very low. On a condition like this, AlphaPlus INITIAL will pave the way of investment in primary market with least hassle for those investors and reducing risks arising out from secondary markets.

LankaBangla Nishchinto

LankaBangla Nishchinto is a monthly savings instrument with monthly fixed deposit for 3 years, which will be invested in selected Blue Chip stocks, Mutual Funds and Fixed Income instruments. Any individual can start LankaBangla Nishchinto by depositing minimum BDT 5,000 each month for three years. Profit along with the invested amount will be distributed to the client after maturity.

Non-Discretionary Portfolio (IPA Scheme)

LankaBangla Investments provides comprehensive nondiscretionary services including trade execution and margin loan under its Investors Portfolio account called 'IPA Scheme'. We are capable of executing proper and efficient trades through our designated sister concern 'LankaBangla Securities Limited', the largest stock broker of the country.

LankaBangla Asset Management Company Limited (LBAMCL)

Established in 2007, LankaBangla Asset Management Company Limited is a 99.99% owned subsidiary of LankaBangla Finance Limited, one of the leading NBFIs in Bangladesh. It received its license from Bangladesh Securities and Exchange Commission (BSEC) on June 24, 2012 to operate as a full-fledged asset management company. LBAMCL is the official asset management wing of LankaBangla group, and is deeply committed to providing client driven solution and superior risk adjusted performance to its valued clients. Backed by the group's strong operating history and strong footprint in the financial sector LBAMCL makes continual investments in the asset management and client service platform, resulting in a client-focused, solutions-driven orientation. LBAMCL values original thinking, due diligence, first hand research and investment discipline. By keeping the target investors in focus, it opts to become one of the leading asset management companies in Bangladesh very soon.

The mission of LBAMCL is to provide a diverse array of investment choices and the best possible investment management service to investors and institutions.

LBAMCL is focused to meet the professional investment management demand of a wide range of Investors. It will undertake management of funds of institutional investors like banks, insurance companies, other financial institutions, and other corporate bodies as well as funds of the high net worth individuals. With LBAMCL, a client can stay focused on what matters to long term success. Smart decisions are ensured by providing the information and perspectives to the clients, thereby increasing the chances of success. LBAMCL has utmost dedication towards superior service, outstanding performance, low costs, and commitment to integrity, loyalty, and respect for the investors. It ensures that the investment principles and the strict investment processes that are followed are in the best interest of the clients.

The investment approach of LBAMCL is founded on the belief that both fundamental and technical analyses are related to returns. Special attention is given to minimize downside volatility while evaluating the risk embedded in portfolio construction. LBAMCL takes benefits of the tactical asset allocation in the short or midterm but maintains the strategic asset allocation in the long term.

Products and Services of LBAMCL

LBAMCL offers various investment choices, including mutual funds, discretionary portfolio management, provident fund management etc. Followings are the financial products offered by LBAMCL:

Closed-end Mutual Fund

A closed-end fund is a publicly traded fund that raises a fixed amount of capital from sponsors, institutional investors and from initial public offering (IPO). The fund comes with a fixed number of units and the units can only be purchased and sold in the market. LBAMCL manages different closed-end mutual funds with different investment strategies like current income, balanced growth capital appreciation etc. Extensive research and fundamental analysis is undertaken to achieve the investment objectives of the funds.

Unit Fund

In the unit fund, the investors can buy or sell as much amount as they want. The fund has virtually no limit of units. The buying or selling price of a unit is always tied to the Net Asset Value (NAV) of that unit. It is not traded in the stock exchanges but can be bought or sold very easily from selling agents. LBAMCL's management of open end mutual funds is also based on specific strategies as per the demand of different type of investors. Units can be bought or sold in any working day from a list of easily available selling agents.

Discretionary Portfolio Management

LBAMCL offers the service of discretionary portfolio management where experienced and seasoned portfolio managers take investment decisions to manage clients' money. Risk-return profiles of the investors are carefully extracted. The investment policy statement (IPS) are then prepared, and the fund managed according to the investor specific IPS. LBAMCL also builds portfolio according to different investment style and investors can put funds in any style specific portfolio. The fund management fee structure of LBAMCL is very competitive.

Islamic Shariah based Products

There is a heavily growing demand of Islamic Shariah (IS) based products. Keeping this in mind LBAMCL offers a full range of IS based products for both institutional and individual investors. LBAMCL's IS based products and services range from mutual funds of both closed-end and open end types to discretionary portfolio, provident fund, and investment advisory services. An independent Shariah council provides and updates approved IS based securities to best serve the clients' needs and demand.

Provident Fund, Pension Fund, and Gratuity Fund Management

Employees are the key to building a successful organization. To attract and retain employees for the long term, an organization offers contributory provident fund and gratuity fund to employees. On behalf of the organization and the employees LBAMCL offers provident fund, pension fund and gratuity fund management services. LBAMCL have the size, scope and expertise to meet the clients' specific requirements, which include liability matching, accounting solutions and growing assets for meeting obligations well into the future. LBAMCL helps to minimize the clients' funding volatility while systematically improving the funding positions of their portfolios, and providing research tailored to the specific needs of the organizations. It also help an organization build such fund for the first time, and to look after the regulatory affairs like taking permission of NBR for a recognized provident fund or pension fund.

Financial Planning Services

Different individuals have different investment bases and different liquidity needs. Different organizations have different asset-liability structures. With this in mind, LBAMCL offers financial planning services for both individual and institutional clients. It provides advice on appropriate asset allocation strategies on the basis of risk return profile and different constraints of the investors.

LankaBangla Information System Limited (LBiS)

LankaBangla Information System is a leading information technology service provider in the country. LBIS started its journey on May, 2013. LBIS's strong base of expertise and technical know-how is built on the firm belief that "Technology Serves the Business". This belief enables us to deliver IT services that match and grow with clients requirements as they evolve. LankaBangla Information System is an IT Management Services outsourcing and consulting company providing IT solutions, project management and comprehensive infrastructure support and monitoring. With well understanding of the communications industry, access to current and emerging technologies, mature development processes, global resources and a proven track record, LBIS creates complete solutions to help clients succeed. In today's world, organizations will have to quickly reengineer themselves and be more responsive to changing customer demands. LBIS is well positioned to be a partner and coinnovator to businesses in their transformation journey, identify new growth opportunities and facilitate their venture into new sectors. The value is in the unification of proven experiences, skilled expertise and defined thought leadership.

Products and Services of LankaBangla Information System

Virtual Office Dynamics

ERP is an enterprise re-engineering solution that uses new business computing paradigms to integrate IT processes across company divisions and departments. LBIS has developed a web based ERP (HR, Payroll, Fixed Asset etc.) solution namely Virtual Office Dynamic (VOD) which is currently running in LankaBangla Finance Limited, LankaBangla Securities Limited, LankaBangla Investment Limited and LankaBangla Asset Management Company Limited.

Market Data Service

This is a FIX protocol based server side engine. This disseminates DSE market data to subscribed FIX clients and clients can feed it to its simulation engines to demonstrate the market. This is a new concept and LBIS is the first to implement it in Bangladesh. In other words, LBis is the pioneer in this arena. This is a complete solution and it is delivered to Vienna Stock Exchange to meet the requirement of Swiss Pro Invest.

Project Management

LankaBangla Information System focuses on helping small and mid-sized businesses to manage their IT infrastructures and software implementations. It has a well reputation of working with clients to maximize their returns on IT investment. All LBIS team members are trained in professional IT project management tools and techniques. This ensures that the clients are working with a team of experienced and knowledgeable Engineers who have experience working with a broad range of IT systems. LBIS team members assist clients in every aspect of IT planning, procurement, implementation and operation. The team of expert consultants can help with all of the following IT issues:

- Information Technology
- IT Project Management
- Systems Analysis and Design
- Market Data Service

Consultancy

LankaBangla Information System Consulting can give you the business analyses you need and follow through with implementation. LBIS can deliver a depth of resources unsurpassed by other firms. We have the flexibility to deliver solutions quickly and cost-effectively. Our confidence in our ability to think ahead makes us willing to be measured against any business outcomes. This means that with LankaBangla Information System Consulting, you get the advantage of future thinking - along with the advantage of being your partner or future endeavours. LBIS Consulting provides services through following practices:

- Project Management
- IT Audit
- IT Services
- Software Procurement

Cloud Services

In this constant and rapidly evolving cloud market, the battle for dominance is raging. Infrastructure, Platform and Software as Service providers are all locked in an increasingly competitive fight for service superiority and market share. The scalability and rapid deployment characteristics of a cloud environment can be the perfect solution for many of clients' applications. To determine exactly where, when and how cloud infrastructure should be implemented, however, thorough analysis of the level of security, control, customization and support of the customers' applications is required. LBIS also provides physical and logical space at state of art data center to share server/data to its clients. LBIS cloud service includes Software as a service (Saas), Platform as a service (Paas), Infrastructure as a service

(Iaas), Data as a service (Daas) and Backup as a service (Bass). Server Management and Storage as a service is also a part of LBIS cloud service.

Outsourcing

Information Technology outsourcing has become a popular trend since the beginning of the millennium. Due to better cost incentives and high availability of skilled resources, outsourcing has gained momentum to a scale that it has become a global standard in software development. LBIS provides solutions to its clients in time and in budget, helping them to quickly adapt to changing needs of their businesses. With technologies changing at rapid speed, LBIS continues to remodel its applications through migrations, integration and development services. Within the outsourcing model, offshore web application, software development, and custom application development services are provided to clients. LBIS prides in being the best IT outsourcing companies in Bangladesh on custom application & software product development.

Mobile Application Development

Mobile technology has progressed significantly since the advent of Apple iPhone and iOS platform. All users whether enterprises or others want to be connected all the time. Businesses are now looking to build competitive advantages by expanding the reach of essential business and consumer information to the fingertips of the users. LankaBangla Information System has a good understanding of the mobile application development processes. We have focused our efforts in the three most popular operating systems and platforms - Apple iOS, Google Android, and Microsoft Windows Phone OS.

BizBangla Media Limited

BizBangla Media Limited is an 80% owned subsidiary of LankaBangla Securities Limited, a leading brokerage service company in Bangladesh. BizBangla Media Ltd. is committed to publishing the country's first Bengali business daily 'The Daliy Bonik Barta'. Since 2011, Bonik Barta (BB) has been ensuring sustainable growth in quality business reporting and large clientele base, thereby leading to a strong market positioning in the market. Today this highly regarded business daily has an extensive network of circulation across the major operation i.e. business hubs/outlets across the country. In the recent years with a consolidated effort and prudent Management leadership, BizBangla has attempted to position itself within the top performing (Bengali) business newspapers in Bangladesh. This has resulted to emergence as one of the major Department of Film & Publications (DFP) compliant organizations. This rating by the DFP provides a very important indication of the integrity and strength of the organization and the concerned Newspaper and is particularly relevant to its ultimate readers/ consumers and other stakeholders such as the strategic partners, shareholders and lenders. Value adding activities for BizBangla Media are as follows:

- Placing the trade & commerce sector's interest and satisfaction as first priority by providing updated, full proof, scrutinized information
- Adding value to the stakeholders through attaining excellence in daily operation
- Maintaining high ethical standard and transparency in publication
- Being a compliant institution through adhering to all regulatory requirements
- Contributing significantly to the betterment of the society

A commitment to be a partner to the growth of the nation strong and reliable partnership with the trade and commerce community, the Government Sector, the MNCs has led to a broader opportunity to serve the market. Through the extensive level of news coverage network, focus on Generalized News, Telecom & Technology, the Editorial, International Trade, the Global Business, the Commerce & Industry and the Financial Institutions Industry, Life Style, Talkies, the Commodities Market, the Stock Market, Sports and the Domestic Market, BizBangla Media Ltd. offers a smooth service across all the major operating hubs wherever there is a bureau present. All this is seamlessly done by the efficient employees of the company.



PRODUCT PORTFOLIO OF LANKABANGLA FINANCE LIMITED

Corporate Financial Services

Corporate & Institution

- Lease Finance
- Term Finance
- Short Term Finance
- Short Term Transitory Finance
- Revolving Finance
- Loan Against TDR
- Work order Finance
- Club Finance
- Bridge Finance
- Project Finance

Emerging & Commercial

- Factoring Finance
- Distributor Finance
- Reverse Factoring Finance

Project & Structured Finance

- Syndication Finance
- Project/Structured Finance
- Private Placement of Equity
- Preferred Stock
- Fixed Income Securities
- Advisory Services

Personal Financial Services

Auto Loan

- Auto Loan
- Auto Lease
- Auto Loan Cash Covered
- Auto Lease Cash Covered

Home & Mortgage Loan

- Commercial Home Loan
- Loan Against Property
- Home Loan BB Refinance
- Home Plan Finance for Professionals
- Affordable Housing Finance

Personal Loan

- Term Loan- Commercial
- Loan Against Deposit
- Term Loan-Cashback Security
- Marriage Loan
- Doctor's Loan
- Loan for Land Lord / Lady
- Demand Loan
- Travelling Loan

Credit Card

- Master Card
- VISA

SME Financial Services

Small Business

- Ahona
- Biswas
- Anonnya
- Abash
- Durbar
- Somporko

Medium Business

- Astha
- Swarnali
- Ejara

Liability Management

Retail / Corporate Liability

- Periodic Return Term Deposits
- Cumulative Term Deposits
- Double Money Term Deposits
- Money Builders Scheme
- Fixed Term Deposit
- Term Deposit Earn First
- Term Deposit Shohoj Sanchoy
- Term Deposit Quick Sanchoy
- Term Deposit Triple Money
- Term Deposit (Fixed Term)-3 Months
- Term Deposit Agroj (Senior Citizen)
- Term Deposit Classic TDR 2 to 3 Years

PROJECTS FINANCED BY LANKABANGLA



Power Generation Plant



Ship Building



Steel Manufacturing Plant



Spinning Mill



Textile Mill



Washing Plant

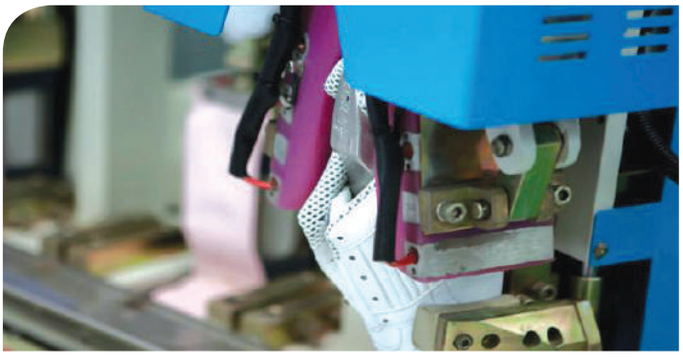


Ready-Made Garment



Petroleum Plant

PROJECTS FINANCED BY LANKABANGLA



Shoe Manufacturing Plant



Oil Refinery



Ready-mix Processing Plant



Beverage Plant



Printing Plant



Hospitality



Logistics

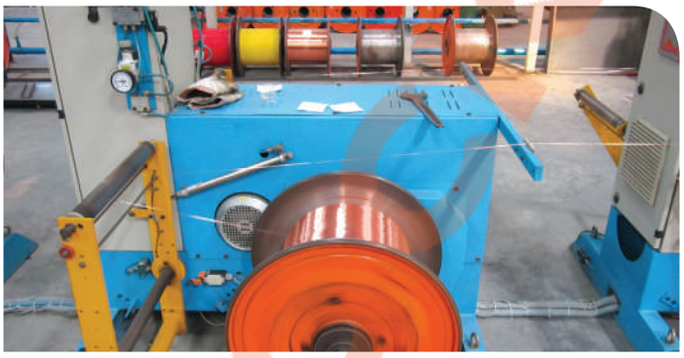


Furniture Manufacturing

PROJECTS FINANCED BY LANKABANGLA



Food Processing Plant



Cable Manufacturing



IT Sector Financing



Agriculture Financing

Green Financing by LankaBangla



ETP



Auto Brick

AN EVENTFUL YEAR FOR LANKABANGLA



19th AGM of LankaBangla



The Directors of LankaBangla Finance on Audit Committee Meeting



Shareholders of LankaBangla Finance at 19th AGM



The Directors of LankaBangla Securities on Audit Committee Meeting



The Directors of LankaBangla Investments on Audit Committee Meeting



The Directors of LankaBangla Asset Management Company on Board Meeting



The Directors of LankaBangla Finance on Board Meeting



The Directors of LankaBangla Securities on Board Meeting

AN EVENTFUL YEAR FOR LANKABANGLA



The Directors of LankaBangla Investment on Board Meeting



ICAB National Award - 2017



Safa Best Presented Annual Report Awards 2015



Book Launching Program - 2016



LBFL and App Lunching Program



Town Hall 2016



Titanium Card Launch



Mothers Day 2016

AN EVENTFUL YEAR FOR LANKABANGLA



Branch Launching Program - Chowmuhani



Sales Night 2016



Treasury Night 2016



SME Nari Udagta Mela - 2016



Barvida CarExpo 2016



Pohela Baishak Art Competitation 2016 Dhaka



LBFL and ADA Trading Bangladesh Ltd



LBFL and AFC Health Ltd

MILESTONES

Our Journey so far

20 years of achieving and sustaining excellence

1996
05 Nov
Incorporation of the Company

1996
05 Nov
Commencement of Business

1997
03 July
Registration of First Subsidiary (LankaBangla Securities Limited)

1997
30 Oct
Licensed as a Financial Institution by Bangladesh Bank

1998
30 Mar
Signing of First Lease Agreement

1998
16 Aug
Issuance of First Credit Card

2005
05 Sep
Launching of MasterCard

2006
17 Oct
Listing on Dhaka Stock Exchange

2006
31 Oct
Listing on Chittagong Stock Exchange

2006
1 Nov
Trading of Shares in Stock Exchanges

2007
10 Feb
Commencement of Operation of Chittagong Branch

2007
16 July
Registration of Second Subsidiary (LankaBangla Asset Management Company Ltd.)

2007
11 Dec
First Disbursement of Domestic Factoring

2008
18 Feb
First Disbursement of Mortgage Loan

2009
27 Apr
Commencement of Operation of Sylhet Branch

2009
23 Nov
Licensed as Primary Dealer

2009
24 Nov
Issuance of First VISA Card

2009
01 Dec
First Particiapation in the Auction of Govt. Securities as Primary Dealer

2010
29 Mar
Registration of Third Subsidiary (LankaBangla Investments Ltd.)

2012
31 Jan
Approval of Right Issuance by BSEC

2012
10 Jan
Signing of Agreement with Leads Corporation for Bank Ultimus (CBS)

2013
28 Jan
Commercial Launching of Narsingdi Branch

2013
03 Feb
Commercial Launching of Comilla Branch

2013
13 Feb
Commercial Launching of Jessore Branch

2013
12 Nov
Commercial Launching of Banani Principal Branch

2013
11 Dec
Commercial Launching of Dhanmondi Branch

2014
21 Jan
Launching of Contact Center

2014
03 Mar
Commercial Launching of Uttara Branch

2014
25 May
Commercial Launching of CDA Branch, Chittagong

2014
15 Dec
Issuance of Zero Coupon Bond

2014
23 Dec
Commercial Launching of Motijheel Branch

2014
23 Dec
Commercial Launching of Motijheel Branch

2015
29 Jan
Commercial Launching of Mirpur Branch

2015
24 May
Commercial Launching of Bogra Branch

2015
24 June
Commercial launch of Barisal Branch

2016
09 Mar
Commercial launching of Mymensingh Branch

2016
14 Mar
Commercial launching of Khulna Branchh

2016
21 Mar
Commercial launching of Rashahi Branch

2016
31 July
Commercial launching of Narayanganj Branch

2016
31 July
Commercial launching of Chowmuhani Branch

2016
24 Oct
Increase of Authorized Capital to BDT 10,000 million

AWARDS AND RECOGNITIONS

This is undoubtedly an igning accomplishment that will work as an inspiration for us to reach the summit of success. It is a reflection of our ethical practices, true compliance and a great team work.



ICMAB Best Corporate Awards 2015



SAFA Best Presented Annual Report Awards 2015

Joint Winner



16th ICAB National Award for Best Presented Annual Reports 2015

Second Prize

CORPORATE GOVERNANCE

"Our practice to remain within the guideline for strategic and steady journey towards progress is being governed by our percipient leaders harmonized by our Board of Directors and the Chairman. This practice ensures transparent and winning corporate governance for LankaBangla."

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SHAREHOLDING STRUCTURE

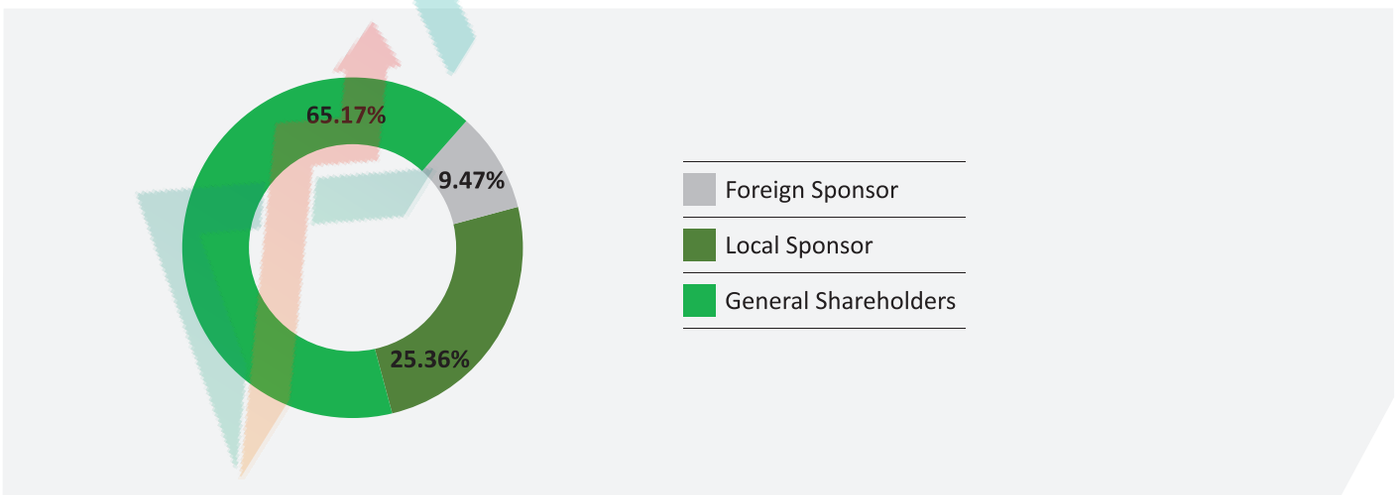
As on December 31, 2016

Authorised Capital:	No. of Share	Taka
(Ordinary Shares of TK. 10.00 each)	1,000,000,000	10,000,000,000

Authorised Capital:	No. of Share	Taka
(Ordinary Shares of TK. 10.00 each)	1,000,000,000	10,000,000,000

Details of shareholding structure is as under:

Sponsor	Total Holding (No. of Share)	% of Shareholding
a) Foreign Institution:		
Sampath Bank PLC (Sri Lanka)	26,211,685	9.47%
Sub-Total	**13,726,992**	**9.47%**
b) Local Institution:		
ONE Bank Limited	10,458,017	3.78%
SSC Holdings Limited	2,968,975	1.07%
Shanta Apparels Limited	300,000	0.11%
Sub-Total	**13,726,992**	**4.96%**
c) Individuals:		
Mr. Mohammad A Moyeen	11,731,614	4.24%
Mrs. Jasmine Sultana	300,000	0.11%
Mrs. Aneesha Mahial Kundanmal	21,315,793	7.70%
Mr. Mahbubul Anam	12,325,418	4.45%
Mr. Tahsinul Huque	10,782,073	3.90%
Sub-Total	**56,454,898**	**20.40%**
Sponsor Local	**70,181,890**	**25.36%**
Sponsor Total	**96,393,575**	**34.83%**
General Shareholders	**180,364,374**	**65.17%**
Grand Total	**276,739,949**	**100.00%**



PROFILES OF THE DIRECTORS OF THE BOARD



01.
Mr. Mohammad A. Moyeen
Chairman

Mr. Moyeen is a leading entrepreneur in Bangladesh. He has a Bachelor of Architecture degree from Bangladesh University of Engineering and Technology. Mr. Moyeen is involved in a number of businesses which include, among others, Apollo Hospitals Dhaka, International School Dhaka, DPS-STS Schools and WAC Logistics Limited. He is also the Chairman of LankaBangla Securities Limited, a leading brokerage house of the country and LankaBangla Investments Limited, a leading Merchant Bank of the country.

EC AC

02.
Mr. Mahbubul Anam
Director

Mr. Anam is a Mechanical Engineer from BUET. He has long experience of 29 years in different businesses including Freight Forwarding, Travel Related Services, International Courier, etc. He has been running a number of reputable business houses in country in Management capacity. Mr. Anam is the Managing Director of Expo Freight Limited and Director of a number of businesses and industries. Mr. Anam enjoys enormous reputation in the field of sports, cultural and social work. Presently he is the President of Bangladesh Freight Forwarders Association (BAFFA) and Vice President of Bangladesh Cricket Board and member of the local organizing committee of the T20 World Cup 2014.

EC AC

03.
Mr. I.W. Senanayake
Director

Mr. Senanayake is one of the Founder Directors of Sampath Bank PLC since March 1987. He was appointed as the Deputy Chairman of the Bank in April 1998. He was also the Chairman of the Bank. Mr. Senanayake is past Honorary Trade Representative for Singapore Trade Development Board in Sri Lanka, Chairman of American President Lines Lanka (Pvt.) Limited, Chairman and Chief Executive Officer of I.W.S. Holdings (Pvt.) Limited, a conglomerate with diversified business interests in Telecommunications, Broadcasting, Information Technology, Aviation, Shipping, Automobiles, Warehousing and Logistics, Support Services, Consultancy and Project Management Services for Telecommunications, Packing and Food Processing Industries.

Board Committees

EC Executive Committee

AC Audit Committee



04.
Mr. M. Y. Aravinda Perera
Director

Mr. Perera is the Managing Director of Sampath Bank PLC. He worked as Chief Operating Officer, Deputy General Manager, Corporate Banking and played other roles spanning a career of 27 years at Sampath Bank. Prior to joining the Bank he worked as a Senior Project Officer, DFCC and Departmental, Manager and Service Engineer at Ceylon Tobacco Company and engineer at National Milk Board. He is a Fellow Member of Institute of Bankers, Sri Lanka, Chartered Institute of Management Accountants, UK, Chartered Engineer and member of the Institute of Engineers, Sri Lanka. He completed his MBA from the University of Sri Jayawardenapura and Bachelor of Science degree in Engineering from the University of Moratuwa.

05.
Mr. Mirza Ejaz Ahmed
Director

Mr. Ahmed is an MBA from the Institute of Business Administration (IBA), University of Dhaka. He started his career in American Express Bank and served there for 17 years and left American Express as Senior Director. Before joining HRC Group as the Group Managing Director in 2002, he served in ONE Bank Limited as its Managing Director for about 2 years. Mr. Ahmed is presently the Chairman of Shirt Makers Group, a 100% export oriented apparels manufacturing company.

EC AC

06.
Mr. M. Fakhrul Alam
Director

Mr. Alam, Managing Director of ONE Bank Limited, is an MBA from the Institute of Business Administration (IBA), University of Dhaka. He has diverse experiences in Banking spanning over 31 years, including Corporate, Treasury and Investment Banking in various capacities in different banks and financial institutions. He started his Career at Agrani Bank Limited as an Officer in 1983, and later served different organizations at home & abroad including IFIC Bank Limited and Bank of Credit & Commerce International (Overseas) Ltd. Before joining at ONE Bank Limited, he was the Deputy Managing Director and Head of Corporate Banking, Treasury & Investment Banking of Eastern Bank Limited. He is serving ONE Bank Limited as Managing Director since October 08, 2013.

EC AC

Board Committees

EC Executive Committee

AC Audit Committee



07.
Mr. Tahsinul Huque
Director

Mr. Huque graduated from Williams College, Massachusetts, USA with major in Economics and Political Science. He started his career with Merrill Lynch in New York in 1990 and served the company at different capacities until 2003. He then joined Deutsche Bank as a Managing Director of the Investment Banking Division in London. Mr. Huque has spent many years in Investment Banking, Capital Markets and various management roles at Deutsche Bank in London. In 2016, he relocated to New York with Deutsche Bank in a senior management role. Mr. Huque has established himself as an accomplished investment banker in the international arena.

08.
Mrs. Aneesha Mahial Kundanmal
Director

Mrs. Kundanmal has completed B.A. (Honors) in Public Administration from University of Dhaka and is involved with a number of business houses as a leading woman entrepreneur in the country. She is the Director of Royal Park Limited. She is associated with various social and cultural organizations. She is the wife of Mr. B. W. Kundanmal, a renowned business personality.

09.
Mr. Al-Mamoon Md. Sanaul Huq
Independent Director

Mr. Huq accomplished his post graduation diploma in Management Accounting from Highbury College of Technology, Ports-mouth, UK. He has also completed his Bachelor of Science and Master of Science in Applied Chemistry from University of Dhaka. He worked as Controller General of Accounts, Ministry of Finance, Government of People's Republic of Bangladesh. He has vast experience in working in Audit Department of Controller & Auditor General of Bangladesh. Mr. Huq has also working experience as consultant with some international organizations like World Bank. He attended a number of trainings, workshops and seminars at home and abroad.

EC AC

Board Committees

EC Executive Committee

AC Audit Committee

LANKABANGLA STOCK





10.
Mrs. Zaitun Sayef
Independent Director

Mrs. Zaitun Sayef is an MBA from Institute of Business Administration (IBA) of Dhaka University. She has diverse experience in banking spanning over 30 years especially on corporate finance, treasury and branch banking. She played various management roles at IFIC Bank Limited. She started her career at Agrani Bank Limited as a Senior Officer in 1983.

She attended a number of trainings, workshops and seminars at home and abroad. She had been with IFIC Bank Limited from 1984 joining as Probationary Officer and retired in 2013from the Bank holding the position of Deputy Managing Director.

11.
Mr. Mohammed Nasir Uddin Chowdhury
Managing Director

Mr. Mohammed Nasir Uddin Chowdhury is serving LankaBangla Finance Limited as the Managing Director from December 1, 2011. Before joining LBFL, Mr. Chowdhury served LankaBangla Securities Limited as Chief Executive from July 2002 to April 2011 and MIDAS Financing Limited as Director representing LBFL. He is now a member of the Board of Directors of LankaBangla Securities Limited and LankaBangla Investments Limited. Under his sound and proven leadership LankaBangla Finance Limited and its subsidiaries have been able to hold strong position in the respective industries.

Mr. Chowdhury also served as the Senior Vice President and Director of Dhaka Stock Exchange Limited from May 2010 to March 2011 and May 2008 to May 2010 respectively. Mr. Chowdhury now chairs one of the first venture capital organizations in Bangladesh, called BD Venture Ltd. He is also the vice chairman of FinExcel, a capacity building institute for financial institutions. He holds a directorship at Eastern Cables Ltd, as well.

Mr. Chowdhury attended a number of training, workshop and seminar at home and abroad including USA, Hong Kong, Singapore, Sri Lanka, India, Thailand and other countries. Mr. Chowdhury participated in "On the Job Training Program of the Chief Executives" conducted by "Singapore Institute of Management" and also attended leadership program on "Authentic Leadership Development" from Harvard Business School, Boston, USA. Mr. Chowdhury has a rare blend of expertise in money market and capital market. He is a prominent private equity arranger and successfully arranged financing for many start-ups in Bangladesh.

Mr. Chowdhury completed his graduation and post-graduation from the University of Chittagong. He is a life time member at International business forum of Bangladesh (IBFB). Currently, he is the President of Old Faujian Association, Dhaka Chapter. Mr. Chowdhury is an active member of Dhaka Club and Chittagong Club also.

BOARD COMMITTEES

Executive Committee

Sl.	Name	Status in the Organization	Status in the Committee
1	Mr. Mohammad A. Moyeen	Chairman	Chairman
2	Mr. Al-Mamoon Md. Sanaul Huq	Independent Director	Member
3	Mr. M. Fakhrul Alam (Nominated from ONE Bank Limited)	Director	Member
4	Mr. Mahbubul Anam	Director	Member

Audit Committee

Sl.	Name	Status in the Organization	Status in the Committee
1	Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	Independent Director	Chairman
2	Mr. Mohammad A. Moyeen	Director	Member
3	Mr. Mahbubul Anam	Director	Member
4	Mr. M. Fakhrul Alam (Nominated from ONE Bank Limited)	Director	Member
5	Mr. Mirza Ejaz Ahmed (Nominated from SSC Holdings Limited)	Director	Member

MANAGEMENT COMMITTEE (MANCOM)

Sl.	Name	Designation	Status in the Committee
1	Mohammed Nasir Uddin Chowdhury	Managing Director	Chairman
2	Khwaja Shahriar	Deputy Managing Director	Member
3	A. K. M. Kamruzzaman	Head of Operations	Member
4	Khurshed Alam	Head of Personal Financial Service	Member
5	Quamrul Islam	Head of Treasury &Fis	Member
6	Mohammed Kamrul Hasan	Chief Risk Officer	Member
7	Mostafa Kamal	Group Company Secretary	Member Secretary
8	Kazi Masum Rashed	Chief Credit Officer	Member
9	Mohammad Shoaib	Head of Corporate Financial Service	Member
10	Shamim Al Mamun	Chief Financial Officer	Member
11	Md. Kamruzzaman Khan	Head of SME Financial Service	Member
12	S.M. Abu Washib	Head of Liability	Member
13	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
14	Sheikh Mohammad Fuad	Head of IT	Member
15	Md. Shariful Islam Mridha	Head of Human Resources	Member
16	Ummay Habiba Sharmin	Head of Legal Affairs	Member

AMARSTOCK

PROFILES OF THE MANAGEMENT TEAM





01.
Mohammed Nasir Uddin Chowdhury

Managing Director

Mohammed Nasir Uddin Chowdhury is serving LankaBangla Finance Limited as the Managing Director from December 1, 2011. Before joining LBFL, Mr. Chowdhury served LankaBangla Securities Limited as Chief Executive from July 2002 to April 2011 and MIDAS Financing Limited as Director representing LBFL. He is now a member of the Board of Directors of LankaBangla Securities Limited and LankaBangla Investments Limited. Under his sound and proven leadership LankaBangla Finance Limited and its subsidiaries have been able to hold strong position in the respective industries.

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Mr. Chowdhury attended a number of training, workshop and seminar at home and abroad including USA, Hong Kong, Singapore, Sri Lanka, India, Thailand and other countries. Mr. Chowdhury participated in "On the Job Training Program of the Chief Executives" conducted by "Singapore Institute of Management" and also attended leadership program on "Authentic Leadership Development" from Harvard Business School, Boston, USA. Mr. Chowdhury has a rare blend of expertise in money market and capital market. He is a prominent private equity arranger and successfully arranged financing for many start-ups in Bangladesh.

Mr. Chowdhury completed his graduation and post-graduation from the University of Chittagong. He is a life time member at International business forum of Bangladesh (IBFB). Currently, he is the President of Old Faujian Association, Dhaka Chapter. Mr. Chowdhury is an active member of Dhaka Club and Chittagong Club also.

MC RMF MCC ALCO HRC BIC ICCC CMFC

02.
Khwaja Shahriar

Deputy Managing Director

Khwaja Shahriar joined LankaBangla Finance Limited as Deputy Managing Director on June 11, 2012. Prior to his current position, he held different positions in the banking sector. He served BRAC Bank Limited for almost a decade in different positions and capacity including Head of Corporate Banking, Head of Cash Management and Head of Probashi Banking. He also served in various positions in both GSP Finance Company Limited and Bangladesh Finance & Investment Company Limited. Mr. Shahriar also worked for Uttara Bank Limited, AB Bank Limited and Green Delta Insurance Company.

Mr. Shahriar attended a number of trainings, workshops and seminars at home and abroad including USA, UK, Dubai, Hong Kong, India during his long professional career. Mr. Shahriar participated in "Strategic Planning Master Class" conducted by Green Forest Singapore PTE Ltd. and also "Strategic Leadership for Senior Management" organized by Shorecap Exchange at Chennai, India.

Mr. Shahriar completed his BA (Hons') and MA in English from University of Dhaka. He also obtained his Bachelor of Business in Banking and Finance from Monash University, Melbourne and Master of Business Administration in Finance from Victoria University, Melbourne, Australia.

MC RMF MCC ALCO CCU ITDC HRC BIC ICCC CMFC IC

Management Committees

MC	Management Committee (MANCOM)	ITDC	IT Development Committee	ICCC	Internal Control and Compliance Committee
RMF	Risk Management Forum	HRC	Human Resource Committee	CMFC	Capital Market Operations Committee
MCC	Management Credit Committee	BIC	BASEL II Implementation Committee	GBU	Green Banking Unit
ALCO	Asset Liability Committee (ALCO)	PC	Purchase Committee	IC	Integrity Committee
CCU	Central Compliance Unit (Anti Money Laundering Committee)				







03.
A. K. M. Kamruzzaman, FCMA

Head of Operations

A. K. M. Kamruzzaman, FCMA, is working as the Senior Executive Vice President & Head of Operations, with the responsibility of Asset Operations, Collection & Monitoring, Special Asset Management (SAM), Liability Operations and Treasury Operations. During his long fourteen and half years tenure with LankaBangla, he has got the rare opportunity to work in almost all the functional areas of the company in different capacities as Head of Business, Head of Credit & Investment, Head of Credit Administration, Head of Accounts, Company Secretary and Head of Administration. He is a Director in the Board of LankaBangla Asset Management Company Limited.

Mr. Kamruzzaman is a post graduate in Accounting from the University of Dhaka; he is also an MBA from the Institute of Business Administration (IBA) of the University of Dhaka and a Fellow Member (FCMA) of the Institute of Cost & Management Accountants of Bangladesh (ICMAB). Currently he is a councillor of Dhaka Branch Council (DBC) of ICMAB.

MC RMF MCC ALCO CCU ITDC HRC BIC PC ICCC IC

04.
Khurshed Alam

Head of Personal Financial Services

Khurshed Alam, Senior Executive Vice President joined the Vanik Bangladesh Limited in July 1998. He is currently looking after the Personal Financial Services Division. As a long term serving employee, he worked in various departments of the Company including Finance, Administration, HR, Portfolio Management, Credit Card, Home Loan, SME Finance, Auto Loan, Personal Loan and Secured Loan.

Mr. Khurshed started his career in 1992 as a Probationary Officer-Finance & Accounts in Rupali General Insurance Company Limited. He obtained his Honors and Masters in Management from the University of Dhaka. He also got his Post Graduate Diploma in Personnel Management (DPM) from Bangladesh Institute of Management. He has attended a number of training in home and abroad.

MC RMF MCC ALCO CCU ITDC BIC ICCC IC

05.
Quamrul Islam

Head of Treasury & FI

Quamrul Islam, Executive Vice President joined erstwhile Vanik Bangladesh Limited on October 7, 1997 which was later renamed as LankaBangla Finance Limited. During his tenure of office he held different positions and looked after the functions of Finance and Treasury. Currently he is discharging the responsibility as Head of Treasury & Financial Institutions.

Mr. Islam obtained his graduation with Honors and post graduation in Accounting from the Faculty of Business Studies of Dhaka University. He started his career with "PRAN Group" one of the largest conglomerates of the country as a Management Trainee Officer in early 1997. Mr. Quamrul is the Joint Secretary of Bangladesh Money Market Dealers' Association (BAMDA)

MC RMF ALCO CCU ITDC BIC PC ICCC CMFC

Management Committees

MC	Management Committee (MANCOM)	ITDC	IT Development Committee	ICCC	Internal Control and Compliance Committee
RMF	Risk Management Forum	HRC	Human Resource Committee	CMFC	Capital Market Operations Committee
MCC	Management Credit Committee	BIC	BASEL II Implementation Committee	GBU	Green Banking Unit
ALCO	Asset Liability Committee (ALCO)	PC	Purchase Committee	IC	Integrity Committee
CCU	Central Compliance Unit (Anti Money Laundering Committee)				



06.
Mohammed Kamrul Hasan, FCA

Chief Risk Officer

Mohammed Kamrul Hasan, Executive Vice President and Chief Risk Officer heads the Risk Management Division which is responsible for managing the Enterprise Risk at LankaBangla and its subsidiaries. Mr. Hasan was appointed as Vice President in February 2007. He possesses extensive experience in Accounting, Auditing and Finance.

Mr. Hasan holds a Bachelor Degree in Accounting from the National University of Bangladesh. He is a Fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB).

MC RMF ALCO CCU BIC ICCC GBU IC

07.
Mostafa Kamal, FCA

Group Company Secretary

Mostafa Kamal, Executive Vice President, joined LankaBangla in February 2009. Currently, he is working as the Group Company Secretary of LankaBangla Finance Limited and its subsidiaries. He also worked in the company as Head of HR and Administration. Mr. Kamal completed his B.Com. (Hons.) and M.Com. in Accounting from University of Dhaka. He is a Fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB). Prior to joining in LankaBangla he was the Head of ICC of IPDC of Bangladesh Limited and also served Rahman Rahman Huq, Chartered Accountants, (Member Firm of KPMG International) as Manager, Audit and Advisory Services from September 2003 to June 2006.

Mr. Kamal held the position of the Chairman of Dhaka Regional Committee ICAB for the year 2010-2011. He has been elected Council Member of ICAB for the term 2016- 2018. Currently, he holds the position of Vice Presidant (Education & Training) of ICAB. Mr. Kamal played a very vital role in opening Dhaka Chapter of Information System Audit and Control Association (ISACA) of USA. He is the Founder Director, Communication and Ex-Director, Academic Relations of ISACA Dhaka Chapter.

Mr. Kamal is also a Founder Member and the General Secretary of Vision Care Foundation (a non-profit organization). He is the Executive Director and a member of Policy Advisory Committee of Bashundhara Eye Hospital and Research Institute, a non-profit and most modern Eye Hospital in Bangladesh.

MC PC ICCC

08.
Kazi Masum Rashed

Chief Credit Officer

Kazi Masum Rashed, Executive Vice President, Chief Credit Officer, is responsible for Credit Risk Management Division of LankaBangla Finance Limited. He joined LankaBangla Finance Limited in June, 2011 with more than ten years experience in banking sector with exposure in Credit & Banking.

Mr. Masum obtained his M.Com from Finance and Banking Department and MBA from the Institute of Business Administration (IBA) of the University of Dhaka. He has attended a number of trainings, seminars and workshops both in home and abroad.

MC RMF MCC ALCO ITDC HRC BIC ICCC IC

Management Committees

MC	Management Committee (MANCOM)	ITDC	IT Development Committee	ICCC	Internal Control and Compliance Committee
RMF	Risk Management Forum	HRC	Human Resource Committee	CMFC	Capital Market Operations Committee
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ALCO	Asset Liability Committee (ALCO)	PC	Purchase Committee	IC	Integrity Committee
CCU	Central Compliance Unit (Anti Money Laundering Committee)				







09.
Mohammad Shoaib

Head of Corporate Financial Services

Mohammad Shoaib, Senior Vice President, joined LankaBangla Finance as Assistant Vice President in May 2007. He is currently working as the Head of Corporate Financial Services Division looking after the Corporate Asset Portfolio.

Mr. Shoaib has around 14 years of financial services experience and held various senior management positions in credit & investment, corporate finance, retail finance, SME finance and credit administration. Prior to joining LankaBangla, he was the Branch In-charge of Chittagong Branch of Prime Finance & Investment Limited. He is a Bachelor in Business Administration with Honors in Accounting and a Masters in Business Administration in Accounting & Information Systems from the University of Dhaka. He has attented a good number of trainings, seminars and workshops both in home and abroad.

MC RMF MCC ALCO
CCU BIC ICCC IC

10.
Shamim Al Mamun, FCA

Chief Financial Officer

Shamim Al Mamun, FCA is working as Chief Financial Officer since April 2013. Before getting this responsibility he acted as Head of Accounts from April 2012. Before joining this Company, he was the CFO of Fareast Stocks & Bonds Limited and Fareast Finance Limited. He is an Fellow member of the Institute of Chartered Accountants of Bangladesh.

He obtained his Honors degree in Information Technology from American International University of Bangladesh. He is also an ex-cadet and completed his secondary education from Sylhet Cadet College. Shamim Al Mamun, FCA possesses extensive competencies and experiences in Financial Reporting, Financial Modeling, Internal Control, Corporate Governance and Financial Management. He is also a resource person of ICAB in the capacity of providing training to students and in the process of educational development.

MC RMF ALCO CCU
HRC BIC ICCC IC

11.
Kamruzzaman Khan

Head of SME

Md. Kamruzzaman Khan, Vice President joined LankaBangla Finance Limited as Head of SME in December 2013. He is currently working as the Head of SME Financial Services Division.

Mr. Khan has over 13 years of Banking and Financial Services experiences. Prior to joining LankaBangla Finance Limited, he served in BRAC Bank Limited under SME Division in different positions including Manager and Senior Manager. Mr. Khan has obtained an M.Com in Accounting and also attained an MBA from State University of Bangladesh with Major in Finance & Banking. He participated in avdvance traning programme on Financing SMEs in NIBM, Pune (India) organized jointly by Frankfurt School of Finance and Management , Germany. Mr. Khan also attented a good number of trainings, seminars and workshops both in home and abroad.

MC RMF MCC ALCO
CCU BIC ICCC IC

Management Committees

- MC — Management Committee (MANCOM)
- RMF — Risk Management Forum
- MCC — Management Credit Committee
- ALCO — Asset Liability Committee (ALCO)
- CCU — Central Compliance Unit (Anti Money Laundering Committee)
- ITDC — IT Development Committee
- HRC — Human Resource Committee
- BIC — BASEL II Implementation Committee
- PC — Purchase Committee
- ICCC — Internal Control and Compliance Committee
- CMFC — Capital Market Operations Committee
- GBU — Green Banking Unit
- IC — Integrity Committee



12.
S. M. Abu Washib

Head of Liability Management

S. M. Abu Washib Joined LankaBangla Finance Limited as Head of Liability on December 26, 2013. Prior to his current position he held different positions in the banking sector & has more than 13 years of experience with exposure in Consumer Banking. He served ICB Islamic Bank Ltd. for quite some time as an Assistant Vice President & Branch Manager. He also served Eastern Bank Ltd as an Assistant Vice President and Sales & Service Manager for over six years. At the beginning of his long successful career he also served in Vanik Bangladesh Limited & BRAC Bank Ltd.

Mr. Washib completed his Bachelor & Master degree in Economics from Dhaka International University.

MC RMF ALCO CCU BIC ICCC IC

13.
Mohammad Faruk Ahmed Bhuya

Head of Asset Operations

Mohammad Faruk Ahmed Bhuya joined LankaBangla Finance Limited on April 01, 2013. He is currently working as Head of Asset operations and responsible to take care of Loan Documentation, Disbursement, Credit Card Operation, Post Dated Cheques (PDC) and Un-dated Cheque (UDC) management. Prior to this, he was working as manager at BASIC Bank limited in different branches and divisions as well as at Head Office from June 2000 to March 31, 2013. He started his banking career in 1999 with Prime Bank Limited as a Management Trainee Officer (MTO) . Mr. Bhuya is a post graduate in Management from the University of Dhaka.

He brings with him 17 years of long and diversified banking experience in Credit, Trade Finance and General Banking. Mr. Bhuya attended a number of professional Training, workshops and seminars at home and abroad. He is a Diplomaed Associate of the Institute of Bankers, Bangladesh (DAIBB). Mr. Bhuya is a widely travelled person.

MC RMF MCC HRC IC

14.
Sheik Mohammad Fuad

Head of IT

Sheik Mohammad Fuad, Head of Information Technology Division, has been working in LankaBangla Finance Limited since 1999. He has more than 15 years of experience in IT Operations, IT Project Management, IT Governance and Risk Management. As a Head of IT, Mr. Fuad is responsible for enabling various business requirements through development and successful deployment Information Technology features. He also contributes to the strategic planning of the organization as a member of the Management Committee.

Here in LankaBangla, Mr. Fuad is leading a team of highly professional personnel experienced in various wing of Information Technology such as Network Security, Database Management and Administration, Project Management, IT Audit and Compliance.

Mr. Fuad has attained many professional credentials such as ITIL(F), COBIT 5, PRINCE 2, MCP.

MC RMF ITDC PC ICCC

Management Committees

MC	Management Committee (MANCOM)	ITDC	IT Development Committee	ICCC	Internal Control and Compliance Committee
RMF	Risk Management Forum	HRC	Human Resource Committee	CMFC	Capital Market Operations Committee
MCC	Management Credit Committee	BIC	BASEL II Implementation Committee	GBU	Green Banking Unit
ALCO	Asset Liability Committee (ALCO)	PC	Purchase Committee	IC	Integrity Committee
CCU	Central Compliance Unit (Anti Money Laundering Committee)				


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15.
Md. Shariful Islam Mridha

Head of Human Resources

Md. Shariful Islam Mridha, Head of Human Resources, has been working in LankaBangla Finance since 2014. Prior to joining LankaBangla Finance, he was the Head of Recruitment, Performance Management and HR Relationships of BRAC Bank Limited. He started his career in 2005 with a renowned law firm 'Sadat & Sarwat Associates' and later switched to Human Resource Division of Grameenphone Limited in 2006. He possessed almost 11 years of professional experience in the arena of Human Resources.

Mr. Mridha obtained his Bachelor of Laws (Honors) and Master of Laws from University of Dhaka. He also did his post-graduation diploma in Human Resources Management from Association of Business Practitioners (ABP), UK through Dhaka Campus. He attended American Management Association's 5-day "MBA" workshop from Singapore Institute of Management (SIM), Singapore. He also completed 6 week weekend course on "Human Resource Management Competencies (HRMC)" from IBA, University of Dhaka. Currently, he is enrolled in Master of Professional Human Resource Management (MPHRM) Program under faculty of Business Studies, University of Dhaka. He has attended various job specific and leadership trainings in home and abroad.

MC ITDC HRC ICCC IC


16

16.
Ummay Habiba Sharmin

Head of Legal Affairs

Ummay Habiba Sharmin working as Head of Legal Affairs Division of LankaBangla Finance Limited is entrusted with the responsibility to oversee the legal issues of the Company. She joined LankaBangla in the year 2009 as Head of Legal and Documentation. Prior to joining LankaBangla, she worked as an advocate at a renowned corporate law firm namely LEE, KHAN AND PARTNERS. As a practicing lawyer, she worked with numerous local and multinational banks, NBFIs, corporate bodies of the country regarding acquisition, due diligence, loan and security transactions, lease transactions, trust-agency transactions, commercial issues, labour law issues, litigation etc. and was involved in plentiful large project financing of various modalities.

Ms. Habiba is a post-graduate in law from University of Chittagong and is an enrolled advocate at the Supreme Court of Bangladesh with around 12 years of experience in the legal profession.

MC

Management Committees

MC	Management Committee (MANCOM)	ITDC	IT Development Committee	ICCC	Internal Control and Compliance Committee
RMF	Risk Management Forum	HRC	Human Resource Committee	CMFC	Capital Market Operations Committee
MCC	Management Credit Committee	BIC	BASEL II Implementation Committee	GBU	Green Banking Unit
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CCU	Central Compliance Unit (Anti Money Laundering Committee)				

MANCOM MEMBERS

"LankaBangla is a value driven organization with strict adherence to principles even if the situation sometimes provides temporary benefit to the company. The guiding principles are set with the objective of upholding the company's reputation and dignity and treating it as absolutely priceless. The company's affairs get the utmost priority of all the employees."



Standing from the left, front row

Ummay Habiba Sharmin
SAVP & Head of Legal Affairs

Sheik Mohammad Fuad
VP & Head of Information Technology

Mohammad Shoaib
SVP & Head of Corporate Financial Services

Khwaja Shahriar
Deputy Managing Director

Standing from the left, back row

S. M. Abu Washib
VP & Head of Liability

Kamruzzaman Khan
VP & Head of SME Financial Services

Mohammed Kamrul Hasan, FCA
EVP & Chief Risk Officer

Shamim Al Mamun, FCA
SVP & Chief Financial Officer

Standing from the left, front row

Mohammed Nasir Uddin Chowdhury
Managing Director

A. K. M. Kamruzzaman, FCMA
SEVP & Head of Operations

Khurshed Alam
SEVP & Head of Personal Financial Services

Mostafa Kamal, FCA
EVP & Group Company Secretary

Standing from the left, back row

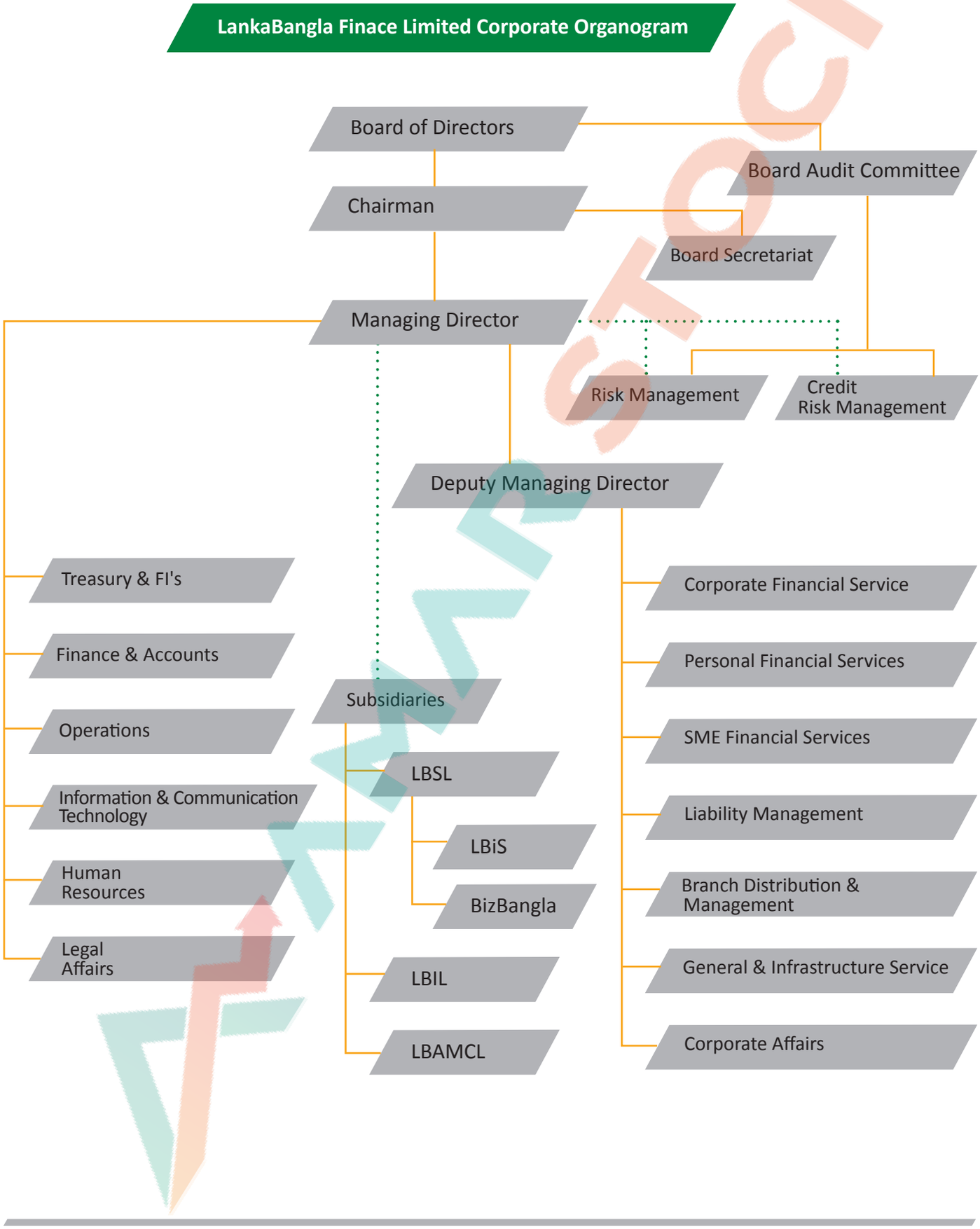
Kazi Masum Rashed
EVP & Chief Credit Officer

Md. Shariful Islam Mridha
SAVP & Head of Human Resources

Quamrul Islam
EVP & Head of Treasury & FI

Mohammad Faruk Ahmed Bhuya
VP & Head of Asset Operations

CORPORATE ORGANOGRAM OF LANKABANGLA FINANCE LIMITED



MESSAGE FROM THE CHAIRMAN

> LankaBangla has been developing its strategies for years based on diversification in markets with high growth potential, a customer-centric business model and technology as key elements in order to face the transformation process being experienced in its business segments. Sustaining earnings amidst challenging times and taking result oriented initiatives have helped us to elevate the company performance to the next level.



Dear Stakeholders,

It is indeed a proud moment for me to present to you the audited financial statements of LankaBangla Finance Limited for the year 2016. On behalf of the board members and everyone from LankaBangla I welcome you all to the 20th Annual General Meeting.

During the reporting period, LankaBangla Finance Limited has shown sustained performance and operating growth in all the business segments. As you know, we were in a sluggish credit market and the competition was stiff, yet 2016 has proved to be another year of success for us. Your patient guidance was the driving force behind this achievement and for that I would like to thank you all.

From macro-economic perspective, Bangladesh is making advances in various socio-economic indices. We've made remarkable progress in GDP growth and inflation rate is showing a downward trend. Industry showed declined trend in interest rate. We believe that our economy is better placed for business growth and with your continued support we will continue serving our client with innovative financial services and keep stretching the boundaries of our targets in the coming days.

You will be happy to know that during the year 2016 consolidated profit after tax of the Company stood at BDT 795.64 million against BDT 420.93 million in the previous year registering an 89.02% growth over 2015. The Company's standalone net profit after tax increased to BDT 1,072.05 million which is 4.08% higher over the year 2015. Our consolidated investment portfolio has reached to BDT 57,462 million at the end of 2016 which was BDT 47,212 million at the end of 2015 showing 21.71% growth.

Automation of processes has played the key role in facilitating our commitment to service and forward strategy. In 2017, we are planning to have some significant technological integration which will simplify our processes and exemplify our service excellence in the industry. To facilitate our vision of being the most preferred financial solution provider of the country, widening our reach through extended branch network has no other alternatives. To bump up the growth of customer acquisition five new branches have been opened during 2016 and we are planning on launching 10 more branches in 2017 at major townships and industrial hubs throughout the country. Our company's strength lies in the trust of the people and the wide reach covering all strata of society.

Various risks are inevitable in this line of business and a strong risk management framework is the prerequisite for an efficient financial organization. I can proudly say that LankaBangla has robust risk management architecture to define its risk appetite and monitor, report and review various risks inherent to the business in order to ensure sustainable asset quality against economic shocks. Our

efforts in maintaining the NPL ratio at a minimal level is showing remarkable progresses and we have kept it at 3.22% which is one of the best in the industry. Capital Adequacy Ratio stands at 12.45% as against Bangladesh Bank's stipulation of 10.00%. We have taken necessary measures to remain compliant, in line with the regulatory requirements, with regard to its forecasted future growth.

Realizing our vision depends on placing our clients at the center of everything we do. Achieving this objective begins with developing a precise understanding of their needs and what matters to them, and offering them the products, services and solutions to achieve their goals. How we do this is equally important, and we are focused on making the changes necessary to serve our clients quickly, efficiently, reliably and respectfully.

We have continued our support to underprivileged people of the community in particular to ensure their education, health and living through LankaBangla Foundation. Through conscience corporate governance and effective business model, we have proudly contributed towards a sustainable society.

The Board of Directors of LankaBangla Finance Limited believes in maintaining a consistent dividend policy. Considering the capital structure of the Company as well as future business strategy the Board has recommended 15.00% cash dividend and 15.00% stock dividend for the year 2016.

I am very proud to inform you that LankaBangla Finance Limited became the joint winner of SAFA, an Apex Body of the South Asian Association for Regional Co-operation (SAARC), BPA award for Best Presented Annual Report under Financial Service Sector category for consecutive second term. This achievement shows consistency in our continued efforts toward reaching the point of excellence in terms of service, functional expertise and transparency. Our subsidiary company, LankaBangla Securities Limited, has secured 1st position in terms of turnover for 11 consecutive years from 2006 to 2016 in Dhaka Stock Exchange (DSE), and for 12 consecutive years from 2005 to 2016 in Chittagong Stock Exchange (CSE), depicting outstanding performance.

To grow sustainably and profitably, we will continue our focus on further strengthening our capital position and financing the emerging business sectors. We are confident that our strategic focus on people, processes and technology along with our cost efficient approach in achieving an optimum mix of interest and non-interest income will help us to overcome the increasing competition and other challenges.

I would like to thank all the employees and the members of the Board of Directors for their relentless efforts and rock-solid commitment, without which our Company would not be able to hold this strong position. The workforce at LankaBangla is the greatest asset who with their determination and dedication has worked to take the company to the position where it is today. I like to extend my profound gratitude to Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited, Registrar of Joint Stock Companies and Firms, National Board of Revenue and all other regulatory authorities for their valuable guidance, support and co-operation. On behalf of the Board of Directors, I pledge that we will continue to add value for the shareholders through formulation and execution of prudent business strategies and practices whilst ensuring that we contribute towards the achievement of national priorities.

In closing, I thank all our shareholders and customers for their strong support and encouragements. We hope that with your continued co-operation and patronage, we will move on to a successful 2017.

With warm regards,

Yours sincerely,



Mohammad A. Moyeen
Chairman

DIRECTORS' REPORT

Dear Stakeholders,

On behalf of the Board of Directors of LankaBangla Finance Limited, I am very happy to welcome you in 20th Annual General Meeting of the Company.

The Board of Directors of LankaBangla Finance Limited have pleasure in presenting their Annual Report for the year ended 31st December 2016 which includes reports on business strategy and review, risk management, corporate governance, investor relations and a sustainability supplement. It includes Audited Financial Statements of the Organization, Consolidated Financial Statements of the Group for the year and the Auditors' Report on those Financial Statements. The Financial Statements were reviewed and approved by the Board of Directors on 13 February 2017.

In the year 2016, LankaBangla Finance Limited recorded remarkable growth on its core business. With a good penetration in loan products, LankaBangla made good profit growth in 2016.

We are pleased to report that during the year 2016, LankaBangla Finance Limited earned consolidated after tax net profit of BDT 795.64 million, meeting or exceeding all financial and operational objectives.

In each quarter of 2016, we have achieved consistent result and had good performance ensuring strong organic growth and increasing contributions. This has consistently proven to be very beneficial throughout the challenging global economic conditions. These results continue to demonstrate that we have the right strategy and we are executing it well.

1. General

LankaBangla Finance Limited (LBFL) started commercial operations since 1997 obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. LBFL also obtained license from Securities and Exchange Commission vide No. MB-1.064/98-05 to transact public shares in the Capital Market as a Merchant Banker. The Company went for public issue in 2006 and its shares are listed in both Dhaka Stock Exchange and Chittagong Stock Exchange on 17 October 2006 and 31 October 2006 respectively.

The corporate office of LBFL is located at Safura Tower (Level 11), 20 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh.

2. Vision, Mission, Core Values & Code of Conduct

LBFL's Vision, mission, core values and code of conduct are given in the page number 14 of the Annual Integrated Report. The business activities of the organization are conducted at a high level of ethical standard in achieving its Vision.

3. Principal Business Activities

3.1 LBFL

The activities of the company include services broadly classified as fee based and fund based services:

- Fees based services include Credit Card Membership Fees, Merchants Commission, Underwriting of Securities, IPOs, Portfolio Management, and Corporate Financial Services etc.
- Fund based services include Lease Finance, Term Finance, Real Estate Finance, Credit Card Operation, SME, Auto loan, Personal Loan, Factoring, Syndication Finance, Revolving Credit, Loan against Deposit, Term Deposit etc.

3.1 LBFL

Organization	Principal Business Activities
LankaBangla Securities Limited	The principal activities of the company are to act as a member of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited to carry on the business of brokers or dealers in stocks, shares and securities, commercial papers, bonds, debentures, debentures stocks, treasury bills and/or any financial instruments.
LankaBangla Investments Limited	The activities of the Company include services broadly classified as interest income and fee based services, such as underwriting of securities, issue management, register to issue, portfolio management, corporate advisory services etc.
LankaBangla Asset Management Company Limited	The principal activities of the company include: ▸ Manage the assets of any trusts or fund of any type and/or character and hold, acquire, sell or deal with such assets of any trust. ▸ Float, administer and manage any mutual fund, growth fund or any other allotted scheme approved by the Government for the time being. ▸ Manage and administer mutual fund, provident fund, pension fund for purpose of investment and carry on the business or undertaking and execute trusts and also to act as executor, trustee, custodian and/or otherwise as per relevant rules and regulations.

LankaBangla Information System Limited	ERP, Consultancy & Training, Market Data Service to International Fund Manager and Exchanges, develop specialized simulation tools for trading, outsourcing, Private Cloud Computing, ITES, Project Management, Process Management, Cloud Services, Business Process Outsourcing (BPO), Registered Educational Provider (REP) affiliating with world recognized companies, System Integrator (SI), E-Commerce, M-Commerce, IT Audit, Trading of PC, Servers, Network, Security and Accessories and many more with changes of technology and business diversities.
BizBangla Media Limited	Printing and publishing of newspaper, Journals, magazines, periodicals, books any other literary and non-literary works.

4. Economic Review of 2016

4.1 World Economy

Global growth continued on a subdued note in 2016 as a result of stagnant global trade, slowed investment and heightened uncertainty in the global economy. Heightened political uncertainty culminated with the decision by the UK to pursue a "Hard Brexit" and the result of the 2016 US Presidential Elections. Unemployment in the US reached a new low of 4.6% in November 2016, and the manufacturing sector is expected to rebound in 2017. An anticipated fiscal stimulus from increased infrastructure spending, coupled with a more relaxed regulatory regime, could result in stronger growth than is predicted. However, uncertainties persist about the actions of the new administration, and this could result in negative impact, especially as relating to international trade and political stability. In the Euro Area, credit growth is improving and unemployment is declining. Supportive monetary policies are expected to stimulate economic activity, resulting in a gradual rise in inflation. The recovery remains fragile in Japan despite substantial policy stimulus. With external demand negatively affected by a slowdown in large emerging market economies, growth forecasts across major high-income economies in 2017 have been revised down. Weak growth in advanced economies was accompanied by a further weakening of global trade in 2016. On the other hand, commodity prices have stabilized and are projected to increase moderately, which bodes well for the commodity-exporting emerging economies. Global inflation is expected to rise moderately in 2017 as commodity prices consolidate, but will remain low by historical standards. Conditions for a continued but weak upturn in the Euro Area still appear in place, despite soft external demand, political uncertainty and rising geo-political concerns. Although gradually dissipating, legacies from the global financial crisis continue to be felt across high income countries, limiting both aggregate demand and the underlying growth potential of these economies. Global growth in 2017 is forecast to rise up to 2.7% from 2.3% in 2016.

4.2 Regional Economy

GDP growth in South Asia reached 6.8 percent in 2016, driven by robust domestic demand. South Asia is now the fastest growing developing region, as the region benefited from lower oil prices and improved resilience to external setbacks. India continued to post strong growth, reflecting ongoing tailwinds from low oil prices and structural reforms. However, its demonetization decision has been predicted to reduce GDP growth by 1 percent, resulting in GDP growth of 7.0 percent in 2017. A moderate further acceleration in economic activity is projected for the region, with regional growth rising to 7.3 percent in 2017, supported by strengthening investment and a broadly supportive policy environment. The region also has comparatively limited trade exposure to slowing demand in major emerging markets, and as a net importer of oil, will continue to be benefited from low global energy prices. Generalized weakness in the global trading environment, and indirect spillovers from slower growth in major developing economies are expected to partly offset the positive impulse to exports from high-income country demand. Investment growth is expected to continue strengthening in India due to government efforts to accelerate infrastructure development and boost Public Private Partnerships (PPPs), and in Pakistan due to CPEC (China Pakistan Economic Corridor) implementation. In Bangladesh and Sri Lanka, public sector wage increases, increased infrastructure investments and an easing of political tensions or uncertainty should bolster private consumption.

4.3 World Commodity Price

Commodity prices have stabilized in 2016 and are expected to post a moderate rise during 2017-19. Crude oil reached $30/pbl in mid January 2016, but then rallied throughout 2016 to end up above the $50/pbl mark in December. For 2016 as a whole, energy prices recovered from historic lows at the start of the year, while non-energy commodity prices consolidated after a period of sustained decline. Most commodity price forecasts have been revised upward for 2017, with a modest recovery expected for non-energy commodities.

4.4 Bangladesh Economy

Bangladeshi economy posted its highest growth in the last decade of 7.11 percent. The target of growth in the budget for FY 2016-17 has been set at an ambitious 7.2 percent. In the FY 2016-17, the economy of Bangladesh will have to deal with a number of economic bottlenecks, such as declining remittance and global uncertainties. Inadequate savings and investment and increasing gap between these two appeared to be the major challenges in the economy. In addition, lack of any significant breakthrough in agriculture as regards innovation and technological advancement in the post-green revolution period, unsatisfactory rate-of-growth in manufacturing and lack of employment opportunity in the sector causing higher unemployment rate, lack of investment in skill development in the service sector has caused the real sector to decelerate.

4.4.1 Fiscal Management

Budget for FY'17 has been marked high ambition with a vision of attaining the middle income goal. The budget size is BDT 3,406.00 billion which is 15% higher compared to FY'16's revised budget. It has revenue target of BDT 2427.00 billion which is 16% higher than that of the FY16's revised budget. Gross Domestic Product (GDP) has been estimated to grow at a rate of 7.2% in FY'17, a slight increase from the previous year's target of 7.05%. Budget deficit is projected to be BDT 917.7 billion. Of this deficit, BDT 610 billion will be collected from bank borrowing, savings certificates and other non-banking source and remaining BDT 307.7 billion will be raised from external sources. High dependence on savings certificates in financing the deficit may cause the interest expense to rise higher.

4.4.2 Current Account Balance

The positive trend of the Current Account Balance (CAB) continued in FY'16. The CAB in FY'16 was a surplus of USD 3,706 mn, compared to USD 2,875 mn surplus in FY'15, registering a positive growth of 28.9%. Condensed trade deficit due to rising export growth (8.94%), slower import growth (5.4%), decrease in negative factor income (10%) were reasons behind this improved CAB.

4.4.3 Import

Total import of the country witnessed a YoY decrease of 1.4% in FY'16. Total Import of the country stood at USD 40 billion by the end of FY'16, which was USD 40.58 billion in FY'15. This decrease was due to a 37% decrease in oil imports (i.e. crude petroleum and petroleum products) driven by the fall in oil price in FY16. On the other hand, textile and garment accessories and capital machinery imports increased by 10.3% and 7.6% respectively on the back of higher industrial production and increased activity in the transport sector.

4.4.4 Remittance Inflow

Bangladesh was the 10th highest remittance earning country of the world in FY16. Total remittance flow for the July-November period stood at USD 5.2 billion, a decrease of 15% for the same period a year ago. The negative growth was mainly driven by decline of oil prices in FY16, which brought many economies of oil dependent Middle Eastern countries under pressure. In addition, manpower export to the Gulf countries fell due to political instability in the Middle East.

4.4.5 Foreign Exchange Reserve

Foreign exchange reserve has continued its increasing momentum in 2015-16. Foreign exchange reserve has reached a peak of USD 30.14 billion in June 2016, which is around 20.4% higher than last year's reserve of USD 25.03 billion. Increased participation in world export, stable FDI & FPI made it possible for the country to accumulate such reserves. However, BDT has weakened in the latter half of FY'16 against USD driven by falling remittance. In addition, higher import payment obligation during the end of FY16 added to the situation.

4.4.6 Inflation

Falling commodity prices on the global market has been pushing inflation downward. The declining trend of inflation that started in 2015 and prevailed through 2016. Average inflation stood at 5.5% in Dec'16 which was 6.2% in the same period in 2015. Food inflation started to decrease rapidly from the stating of 2016 but formed a positive trend from June 2016. As of Dec 2016, Point to point (P2P) inflation stood at 5.0%, the lowest since Sep'12. The decline in average inflation is mainly attributable to the falling food prices during the first half of the year and falling non- food inflation during the latter half of the year.

4.4.7 Money Market

The money market also went through significant change in 2016. Overall interest rates received significant fall. Government bond operation was suspended for a couple of months. Reverse repo operation was reduced with higher borrowing through low yielding BB-bill. Bangladesh Bank (BB) will maintain accommodative monetary policy stance in 2016. The latest MPS for H2 FY16 was a very growth supporting one. Policy rates have been reduced by 50 basis points after almost 3 years. This, coupled with the huge excess liquidity in the banking system is expected to further reduce banks' lending rates and boost investments. As the economy is on the way to recovery, credit growth has been slowly picking up. During FY15, the total credit to the private sector recorded 13.2% growth year over year. Business confidence is improving and the stable exchange rate has led to higher import of machineries. The falling interest rates will boost private credit growth next year.

5. Review of Operation of LankaBangla

A review of financial and operational performance of LBFL and the Group together with important events that took place during the year 2016 are contained in the Chairman's Message (pages 59 to 60), the Managing Director's Review (pages 126 to 128), and the CFO's Reviews (pages 129 to 136). These reports form an integral part of the Annual Report of the Board of Directors.

6. Future Developments

LBFL focuses on a business expansion drive through its existing and extended branch network, concentrating more on Retail and SME business to increase its market share and profitability. This will be further accompanied by a more vigorous drive on innovative product development, process improvements and staff development, aimed at fulfilling the rapidly changing customer needs in the challenging market conditions and maximizing the value that we create for all the stakeholders. Five new branches were opened during the year 2016 and further ten branches are set to be open in the year 2017. Further an overview of the future development of LBFL and the Group is given in the Chairman's Message (pages 59 to 60), the Managing Director's Review (pages 126 to 128), and the CFO's Reviews (pages 129 to 136). These reports form an integral part of the Annual Report of the Board of Directors.

7. Financial Statements

The Financial Statements of LBFL and the Group have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) laid down by the Institute of Chartered Accountants of Bangladesh, and comply with the requirements of DFIM circular No # 11 dated 23 December 2009 issued by Department of Financial Institutions and Market of Bangladesh Bank and Bangladesh Bank's other circulars and guidelines or directives, the Companies Act 1994, the Securities and Exchange Rules 1987, the Listing regulations of Dhaka and Chittagong Stock Exchanges. The aforementioned Financial Statements for the year ended 31st December 2016 duly signed by the Company secretary, Managing Director, the Chairman of the Audit Committee and the Chairman of the Board

are given on pages from 203 to 348 which form an integral part of this Annual Report.

8. Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of LBFL and the Group to reflect a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements appearing on pages from 203 to 348 have been prepared in conformity with the requirements of the Bangladesh Financial Reporting Standards, Companies Act 1994, Financial Institutions Act 1993 and amendments thereto, the Listing Regulations of Dhaka Stock Exchange & Chittagong Stock Exchange, Bangladesh Bank's Guidelines and the Corporate Governance Code. The Statement of Directors' Responsibility for Financial Reporting is given on page 103 and forms an integral part of the report of the Board of Directors.

9. Auditors Report

The Auditors of LBFL are ACNABIN, Chartered Accountants. ACNABIN carried out the audit on the Financial Statements of LBFL and the Group for the year ended 31st December 2016 and their report on those Financial Statements, as required by the Companies Act 1994 is given on page 201.

10. Significant Accounting Policies

Significant Accounting policies adopted in the preparation of the Financial Statements are given on pages from 215 to 231 which comply with provisions of BFRSs and the Companies Act 1994.

11. Financial Review

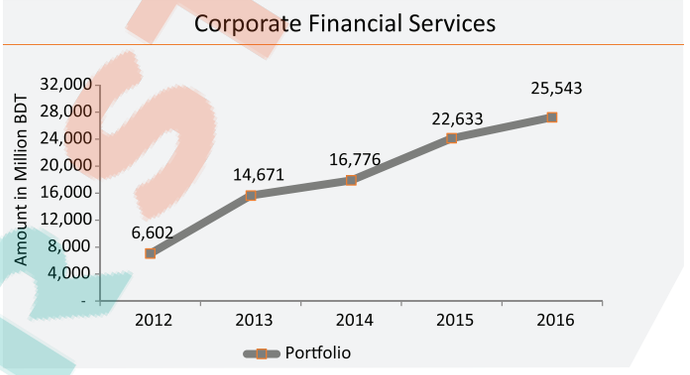
According to the IMF, Bangladesh's economy is the second fastest growing major economy of 2016, with a rate of 7.1%. In line with overall economic growth, LankaBangla also exhibited a substantial progress in many of the business lines during 2016. Total asset of the group grew by 26.7% from BDT 50.45 billion in 2015 to BDT 63.94 billion in 2016. Significant amount of disbursements were made in Corporate, Retail and SME business. Furthermore, cautious investment in capital market and correct on time decisions have led to an overall success for the company. Cost of borrowing has reduced in 2016 due to the settlement of high cost bank borrowing and increase in public deposit. Decreased cost to income ratio is the result of increased efficiency and better utilization of the company's resources.

Total disbursement of LankaBangla Finance for the year 2016 grew by 27.31% compared to 2015, largely on the back of stronger performance across all our business divisions and through increased concentration on due diligence in credit approval. Total disbursed amount in 2016 was BDT 45,539 million compared to BDT 35,770 million in 2015. In line with our long term strategy, LankaBangla penetrated the liability market strongly with the focus on increasing our retail customer base by offering attractive rates and ensuring quality customer services. On the deposit side, our total deposits grew by 33.1% from BDT 30,081 million in 2015 to BDT 40,033 million in 2016, largely driven by our strong liability sales team who has provided uncompromised service. New customer friendly products are introduced in 2016 in adherence to all the regulations stipulated by the Bangladesh Bank. The company's investment portfolio reached BDT 55,205 million in 2016 compared to BDT 42,614 million in 2015. NPL showed a positive picture as the percentage of classified loans for the company decreased to 3.52% in 2016 compared to 3.72% in 2015. Groups NPL is well placed at 3.22% at the end of 2016.

12. Core Business Review

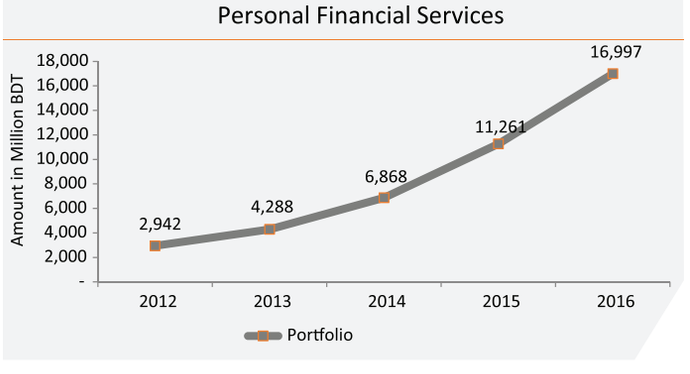
12.1 Corporate Financial Services

LankaBangla's focus on extending its Corporate Business portfolio has continued throughout 2016. A total of BDT 28,544 million of corporate lending has been disbursed for the year 2016 compared to BDT 25,022 million of 2015. Of the total disbursement in 2016, BDT 7,850 million was Transitory Finance. Annual growth of total disbursement of Corporate stands at 14.08%. Moreover, while the budgeted disbursement target in 2016 was BDT 24,000 million, it has exceeded the target by 18.93%. Disbursement in 2016 was driven mostly by Term Loan, Factoring and Transitory Finance.



12.2 Personal Financial Services

During the year 2016, the Company has continued to concentrate more on this segment by expanding several branches and increasing manpower in retail financial activities. Total BDT 13,130 million was disbursed during 2016 under retail financial services in the form of auto loan, home loan, personal loan, credit card and staff loan. The amount of disbursement helped the Company to achieve 50.57% growth in this segment and exceeded the budgeted disbursement by 11.74%.



12.2.1 Home Loan

Total Home Loan disbursement in 2016 was BDT 3,189 million comprising of Mortgage Loan of 3,129 million and Staff Home Loan of BDT 60 million. Home Loan portfolio grew by 52% in 2016, greater than the growth that was achieved in 2015. At the end of 2016, Home Loan portfolio stood at BDT 6,517 million which was BDT 4,299 million in 2015.

12.2.2 Auto Loan

In 2016, BDT 3,090 million has been disbursed as auto loan compared to 2,008 million in 2015 resulting an 54% growth in disbursement. Also the auto loan portfolio grew by 63% in 2016 from BDT 3,091 million in 2015 to BDT 5,027 million at the end of 2016.

12.2.3 Personal Loan

Disbursement of Personal Loan has been strong in 2016 with a total figure of BDT 2,718 million. The Personal Loan portfolio is comprised of Loan against Deposit, Term Loan and Staff Loan. Portfolio for the Personal Loan in 2016 was BDT 3,403 million, which grew by 52% from BDT 2,241 million in 2015.

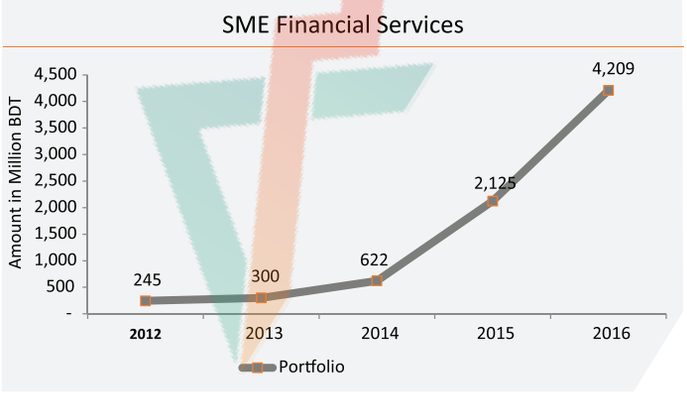
12.2.4 Credit Card

During 2015, a total of 25,737 new credit cards were issued by LankaBangla. The card portfolio grew by 26% in 2016 to BDT 2,050 million from BDT 1,630 million in 2015. Number of active credit card users has increased from 39,108 in 2015 to 54,988 in 2016 resulting in a growth of 41%. Monthly average spending by all credit card users has significantly increased in 2016 in comparison to previous year due to Company's prudent strategies to motivate customers to use LBFL's card by giving various promotional offers including attractive discounts in prominent outlets, gifts, etc. Average monthly credit card usage in 2016 has increased to BDT 344 million from BDT 253 million in 2015 resulting in a growth of 36%.

12.3 SME

SME, the heart of worldwide growth of economies, is emerging as the most powerful and sustainable pillars of Bangladesh economy. Our country is moving towards SME led industrial development, and as such growth of SME Financial Service in LankaBangla Finance is also remarkable. In 2016, SME loan disbursement of BDT 3,865 million has been made compared to BDT 2,028 million in 2015, thereby resulting in a 91% growth. At the end of 2016, SME portfolio stood at BDT 4,209 million compared to BDT 2,125 million in 2015 resulting in 98% growth in portfolio. Management has taken a series of strategies to foster more disbursement in this sector and boost the portfolio size to a sizeable amount as this sector is less rate sensitive and more profitable.

In view of the rising market risk and the Company's ambitious growth trajectory, Treasury in LankaBangla assumed greater importance. Treasury is using its internal expertise successfully in reading the market, gaining market entry in a timely manner and availing itself of arbitrage opportunities thereby enabling the company to improve its revenue. It is also engaged in increasing the sources of funding, proprietary trading, as well as managing the maturity mismatches arising from short-term financing to long term lending in its attempt to sustain the Company's margins.



12.4 Liability Management

Liability Management has played an important role throughout 2016 with regards to achieving TDR growth, reducing bank borrowing dependencies by sourcing core deposit products, and balancing the heat of extreme volatility in the money market. In this regard, the Retail Liability and Corporate Liability units played an important role. In 2016, total retail and corporate TDR stood at BDT 29,463 million portraying a moderately strong growth of 31.8% from 2015 and a budget achievement of 87.6%. TDR mobilization during 2016 was BDT 18,204 million compared to BDT 16,963 million indicating a 7.3% growth.

12.4.1 Retail Liability Management

Retail Liability's core focus on retail deposits has resulted in a portfolio of BDT 8,028 million at the end of 2016 which shows a growth of 24.4% from 2015 portfolio and having a budget achievement of 68.6%. Retail liability mobilization for the year was BDT 4,080 million compared to 2015 figure of BDT 3,938 million. This is made possible due to strong personnel of product marketing officers.

12.4.2 Corporate Liability Management

Corporate Liability portfolio consists of a diverse deposit portfolio of corporate clients. The value of the portfolio stands at BDT 21,435 million at the end of 2016 achieving a growth of 34.8% from 2015 portfolio and having a budget achievement of 97.7%. Corporate liability mobilization for the year was BDT 14,124 million compared to BDT 13,025 million. Contribution to such achievement is made possible with the team of qualified relationship officers within the Corporate Liability team.

12.5 Treasury Operations

Treasury Department of LankaBangla Finance Ltd. plays a crucial role with regards to understanding the market, taking advantage of arbitrage opportunities, and fund management. Treasury investments cover deposits with other banks and financial institutions, investments in capital markets and commercial papers. It strengthened its creditworthiness to counterparties in 2016, and thereby ensuring strong dominance in the market. Treasury investment portfolio at the end of 2016 was BDT 4,327 million which grew by 70% from 2015 portfolio.

Treasury relentlessly catered to the demands of business despite high volatility in deposit mobilization. Cash management has played a very pivotal role in channeling all the cash flows of the company in a very effective and an efficient way, so that optimum utilization of fund is achieved throughout the year.
It has continued to play an important role in managing cost of fund of the company. During 2016, the overall cost of fund has been reduced mainly due to Treasury's adherence to proactive policy of bringing down the cost of fund by seeking cheaper borrowing sources. Utilization of maximum exposure in money market and reduced deposit rate in the market has contributed to the reduction of cost of fund. All of these contributed to higher earnings and lower fund cost, and ultimately had a positive impact on profit. Dynamic approach to matching investments taken by Treasury's dealing room has also contributed to profit in 2016.

There was a strategic shift in borrowing mix during 2016 undertaken by Treasury. To get more advantage of liquid money market, Treasury department of LBFL largely concentrated on borrowing from other treasuries. Among the funding mix of

LBFL at the end of 2016, public deposit contributed to 59.7%, followed by Money Market exposure of 25.39%, while Bank Borrowing and Zero Coupon Bond made up for the remainder of the funding mix.

13. Credit Rating

Credit Rating Agency of Bangladesh Ltd. (CRAB) has rated the Company on 31 July 2016 with "AA3" (Pronounced as AA Three) in the long term and ST-2 for the Short Term based on audited financial of FY2015 and other available information up to the date of rating declaration. The outlook on the rating is Stable.
The rating reflects the strengths of the Company which is backed by a strong team of management, growth in the non-interest income, deposits and investments, adequate capital coverage with high Tier-1 capital, improved asset quality and well controlled liquidity position.

14. Financial Results and Appropriations

14.1 Revenue

Total Revenue of the Group for the year 2016 was BDT 7,310 million registering a 17.23% growth over 6,237 million of 2015. Total revenue of LBFL for the year 2016 was BDT 5,997 million which was 13.27% higher than the previous year's BDT 5,298 million. An analysis of the revenue is given in pages from 131 to 134 of the annual report.

14.2 Profitability

The Group has recorded a growth in operating profit and profit after tax of 47.55% and 89.02% respectively in 2016. LBFL's operating profit and profit after tax grew by 5.37% and 4.08% respectively in 2016. Consolidated net profit after tax for the year 2016 was BDT 795.64 which was BDT 420.94 for the previous year. LBFL's net profit after tax for the year 2016 was BDT 1,072 compared to BDT 1,030 for the year 2015.

Particulars	Consolidated		LBFL	
	2016	2015	2016	2015
Total Revenue	7,310.93	6,236.56	5996.60	5,298.19
Total Expenses	5,968.62	5,326.85	4,813.60	4,175.46
Operating Profit	1,342.31	909.71	1,183.00	1,122.73
Provisions	395.65	376.86	75.66	76.82
Profit before Tax	948.66	532.84	1,107.34	1,045.91
Tax	151.02	111.91	35.28	15.90
Profit after Tax	795.64	420.93	1072.05	1030.01

14.3 Appropriation

Particulars	BDT
Net Profit After Tax for the year 2016	1,072.05
Retained Earnings brought forward	1,342.73
Profit available for appropriation	2,414.79
Less: Statutory Reserve	214.41
Amount available for declaration of dividend	2,200.37
Less: Dividend(Proposed 15% Stock & 15% Cash)	830.22
Retained Earnings carried forward	1,370.15

14.4 Dividend

Considering the overall environment of financial market, current financial strength of the Company, and future investment prospect the Directors recommended that dividend of BDT 3.00 per share in comparison to BDT 3.00 per share of the year 2015 is to be paid for the year ended 31 December 2016. This will be paid by BDT 1.5 per share as stock dividend and remaining 1.5 per share in the form of cash dividend compared to BDT 1.5 per share stock and BDT 1.5 per share cash dividend for the year 2015.

The dividend is subject to approval of the shareholders at the Annual General Meeting.

The Board was satisfied that LBFL would meet the solvency test immediately after the proposed dividend, which will be paid in 2017. Further details on liquidity position is given in page number 214 of this report.

15. Reserves

A summary of the consolidated reserves along with the reserves of LBFL is as follow:

Particulars	Consolidated		LBFL	
	2016	2015	2016	2015
Share premium	1,090.89	1,090.89		
Statutory reserve	1,202.04	987.63	1,202.04	987.63
General reserve	46.77	53.85		
Retained earnings	1,579.51	1,722.99	2,200.37	2,064.66
Total reserves	**3,919.21**	**3,855.36**	**3,402.42**	**3,052.29**

16. Key Operating and Financial Data

Key operating and financial data for last five years as per Notification No. SEC /CMRRCD /2006-158/129/Admin/44 dated 07 August 2012 is shown in pages 137 to 142.

17. Plan for Utilization of Undistributed Profits

The Company requires substantial funds every year to carry out its regular business operation. The undistributed profits will be utilized to disburse fund for its new investments and will be used to meet contingencies in future as authorized under Article 100 of Schedule I of the Companies Act 1994. Additionally, with this retention a reasonable debt equity ratio would be maintained & the borrowing power of the Company would enhance.

18. Capital Expenditure

Total capital expenditure on acquisition of property, plant and equipment and intangible assets of LBFL and the Group as at 31 December 2016 amounted to BDT 186.41 million and BDT 244.12 million respectively which were BDT 794.86 million and BDT 873.34 respectively as at 31 December 2015. Details are given in Annexure A & B of Financial Statements.

19. Capital Commitments

Capital expenditures approved and contracted for, as at the reporting date is given in note number 40 (g) of the financial statements.

20. Property, Plant & Equipment (PPE)

Details of property, plant and equipment are given on note number 8 to the Financial Statements.

21. Share Capital and Bonds

21.1 Equity Capital

Paid-up Capital of LankaBangla Finance Limited as at 31 December 2016 amounted to BDT 2,767.40 million consisting of 276,739,949 ordinary shares as against BDT 2,406.43 million consisting of 240,643,434 Ordinary shares as at 31 December 2015.

The increase in number of share is the result of payment of stock dividend at a rate of 15% for 2015. Details about share in issue are given in note number 13 of the financial statements.

21.2 Debt Capital

On 15 December 2014, LankaBangla issued Zero Coupon Bond face value equivalent to BDT 3,000 million. After discounting the Bond @ 11.5%, the Company received BDT 2,478,093,342. The mode of payment of the Bond is 6 equal installments (2 installments in a year, BDT 500 million in each installment). Total transaction costs incurred for issuance of the Bond is BDT 39,031,137.

As at 31 December 2016 outstanding amount of Zero coupon bond was BDT 1,316.57 million which was 1,732.05 million as at 31 December 2016.

Details about Zero coupon bond is given in note number 10.1.5 of the financial statements.

22. Share Information

Information relating to earnings, dividend, net assets and market value per share is given in the Financial Highlights on pages 137 to 142. Information on trading of the shares and movement in the number of shares of LankaBangla is given in the Investor Information section on page 44.

23. Shareholding

There were 12,314 registered ordinary shareholders as at 31st December 2016 (2015: 13,598). Information on distribution of shareholding and the respective percentages are given on page 253 of the Annual Report.

Details of shareholders composition and percentage holding of the public are given in the Investor Information section on page 253.

The shareholding pattern as per Clause 2(k) of SEC Notification No. SEC/CMRRCD /2006-158/Admin/02-08 dated February 20, 2006 is shown in Annexure-iii, page 96.

24. Equitable Treatments to Shareholders

LankaBangla has at all times ensured that all shareholders are treated equitably.

25. The Board of Directors

The Board of Directors of LBFL consists of ten Directors with wide commercial knowledge and experience. The names of the Directors of LankaBangla during the period 1st January 2016 to 31st December 2016 are mentioned in Report on Corporate Governance (page 95) and their brief profiles are given on pages 45 to 48 of the Annual Report.

26. Changes in Directorate

Mr. Kazi Abu Muhammad Majedur Rahman has resigned from the Board of LankaBangla Finance Limited w.e.f. July 1, 2016 and Mrs. Zaitun Sayef has been appointed as Independent Director of LankaBangla Finance Limited w.e.f. July 31, 2016.

27. List of Directors of the Subsidiaries

Names of the Directors of Subsidiary companies are as follows:

Particulars	Name of Director	Position
LankaBangla Securities Limited	1) Mr. Mohammad A. Moyeen	Chairman
	2) Mr. I.W. Senanayake (Nominated by LankaBangla Finance Limited)	Director
	3) Mr. B. W. Kundanmal	Director
	4) Mr. Mahbubul Anam	Director
	5) Mr. Al-Mamoon Md. Sanaul Huq (Nominated by LankaBangla Finance Limited)	Director
	6) Mr. Mohammed Nasir Uddin Chowdhury (Nominated by LankaBangla Finance Limited)	Director
	7) Mr. Mohammad Khairul Anam Chowdhury (Nominated by LankaBangla Investments Limited)	Director
	8) Mr. S. A. R. Md. Muinul Islam (Nominated by LankaBangla Finance Limited)	Director
LankaBangla Investments Limited	1) Mr. Mohammad A. Moyeen	Chairman
	2) Mr. Al-Mamoon Md. Sanaul Huq (Nominated by LankaBangla Finance Limited)	Director
	3) Mr. Abdullah Al Karim	Director
	4) Mr. Mohammed Nasir Uddin Chowdhury (Nominated by LankaBangla Finance Limited)	Director
LankaBangla Asset Management Company Limited	1) Mr. Abdul Malek Shamsher	Chairman
	2) Mr. Al-Mamoon Md. Sanaul Huq (Nominated by LankaBangla Finance Limited)	Director
	3) Mr. Khwaja Shahriar (Nominated by LankaBangla Finance Limited)	Director
	4) Mr. Abul Kalam Mohammad Kamruzzaman (Nominated by LankaBangla Finance Limited)	Director
	5) Mr. Quamrul Islam (Nominated by LankaBangla Finance Limited)	Director
LankaBangla Information System Limited	1) Mr. Mohammad A. Moyeen	Chairman
	2) Mr. Mahbubul Anam	Director
	3) Mr. S. A. R. Md. Muinul Islam (Nominated by LankaBangla Securities Limited)	Director
BizBangla Media Limited	1) Mr. Mohammad A. Moyeen	Chairman
	2) Mr. Mahbubul Anam	Director
	3) Mr. Dewan Hanif Mahmud	Director

28. Board Sub Committees

The Board, while assuming the overall responsibility and accountability for the management oversight of the organization, has also appointed Board Sub Committees to ensure that the activities of LankaBangla at all times are conducted with the highest ethical standards and the best interests of all its stakeholders. The Board formed two Sub Committees named Executive Committee and Audit Committee. The compositions of these Sub Committees as at 31st December 2016 were as follows:

28.1 Executive Committee

The Executive Committee of the Board of LankaBangla Finance Limited was re-constituted in the 99th Board of Directors meeting held on May 12, 2016.

28.2 Audit Committee

In Compliance with the requirement of Bangladesh Bank Notification No. DFIM-13, dated 26 October, 2011 and Bangladesh Securities & Exchange Commission (BSEC) Notification No. SEC/CMRRCD/2006-158/134/admin/44, dated 07 August 2012 the Audit Committee of LankaBangla Finance Limited (LBFL) was re-constituted in 92nd Board of Director's meeting held on February 18, 2015.

29. Directors' Meeting

The details of Directors meetings which comprise Board meetings and the Board Sub Committee meetings and the attendance of Directors at these meetings are given in the Corporate Governance Report on pages 95 to 96 of the Annual Integrated Report.

30. Related Party Transections

Directors have also disclosed transactions, that could be classified as Related Party Transections in terms of Bangladesh Accounting Standard - BAS 24 (Related Party Disclosure) which is adopted in preparation of the Financial Statements. Those transactions disclosed by the Directors are given in note number 37 to the Financial Statements which form an integral part of the Annual Report of the Board of Directors.

31. Directors' Interest in Ordinary Shares

The shareholdings of Directors are as follows:

Sl.	Name of Director	Number of shares as at 31 December 2016	Number of shares as at 31 December 2015
1	Mr. Mohammad A. Moyeen	11,731,614	10,201,405
2	Mr. I.W. Senanayake (Nominated by Sampath Bank PLC)	26,211,685	22,792,770
3	Mr. M.Y. Aravinda Perera (Nominated by Sampath Bank PLC)		
4	Mr. M. Fakhrul Alam (Nominated by ONE Bank Limited)	10,458,017	11,688,600
5	Mr. Mirza Ejaz Ahmed (Nominated by SSC Holdings Limited)	2,968,975	2,581,718
6	Mrs. Aneesha Mahial Kundanmal (Mr. B. W. Kundanmal- Alternate Director)	21,315,793	18,535,473
7	Mr. Mahbubul Anam	12,325,418	10,717,756
8	Mr. Tahsinul Huque (Dr. M. Mahbubul Huque- Alternate Director)	10,782,073	9,375,717
9	Mr. Al-Mamoon Md. Sanaul Huq	Nil	Nil
10	Mrs. Zaitun Sayef	Nil	Nil

32. Substantial Shareholdings

BSEC's Corporate Governance Notification dated August 7, 2012 requires a listed company to disclose in the Directors' Report, the list of shareholders holding ten percent or more voting interest in the Company. None of the shareholders hold ten percent or above shares in LankaBangla Finance Limited. The shareholding status of all sponsors shareholders as on December 31, 2016 is given in page 44 of this report.

33. Directors' Interest in Ordinary Shares of Subsidiaries as on December 31, 2016

LankaBangla Securities Limited				
Sl.	**Name of Director**	**Position**	**Shares held on 31-Dec.-2016**	**Shares held on 31-Dec.-2015**
1	Mr. Mohammad A. Moyeen (Nominated by LankaBangla Finance Limited)	Chairman	111,173	101,067
2	Mr. I.W. Senanayake (Nominated by LankaBangla Finance Limited)	Director	Nil	Nil
3	Mr. Mahbubul Anam	Director	108,947	99,043
4	Mr. Al-Mamoon Md. Sanaul Huq (Nominated by LankaBangla Finance Limited)	Director	Nil	Nil

LankaBangla Information System Limited				
Sl.	**Name of Director**	**Position**	**Shares held on 31-Dec.-2016**	**Shares held on 31-Dec.-2015**
1	Mr. Mohammad A. Moyeen	Chairman	100	100
2	Mr. Mahbubul Anam	Director	100	100

BizBangla Media Limited				
Sl.	**Name of Director**	**Position**	**Shares held on 31-Dec.-2016**	**Shares held on 31-Dec.-2015**
1	Mr. Mohammad A. Moyeen	Chairman	100	100
2	Mr. Mahbubul Anam	Director	100	100

34. Directors' Remuneration

Details of directors' emoluments paid during the year are given in note number 28 to the financial statements.

35. Team Members (Employees)

LankaBangla believes that its real potential rests on the strength and capabilities of its team members in a rapidly changing environment. All efforts are directed at having a motivated and competent team in order to grow and achieve results as projected in the Strategic Plan and the Budget.

As at 31st December 2016, the number of employees on the payroll of LankaBangla was 672 which was 520 in previous year. Details discloser related to human resource are given pages 182 to 186 of this report which form an integral part of the Annual Report of the Board of Directors.

36. Environmental Protection

To the best knowledge of the Board, LankaBangla has not engaged in any activity that is harmful or hazardous to the environment. The Directors also confirms that to the best of their knowledge and belief LankaBangla has complied with the relevant environmental laws and regulations.

37. Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government, other regulatory bodies and related to the employees have been paid on a timely basis.

Details about contribution to government exchequer is given in page 192 of this Annual Report.

38. Outstanding Litigations

In the opinion of the Directors and in consultation with the LBFL's lawyers, litigation currently pending against LankaBangla will not have a material impact on the reported financial statements of future operations of LankaBangla. Details of litigation pending against LankaBangla are given in note number 2.38 to the Financial Statements.

39. Events after Reporting Period

No circumstances have arisen since the Statement of Financial Position date which would require adjustments to, or disclosure in, the accounts, except those disclosed in note number 40 (e) to the Financial Statements.

40. Going Concern

The Directors after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and such other matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Bangladesh and the Bangladesh Securities and Exchange Commission LankaBangla has adequate resources to continue operations into the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Details about going conern assessment of LankaBangla is presented in Statement of Going Concern in page 124 of the Annual Report.

41. Risk Management and Internal Control

41.1 Material Foreseeable Risk Factors

LankaBangla has an ongoing process in place to identify, evaluate and manage the risks that are faced by it. This process is detailed in the Risk Management Report on pages 108 to 115. The Directors, on a regular basis review the above mentioned process.

41.2 Internal Controls

The Directors of LankaBangla have taken reasonable steps open to them to safeguard the assets of the Group and to prevent and detect frauds and any other irregularities. For this purpose the Directors have instituted effective and comprehensive systems of internal controls for identifying, recording, evaluating and maging the risks faced by LankaBangla throughout the year and it is being regularly reviewed by the Board of Directors. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the operations in an orderly manner, safeguard the assets, prevent and detect frauds and other irregularities and secure, as far as practicable, the accuracy and reliability of the records.

42. Financial Risk Management

LBFL's management has overall responsibility for establishment and oversight of its risk management framework. The Company's management policies are established to identify and analyze the risk faced by the Company to set appropriate risk limit and controls and to monitor risk.

Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company has provided in a separate note to the financial statements the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks and management of its capital. Details about risk management is given in Risk management report on pages 108 to 115 of this Annual Report.

43. Corporate Governance

In the management of the Company, the Directors have placed emphasis on confirming to the best corporate governance practices and procedures. Accordingly, systems and structures have been introduced or improved from time to time to enhance risk management measures and to improve accountability and transparency. A separate report on Corporate Governance is given on pages 72 to 98.

Pursuant to Clause 5.00 of SEC Notification No. SEC/ CMRRCD /200658 /129/ Admin/44 dated 07 August 2012 the Company's compliance status is shown in Annexure-i page 87.

44. Additional Disclosures

The Directors, in accordance with SEC Notification No. SEC/ CMRRCD /200658 /129/ Admin/44 dated 07 August 2012; confirm compliance with the financial reporting framework for the following;

- The financial statements prepared by the management present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained. Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards and International Financial Reporting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements. The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There is no extraordinary gain or loss during the year.
- No significant difference occurs between quarterly financial performance and annual financial statements.
- There are no significant changes in the Company or its subsidiaries' fixed assets and the market value.
- The company had not enabled any of its directors to acquire benefits by means of acquisition of share or debentures of the company or anybody corporate.

45. Audit Information

The Director's who held office at the date of this Directors' Report confirm that:

- So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- The Directors have taken all the steps that they themselves ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the company's Auditors are aware of that information.

46. Auditors

The Board in its 103rd meeting held on February 13, 2017 recommended the shareholders to appoint M/s. ACNABIN Chartered Accountants at a remuneration of BDT 5,00,000 plus VAT. LBFL has also taken prior approval from Bangladesh Bank to appoint M/s. ACNABIN, Chartered Accountants, until completion of conclusion of the 21st AGM.

Based on the declaration provided by M/s. ACNABIN and

as far as the Directors are aware, the Auditors do not have any relationship with or interest with LankaBangla that in their judgments, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Bangladesh, applicable on the date of this report.

The retiring Auditors, M/s. ACNABIN, Chartered Accountants have expressed their willingness to continue in office. They come up for re-appointment at the Annual General Meeting, with the recommendation of the Board Audit Committee and the Board of Directors. In accordance with the Companies Act, a resolution proposing the re-appointment of M/s. ACNABIN, Chartered Accountants, as Auditors is being proposed at the Annual General Meeting.

Details about auditors of subsidiaries and auditor for other audit services are given in page number 6 of the annual report.

47. Recognition

As a reward of our relentless efforts to the best practices of corporate and financial reporting, LBFL was recognized by South Asian Federation of Accountants (SAFA) as 'category winner' for the best presented annual report for two consecutive years, 2014 & 2015.

We were also awarded by the Institute of Chartered Accountants of Bangladesh (ICAB) Prize in Non-Banking Financial Sector for the best published Annual Reports and Annual Audited Accounts for the year 2015.

LankaBangla Securities Limited has achieved certificate for outstanding performance for being ranked 1st in terms of turnover for consecutive eleven years from 2006 to 2016 by Dhaka Stock Exchange (DSE) & for consecutive twelve years from 2005 to 2016 by the Chittagong Stock Exchange (CSE).

48. Notice of Meeting

The 20th Annual General Meeting of LankaBangla Finance Limited will be held at 11:00 am on 30th March 2017. The Notice of Meeting is given on page number 5 of the Annual Report.

As required by Section 168 (1) (k) of the Companies Act the Board of Directors hereby acknowledge the contents of this report.

49. Acknowledgement

The Board of Directors takes this opportunity of expressing its heart-felt appreciation and gratitude to the valued clients, depositors, lenders, bankers, patrons and business partners for their continued support and cooperation. The Board also expresses its deep gratitude to Bangladesh Bank, Bangladesh Securities & Exchange Commission (SEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), Registrar of Joint Stock Companies and Firms, National Board of Revenue (NBR) and other regulatory bodies for their help, assistance, valuable guidance and advice being extended to the Company from time to time. The Board also thanks M/s ACNABIN, Chartered Accountants, the Auditors of the Company, for their efforts for timely completion of audits.

Since 2006, LankaBangla Finance Limited has recorded rapid and consistent growth, outperforming its competitors. One of the major reasons for this success was possible with a strong work ethic which has improved productivity at all levels. My high and sincere appreciation, on behalf of the Board of Directors, is due to the management and all members of staff of the Company, for their outstanding efforts, loyalty, sincere services and dedication.

I would like to take this opportunity to thank my colleagues on Board, who have extended their all sorts of cooperation, in the face of adverse internal and external conditions, and made the year 2014 another year of success for the Company. Finally, the Board of Directors thank the respected shareholders and assure them that they will continue to add value to maximize the shareholders' wealth through further strengthening and development of the Company in which they have placed their trust and confidence. Let us work together in a sprit of open and honest partnership. The Board's pledge to you is that we will listen your criticisms carefully, will at all times take those very seriously and will make clear cut decisions for the greater interest of the Company.

For and on behalf of the Board of Directors



Mohammad A. Moyeen
Chairman

STATEMENT OF CORPORATE GOVERNANCE

1. Overview

Corporate Governance is the system by which a Company is directed, controlled and managed. In LankaBangla Finance Limited (LBFL), the Corporate Governance Framework guides our drives towards progress by way of developing and implementing appropriate corporate strategies. The approach to governance is predicated on the belief that there is a link between high-quality governance and the creation of long-term stakeholder value. In pursuing the Corporate Objectives, we have committed to the highest level of governance and strive to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity and mutual respect. The Board of Directors, led by the Chairman, is responsible for the governance of LBFL, and developing effective Governance Framework to meet challenges, both in the short and long term.

The Board is committed to reviewing and improving our systems to provide transparency and accountability, and initiate transformational changes whenever necessary to ensure best practices are maintained and enhanced according to the principles of Corporate Governance.

We continually review our systems and procedures to provide transparency and accountability, and update our Corporate Governance policies to keep in line with the stipulated guidelines.

2. Framework and Regulations Applied

LankaBangla has incorporated in its Governance Framework the guidelines prescribed in the Code of Best Practice on Corporate Governance issued by the Bangladesh Securities and Exchange Commission (SEC), Bangladesh and the Bangladesh Bank on Corporate Governance for Financial Institutions in Bangladesh.

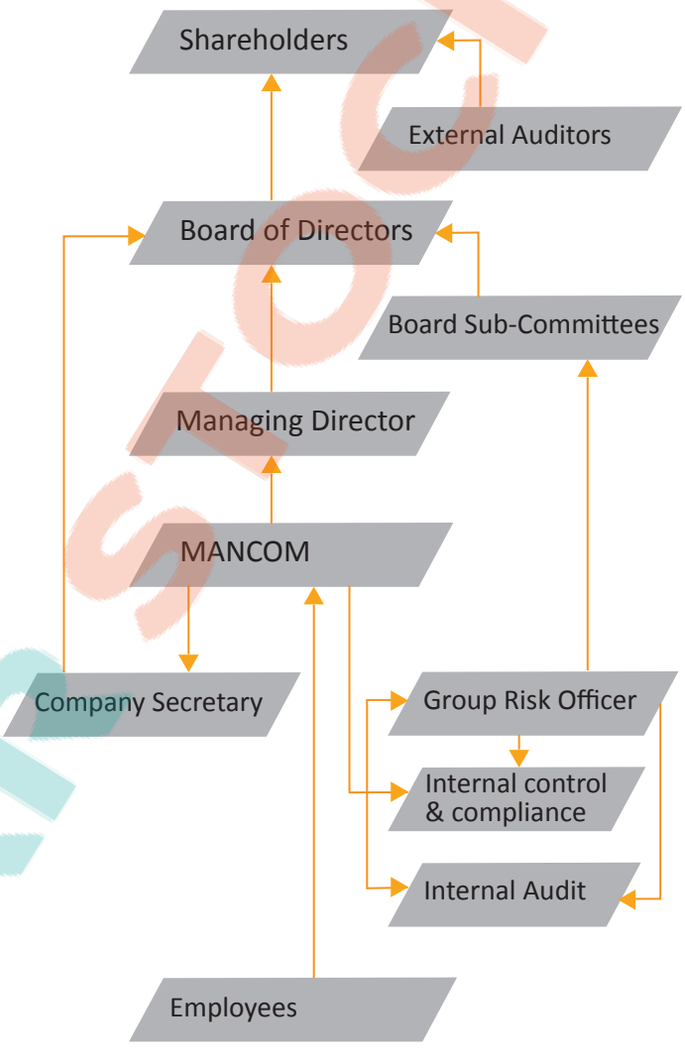
The following Acts, Regulations and Circulars have been used:

Sl.	Particulars
1	The Companies Act, 1994
2	The Financial Institutions Act, 1993
3	The Code of the best Practice on Corporate Governance issued by the Bangladesh Securities and Exchange Commission (SEC) vide notification no. SEC/ CMRRCD/2006-158/134/Admin/44, dated: 07/08/2012.
4	Bangladesh Bank circular DFIM Circular No. 07, dated; 25 September, 2007.
5	Listing regulations of Dhaka Stock Exchange

The following internal principles and guidelines have been followed;

Sl.	Particulars
1	Vision and Values
2	Articles of Association
3	Code of Conduct
4	Code of Ethics
5	Board and Board Sub Committee Charters
6	Policies, Procedures, Directives

3. Corporate Governance Structure



4. Governance Systems



5. Key Activities of the Board in 2016

5.1 Strategy

Having considered the outlook for global, Asian and Bangladesh economies, market perceptions and expectations, the board approved the Budget and Annual strategy for Lankabangla as a whole, together with the decisions required to implement the strategy.

5.2 Operational and Financial Performance

- Considered strategic and operational updates from the Managing Director, as well as matters highlighted for the board's attention at board meetings.
- Reviewed quarterly financial Statements against the group's budget.
- Approval of the group's annual report and financial results, and agreed dividend payments.
- Appointment of Two Non-Executive Independent Director in compliance with the SEC Notification No. SEC/CMRRCD/2006-158/129/Admin/44 dated 07 August 2012.
- Re-Constitutions of the Board Audit Committee and Board Executive Committee.
- Strengthening the process of business operations through rearrangement of Corporate Organogram.
- Revision of the Credit Policy and incorporation of Environment Risk Management Procedure (following guidelines of Bangladesh Bank) by the Board Audit Committee and Board of Directors.
- Approval of ICT Policy of the Company by the Board of Directors.
- Approval of Green Banking Policy.
- Review of the Product Program Guidelines (PPG) on Home Loan, Auto Loan, Credit Cards, SME Loan, Personal Loan.
- Strengthening the process of identification, recording and disclosure of Related Party Transactions.
- Expansion of geographical presence to cover more customer base by opening new Branches countrywide.

5.3 Governance and Risk

- Re-Constitutions of the Board Audit Committee and Board Executive Committee.
- Reviewed of Anti-Money Laundering Policy & Guidelines and Business Continuity Plan.
- Reviewed risk reports and the preparation of the financial statements on a going concern basis.
- Reviewed the Internal Audit Committee Report forwarded to the Board by Board Audit Committee.

5.4 Capital Adequacy

In the year 2016, there were extra ordinary general meetings for the following agenda:

- To approve the Authorised capital of the company.
- To approve the right share of the company.

6. Functioning of the Board and its Governance Processes

6.1 Board Composition and Frequency

The present Board comprises of ten non-executive directors of whom four are nominee directors and two are independent directors. This number is appropriate for the current scope of the company's operations. The Board meets not less than four times in any given calendar year, with at least one meeting per quarter.

The Board sets its agenda for Board meetings well in advance with items proposed by the Managing Director and senior management, so that each member has time to be conversant with the issues by timely dissemination of meeting papers, presentations and reports. The Company Secretary and the Chief Financial Officer attend all Board meetings and ensure that all relevant regulations and established procedures regarding the conduct of the Board are complied with.

The Board also delegates its authority and powers to specialized committees to undertake detailed monitoring, advisory and oversight of tasks, such as financial audit, risk management, Internal Controls, credit controls and approvals, compensation and management development for leadership. These committees confer greater quality on the stewardship and fiduciary responsibilities of the Board.

In addition, the Board constantly places emphasis that not only the Board, but the Company and its employees operate with professionalism, integrity and ethics.

6.2 Selection and Term of Appointment of New Director

The Board of Directors has the following duties and responsibilities in connection with the selection and appointment of new directors; -

- Regularly review the size and composition of the Board and the mix of expertise, skills, experience and perspectives that may be desirable to permit the Board to execute its functions;
- Identify any competencies not adequately represented and determine the process necessary to be assured that a candidate nominated by the shareholders with those competencies is selected;
- The Directors are appointed by the shareholders in the Annual General Meeting (AGM). Casual vacancies, if any, are filled by board in accordance with the stipulation of the Companies Act 1994 and the Articles of Association of LankaBangla Finance Limited.
- Any change in the members of the Board requires intimation to the Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC) and the stock exchanges

Directors usually serve three year terms, which the Board considers an appropriate length of time for directors to immerse themselves fully in the Company's affairs and gain sufficient understanding of the Company's operations so as to make an effective contribution as a director.

6.3 Independence of Directors

Pursuant to the Notification No. SEC/CMRRCD/2006-158/129/Admin/44, dated; - 07 August 2012, in LankaBangla, the Board comprises of ten non-executive members, of which two are totally independent, being 1/5th of total number of Director. The purpose of appointing non-executive and independent directors is first to provide the Board with knowledge, objectivity, and judgment and balance which may not be available if the Board consists only of full time executives; and secondly to ensure that the performance of the non-executive directors and the management of the Company are up to the standards required.

Independent directors of LankaBangla bring their special

expertise and knowledge to bear on the strategy and enterprise of the company. They each bring an independent judgment on issues of conformance and performance. In the year 2016, one of the Independent Directors Mr. Kazi Abu Muhammad Majedur Rahman has resigned due to his employment as the CEO of the Dhaka Stock Exchange Limited and in his place the Board has appointed Mrs. Zaitun Sayef as an Independent Director effective from 31 July 2016.

6.4 Financial and Accounting Knowledge, Management Skills, Experience and Diversity of Directors

The board members' collective experience provides a balanced mix of attributes to fulfil its duties and responsibilities. The board's breadth of experience includes retail and investment banking, risk management, legal and regulatory, finance and accounting, marketing, public sector, remuneration and overall business. Four out of ten directors are current or former CEO or MD of different Banks and Financial Institutions at home and abroad.

One of the Board member is a Fellow Member of Chartered Institute of Management Accountant of United Kingdom. Among others, one of the Board Member worked as Controller General of Accounts, Ministry of Finance, Government of People's Republic of Bangladesh.

6.5 Retirement and Re-election of Directors

The Articles of Association requires one-third of the Board (being the longest in office) to retire from office every year at the annual general meeting. Therefore, by rotation, every director is required to submit themselves for re-nomination and re-election by shareholders at regular intervals of at least once every three years. A retiring Director shall be eligible for re-election.

6.6 Learning and Development Program of Directors

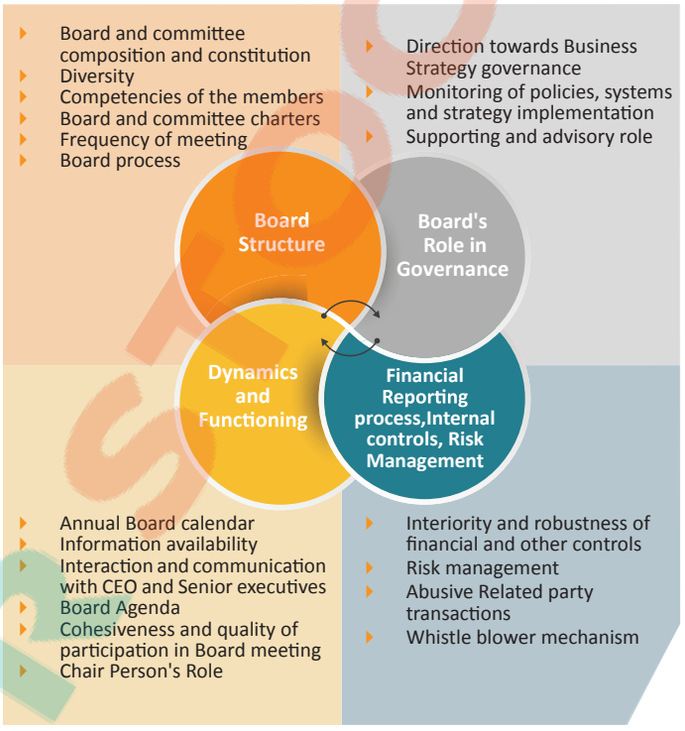
Each and every Directors are expected to make important contributions based on industry knowledge, understanding of the Business model of the company and the key challenges faced by the Group as a whole.

The Chairman ensures that all Directors receive a complete formal induction on joining the Board, facilitated by the MANCOM members which includes:

- A detailed overview of LBFL and its subsidiaries, its strategies, operational structure and core business activities
- General and statutory duties and responsibilities of a Director
- Comprehensive discussion with senior executives and business heads of the company
- Detailed induction program on risk profile and risk appetite of the Company and the Group.
- Directors are provided with the Code of Conduct for the Board members on general aspects of their Directorship and industry-specific matters.
- In case of any new rules, regulations or changes in existing regulations the Board is immediately informed of.
- In order to assist them, the Board is always kept updated on any development and changes in the business environment, risk and industry outlook.

6.7 Appraisal of Performance of the Board

The Board performs three major roles in LankaBangla- it provides direction (i.e. sets the strategic direction of the company), it controls (i.e. monitors the management), and provide support and advice. Board evaluation examines these roles of the Board and the entailing of responsibilities, and how effectively these are fulfilled by the Board. Appraisal of the performance of the Board is conducted considering the following parameters:



6.8 Directors' Remuneration

Other than attending the meeting of the Board and its sub-committees Directors are not entitled to any remuneration to be paid by the company.

With reference to the Bangladesh Bank's DFIM Circular No. 13 dated November 30, 2015 Directors of LankaBangla Finance Limited are paid with remuneration of BDT 8,000 per meeting per Director for attending the meetings of the Board and its Committees.

The details of the attendance along with of the amount of the remuneration paid to the Directors for the meetings of the Board and its committees are given in the later segment of this report.

6.9 Annual Evaluation of Managing Director by the Board

Assessing the performance of the Managing Director is the responsibility of the entire Board. At lankabangla, Managing Director's performance is monitored and constructive feedback is given by the Chair (after consultation with the board) on an on-going basis rather than once or twice a year only. The Board believes that this alerts him to potential issues or problem arising and provides opportunities for the Board and the Managing director to overcome them before they escalate.

6.10 Board Role and Responsibilities

Surrounded in the principles of corporate governance is that the Board has a fiduciary role responsible for setting the strategic direction and long-term goals of the company. As elected representatives of the shareholders, the Board is expected to use

its integrity and capability to vet corporate strategies, policies, plans and major decisions, and to oversee and monitor management in the interests of the shareholders of LankaBangla. Key to good governance in LankaBangla is an informed and well-functioning Board of Directors.

Broadly, the responsibilities of the Board includes the following:

- Reviewing and approving overall business strategy, as well as organization structure, developed and recommended by management;
- Ensuring that decisions and investments are consistent with long-term strategic goals;
- Ensuring that LankaBangla is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- Overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and through the Risk Management Committee, the quality of the risk management processes and systems
- Providing oversight in ensuring that LankaBangla's risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- Overseeing, through the Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise wide basis, the adequacy of the risk management function (including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines), and the quality of the risk management processes and systems;
- Reviewing any transaction for the acquisition or disposal of material assets.
- Ensuring that the necessary human resources are in place to meet its objectives, as well as appointing and removing executive officers, as deemed necessary;
- Reviewing management performance and ensuring that management formulates policies and processes to promote fair practices and high standards of business conduct by staff;
- Establishing corporate values and standards, emphasizing integrity, honesty and proper conduct at all times with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest;
- Providing a balanced and understandable assessment of LBFL's performance, position and prospects, and this extends to interim and other price-sensitive public reports, and reports to regulators;
- Ensuring that obligations to shareholders and others are understood and met; and
- Maintaining records of all meetings of the Board and Board Committees, in particular records of discussion on key deliberations and decisions taken

6.11 Chairman of the Board of Directors

The Chairman of the Board is elected by the directors. The Board considers that the Chairman is independent.

6.12 Role of the Chairman

The Chairman leads the Board. The Chairman serves as the primary link between the Board and management, and works with the Managing Director and the Company Secretary to set the agenda for Board meetings. It is the Chairman's responsibility to provide leadership to the board and ensure that the Board works effectively and discharges its responsibility as directors of the Company.

6.13 Separation of the role of Chairman and the Managing Director

At LankaBangla, in accordance with the DFIM Circular No. 07, dated 25-09-2007, a clear division of responsibilities between The Chairman and The Managing Director, allows the Chairman to assume the formal role of an independent leader that chairs all Board meetings and lead the Board in its oversight of management. At annual general meetings and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management. Any questions from shareholders are attended to and addressed at such shareholder meetings.

6.13.1 The Chairman's responsibilities include

- Leading the board and ensuring its effective functioning.
- Setting the ethical tone for the board and company
- Setting the board's the agenda, in consultation with the Managing Director and the Group Company Secretary.
- ensuring that the board observes the highest standard of integrity and good governance
- Conveying feedback in a balanced and accurate manner between the board and Managing Director.

6.13.2 The Managing Director's responsibilities include

- Appointing the executive team and ensuring proper succession planning and performance appraisals
- Developing the company's strategy for consideration and approval by the board
- Developing and recommending budgets to the board that support the group's long-term strategy
- Monitoring and reporting to the board the performance of the group and its conformance with compliance laws
- Establishing an organisational structure for the group which is appropriate for the execution of its strategy
- Setting the tone for ethical leadership and creating an ethical environment
- Ensuring that the group complies with all relevant laws and corporate governance principles.

6.14 IT Governance

Information Technology Governance forms an integral part of the NBFI's Corporate Governance. It deals primarily with optimizing the linkage between Strategic Direction and Information Systems Management of the Company. In this regard, implementation of the organizational structure with well-defined roles for the responsibility of information, business processes, applications, infrastructure, etc. generates value for our stakeholders while mitigating the risks associated with incorrect deployment and use of Information Technology.

6.15 Ethical Standard - Dealings in Securities

LankaBangla has adopted more stringent policies than the prescribed guidelines issued by SEC and has a policy against insider trading. LankaBangla employees are prohibited from dealing in securities of LankaBangla during the period commencing from two months before the announcement of the financial statements for the financial year, and ending on the date of the announcement of

the relevant results. Employees with access to price-sensitive information in the course of their duties are instructed to conduct all their personal securities transactions through the LankaBangla's stock broking subsidiary.

6.16 Whistle Blowing Policy

LBFL has a Whistle Blowing Policy in place, which serves as a channel for early identification of corporate fraud or risk by ensuring that employees reporting legitimate concerns on potential wrongdoings occurring within the organization are guaranteed complete confidentiality. Such complaints are investigated and addressed through a formalised procedure and brought to the notice of the Chairman of the Board Audit Committee. The procedure is made available through the intranet to ensure awareness by all employees.

6.17 Communication and Relationship with Stakeholders

LankaBangla strongly believes that all stakeholders of the company should have reasonable access to complete information on its activities, performance and product initiatives.

LankaBangla maintains an active dialogue with shareholders. It holds in-person briefing sessions or telephone conference calls with the media and analysts when quarterly results are released. All press statements and quarterly financial statements are published on the national Daily Newspapers and DSE & CSE websites. A dedicated investor relations team supports the Company's CEO, Chief Financial Officer (CFO) and Company Secretary in maintaining a close dialogue with institutional investors.

The Company embraces and commits to fair, transparent and timely disclosure policy and practices. All price-sensitive information or data are publicly released, prior to individual sessions held with investors or analysts.

6.17.1 Communication through Quarterly Reports

LBFL reports to the shareholders four times a year through quarterly and half yearly report and a detailed Annual Report

6.17.2 Communication through Annual General Meeting (AGM)

The shareholders are always encouraged to attend the AGM and, in case of their inability to attend the meeting, to appoint proxies. LBFL believes that all shareholders have the right to attend the AGM where they can meet and communicate with the Directors and express their views regarding the Company's business, its future prospects and other matters of interest.

6.17.3 Communication through Digital Media

The company's website www.lankabangla.com is a robust website which displays details information about its general business activities, Annual Reports, Half-yearly Reports, Quarterly Reports, product offerings, recent announcements and event updates.

Disclosures required by Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC) and listing regulations of Dhaka and Chittagong Stock Exchange are made promptly and adequately.

7. Board and Board Committees

7.1 Board

7.1.1 Members and 2016 Meeting Attendances

Members and 2016 Meeting Attendances

Sl.	Name	Position	Appointment Date	Attendance
1	Mr. Mohammad A. Moyeen	Chairman	Since November 5, 1996	5/5
2	Mr. I.W. Senanayake (Nominated from Sampath Bank PLC)	Director	Since November 27, 2008	4/5
3	Mr. M.Y. Aravinda Perera (Nominated from Sampath Bank PLC)	Director	Since March 28, 2012	2/5
4	Mr. M. Fakhrul Alam (Nominated from ONE Bank Limited)	Director	Since July 30, 2013	5/5
5	Mr. Mirza Ejaz Ahmed (Nominated from SSC Holdings Limited)	Director	Since March 8, 2005	3/5
6	Mrs. Aneesha Mahial Kundanmal (Alternate Director of Mr. B. W. Kundanmal)	Director	Since November 5, 1996	2/5
7	Mr. Tahsinul Huque (Alternate Director of Dr. M. Mahbubul Huque)	Director	Since November 5, 1996	4/5
8	Mr. Mahbubul Anam	Director	Since November 5, 1996	5/5
9	Mr. Al-Mamoon Md. Sanaul Huq	Independent Director	Since March 28, 2012	5/5
10	Mrs. Zaitun Sayef	Independent Director	Since July 31, 2016	0/2
11	Mr. Mohammed Nasir Uddin Chowdhury	Managing Director	Since December 1, 2011	5/5

- Director who could not attend meetings were granted leave of absence by the Board.
- Mrs. Zaitun Sayef has been appointed as Independent Director of LankaBangla Finance Limited with effect from July 31, 2016.

7.1.2 Summary of Key Terms of Reference

- Provides effective leadership based on an ethical foundation
- Approves the strategy and ensures that the group's objectives take into account the need to align its strategy and risk profile, together with the performance levels and sustainability concerns of stakeholders
- Reviews the corporate governance and risk and capital management processes, and ensures that there is an effective risk management process throughout the group
- Delegate relevant authority to the Managing Director
- Determines the terms of reference and procedures of all board committees
- Reviews the board and committees' performance annually
- Reviews reports and minutes of board and committee meetings
- Ensures that the Group Audit Committee is effective and independent
- Considers and approves the audited annual financial statements and the annual integrated report, interim financial results, dividend announcements and notice to shareholders
- Monitors stakeholder relations
- Approves significant acquisitions, mergers, takeovers, divestments of operating companies, equity investments and new strategic alliances
- Assumes ultimate responsibility for financial and IT governance, operational and internal systems of control, and ensures adequate reporting on these by the respective committees.

7.2 Audit Committee

7.2.1 Members and 2016 Meeting Attendances

Sl.	Name	Status	Position	Attendance
1	Mr. Al-Mamoon Md. Sanaul Huq	Independent Director	Chairman	5/5
2	Mr. Mohammad A. Moyeen	Director	Member	4/5
3	Mr. Mahbubul Anam	Director	Member	2/5
4	Mr. M. Fakhrul Alam	Director	Member	5/5
5	Mr. Mirza Ejaz Ahmed	Director	Member	1/5

7.2.2 Summary of key terms of reference:

7.2.2.1 External audit

- assesses the independence and effectiveness of the external auditors on an annual basis
- oversees the appointment of external auditors, their terms of engagement and fees
- reviews significant differences of opinion between external auditors and management
- reviews the external auditors' management reports concerning deviations from and weaknesses in accounting and operational controls, and ensures that management takes appropriate action to satisfactorily resolve any issues
- annually reviews and approves the policy setting out the nature and extent for using external auditors for non-audit work.

7.2.2.2 Internal Audit and Financial Crime

- Reviews, approves and monitors the internal audit plan
- Reviews and approves the internal audit charter as per the board's delegated authority
- Considers and reviews the internal auditors' significant findings and management's response
- Annually re-evaluates the role, independence and effectiveness of the internal audit function in the overall context of the group's risk management system
- Reviews the reports and activities of the financial crime to ensure the mitigation and control of fraud and related risks.

7.2.2.3 Compliance

- Reviews, approves and monitors the group's compliance plan
- Monitors compliance with the Companies Act, Financial Institutions Act, the BSEC Rules and Listings Requirements, and all other applicable legislation and governance codes.

7.2.2.4 Financial Reporting and Financial Controls

- reviews the group's audited annual financial statements, interim financial results, summarised financial information, dividend announcements and all financial information in the annual report and recommends them to the board for approval
- evaluates the adequacy and effectiveness of the group's accounting policies and all proposed changes in accounting policies and practices
- reviews the basis for determination as a going concern
- reviews the effectiveness of financial management, including the management of financial risks, the quality of internal accounting control systems and reports produced including financial reporting risks and internal financial controls
- Reviews the impact of new financial systems, tax and litigation matters on financial reporting
- Monitors the maintenance of proper and adequate accounting records, and the overall financial and operational environment.

7.2.2.5 Risk Management

- Reviews the quarterly risk management report noting all significant financial and non-financial risks that may have an impact on the group.
- Considers any significant matters raised at RMC meetings.

7.2.2.6 Information Technology

- Considers the auditors' use of relevant technology and techniques to improve audit coverage and audit efficiency
- Considers the impact of IT on financial controls.

7.2.3 Summary of Key Focus Areas in 2016

- Reviewed the financial information published by the group, including the content of the annual report and all other financial reports such as the annual financial statements and interim reports, and recommended them to the board for approval
- Evaluated financial accounting and reporting issues that affected the group
- Reviewed, approved and monitored the external audit, internal audit and compliance plans
- Considered tax matters, including current and upcoming tax legislation
- Considered reports from internal audit, compliance and financial crime control, and monitored responses from management where required

- Considered the group's external auditors' annual assessment of internal audit against the International Standards on Auditing, which confirmed that the external auditors could place reliance on internal audit's work for the purpose of the external audit
- Considered the routine independent quality assurance review of audit execution, the results of which confirmed that internal audit had generally conformed with the International Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing
- Considered the requirements of the Companies Act in terms of assessing the independence of external auditors
- Approved the audit committee report for publication in the financial statements

7.3 Executive Committee

7.3.1 Members and 2016 Meeting Attendances

Sl.	Name	Status	Position	Attendance
1	Mr. Mohammad A. Moyeen	Chairman	Chairman	12/12
2	Mr. Al-Mamoon Md. Sanaul Huq	Independent Director	Member	12/12
3	Mr. M. Fakhrul Alam (Nominated from ONE Bank Limited)	Director	Member	10/12
4	Mr. Mahbubul Anam	Director	Member	6/12

7.3.2 Summary of Key Terms of Reference

The primary responsibility of the Board Executive Committee is to provide advice and support the Chief Executive Officer and the Senior Management of the Company on strategic and business decision making within the guidelines of the Board and the regulatory authorities. Delegated authority to the Board Executive Committee (BEC) includes the followings:

- To review and give approval of lease/loan proposal of the management, if deemed appropriate.
- To give approval on fixation of interest rate against the facilities.
- To review and monitor the recovery process particularly classified loan/leases.
- To address the issues that may be assigned by the Board.

If in the Committee's opinion, any matter arises in the course of exercising the delegated authority that warrants the attention of the Board, the Committee will refer that to the Board for its direction or resolution.

The Company Secretary of LankaBangla Finance Limited shall act as Secretary to the Committee and ensure the followings:

- Maintenance of the records of the Committee including the Terms of Reference as approved by the Board of the Company together with any variation to those Terms of Reference from time to time.
- Preparation of minutes of the meeting of the Committee and place the same to the following meeting of the Board on regular basis.

7.3.3 Summary of Key Focus Areas in 2016

Approval of Loans and advances amounted up to One Hundred Crore.

8. Management Committees

8.1 Management Committee (MANCOM)

The MANCOM directs the day-to-day administrative and operational affairs of LankaBangla Finance Limited. The MANCOM is headed by the Managing Director and Deputy Managing Director of LBFL. The MANCOM discusses and decides on issues relating to corporate finance, SME, CRM, Credit Administration, HR, GIS, IT and Treasury etc. MANCOM is the nerve centre of the management of the Company.

Sl.	Name	Designation	Status in the Committee
1	Mohammed Nasir Uddin Chowdhury	Managing Director	Chairman
2	Khwaja Shahriar	Deputy Managing Director	Member
3	A. K. M. Kamruzzaman	Head of Operations	Member
4	Khurshed Alam	Head of Personal Financial Service	Member
5	Quamrul Islam	Head of Treasury &Fis	Member
6	Mohammed Kamrul Hasan	Chief Risk Officer	Member
7	Mostafa Kamal	Group Company Secretary	Member Secretary
8	Kazi Masum Rashed	Chief Credit Officer	Member

Sl.	Name	Designation	Status in the Committee
9	Mohammad Shoaib	Head of Corporate Financial Service	Member
10	Shamim Al Mamun	Chief Financial Officer	Member
11	Md. Kamruzzaman Khan	Head of SME Financial Service	Member
12	S.M. Abu Washib	Head of Liability	Member
13	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
14	Sheikh Mohammad Fuad	Head of IT	Member
15	Md. Shariful Islam Mridha	Head of Human Resources	Member
16	Ummay Habiba Sharmin	Head of Legal Affairs	Member

8.2 Risk Management Forum

- Reviews Management's plans for mitigation of the material risks faced by LBFL, evaluating their potential impact, and implementing appropriate strategies to manage those risks.
- Oversights and reviews the implementation of risk management as well as Regulatory compliance and internal control systems.
- Promotes awareness of a risk based culture and the achievement of a balance between risk minimization and reward for risks accepted.
- Reviews the sufficiency of personnel, systems, procedures and other risk management issues.
- Reviews and assesses the integrity and adequacy of the Risk Management Function, including processes and organizational structure.
- Reviews the adequacy of the Group's Capital.
- Reviews and assess the adequacy of the risk measurement methodologies.
- Reviews and assesses various internal limits.
- Reviews other major risk concentrations as deemed appropriate.
- Recommends to the Board the parameters of the Group's risk reward strategy, monitor the alignment of risk profile with risk appetite as defined in the Board risk appetite statement and with current and future capital requirements, and oversee risks inherent in the Group's operations.
- Discusses with Management and the external auditors any correspondence with regulator or government agencies and any published reports that raise risk issues material to the Group.
- Reviews the monitoring of the performance of reputation risk management and controls.
- Monitors changes anticipated for the economic and business environment, including consideration of emerging trends, organizational and regulatory changes as well as other factors considered relevant to the Group's risk profile.
- Recommends to the Board the parameters of LBFL's risk management strategy monitor the risk profile and oversee inherent risks. This will include the following matters:
  -Market Risk
  -Liquidity Risk
  -Credit Risk
  -Operational Risk

Sl.	Name	Designation	Status in the Committee
1	Mohammed Nasir Uddin Chowdhury	Managing Director	Chairman
2	Khwaja Shahriar	Deputy Managing Director	Member
3	A. K. M. Kamruzzaman	Head of Operations	Member
4	Khurshed Alam	Head of Personal Financial Services	Member
5	Quamrul Islam	Head of Treasury & FIs	Member
6	Mohammed Kamrul Hasan	Chief Risk Officer	Member Secretary
7	Kazi Masum Rashed	Chief Credit Officer	Member
8	Mohammad Shoaib	Head of Corporate Financial Services	Member
9	Shamim Al Mamun	Chief Financial Officer	Member
10	Sheikh Mohammad Fuad	Head of IT	Member
11	S.M. Abu Washib	Head of Liability	Member
12	Md. Kamruzzaman Khan	Head of SME Financial Services	Member
13	Md. Shariful Islam Mridha	Head of Human Resources	Member
14	Mohd. Shafiqul Islam	Head of ICC	Member

8.3 Management Credit Committee

- Reviews and recommend the credit risk section of the risk framework and the narrative and risk appetite metrics and limits supporting the credit risk section of the Company's risk appetite statement to the Risk Management Committee for approval.
- Reviews and assess the process for establishing the Company's allowance for credit losses.
- Reviews with senior management the Company's significant policies, processes and metrics for identification of, management of and planning for credit risk. Periodically Reviews management's strategies and activities for managing credit risk, including stress test results and compliance with underwriting standards.
- Oversees management's administration of the Company's credit portfolio, including management's responses to trends in credit risk, credit concentration and asset quality, and Reviews reports from senior management (and appropriate management committees and Credit Review) regarding compliance with applicable credit risk related policies, procedures and tolerances.
- Functionally manages Credit Review and annually approve the unit's budget and operating plans, including ratification of key administrative matters. Coordinate its oversight of credit risk with the Company's Audit Committee in such a manner as the committees or their chairs deem appropriate, to assist the Audit Committee in its responsibility of reviewing the financial statements of the Company. The Committee shall discuss with the Audit Committee quarterly, the Committee's review of the Company's allowance for credit losses.
- Coordinates its oversight of credit risk with the Risk Management Committee in such a manner as the committees or their chairs deem appropriate, including providing reports to the Risk Management Committee on the Committee's review of and actions taken with respect to credit risk.
- Annually Reviews its own performance based on criteria or in accordance with procedures agreed upon with Bangladesh Bank Guidlines.
- Carry out such other duties that may be delegated to it by the Board from time to time.

Sl.	Name	Designation	Status in the Committee
1	Mohammed Nasir Uddin Chowdhury	Managing Director	Chairman
2	Khwaja Shahriar	Deputy Managing Director	Member
3	A. K. M. Kamruzzaman	Head of Operations	Member
4	Khurshed Alam	Head of Personal Financial Service	Member
5	Kazi Masum Rashed	Chief Credit Officer	Member Secretary
6	Mohammad Shoaib	Head of Corporate Financial Service	Member
7	Md. Kamruzzaman Khan	Head of SME Financial Services	Member
8	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member

8.4 Asset Liability Committee (ALCO)

- Ensures formation of an optimal structure of the Company's balance sheet to provide the maximum profitability, limiting the possible risk level;
- Ensures control over the capital adequacy and risk diversification;
- Guarantees execution of the uniform interest policy;
- Determines Company's liquidity management policy;
- Controls over the state of the current liquidity ratio and resources of the Company;
- Formation of LBFL's capital markets policy;
- Controls over dynamics of size and yield of trading transactions (purchase/sale of state and corporate securities, shares, derivatives for such instruments) as well as extent of diversification thereof;
- Controls over dynamics of the basic performance indicators (ROE, ROA, etc.) as prescribed in the Company's policy.

Sl.	Name	Designation	Status in the Committee
1	Mohammed Nasir Uddin Chowdhury	Managing Director	Chairman
2	Khwaja Shahriar	Deputy Managing Director	Member
3	Khurshed Alam	Head of Personal Financial Service	Member
4	Quamrul Islam	Head of Treasury & FIs	Member Secretary
5	Mohammed Kamrul Hasan	Chief Risk Officer	Member
6	Mohammad Shoaib	Head of Corporate Financial Service	Member
7	Shamim Al Mamun	Chief Financial Officer	Member
8	S.M. Abu Washib	Head of Liability	Member
9	Md. Kamruzzaman Khan	Head of SME Financial Services	Member
10	Nazimuddin Ahmed	Chief Dealer- Treasury, FI & Central Bank Dealing	Member

8.5 Central Compliance Unit (Anti Money Laundering Committee)

Sl.	Name	Designation	Status in the Committee
1	Mohammed Kamrul Hasan	Chief Risk Officer & CAMLCO	Chairman
2	Khwaja Shahriar	Deputy Managing Director	Member
3	A. K. M. Kamruzzaman	Head of Operations	Member
4	Khurshed Alam	Head of Personal Financial Service	Member
5	Quamrul Islam	Head of Treasury & FIs	Member
6	Mohammad Shoaib	Head of Corporate Financial Service	Member
7	Shamim Al Mamun	Chief Financial Officer	Member Secretary
8	S.M. Abu Washib	Head of Liability	Member
9	Md. Kamruzzaman Khan	Head of SME Financial Services	Member

8.6 IT Development Committee

- Reviews and approves LBFL's technology planning and strategy.
- Reviews significant technology investments and expenditures.
- Monitors and evaluates existing and future trends in technology that may affect LBFL's strategic plans, including monitoring of overall financial sector trends.
- Receives reports from management concerning the Company technology operations including, among other things, software development project performance, technical operations performance, technology architecture and significant technology investments and approve related policies or recommend such policies to the Board for approval, as appropriate.
- Performs any other activities consistent with this charter, the Company's bylaws and governing law as the Board of Directors shall specifically delegate to the Committee.

Notwithstanding anything in this charter, responsibility for the oversight of risks associated with technology, including risk assessment and risk management, shall remain with the Risk Committee of the Board, with reports to the Audit Committee of the Board as appropriate.

Sl.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Deputy Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Service	Member
4	Quamrul Islam	Head of Treasury & FIs	Member
5	Kazi Masum Rashed	Chief Credit Officer	Member
6	Sheikh Mohammad Fuad	Head of IT	Member Secretary
7	Md. Shariful Islam Mridha	Head of Human Resources	Member

8.7 Human Resource Committee

The objectives of HRC are as follows:

- Reviews annually and approve corporate goals and objectives relevant to Managing Directors ("MD") compensation, evaluate the MD's performance in light of those goals and objectives, and determine and approve the MD's compensation levels based on this evaluation. In determining the long-term incentive component of MD compensation, the Committee will consider the Company's performance and relative shareholder return, the value of similar incentive awards to MDs at comparable companies, and the awards given to the MD in past years. The MD may not be present during voting or deliberations by the Committee relating to the MD's performance or compensation.
- Administers the Company's compensation for employees, to include:
  - Determine base salary and establish incentive compensation programs for employee.
  - Determine the participants, target bonus levels and forms of incentive compensation payments under any Company incentive compensation plan established for employee.
  - Make incentive compensation awards in cash and/or equity-based awards under any Company incentive compensation plan established for employee.
- Reviews and approve hiring, retention, severance and termination arrangements, including all employment agreements and severance agreements, for employee.
- Reviews and approve employee perquisite programs.
- Reviews and recommend to the Board for approval the compensation arrangements of contractual employee.

- Provide oversight of management's administration of compensation programs and plans for contractual employee.
- Reviews the executive status of the Company and oversee the succession planning process.
- Reviews and approves changes in employee benefits plans including group health and other insurance plans, profit sharing and pension plans, and other employee benefit plans. To effectuate the foregoing, the Committee may delegate authority to a subcommittee or management committee when appropriate.
- Reviews and discusses the Compensation Discussion & Analysis (CD&A) provided by management and determine whether to recommend to the Board that the CD&A be included in the Proxy Statement and Form 10-K.
- Reviews and recommends to the Board, the Company's submissions to shareholders on executive compensation matters, including advisory votes on executive compensation and the frequency of such votes. Review and consider the results of the most recent shareholder advisory vote on executive compensation.
- Reviews, approves and recommends to the Board for adoption and, when appropriate or required, recommend to the shareholders of the Company approval of (i) all equity-based plans and (ii) any incentive plans intended to comply with Section 162(m) of the Internal Revenue Code, including the adoption, amendment and termination of such plans.
- Oversees and Reviews the evaluation of the risks, if any, arising from the Company's incentive compensation plans, policies and practices for its employees.
- Recommends to the Board for approval, and oversee, stock ownership levels and anti-hedging and anti-pledging policies applicable to directors and executive officers.
- Establish and oversees any claw-back policy allowing the Company to recoup compensation in accordance with the terms of such policy.

Sl.	Name	Designation	Status in the Committee
1	Mohammed Nasir Uddin Chowdhury	Managing Director	Chairman
2	Khwaja Shahriar	Deputy Managing Director	Member
3	A. K. M. Kamruzzaman	Head of Operations	Member
4	Quamrul Islam	Head of Treasury & FIs	Member
5	Kazi Masum Rashed	Chief Credit Officer	Member
6	Shamim Al Mamun	Chief Financial Officer	Member
7	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
8	Md. Shariful Islam Mridha	Head of Human Resources	Member Secretary

8.8 BASEL II Implementation Committee

The objectives of BASEL II are as follows:

- Promotes the adoption and implementation of sound corporate governance practices by LBFL. The effective management of operational risk has always been a fundamental element of the Company's risk management programs. However, the Basel II Framework introduced a new dimension in the form of separate capital requirements for operational risk, and expectations for the management of operational risk as a distinctive risk discipline.
- Implementation of three lines of defense (business line management, an independent corporate operational risk management function and independent review) depending on a Company's risk management approach and the flexibility provided by national supervisors.
- Provides additional supervisory guidelines associated with the verification and validation of a BASEL ll framework.

Sl.	Name	Designation	Status in the Committee
1	Mohammed Nasir Uddin Chowdhury	Managing Director	Chairman
2	Khwaja Shahriar	Deputy Managing Director	Member
3	A. K. M. Kamruzzaman	Head of Operations	Member
4	Khurshed Alam	Head of Personal Financial Service	Member
5	Quamrul Islam	Head of Treasury & FIs	Member
6	Mohammed Kamrul Hasan	Chief Risk Officer	Member Secretary
7	Kazi Masum Rashed	Chief Credit Officer	Member
8	Mohammad Shoaib	Head of Corporate Financial Service	Member
9	Shamim Al Mamun	Chief Financial Officer	Member
10	Md. Kamruzzaman Khan	Head of SME Financial Services	Member

8.9 Purchase Committee

- Maintains uninterrupted flow of materials to support the development schedules.
- Procures materials economically at a cost consistent with the quality and service required. However, generally all purchases may be attempted at the lowest cost.
- Provides the necessary expertise, advice, information to the officers with regard to the best quality of material available in the market, supplier's capability and performance etc.
- Develops and maintains good buyer-seller relationship.
- Promotes source development.
- Maintains LBFL's reputation and credibility in the market by fair dealings and prompt payments.

Sl.	Name	Designation	Status in the Committee
1	A.K.M. Kamruzzaman	Head of Operations	Chairman
2	Quamrul Islam	Head of Treasury & FIs	Member
3	Mostafa Kamal	Group Company Secretary	Member
4	Sheikh Mohammad Fuad	Head of IT	Member

8.10 Internal Control and Compliance Committee

- Adopts sound risk management principles
- Manages risk in accordance with recognized best practices.
- Manages risk is adopted by all staff in all areas of the company's activity.
- The risk management division is maintaining the highest possible integrity for services assets (property, people, reputation and financials).
- Creates an environment where LankaBangla employees assume responsibility for managing risk and identifying possible risk in their respective area of control.
- Ensures that LankaBangla management can appropriately maximize its opportunities and minimize its threats.
- Establishes of an appropriate compliance framework ensuring ongoing Compliance
- Monitors the effectiveness of internal procedures and controls to manage and minimize Compliance Risks
- Identifies new laws and regulations that affect the Company's operation
- Provides opinion prior to entering in new markets, introducing new products and services
- Acts as a liaison with the regulatory authorities regarding Compliance
- Trains management and staff on Compliance

Sl.	Name	Designation	Status in the Committee
1	Mohammed Nasir Uddin Chowdhury	Managing Director	Chairman
2	Khwaja Shahriar	Deputy Managing Director	Member
3	A. K. M. Kamruzzaman	Head of Operations	Member
4	Khurshed Alam	Head of Personal Financial Service	Member
5	Quamrul Islam	Head of Treasury & FIs	Member
6	Mohammed Kamrul Hasan	Chief Risk Officer	Member Secretary
7	Mostafa Kamal	Group Company Secretary	Member
8	Kazi Masum Rashed	Chief Credit Officer	Member
9	Mohammad Shoaib	Head of Corporate Financial Service	Member
10	Shamim Al Mamun	Chief Financial Officer	Member
11	Sheikh Mohammad Fuad	Head of IT	Member
12	Md. Kamruzzaman Khan	Head of SME Financial Services	Member
13	Md. Shariful Islam Mridha	Head of Human Resources	Member

8.11 Capital Market Operations Committee

Sl.	Name	Designation	Status in the Committee
1	Mohammed Nasir Uddin Chowdhury	Managing Director	Chairman
2	Khwaja Shahriar	Deputy Managing Director	Member
3	Quamrul Islam	Head of Treasury & FIs	Member

8.12 Green Banking Unit

- Promotes sustainable environment friendly initiatives undertaking through adoption of a set of principles and strict adherence to those principles
- Avoids financing in the industry(ies) / project(s) / business(es), which may be threat to the environment despite their financially viability
- Encourages the employees, the existing and potential clients and other stakeholders to develop, practice & promote for developing & using Environment friendly /Green Technology/products/production process
- Encourages LBFL to embrace E-Commerce as a facilitator to green banking
- Develops the attitude among the employees to motivate, encourage the stakeholders through initialization of appropriate in-house environmental risk management system through introduction of appropriate technology
- Promotes awareness programs for environment friendly products/technology through practice of Corporate Social Responsibilities (CSR)
- As per the guidelines of Bangladesh Bank, LBFL has to take different initiatives to introduce Green Banking in it's all financial activities.

Sl.	Name	Designation	Status in the Committee
1	Mohammed Kamrul Hasan	Chief Risk Officer	Chairman
2	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
3	Mohammad Nazmul Hasan Tipu	Head of Corporate Credit	Member
4	Md. Shariful Islam Mridha	Head of Human Resources	Member
5	Kazi Mohtasim Bellah Alom	Senior Manager, IT	Member
6	Md. Raziuddin	Manager, Corporate Affairs	Member
7	Ujjal Kumar	Assistant Manager, Enterprise Risk Management	Coordinator
8	Md. Tareque Anower Bin Rashid	ARM, Corporate Financial Services	Member
9	Sabih-Ul- Alam	ARM, SME Business	Member
10	Md. Nazmul Arefeen	ARM, Emerging & Commercial Business.	Member
11	Md. Jakir Hossain Rasel	SRO, Personal Financial Services	Member

8.13 Integrity Committee

- Advises and monitors the Management and Board in a continuous basis with regard to,
  - whether the management is committed to the economically sound, sustainable development of the company while observing the principles of sound, responsible management, fulfilling the company's social responsibilities and protecting the natural resources of the environment (environmental, social and governance (Green banking) issues), and
  - whether the business management is aligned to these values with the objective of a holistic corporate culture.
- Monitors the Management Board's measures that ensure the company's compliance with legal requirements, authorities' regulations and the company's own in-house policies (preventive compliance control).
- Reviews the Non-Banking Financial Institution's Code of Business Conduct and Ethics to foster conduct on the part of company employees that is exemplary in every way, both within and outside the company, and that such conduct is not just aligned to the formal compliance with statutory requirements.
- Supports on request the Risk Management Forum in monitoring and analyzing the legal and reputational risks that are material to the LBFL. For this purpose, it advises the Management Team on how to generate awareness of the importance of such risks (e.g. in the LBFL Code of Business Conduct and Ethics).
- Supports on request the preparation of the Executive Committee's recommendations for Supervisory Board decisions on pursuing recourse claims or taking other measures against current or former members of the Management Team and these are presented by its Chairperson to the Executive's Committee.

- Maintains and monitors the list, approved by the Supervisory Board, of the litigation cases that are being closely monitored by the Supervisory Board.

The Integrity Committee, Audit Committee and Risk Management Forum coordinate their activities and work together regularly and – if required – on an ad hoc basis to ensure the necessary exchange of information to capture and assess all relevant risks for the performance of their tasks.

Sl.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Deputy Managing Director	Chairman
2	AKM Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Mohammed Kamrul Hasan	Chief Risk Officer	Member
5	Kazi Masum Rashed	Chief Credit Officer	Member
6	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
7	Mohammed Shoaib	Head of Corporate Financial Services	Member
8	Shamim Al Mamun	Chief Financial Officer	Member
9	Md. Kamruzzaman Khan	Head of SME Finance	Member
10	Md. Shariful Islam Mridha	Head of Human Resources	Member
11	Md. Nurul Huque Manik	Head of Credit Cards	Member
12	Sheik Mohammad Fuad	Head of ICT	Member
13	Muhammad Habib Haider	First Assistant Vice President & In charge GIS	Member
14	Md. Raziuddin	Senior Manager, Brand Marketing & Communication	Member
15	Ujjal Kumar	Manager-Risk Management	Member Secretary



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23 February 2017

Our Ref: 01/02/2017

LankaBangla Finance Limited
Safura Tower (Level-11)
20, Kemal Ataturk Avenue
Banani, Dhaka -1213

Opinion on Status of Compliance of Corporate Governance Guidelines for the year ended 31 December 2016

Dear Sir,

We have checked the relevant documents regarding the compliance of the provisions of Corporate Governance Guidelines issued by the Bangladesh Securities & Exchange Commission (BSEC) through notification number: SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August 2012 for the year ended 31 December 2016.

In our opinion, LankaBangla Finance Limited has complied with the conditions of Corporate Governance Guidelines of BSEC for the year ended 31 December 2016. Actual status of Compliance against each requirement of the Corporate Governance Guidelines is shown in **Annexure-i.**

Thanking you.

Yours faithfully,

MMH & Co.,
Chartered Accountants

MMH & CO MMH Chartered Accountants

AMARSTOCK

MMH & Co
Chartered Accountants
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Annexure-i

Status of Compliance with the conditions imposed by the Bangladesh Securities & Exchange Commission (BSEC) through notification Number: SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August 2012 under section 2CC of the Securities & Exchange Ordinance 1969

(Report under Condition Number 7.00)

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.	**Board of Directors**			
1.1	Board Size (number of Directors - minimum 5 and maximum 20)	✓		
1.2	**Independent Directors**			
1.2 (i)	Independent Director(s) (at least one fifth of total number of Directors shall be Independent Director)	✓		
1.2 (ii)	Independent Director means-			
1.2 (ii) (a)	Who either does not hold any share in the company or hold less than one percent (1%) shares of the total paid-up shares of the company	✓		
1.2 (ii) (b)	Who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds 1% or more shares of the total paid up shares of the company, and his/her family members should not mention shares of the company	✓		
1.2 (ii) (c)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associate companies	✓		
1.2 (ii) (d)	Who is not a member, director or officer of any stock exchange	✓		
1.2 (ii) (e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	✓		
1.2 (ii) (f)	Who is / was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm	✓		
1.2 (ii) (g)	Who shall not be an Independent Director in more than 3 (three) listed companies	✓		
1.2 (ii) (h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI)	✓		
1.2 (ii) (i)	Who has not been convicted for a criminal offence involving moral turpitude	✓		
1.2 (iii)	The Independent Director(s) shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting (AGM)	✓		
1.2 (iv)	The post of Independent Director(s) cannot remain vacant for more than 90 (ninety) days	✓		
1.2 (v)	The Board of Directors shall lay down a code of conduct for all the members of the Board of Directors and annual compliance of the code to be recorded	✓		
1.2 (vi)	The tenure of office of an Independent Director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only	✓		
1.3	**Qualification of Independent Director**			
1.3 (i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	✓		
1.3 (ii)	The person should be a Business Leader/Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professional like Chartered Accountant, Cost & Management Accountant, Chartered Secretary. The Independent Director must have at least 12 (twelve) years of corporate management/ professional experiences	✓		
1.3 (iii)	In special cases, the above qualifications may be relaxed subject to prior approval of the Commission			N/A
1.4	**Chairman of the Board of Directors & Chief Executive Officer should be different person. The BOD should clearly define the roll and responsibilities of the Chairman and CEO**	✓		
1.5	**The Directors' Report to Shareholders shall include**			

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Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.5 (i)	Industry outlook and possible future developments in the industry	✓		
1.5 (ii)	Segment-wise or product-wise performance	✓		
1.5 (iii)	Risks and concerns	✓		
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss			N/A
1.5 (vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report	✓		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments			N/A
1.5 (viii)	An explanation, if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			N/A
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements, the management shall explain the variance on their Annual Report			N/A
1.5 (x)	Remuneration to directors including independent directors	✓		
1.5 (xi)	The Financial Statements prepared by the management of the company presence fairly its financial position, the result of its operations, cash flows and changes in equity	✓		
1.5 (xii)	Proper books of account of the company have been maintained	✓		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment	✓		
1.5 (xiv)	International Accounting Standards (IAS) /Bangladesh Accounting Standards (BAS) / International Financial Reporting Standards (IFRS) /Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure from those standards has been adequately disclosed	✓		
1.5 (xv)	The system of Internal Control is sound in design and has been effectively implemented and monitored	✓		
1.5 (xvi)	There is no significant doubt upon the company's ability to continue as a going concern. If company is not considered to be a going concern, the fact along with reasons thereof should be disclosed	✓		
1.5 (xvii)	Significant deviation from the last year's operating results of the company shall be highlighted and the reasons thereof should be explained			N/A
1.5 (xviii)	Key operating and financial data of at least 05 (five) preceding years shall be summarized	✓		
1.5 (xix)	If the company has not declared dividend (cash or stock) for the year, the reason shall be given			N/A
1.5 (xx)	Number of board meetings held during the year and attendance by each director shall be disclosed	✓		
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares.	✓		
1.5 (xxi) (a)	Parents/Subsidiary/Associate Companies and other related parties (name wise details)	✓		
1.5 (xxi) (b)	Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and their spouse and minor children (name wise details)	✓		
1.5 (xxi) (c)	Executives (top 5 (five)) salaried employees of the Company, other than the Directors, CEO, CFO, Company Secretary and Head of Internal Audit	✓		
1.5 (xxi) (d)	Shareholders holding 10% (ten percent) or more voting interest (name wise details)			N/A

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Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.5 (xxii)	Appointment/Reappointment of Directors-			
1.5 (xxii) (a)	A brief resume of the director	✓		
1.5 (xxii) (b)	Nature of his/her expertise in specific functional areas	✓		
1.5 (xxii) (c)	Names of companies in which the person also holds the directorship and the membership of committees of the board	✓		
2	**Chief Financial Officer (CFO), Head of Internal Audit (Internal Control & Compliance) and Company Secretary (CS)**			
2.1	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control & Compliance) and a Company Secretary (CS). The Board of Directors should clearly define the respective roles, responsibilities, and the duties of the CFO, Head of Internal Audit and CS	✓		
2.2	CFO and the Company Secretary shall attend the meeting of the Board of Directors	✓		
3	**Audit Committee**			
3 (i)	The company shall have an Audit Committee as sub-committee of the Board of Directors	✓		
3 (ii)	The Audit Committee shall assist the Board of Directors to ensure that the financial statements reflect true and fair view of the financial position of the company and a good monitoring system within the business are in place	✓		
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing	✓		
3.1	**Constitution of the Audit Committee**			
3.1 (i)	The Audit Committee should be composed of at least 3 (three) members	✓		
3.1 (ii)	The Board of Directors shall appoint the members of the Audit Committee who shall be Directors of the company and shall include at least 1 (One) Independent Director	✓		
3.1 (iii)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience	✓		
3.1 (iv)	When the term of service of the committee members expires or there is any circumstances causing a committee member to be unable to hold office until expiration of the term of services, thus making the number of the committee members lower of the prescribed number of 3 (three) member, the Board of Directors shall appoint the new committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (One) month from the date of the vacancy(ies) in the committee to ensure continuity of the performance of work of the Audit Committee	✓		
3.1 (v)	The Company Secretary shall act as the Secretary of the Committee	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) Independent Director	✓		
3.2	**Chairman of the Audit Committee**			
3.2 (i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Committee, who shall be an Independent Director	✓		
3.2 (ii)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM)	✓		
3.3	**Role of the Audit Committee**			
3.3 (i)	Oversee the financial reporting process	✓		
3.3 (ii)	Monitor choice of accounting policies and principles	✓		
3.3 (iii)	Monitor Internal Control Risk management process	✓		
3.3 (iv)	Oversee hiring and performance of external auditors	✓		
3.3 (v)	Review, along with the management, the annual financial statements before submission to the Board of Directors for approval	✓		
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board Directors for approval	✓		
3.3 (vii)	Review the adequacy of internal audit function	✓		

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Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
3.3 (viii)	Review statement of significant related party transactions submitted by the management	✓		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors	✓		
3.3 (x)	When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO) / Rights issue, the company disclosed to the Audit Committee about the uses/ applications of funds by major categories (Capital Expenditure, Sales & Marketing Expenses, Working Capital etc.), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company prepares a Statement of Fund utilized for the purposes other than those stated in the office documents/ prospectus	✓		
3.4	**Reporting of the Audit Committee**			
3.4.1	**Reporting to the Board of Directors**			
	The Audit Committee shall report on its activities to the Board of Directors	✓		
	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-			
3.4.1 (a)	Conflict of interest			N/A
3.4.1 (b)	Suspected or presumed fraud or irregularity or materials defect in the internal control system			N/A
3.4.1 (c)	Suspected infringement of laws, including securities related laws, rules and regulations			N/A
3.4.1 (d)	Reporting of any other matter which shall be disclosed to the Board of Directors immediately			N/A
3.4.2	**Reporting to Authorities** If any report which has material impact on the financial position & results of operation which has been discussed with the Board of Directors and the management that any rectification is necessary and which is unreasonably ignored, the Audit Committee shall report such findings to the Commission upon reporting of such matters to the Board of Directors three times or completion of a period of 6 (six) month from the date of first reporting to the Board of Directors whichever is earlier			N/A
3.5	**Reporting to Shareholders and General Investors** Report on activities carried out by the Audit Committee including any report made to the Board of Directors under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annul report of the Company			N/A
4	**External/Statutory Auditors shall not be engaged to perform the following services of the company:**			
4 (i)	Appraisal or valuation services or fairness opinion	✓		
4 (ii)	Financial Information System Design and implementation	✓		
4 (iii)	Book Keeping or other services related to the accounting records or financial statements	✓		
4 (iv)	Broker-Dealer services	✓		
4 (v)	Actuarial services	✓		
4 (vi)	Internal Audit services	✓		
4 (vii)	Any other services that the Audit Committee determines	✓		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the Company they audit at least during the tenure of their audit assignment of that Company	✓		
4 (ix)	Audit/certification services on compliance of corporate governance as required under clause (i) of condition No. 7	✓		
5	**Subsidiary Company**			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company	✓		

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Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5 (ii)	At least 1 (one) Independent Director on the Board of Directors of the holding company shall be Director on the Board of Directors of the subsidiary company	✓		
5 (iii)	The minutes of the Board of Directors meeting of the subsidiary company shall be placed for review at the following Board of Directors meeting of the holding company.	✓		
5 (iv)	The minutes of the respective Board of Directors meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company too	✓		
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	✓		
6	**Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)**			
	The CEO and CFO shall certify to the Board of Directors that:			
	They have reviewed financial statements for the year and that to the best of their knowledge and belief:			
6 (i) (a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	✓		
6 (i) (b)	These statements together present a true and fair view of the companys' financial position and are in compliance with existing accounting/reporting standards and applicable laws	✓		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct	✓		
7	**Reporting and Compliance of Corporate Governance:**			
7 (i)	The Company shall obtain a certificate from a practicing Professional Accountant/ Secretary (Chartered Accountant/Cost & Management Accountants/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis	✓		
7 (ii)	The Board of Directors of the company shall state, in accordance with the Annexure of notification Number: SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August 2012 in the Directors' Report whether the company has complied with these conditions	✓		

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Annexure-ii

Statement of compliance on the Good Governance guideline issued by the Bangladesh Bank, vide the DFIM Circular No. 7 dated 25 September 2007, Bangladesh Bank issued a policy on responsibility & accountability of Board of Directors, Chairman & Chief Executive of the financial institution. The Board of Directors of the Company has taken appropriate steps to comply with the guidelines and implemented the same.

SL No.	Particulars	Compliance Status
1.	**Responsibilities and authorities of the Board of Directors:**	
	(ka) Work-planning and strategic management:	
	(1) The Board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goal and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rests the development of implementation of the work-plans.	Complied
	(2) The Board shall have its analytical review incorporated in the Annual report as regard the success/ failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies.	Complied
	(3) The Board will set the Key Performance Indicator (KPI)s for the CEO and other senior executives and will evaluate half yearly / yearly basis.	Complied
	(kha) Formation of sub-committee:	
	Executive Committee may be formed in combination with directors (excluding any alternate Director) and management of the Company only for rapid settlement of the emergency matters (approval of loan/lease application, write-off , rescheduling etc.) arisen from the regular business activities.	Complied
	(Ga) Financial management:	
	(1) Annual budget and statutory financial statements shall be adopted finally with the approval of the Board.	Complied
	(2) Board shall review and examine in quarterly basis various statutory financial statements such as statement of income-expenses, statement of loan/lease, statement of liquidity, adequacy of capital, maintenance of provision, legal affairs including actions taken to recovery of overdue loan/lease.	Complied
	(3) Board shall approve the Company's policy on procurement and collection and shall also approve the expenditures according to policy. The Board shall delegate the authority on the Managing Director and among other top executives for approval of expenditure within budget to the maximum extend.	Complied
	(4) The Board shall adopt the operation of bank accounts. Groups may be formed among the management to operate bank accounts under joint signatures.	Complied
	(Gha) Management of loan/lease/investments:	
	(1) Policy on evaluation of loan/lease/investment proposal, sanction and disbursement and its regular collection and monitoring shall be adopted and reviewed by the Board regularly based on prevailing laws and regulations. Board shall delegate the authority of loan/lease/investment specifically to management preferably on Managing Director and other top executives.	Complied
	(2) No director shall interfere on the approval of loan proposal associated with him. The director concerned shall not give any opinion on that loan proposal.	Complied
	(3) Any syndicated loan/lease/investment proposal must be approved by the Board.	Complied
	(Uma) Risk management:	

	Risk Management Guideline framed in the light of Core Risk Management Guideline shall be approved by the Board and reviewed by the Board regularly.	Complied
	(Ca) Internal control and compliance management:	
	A regular Audit Committee as approved by the Board shall be formed. Board shall evaluate the reports presented by the Audit Committee on compliance with the recommendation of internal auditor, external auditors and Bangladesh Bank Inspection team.	Complied
	(Cha) Human resource management:	
	Board shall approve the policy on Human Resources Management and Service Rule. Chairman and director of the Board shall not interfere on the administrative job in line with the approved Service Rule.	Complied
	Only the authority for the appointment and promotion of the Managing Director/Deputy Managing Director/ General Manager and other equivalent position shall lie with the Board incompliance with the policy and Service Rule. No director shall be included in any Executive Committee formed for the purpose of appointment and promotion of others.	Complied
	(Ja) Appointment of CEO:	
	The Board shall appoint a competent CEO for the Company with the approval of the Bangladesh Bank and shall approve any increment of his salary and allowances.	Complied
	(Jha) Benefits offer to the Chairman:	
	Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the Company subject to the approval of the Board.	Complied
02.	**Responsibilities of the Chairman of the Board of Directors:**	
	(Ka)Chairman shall not participate in or interfere into the administrative or operational and routine affairs of the Company as he has no jurisdiction to apply executive power;	Complied
	(Kha) The minutes of the Board meetings shall be signed by the Chairman;	Complied
	(Ga) Chairman shall sign-off the proposal for appointment of Managing Director and increment of his salaries & allowances;	Complied
03.	**Responsibilities of Managing Director:**	
	(Ka) Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management;	Complied
	(Kha) Managing Director shall ensure compliance of Financial Institutions Act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities;	Complied
	(Ga) All recruitment/promotion/training, except recruitment /promotion/training of DMD, shall be vested upon the Managing Director. He shall act such in accordance the approved HR Policy of the Company;	Complied
	(Gha) Managing Director may re-schedule job responsibilities of employees;	Complied
	(Uma) Managing Director may take disciplinary actions against the employees except DMD;	Complied
	(Cha) Managing Director shall sign all the letters/statements relating to compliance of polices and guidelines. However, Departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no. 2 dated 06 January 2009 if so authorized by MD.	Complied

	Risk Management Guideline framed in the light of Core Risk Management Guideline shall be approved by the Board and reviewed by the Board regularly.	Complied
	(Ca) Internal control and compliance management:	
	A regular Audit Committee as approved by the Board shall be formed. Board shall evaluate the reports presented by the Audit Committee on compliance with the recommendation of internal auditor, external auditors and Bangladesh Bank Inspection team.	Complied
	(Cha) Human resource management:	
	Board shall approve the policy on Human Resources Management and Service Rule. Chairman and director of the Board shall not interfere on the administrative job in line with the approved Service Rule.	Complied
	Only the authority for the appointment and promotion of the Managing Director/Deputy Managing Director/ General Manager and other equivalent position shall lie with the Board incompliance with the policy and Service Rule. No director shall be included in any Executive Committee formed for the purpose of appointment and promotion of others.	Complied
	(Ja) Appointment of CEO:	
	The Board shall appoint a competent CEO for the Company with the approval of the Bangladesh Bank and shall approve any increment of his salary and allowances.	Complied
	(Jha) Benefits offer to the Chairman:	
	Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the Company subject to the approval of the Board.	Complied
02.	**Responsibilities of the Chairman of the Board of Directors:**	
	(Ka)Chairman shall not participate in or interfere into the administrative or operational and routine affairs of the Company as he has no jurisdiction to apply executive power;	Complied
	(Kha) The minutes of the Board meetings shall be signed by the Chairman;	Complied
	(Ga) Chairman shall sign-off the proposal for appointment of Managing Director and increment of his salaries & allowances;	Complied
03.	**Responsibilities of Managing Director:**	
	(Ka) Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management;	Complied
	(Kha) Managing Director shall ensure compliance of Financial Institutions Act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities;	Complied
	(Ga) All recruitment/promotion/training, except recruitment /promotion/training of DMD, shall be vested upon the Managing Director. He shall act such in accordance the approved HR Policy of the Company;	Complied
	(Gha) Managing Director may re-schedule job responsibilities of employees;	Complied
	(Uma) Managing Director may take disciplinary actions against the employees except DMD;	Complied
	(Cha) Managing Director shall sign all the letters/statements relating to compliance of polices and guidelines. However, Departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no. 2 dated 06 January 2009 if so authorized by MD.	Complied

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Annexure -III

Compliance Report on BSEC's Notification

Compliance of Section 1.5(xx)

Board of Directors meeting held during the year 2016 and attendance by each Director:

Sl. No.	Composition of the Board	Meeting held	Attended
1	Mr. Mohammad A. Moyeen	5	5
2	Mr. I. W. Senanayake	5	4
3	Mr. M. Y. Aravinda Perera	5	2
4	Mr. B. W. Kundanmal (Alternate Director of Mrs. Aneesha Mahial Kundanmal)	5	2
5	Mr. M. Fakhrul Alam	5	5
6	Mr. Mirza Ejaz Ahmed	5	3
7	Mr. Mahbubul Anam	5	5
8	Dr. M. Mahbubul Huque (Alternate Director of Mr. Tahsinul Huque)	5	4
9	Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	5	5
10	Mrs. Zaitun Sayef (Independent Director)	2	0

Notes:

- Director who could not attend meetings were granted leave of absence by the Board.
- Mrs. Zaitun Sayef has been appointed as Independent Director of LankaBangla Finance Limited with effect from July 31, 2016

Board of Executive Committee meeting held during the year 2015 and attendance by each Director:

Sl. No.	Composition of the Committee	Meeting held	Attended
1	Mr. Mohammad A. Moyeen	12	12
2	Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	12	12
3	Mr. M. Fakhrul Alam (Nomineted from One Bank Limited)	12	10
4	Mr. Mahbubul Anam	12	6

Notes:

- Director who could not attend meetings were granted leave of absence by the Board.

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Board of Audit Committee meeting held during the year 2015 and attendance by each Director:

Sl. No.	Composition of the Committee	Meeting held	Attended
1	Mr. Al-Mamoon Md. Sanaul Huq (Independent Director)	5	5
2	Mr. Mohammad A. Moyeen	5	4
3	Mr. Mahbubul Anam	5	2
4	Mr. M. Fakhrul Alam	5	5
5	Mr. Mirza Ejaz Ahmed	5	1

Notes:

- Director who could not attend meetings were granted leave of absence by the Board.

Compliance of Section 1.5(xxi)

The Pattern of Shareholding

a) Parent/Subsidiary/Associated companies and other related party :

Name	Relation	Shares Held
Sampath Bank Plc., Srilanka	Related Party	26,211,685

b) Directors, Chief Executive Officer/Managing Director, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouse and minor children :

Name	Designation	Shares Held
Mr. Mohemmad A. Moyeen	Chairman	11,731,614
Mr. I.W. Senanayake	Representative of Sampath Bank Limited	26,211,685
Mr. M. Y. Aravinda Perera	Representative of Sampath Bank Limited	
Mr. M Fakhrul Alam	Representative of ONE Bank Limited	10,458,017
Mr. Mirza Ejaz Ahmed	Representative of SSC Holdings Limited	2,581,718
Mrs. Aneesha Mahial Kundanmal	Director	18,535,473
Mr. Mahbubul Alam	Director	10,717,756
Mr. Tahsinul Huque	Director	9,375,717
Mr. Al Mamoon Md. Sanaul Huq	Independent Director	None
Mr. Kazi Abu Muhammad Majedur Rahman	Independent Director	None
Mr. Mohammed Nasir Uddin Chowdhury	Managing Director	None
Mr. Mostafa Kamal FCA	Company Secretary	3,984
Mr. Shamim Al Mamun FCA	Chief Financial Officer	None
Mr. Mohammed Kamrul Hasan FCA	Head of Internal Audit	None

c) Executives (Top five salaried employees of the company, other than Directors, CEO, CFO and Head of Internal Audit)

Name	Designation	Shares Held
Mr. Khwaja Shahriar	Deputy Managing Director	None
Mr. AKM Kamruzzaman FCMA	Executive Vice President	None
Mr. Quamrul Islam	Executive Vice President	None
Mr. Khurshed Alam	Executive Vice President	None
Mr. Kazi Masum Rashed	Senior Vice President	None

d) Shareholding ten percent (10%) or more voting interest in the company: None

BOARD AUDIT COMMITTEE REPORT

1. The Composition of the Committee

In accordance with the currently accepted Best Practice and Corporate Governance Guidelines, the Board appointed Audit Committee comprising of the following Directors of the Company:

- Mr. Al-Mamoon Md. Sanaul Huq- Independent Director (Chairman)
- Mr. Mohammad A Moyeen
- Mr. Mahbubul Anam
- Mr. M. Fakhrul Alam
- Mr. Mirza Ejaz Ahmed

The Chairman of the Committee was a Consultant of World Bank Dhaka Office, Controller General of Accounts and Comptroller & Auditor General of Bangladesh and possesses considerable experience in the field of Audit, Finance & Management. The Portfolios of the members are given in pages 45 to 48.

The Committee is responsible and reports to the Board of Directors. The Managing Director and the Chief Financial Officer attend committee meetings by invitation. The Board Secretary functions as the Secretary of the Committee.

2. The Charter of the Audit Committee

The Audit Committee charter is periodically reviewed and revised with approval of the Board of Directors. The Terms of Reference of Audit Committee is clearly defined in the Charter of the Audit Committee. The process ensures that new developments and concerns are adequately addressed. The Committee is responsible to the Board of Directors and reports on its activity regularly. The functions of the committee are geared to assists the Board in its general oversights on financial reporting, internal audit, internal controls, risk management and external audit.

Bangladesh Bank's DFIM Circular No. 13, dated; 26/10/2011, on formation of Audit Committee and its subsequent amendments and The Securities and Exchange Commission Notification no. SEC/CMRRCD/2006-158/134/Admin/44, dated: 07/08/2012, on "Code of the best Practice on Corporate Governance" for listed companies further regulate the compositions, roles and functions of the Audit Committee.

3. Terms of Reference

The Terms of Reference of the Audit Committee clearly defines the roles and responsibility of the Audit Committee. The Terms of Reference is periodically reviewed and revised with the concurrence of the Board of Directors. The Audit is responsible to and reports to the Board of Directors. The Role and functions of the Committee are further regulated by the rules governing the Audit Committee as specified by the "Conditions on Corporate Governance" issued by the Securities and Exchange Commission and Guidelines on Corporate Governance & Responsibilities of Audit Committee issued by Bangladesh Bank.

4. Roles and responsibilities of the Audit Committee

The role and functions of the Committee are further regulated by the rules governing the Audit Committee as specified by the Guidelines of Bangladesh Bank on 'Corporate Governance for NBFI's in Bangladesh' and also 'Conditions on Corporate Governance' by the Securities and Exchange Commission.

The main objective of the Audit Committee is to assist the Board of Directors to effectively carry on its responsibilities relating to financial and other connected affairs of LankaBangla. The Committee is empowering to monitor, review and examine:

- The integrity of the financial statements of LBFL and all subsidiaries;
- The Company's external auditors' qualifications and independence, the performance and effectiveness of the Company's internal and external audits, internal controls and the measurement of operational risk, and the compliance by the Company with legal and regulatory requirements.
- Examine any matter relating to the financial and other connected to the company.
- Monitor all internal and external audit and Bangladesh Bank's inspection program.
- Review the efficiency of Internal Control systems and procedures, in place.
- Review the quality of Accounting Policies and their adherence to Statutory and Regulatory Compliance.
- Review the Company's Annual Report and Accounts and Interim Financial Statements prepared for disclosure, before submission to the Board
- Ensure that a well managed sound financial reporting system is in place to provide timely reliable information to the Board of Directors, Regulatory Authorities, Management and all other stakeholders.
- Ensure Company's policies are firmly committed to the highest standards of good corporate governance practices and operations conform to the highest ethical standards and in the best interests of all stakeholders.

5. Meetings

The Committee held on five (5) meetings during the year under review. The attendance of Committee members at meetings is stated in the table on page 77 Members of the senior management of the company were invited to participate at meetings as and when required. The proceedings of the Audit Committee meetings are regularly reported to the Board of Directors. On invitation of the Committee, the Engagement Partner of Company's external auditors, ACNABIN, Chartered Accountants attended two (2) Committee meetings during the year. The Committee continued guiding the management with the selection of the new Accounting Policies which is required under the aforesaid new Accounting Standards and implementing same.

6. Activities

The Committee carried out the following activities during the year 2016:

6.1 Financial Reporting

The Committee supports the Board of Directors to discharge their responsibility for the preparation of Financial Statements that reflect a true and fair view of the financial performance and financial position based of the Company's accounting records and in terms of the Bangladesh Accounting Standards, by:

- Reviewing the systems and procedures to ensure that all transactions are completely and accurately recorded in the books of account.
- Reviewing the effectiveness of the financial reporting system in place to ensure reliability of the information provided to the stakeholders

- Reviewing the Accounting Policies and to determine the most appropriate accounting policies after consideration of all choices available
- Strict adherence and compliance with the Bangladesh Accounting Standards and recommended best accounting practices
- Reviewing the Annual Report and Accounts and the Interim Financial Statements prepared for publication, prior to submission to the Board

Having assessed the internal financial controls, the Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the financial position is well monitored.

6.2 Regulatory Compliance

The Company's procedures in place to ensure Compliance with Mandatory Bangladesh Bank's instructions and statutory requirements were under close scrutiny. The Committee monitors the due compliance with all requirements through the quarterly statements submitted by the Internal Audit Department. The Committee monitors the due compliance with all requirements through the quarterly statements submitted by the Internal Audit Department. The Committee monitors due compliance with all relevant Laws, Regulations and timely settlements of Statutory dues.

6.3 Identification of Risk and Control measures

In view the fact LankaBangla has adopted a risk-based audit approach, the effectiveness of internal control procedures in place to identify and manage all significant risks are being reviewed by the Committee throughout the Company and other Group entities. The Risk Management was invited to make presentations on Risk Management measures adopted in their areas of responsibility. Risk rating guidelines with an appropriate Risk Grading Matrix has been formulated for assessing and measuring the operational risks identified during inspections. The Committee seeks and obtains the required assurances from the Business Units on the remedial action in respect of the identified risks in order to maintain the effectiveness of internal control procedures in place.

6.4 Corporate Governance Report

As required by the provisions of Corporate Governance Guidelines issued by the Bangladesh Securities & Exchange Commission (BSEC) through notification Number: SEC/CMRRCD/2006-158/134/ Admin/44, dated 07 August 2012 Corporate Governance for Licensed Financial Institutions in Bangladesh, Annual Corporate Governance Report for 2016 is provided on pages 72 to 85. The external auditors have performed procedures set out by the Bangladesh Securities and Exchange Commission (BSEC), to meet the compliance requirement of the Corporate Governance directive. Their findings presented in their report, addressed to the Board are consistent with the matters disclosed above and did not identify any inconsistencies to those reported by the Board on pages 86 to 96.

6.5 Internal Audit Function

The Audit Committee approves the terms of reference of internal audit and reviews the effectiveness of the internal audit function. In line with leading practice, it to provide independent and reasonable, but not absolute, assurance that the LankaBangla system of risk management, control, and governance processes, as designed and implemented by senior management, are adequate and effective. Internal Audit reports on the adequacy of the system of internal controls to the Audit Committee and management, but does not form any part of the system of internal controls. Internal Audit has implemented risk-based audit processes. Audit work is prioritized and scoped according to an assessment of risk exposures, including not only financial risks, but operational, compliance and strategic risks as well.

The work undertaken by Internal Audit includes the audit of the Company's system of internal controls over its key operations, review of security and access controls for the Company's computer systems, review of control processes within and around new products and system enhancements, and review of controls over the monitoring of market, liquidity, and credit risks. Internal Audit also participates in major new system developments and special projects, to help evaluate risk exposures and to help ensure that proposed compensating internal controls are adequately evaluated on a timely basis. It also ascertains that the internal controls are adequate to ensure prompt and accurate recording of transactions and proper safeguarding of assets, and that the Company complies with laws and regulations, adheres to established policies and takes appropriate steps to address control deficiencies.

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing, and ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored. Internal Audit reports functionally to the Audit Committee and administratively to the Managing Director, and has unfettered access to the Audit Committee, Board and senior management, as well as the right to seek information and explanations. The Audit Committee approves the appointment and removal of the Head of Internal Audit.

6.6 External Audit

The Committee met with the Auditors prior to commencement and at the conclusion of the Annual Audit to discuss the audit scope, approach and methodology to be adopted and the findings of the audit. The Committee subsecuently reviewed the external auditor's findings in order to be satisfied that appropriate action is being taken. Non-Executive Directors had separate meetings with Auditors to ensure they had no cause to compromise on their independence. Auditors' Management Letter together with the Management's response thereto and the Audited Financial Statements were reviewed with the Auditors. The Committee reviewed the non-audit services provided by the Auditors to ensure that such services do not fall within the restricted services and provision of such services does not impair the External Auditors independence and objectivity.

6.7 Internal Controls

The Board believes, with the concurrence of the Audit Committee, that the system of internal controls, including financial, operational and compliance controls and risk management systems, maintained by the Company's management and that was in place throughout the financial year and up to and as of the date of this report, is adequate to meet the needs of

the company in its current business environment. The system of internal controls provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

6.8 Ethics and Good Governance

Highest standards in Corporate Good Governance and strict adherence to the requirements of LBFL's Code of Ethics are ensured through close monitoring. Through the Code of Ethics all levels of staff have been educated and encouraged to resort to whistle blowing, when they suspect wrong doings or other improprieties. The Committee also ensures that appropriate procedures are in place to conduct independent investigations into all such incidents.

6.9 Bangladesh Accounting Standards

The Committee continued to monitor the progress of the mandatory implementation of Bangladesh Accounting Standards (BAS) with converged with International Financial Reporting Standards (IFRS). Committee reviewed the revised policy decisions relating to adoption of new and revised BAS applicable to the Financial Institutions and made recommendations to the Board.

6.10 Appointment of the External Auditor

The Audit Committee has recommended to the Board of Directors that M/s. ACNABIN Chartered Accountants, may be appointed for the financial year ending 31 December 2017, subject to the approval of shareholders at the next Annual General Meeting.

7. Evaluation of the Committee

An evaluation on the effectiveness of the Committee was carried out by the other Members of the Board of Directors and the Committee has been found to be effective.



Al-Mamoon Md. Sanaul Huq
Chairman – Audit Committee

Dhaka
13 February, 2017

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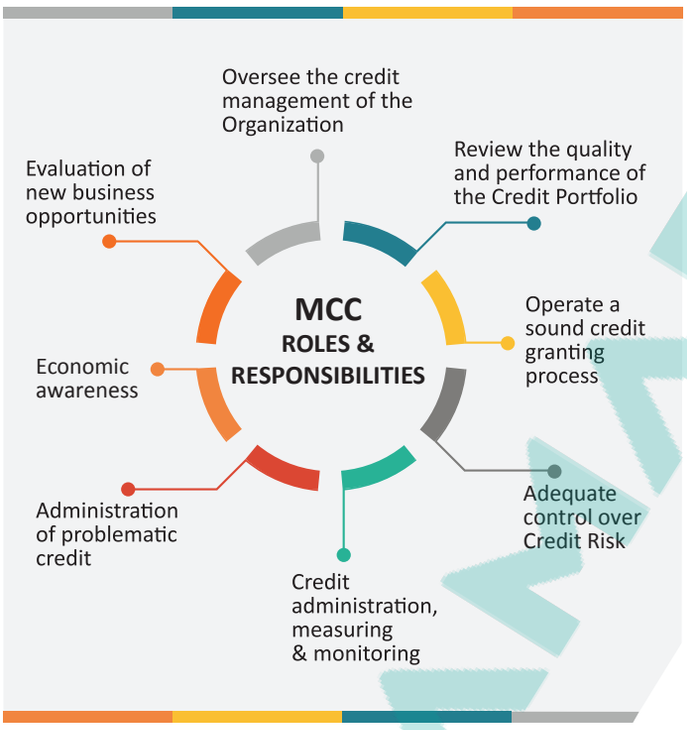
MANAGEMENT CREDIT COMMITTEE REPORT

Composition of the Management Credit Committee (MCC)

The following members who serve on the Committee are:

Sl.	Name	Designation	Position in the Committee
1	Mohammed Nasir Uddin Chowdhury	Managing Director	Chairman
2	Khwaja Shahriar	Deputy Managing Director	Member
3	A. K. M. Kamruzzaman	Head of Operations	Member
4	Khurshed Alam	Head of Personal Financial Service	Member
5	Kazi Masum Rashed	Chief Credit Officer	Member Secretary
6	Mohammad Shoaib	Head of Corporate Financial Service	Member
7	Md. Kamruzzaman Khan	Head of SME Financial Services	Member
8	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member



Roles and responsibilities:

The purpose of the Committee is to oversee the credit and lending decisions & strategies. This includes:

(i) Overseeing the credit management, including reviewing internal credit policies and establishing portfolio limits.

(i) Reviewing the quality and performance of the credit portfolio.

In addition, the Committee is responsible for any other matters delegated to it by the Board. Hence, it is the responsibility of the Committee to:

1. **Operate a sound credit granting process**
   - Review and approve credit proposals in accordance with Board approved credit policies and standards. Where required, submit credit requests beyond the Committee's scope to the Board for a decision.
   - Review credit policy changes initiated by the management of the Bank and recommend them to the Board of Directors for its approval.
   - Ensure compliance by the Bank's credit policies with the statutory requirements prescribed by the regulatory/ supervisory authorities.
   - Request rapid portfolio reviews or sector/industry reviews, where deemed appropriate.
2. **Maintain adequate controls over credit risk**
   - Monitor capital allocation and define limits in line with risk appetite.
   - Ensure credit risk exposure is kept within acceptable limits to maximise the Bank's risk adjusted rate of return.
3. **Maintain appropriate credit administration, measuring and monitoring process**
   - Review credit approval framework and assign credit delegated limits in line with the Bank's policy.
   - Review and recommend to the Board, facilities that they believe should have Board approval.
4. **Identification and Administration of problem credits**
   - Monitor on an ongoing basis the Bank's credit quality, review periodic credit portfolio reports and assess portfolio performance.
   - Ensure post-credit monitoring and postmortem reviews are performed, where deemed appropriate.
5. **Aware of the cyclical aspects of the economy (both internal and external)**
   - Monitor the resulting shifts in the composition and quality of the loan portfolio.
6. **Ensure all new credit risk related products are reviewed from a credit risk management perspective.**

Review of the committee

Members of the Committee work closely with the Board of Directors to maintain proper credit standards for the Bank. The Board undertakes a review of the Committee's performance, objectives and responsibilities according to its terms of reference to ensure that it is operating effectively.

HUMAN RESOURCES & REMUNERATION COMMITTEE REPORT

1. Overview

LankaBangla has always been very passionate about human capital management and takes responsibility for developing employee potentials and leveraging employee skills in the organization. LankaBangla guards with care the great resource of intelligent, experienced, disciplined, clear-thinking and energetic people who continuously drive growth and innovation, within clear risk boundaries. LankaBangla continues to implement HR policies and practices that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. LankaBangla believes that the skills and enthusiasm of its employees are major forces that help it to achieve sustainable results.

2. Composition of the Committee

The Human Resources & Remuneration Committee (the Committee), appointed by and responsible to the Board of Directors comprises the HR & Remuneration Committee of LankaBangla Finance Limited:

Sl.	Name	Designation
1	Mohammed Nasir Uddin Chowdhury	Managing Director
2	Khwaja Shahriar	Deputy Managing Director
3	Quamrul Islam	Head of Treasury
4	A. K. M. Kamruzzaman	Head of Operations
5	Kazi Masum Rashed	Chief Credit Officer
6	Shamim Al Mamun	Chief Financial Officer
7	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations
8	Md. Shariful Islam Mridha	Head of Human Resources

As per the Bangladesh Bank Circular Directors cannot be part of any committee except for Board Audit Committee and Board Executive committee. For this reason the HR and Remuneration committee is fully comprised of the members of the management of LankaBangla. The Head of Human Resources functions as the Secretary to the Committee.

3. Policy

LankaBangla's remuneration policy aims to attract, motivate and retain employees in a competitive environment with the appropriate professional, managerial and operational expertise necessary to achieve the objectives. It is the focus of the Committee to ensure that the total remuneration package is sufficiently competitive to attract the best available talent to LankaBangla.

4. Scope

The Committee is vested with power to examine, evaluate and recommend to the Board of Directors on any matter that may affect the human resources management of LankaBangla within its Terms of Reference (TOR) and any other matters as may be referred to it by the Board. It reviews all significant Human Resource policies and initiatives, salary structures and terms and conditions relating to staff at senior management level. In this process, necessary information and recommendations are obtained from the Head of Human Resource. The Committee deliberates upon and recommends to the Board of directors the remuneration packages, annual increments and bonuses of all the employees having evaluated their performance against the set goals and targets.

The organizational structure is also reviewed periodically and adjustments are made according to the focus of the Strategic Plan. An ongoing priority is to ensure proper succession for key posts. In doing so, the aspirations for career progression of Management are taken into account. Recruitments and promotions of staff at management level are also considered and approved based on proposals submitted by the Head of Human Resource following a formal process of evaluation and thereafter recommended to the Board for ratification.

5. Meetings

The Committee met eight (08) times during 2016. Other Board Members may attend meetings on invitation.

6. Major Task Done By the HR and Remuneration Committee

Organization wide the role of HR and Recruitment Committee is clearly visible. The committee is more focused on employee engagement activities that make the basic essence of LankaBangla which is "Growing Together". The major task done by the committee can be divided in below segments:

- Employee Development: We consider our human resources as our asset. For the development of our asset, we provide various in-house, external & foreign trainings. In 2016, we have provided 54 numbers of internal training.
- Employee Recognition: We are a performance driven organization. Promoting the best performer is our motto. To encourage our employees to excel in their area of work, we have developed several recognition programs such as "Heros@Work" for our FTEs & HRCs, "Dine with MD" for PMOs and "Icon BM" for best Branch Manager. On top of that, we also organize town-hall meeting twice in a year for our staffs and the best performers are also rewarded by our honorable Chairman and Managing Director. Crest, gift hampers, cash incentive and certificates are awarded in this program. All this efforts are taken only to boost the morale of our employees and to motivate them to perform at their best.
- Employee Engagement: LankaBangla is like home out of home as we spend most of our time here. So we celebrate different occasions together like Women's Day, Pohela Boishak, Kids' Art Competition to enhance the bonding with our colleagues and with LankaBangla.
- Health & Refreshment: To get rid of our monotonous daily life, we arrange different sports among our subsidiaries such as table tennis, football, badminton. We also participate in corporate football program and have been awarded as the "Emerging Team of The Tournament". Beside this, we organized in-house health check-up program for our employees.
- Insurance Coverage: LankaBangla also provide health & life insurance to its employees. Health insurance covers employee, spouse and their kids. The premium is born by the company. HR Division manages all administrative activities for any insurance claim. Even HR arranges direct payment facility for its employees

- Participation in Career Fairs: HR team has participated in 6 career fairs such at University of Dhaka, Military Institute of Science & Technology (MIST), Jahangir Nagar University, American International University of Bangladesh (AIUB), East West University etc. We have recruited a significant number of employees from career fair.
- Development in ERP: As a part of automation and reducing man hour, the committee has given a significant effort in the development of ERP. We have built our own online based Job Description Tool. All employees as well as the supervisors can review the JD at any time through logging in the ERP system.

7. Developing and Managing Talent at Lankabangla

Against the backdrop of strategic repositioning and the challenges ahead, LankaBangla has adopted a balanced approach to talent acquisition. It relies both on leveraging the skills and experience already available within the organization, while bringing in the necessary capabilities that will help position LankaBangla for long-term sustainable performance.

7.1 Internal Recruitment:

In 2016, LankaBangla continued to strengthen its internal career mobility activities to drive greater career development and retention of employees. Total 31 employees have been internally recruited during the year.

7.2 Building New Talent

Another key aspect of LankaBangla's hiring strategy is to ensure a steady pipeline of junior talent, including permanent hires and investment in this area will continue. The year 2016 saw more than 298 graduates hired, 22% of whom are female. There has also been a particular strategic focus on integrating Management Trainee Program to build a broader and more flexible talent pool for the future. Additionally, LankaBangla continued to expand its presence and engagement on social media platforms to ensure it is accessing the relevant target groups through the channels they use to explore career and employment opportunities. LankaBangla is also strengthened its governance, ensuring that consistent, structured, merit-based hiring practices for all target groups are in place.

8. Developing Employees and Creating Future Leaders

LankaBangla's business performance relies, first and foremost, on its employees. LankaBangla seeks to build the capabilities of managers and staff to help them develop both professionally and personally and to position the organization for future success. Talent and development activities are aligned to three priorities: building leadership capabilities and developing future leaders; fostering an environment that supports sustainable performance; and promoting continual professional and personal development for all employees.

9. Aligning the Reward System to Evolving Requirements

Compensation plays an integral role in the successful delivery of LankaBangla's strategic objectives. Attracting and retaining the most capable employees is central to the LankaBangla's compensation strategy. The corner stone of this concept is pay for performance, within a sound risk management and governance framework, and with due consideration of market factors and societal values. As the organization seeks to align compensation evolving external and internal expectations, reward structures are regularly reviewed and changed as needed.

LankaBangla historically established a close link between employees' compensation and their performance and behavior at all levels and across all divisions of the organization. This takes into consideration a host of factors including, but not limited to, the Company's performance, divisional performance and the employee's individual performance.

10. Succession Planning

As companies move through various stages in their life cycle and build growth strategies to deal with changing business environments, the issue of leadership becomes critical and with it, the related issue of succession. In view of that, LankaBangla implements succession planning for its management. This requires forecasting and planning appropriately to ensure that there is continuity and the right kind of leadership in the business.

11. Grievance Management and Counseling

LankaBangla Finance Limited (LBFL) is committed to provide the best possible working conditions for its employees and associated members. LBFL strives to ensure fair and honest treatment for all employees. Head of the Divisions, Managers, Supervisors and Employees are expected to treat each other with mutual respect.

Part of this commitment, LBFL does encourage an open and frank atmosphere in which any grievance may be shared with management to get it resolved. LBFL does believe that most of the work related problems can be resolved through mutual understanding and discussion without initiating formal grievance procedure.

STATEMENT ON DIRECTORS' RESPONSIBILITIES

The statement sets out the responsibility of the Directors, in relation to the Financial Statements of the LankaBangla Finance Limited (The Company) and the Consolidated Financial Statements of the Company and its subsidiaries (Group). The responsibilities of the External Auditors in relation to the Financial Statements are set out in the "Auditors' Report" given on page 201.

In terms of the sections 181, 183, 185, 186, 187 and 189 of the Companies Act, 1994 (Act XVIII of 1994), the Directors of the Company are responsible for ensuring that the Group and the Company keep proper books of accounts of all the transactions and prepare Financial Statements that gives a true and fair view of the financial positions of the Company and the Group for each financial year and place them before a general meeting. The Financial Statements comprises of the Statements of Financial Positions as on 31 December 2016, Statements of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and notes thereto.

Accordingly, the Directors confirms that the Financial Statements of the Company and the Group give a true and fair view of:

- The financial position of the Company and the Group as on 31 December 2016; and
- The financial performance of the Company and the Group for the financial year then ended.

Compliance Report

The Board of Directors also wishes to confirm that:

- Appropriate Accounting Policies have been selected and applied in preparing the Financial Statements exhibited on pages 215 to 231 based on the latest financial reporting framework on a consistent basis, while reasonable and prudent judgments have been made so that the form and substances of transactions are properly reflected and material departures, if any, have been disclosed and clarified;
- The Financial Statements for the year 2016, prepared and presented in this annual report have been prepared based on the Bangladesh Accounting Standards (BAS) are in agreement with the underlying books of account and are in conformity with the requirements of the Bangladesh Financial Reporting Standards (BFRS), the Financial Institutions Act, 1993, the Companies Act, 1994, the Securities and Exchange Rules, 1987 and other applicable laws & regulations;
- These Financial Statements comply with the prescribed format issued by the Bangladesh Bank vide DFIM Circular No. 11, dated; 23/11/2009 for the preparation of annual Financial Statements of financial institutions;
- Proper accounting records which correctly record and explain the Company's transactions have been maintained as required by section 181 of the Companies Act, 1994 to determine at any point of time the Company's financial position, in accordance to the Act to facilitate proper audit of the Financial Statements;
- The Directors have taken appropriate steps to ensure that the Company and the Group maintain proper books of accounts and review the financial reporting system directly by them at their regular meetings and also through the Board Audit Committee, the report of the Audit Committee is given in pages 97 to 99. The Board of Directors also approves the interim Financial Statements prior to their release, following a review and recommendation by the Board Audit Committee;
- The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report;
- The Directors also have taken reasonable measures to safeguard the assets of the Company and the Group and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the business of financial institution in an orderly manner and safeguard its assets and secure as far as practicable, the accuracy and reliability of the records. The Directors Statement on Internal Control is given in page 104 of this Annual Report;
- To the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiaries, and all other known statutory dues as were due and payable by the Company and its Subsidiaries as at the reporting date have been paid or, where relevant, provided for ;
- As required by the Sections 183(2) of the Companies Act, 1994, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholders of the Company, who have expressed desire to receive a hard copy or to other shareholders a soft copy each in a CD containing the Annual Report within the stipulated period of time as required by the Clause 22 of the Listing Regulations 2015 of the Dhaka and Chittagong Stock Exchanges;
- That all shareholders in each category have been treated equitably in accordance with the original terms of issue;
- That after considering the financial positions, operating conditions, regulatory and other factors and such matters required to be addressed in the "Code of Corporate Governance" issued separately by the Bangladesh Securities and Exchange Commission and Bangladesh Bank for the financial institutions, the Directors have a reasonable expectation that the Company and its Subsidiaries possess adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the going concern basis in preparing the Financial Statements;
- The Financial Statements of the Company and the Group have been signed by three Directors and the Company Secretary of the Company on 13 February, 2017 as required by the Section 189(1) of the Companies Act, 1994 and other regulatory requirements ;
- The Company's External Auditors, ACNABIN who were appointed in terms of the Section 210 of the Companies Act, 1994 and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion which appears as reported by them on page 201.

Accordingly, the Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board



Mostafa Kamal, FCA
Group Company Secretary

Dhaka, 13 February, 2017

DIRECTORS' STATEMENT ON INTERNAL CONTROL

Responsibility

As per the Bangladesh Bank Circular DFIM Circular No. 07, dated; 25-09-2007, DFIM Circular Letter No. 09, dated; 08-10-2007, DFIM Circular Letter No. 18, dated; 26-10-2011 and DFIM Circular Letter no. 06, dated; 17-06-2012, which clearly define the Responsibility of the Board of Directors on Internal Control of the Company.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of LankaBangla Finance Limited (LBFL) system of internal controls. However, such a system is designed to manage the LBFL's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the business objectives and policies of the Company. Accordingly, the system of internal controls can only provide a reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board in accordance with the guidance for Directors of FIs on the DFIM Circulars on Internal Control issued by the Bangladesh Bank. As per the said guidance, significant processes affecting significant accounts of the Company were assessed along with the key risk areas of the Company.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Company, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks. The Board is of the view that the system of internal controls in place is sound and adequate to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

Significant Internal Control Processes

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

- The Board Sub Committees are established to assist the Board in ensuring:
  - the effectiveness of the LBFL's daily operations.
  - that the LBFL's operations are in accordance with the corporate objectives and strategies.
  - that the operations of the Company are in line with the annual budget as well as the policies and business directions that have been approved by the Board.
- The Internal Audit Division of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. Audits are carried out on majority of units and branches, the frequency of which is determined by the level of risk assessed by the internal audit, to provide an independent and objective report on operational and management activities of these units and branches. The annual audit plan is reviewed and approved by the Audit Committee and the findings of the audits are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee of the Company reviews internal control issues identified by the Internal Audit Division, the external auditors, regulatory authorities and management; and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit function with particular emphasis on the scope of audits and quality of the same. The minutes of the Audit Committee meetings are tabled for the information of the Board on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Company are set out in the Audit Committee Report on pages 97 to 99.
- The Risk Management Forum (RMF) is established to assist the Board to oversee the overall management of principal areas of risk of the Company. The Risk Management Forum which includes representation from all key business and operating units of the Company, assists the Board with the implementation of policies advocated at the Board Audit Committee.
- Board Executive Committees have also been established with appropriate empowerment to ensure effective management and supervision of the LBFL's core areas of business operations and investments.

In assessing the internal control system over financial reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Company. These in turn were observed and checked by the internal audit department for suitability of design and effectiveness on an ongoing basis.

The Company adopted the new Bangladesh Accounting Standards Comprising BAS & BFRS. Since adoption of such Bangladesh Accounting Standards, progressive improvements on processes to comply with new requirements of recognition, measurement, classification and disclosure are being made whilst, further strengthening of processes will take place pertaining to impairment of loans and advances and financial statement disclosures. They also recognized the need to introduce an automated financial reporting process to more effectively comply with the requirements of recognition, measurement, classification and disclosures of financial instruments. The assessment did not include subsidiaries of the Company. The recommendations made by the external auditors in connection with the internal control system in previous years were reviewed during the year and appropriate steps have been taken to implement rectify them. The recommendations made by the external auditors in 2014 in connection with the internal control system are being addressed at present.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with Bangladesh Accounting Standards and regulatory requirements of the Bangladesh Bank and the Bangladesh Securities and Exchange Commission.



Mohammad A Moyeen
Chairman

Dhaka, 13 February, 2017

RESPONSIBILITY STATEMENT OF MD AND CFO

The financial statements of Lankabangla Finance Limited (LBFL) and the consolidated financial statements of LBFL and its subsidiaries as at 31st December 2016 are prepared and presented in compliance with the requirements of the following:

- International Financial Reporting Standards (IFRS) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB);
- Companies Act 1994;
- Income Tax Ordinance 1984;
- Financial Institution Act 1993 (as amended);
- Bangladesh Securities and Exchange Rules 1987;
- Listing Rules of the Dhaka Stock Exchange;
- Bangladesh bank guidelines.

The formats used in the preparation of the financial statements and disclosures made comply with the formats prescribed by the Bangladesh Bank, the Central Bank of Bangladesh.

The Accounting Policies used in the preparation of the financial statements are appropriate and are consistently applied by the Group. There are no departures from the prescribed Accounting Standards in their adoption except for as mentioned in note number 2.5 of the Audited Financial Statements (Pages 218 to 219). Comparative information has been reclassified wherever necessary to comply with the current presentation.

The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and external auditors.

The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis; in order that the financial statements reflect in a true and fair manner, the form and substance of transactions and that LBFL's state of affairs is reasonably presented. To ensure this, LBFL has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. It is confirmed that LBFL has adequate resources to continue its operations in the foreseeable future. Therefore, LBFL will continue to adopt the 'going concern' basis in preparing these financial statements.

Our internal auditor has conducted periodic audits to provide reasonable assurance that the established policies and procedures of LBFL were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

Directors' Report on page 64 report on Internal Control over Financial Reporting. In addition, report on Directors' Responsibly on Financial Reporting and Internal Control is provided on pages 103 & 104 . LBFL's External Auditors, Messrs ACNABIN, Chartered Accountants have audited the effectiveness of the LBFL's Internal Controls Over Financial Reporting.

The Financial Statements of LBFL were audited by ACNABIN, Chartered Accountants, the independent External Auditors.

Their report is given on page 201 of this Annual Report. The Board Audit Committee of LBFL meets periodically with the Internal Auditors and the independent External Auditors to review the manner in which these auditors are performing their responsibilities and to discuss issues relating to auditing, internal to ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance. The Board Audit Committee report is given on page 97 The Board Audit Committee approves the audit and non-audit services provided by Messrs ACNABIN, in order to ensure that the provision of such services does not impair Messrs ACNABIN's independence.

We confirm that,

- LBFL and its subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- There are no material non compliances;
- There are no material litigations that are pending against the Group.
- Required and adequate provision has been made for the overdue loans and advances, marketable and non-marketable shares as per the Bangladesh Bank regulation and IFRS.



Mohammed Nasir Uddin Chowdhury
Managing Director



Shamim Al Mamun, FCA
Chief Financial Officer

STATEMENT ON ETHICS AND COMPLIANCE

Our Approach

LankaBangla pays close attention to the moral concerns in order to make the right ethical decisions on a day-to-day basis over and above observing the law, one of the basic professional requirements for the NBFIs. We at LankaBangla believe that the upholding of an ethical culture in financial sector is of critical interest to the customers, employees, regulators alike and to the NBFI itself as a secured, reliable and efficient financial sector system in one of the pillars of economic stability of any country. Hence, nurturing an ethical culture is of utmost importance for financial institutions, like any other organization. Our core ethical values include honesty, integrity, fairness, responsible citizenship, and accountability.

Enforcing a corporate code of ethics requires understanding and active participation by everyone in Lankabangla since the Code spells out the expected standards of behavior and sets the operating principles to be followed. Every official should ensure that the company at all times maintains high ethical standards and adequate internal control measures are in place guarding against unethical practices and irregularities.

Code of Ethics & Principles of Conduct

True spirit of ethical practices is at the core of what LankaBangla secures in the course of business. We fondly believe that our achievement can only be sustained by creating effective corporate governance, professionalism among its staff and strictly adhering to rules and regulations designed in high ethical standard. Principles of conduct at LankaBangla govern each employee to act ethically in daily activities. Our employee Code of Ethics & Principles of Conduct applies to everyone who works at LankaBangla, including employees (both permanent and contractual), contractors and consultants. The Code is supported by a number of more detailed policies that form part of the Conduct and Ethics Policy Framework. These cover issues such as anti-bribery, fraud and corruption, equal opportunity, bullying and harassment, conflicts of interest and work expenses. Our ethical acts eventually turns to the commitments we make to our stakeholders.

Effectiveness of Code, Efforts of the Company

- To apply core values and principles embodies consistently
- For management to display the fullest support to the Code and serve as role models for compliance
- To ensure that all personnel strictly comply the code
- To fair rewarding and punishment be effective under a transparent system
- To communicate the contents to all employees and even make the Code available to those outside the Company
- To review and revise regularly

Additionally,

- Establishing the relevant facts and indentifying the ethical issue
- Taking stock of all stakeholders or parties involved
- Having an objective assessment of each stakeholder's position
- Indentifying viable alternatives and their efforts on stakeholders
- Comparing and evaluating the likely consequences of each alternatives with reference to the standards expected
- Selecting the most appropriate course of action

In a nutshell, our business ethics means, "Choosing the good over the bad, the right over the wrong, the fair over the unfair and the truth over the untruth". Strict compliance, confidentiality, avoidance of conflicts of interest, encouraging the reporting by the Officers of the Company on illegal and unethical behavior is also amongst the guiding principles of the Company's Code of Ethics.

Monitoring Compliance

Compliance with our Code of Conduct and Ethics is embedded in our employment contracts, recruitment and performance management activities. We have set explicit targets for compliance, commencing at executive management level. All employees are required to comply with our Code of Conduct and Ethics and report conduct that may be in breach of the law, the Code or policy. Advice on LankaBangla policies, practices and management systems is available via our Human Resources department. Any employee, contractor or consultant can confidentially report concerns about conduct, practices or issues to our HR department.

To help our employees in applying the principles of our Code of Conduct and Ethics and the Conduct and Ethics Policy Framework, we have developed a training course regualrly for the newly appointed employees, Case studies are provided to assist staff in translating the Code and related policies into real-life situations. All employees are required to complete this training course each year. Declarations within the course require each employee to confirm whether they understand the Code's principles, have complied with them over the previous 12 months and agree to comply with them in the future. Compliance is a Key Result Area examined as part of our Performance Management Process and failure to complete required compliance training can be a factor in determining the employee's entitlement to performance-based remuneration and could lead to termination of employment in serious cases.
Additionally, employees are required to undertake issue-specific training for topics such as money laundering, counter terrorist activity, fraud, corruption and privacy.

Our 'HR Manual' covers our Code of Conduct and Ethics, standards and behaviors, and important policies and procedures such as our Anti-Bribery Policy and Fraud and Corruption Policy. All Management Cadres must complete an annual attestation that they have read and understood these ground rules and failure to complete this may result in a 'flag' being raised in an individual's performance review.

Reporting Compliance

We have reported breaches of our Code of Conduct and Ethics framework yearly. Breaches of operational, regulatory and compliance requirements are tracked and case management, with corrective action closely monitored until 'closed'. All breaches of the Code are reported annually to our Management Committee and form part of regular risk reporting to the Management Credit Committee.

Compliance with our Code of Conduct and Ethics is monitored by Internal Audit, who ensures processes are in place to appropriately investigate alleged breaches of the Code. We also conduct annual testing of the controls that support our Code of Conduct and Ethics, which forms part of our financial reporting governance program and the results are made available to External Auditors in connection with their external audit of the Group's consolidated financial statements.



RISK MANAGEMENT

"LankaBangla's overall approach to risk management is supported by a well-defined risk appetite, comprehensive policy framework, effective governance structures and appropriate tools and techniques to identify, measure and manage risk."

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FINAL STOCK

STATEMENT ON RISK MANAGEMENT

1. Introduction:

Strong risk management capabilities as vital to the success of a well-managed financial institution. The Risk Management function is the central resource for driving such capabilities in LankaBangla, and complements the risk and control activities of other functions including Internal Audit and Legal & Compliance. The key components of LBFL's risk management approach are: strong risk governance; robust and comprehensive processes to identify, measure, monitor, control and report risks; sound assessments of capital adequacy relative to risks; and a rigorous system of internal control reviews involving internal and external auditors.

2. Risk Management in Lankabangla

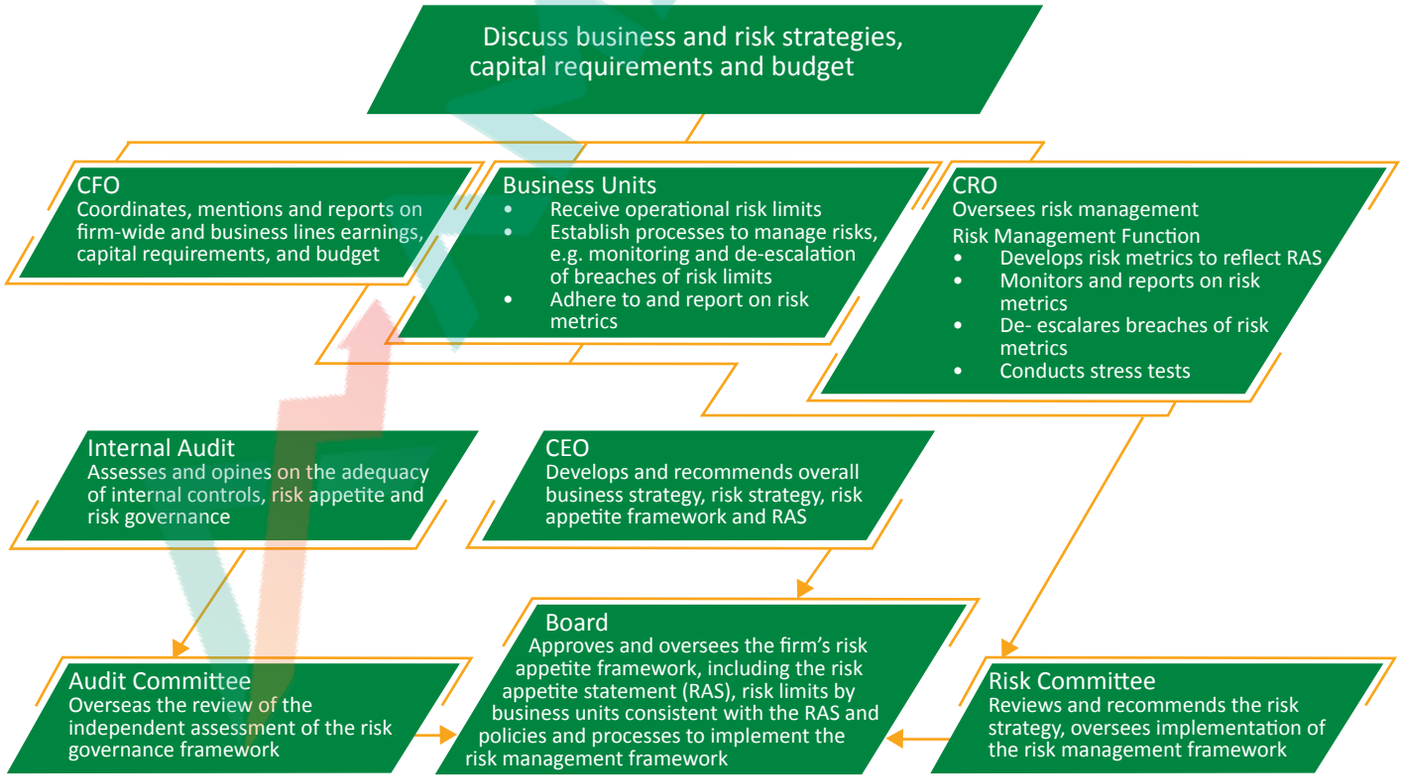
We believe that sound risk management is essential to ensuring success in our risk-taking activities. Our philosophy is to ensure risks and returns remain consistent with our established risk appetite. To achieve this, we regularly refine our risk management approaches to ensure we thoroughly understand the risks we are taking to identify any emerging portfolio threats at an early stage, and to develop timely and appropriate risk-response strategies. The key elements of enterprise-wide risk management strategy are:

- Risk appetite – The Board of Directors approves the Company's risk appetite, and risks are managed in alignment with the risk appetite. Risk-taking decisions must be consistent with strategic business goals and returns should compensate for the risk taken.
- Risk frameworks – The Company's risk management frameworks for all risk types are documented, comprehensive, and consistent.
- Holistic risk management – Risks are managed holistically, with a view to understand the potential interactions among risk types.
- Qualitative and quantitative evaluations – Risks are evaluated both qualitatively and with appropriate quantitative analyses and robust stress testing. Risk models are regularly reviewed to ensure they are appropriate and effective.

The Board of Directors and senior management provide the direction to the Company's effective risk management that emphasizes well-considered risk-taking and proactive risk management. This is reinforced with appropriate risk management staff, ongoing investments in risk systems, regular review and enhancement of risk management policies and procedures for consistent application, overlaid with a strong internal control environment throughout the Group. Accountability for managing risks is jointly owned among customer-facing and product business units, dedicated functional risk management units, as well as other support units such as Operations and Technology. Internal Audit also provides independent assurance that the Company's risk management system, control and governance processes are adequate and effective. Rigorous portfolio management tools such as stress testing and scenario analyses identify possible events or market conditions that could adversely affect the Company. These results are taken into account in the Company's capital adequacy assessment.

3. Risk Governance and Organisation

The Board of Directors establishes the Company's risk appetite and risk principles. The Board Audit Committee is the principal Board committee that oversees the Company's risk management. It reviews and approves the Company's overall risk management philosophy; risk management frameworks, major risk policies, and risk models. The Board Audit Committee also oversees the establishment and operation of the risk



management systems, and receives regular reviews as to their effectiveness. The Company's various risk exposures, risk profiles, risk concentrations, and trends are regularly reported to the Board of Directors and senior management for discussion and appropriate action.

The Board Audit Committee is supported by Risk Management Division, which has functional responsibility n a day-to-day basis for providing independent risk control and managing credit, market, operational, liquidity, and other key risks. Within the division, risk officers are dedicated to establishing Company-wide policies, risk measurement and methodology, as well as monitoring the Company's risk profiles and portfolio concentrations. The Company's risk management and reporting systems are designed to ensure that risks are comprehensively captured in order to support well-considered decision making, and that the relevant risk information is effectively conveyed to the appropriate senior management executives for those risks to be addressed and risk response strategies to be formulated. To ensure the objectivity of the risk management functions, compensation of risk officers is determined independently of other business areas and is reviewed regularly to ensure compensation remains competitive with market levels.

Credit officers are involved in transaction approvals, and personal approval authority limits are set based on the relevant experience of the officers and portfolio coverage. Representatives from the division also provide expertise during the design and approval process for new products offered by the Group. This ensures that new or emerging risks from new products are adequately identified, measured, and managed within existing risk systems and processes.

4. Risk Management Forum at LankaBangla

Risk Management Forum (RMF) and Risk Analysis Unit (RAU) of LankaBangla Finance Limited has been established in LankaBangla during 2013 incompliance with the Bangladesh Bank's DFIM Circular No. 01 of 07 April, 2013. Risk Management Forum is headed by the Managing Director of the Company and Chief Risk Officer is the Secretary, all the business and operational heads are the members of the RMF. The main responsibility of the Risk Management Forum is includes the following:

- The Risk Management Forum members will parameterize the Internal Environment of the Company including risk appetite, integrity and ethical values and the environment in which is operated.
- The MANCOM must form the Objectives so that they can identify potential events affecting the achievement unenthusiastically and consistent with its risk appetite.
- The management will identify the internal and external events affecting company's achievement and distinguish between risks and opportunities.
- It is the management responsibility to assess and measure the potential risks.
- The management selects risk responses-- avoiding, accepting, reducing or sharing risk-- developing a set of actions to align risks with the company's risk tolerances and risk appetite.
- The management will take policies and procedures and implement it to help ensure the risk responses are effectively carried out.
- The managerial authority will identify generate and communicate the relevant information in a form and timeframe that enable people to carry out their responsibilities.
- The entirety of enterprise risk management will be monitored and it will be accomplished through ongoing management activities.
- Ensure roles and responsibilities are agreed and clearly understood by all management levels.
- Ensure all staff, in business and support functions, is aware of their responsibilities for company's overall Risk management.
- Ensure there are structured processes at each department level to report control failures to designated individuals and escalate material issues to RMF.
- Establish workable Business Continuity Plans (including Disaster Recovery and Crisis
- Management procedures) to minimize the impact of unplanned events on business operations and customer service.

5. Risk Analysis Unit (RAU) at LankaBangla

Broadly, Risk Analysis Unit (RAU) will be responsible solely to identify and analyze all sorts of risks appropriately and timely. It (RAU) will act as the secretariat of Risk Management Forum. Incompliance with the Bangladesh Bank guidelines RAU is work independently from all other units/divisions of the FI, e. g. no member of this unit will be involved in any sort of ratings of transactions, or setting/ working to achieve any target imposed by the FI. S/He will not also be involved in the process of determining any standard or threshold ranges for risk management goals.

Risk Analysis unit will be responsible only for the followings:

- Promote broader understanding of risk and work closely with risk management to ensure risk management initiatives are in place for risk controlled LBFL practices.
- Work as an active risk associate by identifying departmental risk issues and perform analysis.
- Escalate respective risk issues to risk management unit in a monthly basis for discussion and enforce mitigation in monthly risk associates forum.
- Assist RMF to plan and reduce operational surprises and losses by recommending risk mitigation strategies.
- Finalize enterprise level risk issues to RMF meeting for management evaluation and resolutions.
- Implement RMF resolutions and monitor the risk mitigation process within the given deadline & update status to RMF.
- Interact with all the relevant stakeholders of LBFL to create risk awareness and encourage control of risk at enterprise level.
- Business and Support functions risk associates will escalate risks to this forum under supervision of Chief Risk Officer (CRO).

Other Risk management committees have been established for active senior management oversight, understanding, and dialogue on policies, profiles, and activities pertaining to the relevant risk types. These include the the Management Credit Committee, the Asset and Liability Management Committee, the Steering Committee for BASEL-II Implementation, Central Compliance Unit for Anti-Money Laundering and the ICT Committee. Both risk-taking and risk control units are represented on these committees, emphasizing shared risk management responsibilities. LBFL Internal Audit conducts regular independent reviews of loan portfolios and business processes to ensure compliance with the Company's risk management frameworks, policies, processes, and methodologies.

6. BASEL II

LankaBangla has implemented Bangladesh Bank's Guidelines (Basel Accord for Financial Institutions) on Risk Based Capital Adequacy Requirements for FIs incorporated in Bangladesh with effect from 1 January 2011. Bangladesh Bank adopts the Basel Committee on Banking Supervision's proposal on "International Convergence of

Capital Measurement and Capital Standards," commonly referred to as BASEL II. This framework provides a stronger linkage between capital requirements and the level of risks undertaken by banks to enhance their risk management practices and establishes minimum capital requirements to support credit, market, and operational risks. As part of enhanced public disclosures on risk profile and capital adequacy required under the mentioned guidelines.

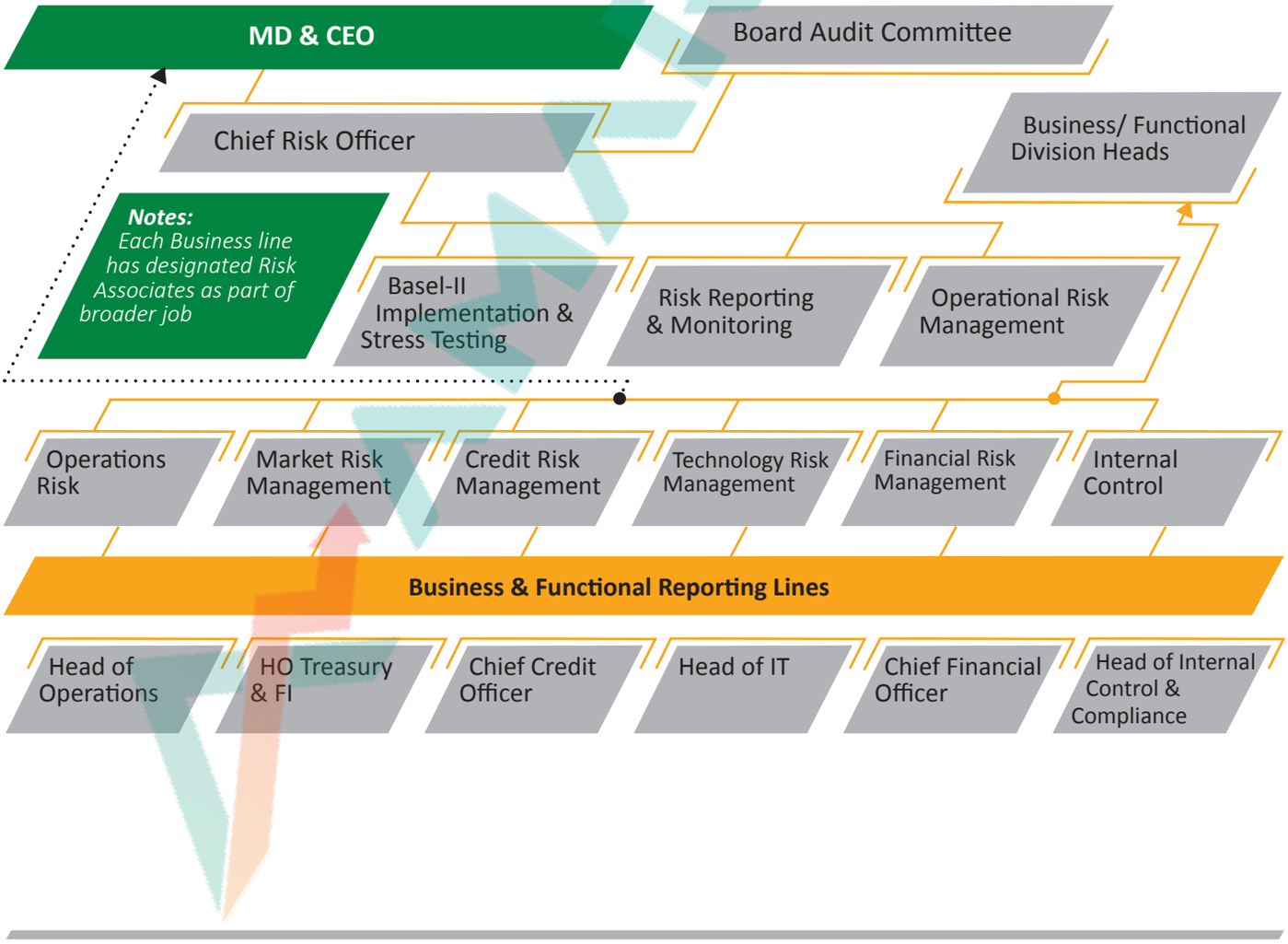
7. Stress Testing

Stress testing is a simulation technique, which are used to determine the reactions of different financial institutions under a set of exceptional, but plausible assumptions through a series of battery tests. At institutional level, stress testing techniques provide a way to quantify the impact of changes in a number of risk factors on the assets and liabilities portfolio of the institution. Therefore as a part of risk management unit we prepare stress testing report at each quarter to check out four major shocks (interest rate risk, credit risk, equity price risk, liquidity risk) under different magnitude level to ensure optimum allocation of capital across its risk profile.

The Company has adopted the standardized approaches for market risk and operational risk. Market risk-weighted assets are marked to market and are risk weighted according to the instrument category, maturity period, credit quality grade, and other factors. Operational risk-weighted assets are derived by applying specified beta factors or percentages to the annual gross income for the prescribed business lines in accordance with regulatory guidelines. Initiatives are in place to move toward Internal Model Approach for market risk. Capital adequacy assessments and Plans, incorporating stress test results, are submitted quarterly to Bangladesh Bank. Implementing the Basel II framework is an integral part of our efforts to refine and strengthen, as well as to ensure our management of risks is appropriate for the risks we undertake. Company management remains vigilant to ongoing industry and regulatory developments, including risk-adjusted compensation and new standards established in the Basel II Framework published in December 2010. We are constantly reviewing to further improve and refine our businesses and risk management capabilities as well as engaging in dialogue with industry peers and regulators to position ourselves for the far-reaching consequences of these reforms.

8. Risk Management Structure

Risk Management Structure



9. Credit Risk

9.1 Definition

LBFL defines credit risk as the risk of losses arising because counterparties fail to meet all or part of their payment obligations to the Group.

9.2 Policy

The Board of Directors sets the overall policies for the LBFL's credit risk exposure. The LBFL's risk appetite framework is determined in accordance with these policies. The LBFL's aim is to build long-term relationships with its customers. For the vast majority of products, credit is granted on the basis of the customer's financial circumstances and specific individual assessments. Ongoing follow-up on developments in the customer's financial situation enables to assess whether the basis for the credit facility has changed. The credit facilities should match the customer's credit worthiness, capital position and assets. Further and in order to increase the mitigation of credit risk, LBFL as a general rule requires collateral. LBFL aims to assume risks only within the limits of applicable legislation and other rules, including rules on best practices for financial undertakings.

9.3 Credit process

In order to ensure a consistent, coordinated credit granting process of a high quality all credit applications are handled according to a pre-defined procedure that provides a consistent, high credit processing quality:

Branches: All branch managers process all credit applications and then the applications are submitted to the Credit Risk Management Division through the respective Business Division along with a credit recommendation.

The Credit Risk Management (CRM) Division: All credit applications are submitted to the CRM Division for approval. The CRM division approves the credit proposal within the limit set by the Board of Directors. Other application those exceeds the limit, CRM division coordinates and prepares credit recommendations to The Management Executive Committee (MCC), the Board Executive Committee and to the Board of Directors.

The Management Executive Committee (MCC): The MCC reviews all applications beyond the Credit Department's credit line. The MCC conducts credit meetings on a weekly basis. The purpose of the Credit Committee is to:

- Process credit applications exceeding the credit line of the Credit Department;
- Process and provide recommendations for all credit applications to be submitted to the Board of Directors;
- Implement the guidelines for the credit area as approved by the Board of Directors; and
- Supervise the overall credit granting procedure.

Board of Directors: The Board of Directors reviews all applications that are beyond the MCC's credit line.

Credit processing must be conducted on the basis of extensive knowledge of the risks inherent to each individual exposure for the purpose of striking a balance between risk and earnings opportunities and in compliance with the overall goals defined by the Board of Directors and Bangladesh Bank.

9.4 Credit Profile

9.4.1 Sector wise Credit concentration with sectoral NPL

Sector	2016			2015		
	Total Outstanding Amount	NPL Amount	Sectoral NPL %	Total Outstanding Amount	NPL Amount	Sectoral NPL %
Consumer Loan	8,146.13	85.44	1.05%	5,095.54	32.76	0.64%
Housing	6,543.90	303.06	4.63%	4,299.03	134.07	3.12%
Trade and Commerce	6,031.68	310.96	5.16%	3,024.08	178.83	5.91%
Food Production and Processing Industries	4,722.68	22.96	0.49%	3,866.04	19.07	0.49%
Iron, Steel and Engineering	3,300.47	91.63	2.78%	2,466.93	91.63	3.71%
Merchant Banking	2,525.21	-	0.00%	3,109.11	-	0.00%
Textile	2,209.53	12.95	0.59%	1,523.75	28.58	1.88%
Credit Card	2,050.05	181.49	8.85%	1,629.93	165.27	10.14%
Garments and Knitwear	1,894.19	252.38	13.32%	1,420.35	163.31	11.50%
Service	1,366.46	59.35	4.34%	442.15	53.26	12.04%
Plastic Industry	1,184.01	-	0.00%	192.13	-	0.00%
Pharmaceuticals and Chemicals	929.40	-	0.00%	966.84	-	0.00%
Telecommunication and IT	726.11	25.79	3.55%	659.16	-	0.00%
Transport and Aviation	641.42	150.61	23.48%	599.99	154.08	25.68%
Power, Gas, Water & Sanitary Service	639.18	35.86	5.61%	366.80	28.95	7.89%
Others	637.35	-	0.00%	677.96	213.96	31.56%

Sector	2016			2015		
	Total Outstanding Amount	NPL Amount	NPL % of Total Outstanding	Total Outstanding Amount	NPL Amount	NPL % of Total Outstanding
Margin Loan	603.46	-	0.00%	697.17	-	0.00%
Paper, Printing and Packaging	581.37	11.30	1.94%	572.28	11.30	1.97%
Glass, Glassware and Ceramic Industries	537.59	19.62	3.65%	820.02	19.91	2.43%
Cement and Allied Industry	358.56	8.30	2.31%	971.41	8.30	0.85%
Jute and Jute-Products	301.83	-	0.00%	255.78	-	0.00%
Electronics and Electrical Products	278.49	-	0.00%	919.87	-	0.00%
Agriculture	255.53	34.40	13.46%	315.36	35.90	11.38%
Construction & Development	170.46	-	0.00%	1,041.78	-	0.00%
Leather and Leather-Goods	63.79	-	0.00%	40.60	-	0.00%
Healthcare	46.85	41.54	88.68%	40.39	-	0.00%
Banks & Fis	3.52	-	0.00%	4.37	-	0.00%
Total	**46,749.20**	**1,647.65**	**3.52%**	**36,018.82**	**1,339.18**	**3.72%**

9.4.2 Ten Largest Credit as a % of Total Exposure

	2016	2015
Ten largest credit as a % of exposure	15.90%	24.78%
Ten largest credit	7,433	8,926
Total exposure	46,749	36,019

9.4.3 Classification Status of Loans and Advances

	2016	2015
Performing Loans	**45,102**	**34,680**
Unclassified	44,336	33,986
SMA	766	694
Non-Performing Loans	**1,648**	**1,339**
SS	393	271
DF	178	312
BL	1,077	756
Total Outstanding	**46,749**	**36,019**

9.5 Credit Risk Mitigation

From forward looking perspective borrower selection process is the most important credit risk identification measure employing fundamental analysis of credit including purpose and utilization of loan, company analysis including cash flow, industry analysis, credit rating , credit risk grading, entrepreneurial track record, repayment performance including CIB status among others. Identifying the extent of credit risk eventually determines the scope of credit risk mitigation measure.

However following credit risk mitigation measures are typical employed by lenders

- Collateral coverage: Collateral coverage may be in the form of land and building, financial instrument such as TDR, Marketable securities etc. In the event of downside, value from liquidation of collateral securities may provide some degree of protection against credit risk. Valuation of land and building is usually done third party surveyor. Cash security by default provides maximum protection against credit risk and exposure is usually calculated net-off cash security.
- Hypothecation: Leased assets are primary security which are inherently provide some degree of protection against credit risk. Hypothecated capital machinery and stock of goods is an usual primary security measure whereas marketability and control of the asset is important in credit risk mitigation.
- Guarantee: Guarantee of high net worth individuals/directors and corporate guarantee with good business standing usually provides credit enhancement. Cross default option plays a vital role because due to guarantee of an entity favoring a borrowing concern is also reflected in CIB report. Bank guarantee is also a prolific credit enhancement instrument.
- Risk transfer: Comprehensive Insurance against assets covering loan amount is a usual risk mitigation measure in the event of unforeseen event that may occur in future.
- Exposure management: Single borrower exposure limit and sectoral exposure limit are both used as risk management tools and in the credit policy both issues are addressed complying regulatory stipulations.
- Risk-based pricing: Risk based pricing method is being used for the customers where there is a probability that the borrower will default on the loan. A risk premium is added to the base price considering the risk profile. Different factors like Credit risk grading score, credit history, property use, property type, loan amount, loan purpose, income, and asset amounts, as well as documentation levels, property location, and others, are common risk based factors currently used.

Besides diversifying credit risk through extending small sized loan to numerous borrowers across different customer segments who are essentially unrelated with each other may be considered policy level credit risk diversification strategy.

9.6 Credit Monitoring and Portfolio Management

The Board and senior management get timely and appropriate information on the condition of the LBFL's asset portfolio, including classification of assets and the level of provisions and reserves. The information includes, at minimum, summary results of the portfolio review, comparative trends in the overall quality of problem assets, and measurements of existing or anticipated deterioration in asset quality and losses expected to be incurred on the portfolios. Significant concentration risk is also reported to the Board and senior management for review and deliberation. Stress tests is conducted regularly to assess the risk in a particular market segment under adverse conditions. Appropriate measures has been taken to mitigate undue concentration risk such as pricing for additional risk, unwinding of positions, increasing capital or reserves, securitisation etc.

10. Market Risk

LBFL defines market risk as the risks taken in relation to price fluctuations in the financial markets. Several types of risk may arise and LBFL manages and monitors these risks carefully.

Market risk arises when the fair value or future cash flows of financial instruments of the Company fluctuate due to changes in market variables, mainly interest rates and equity prices. The risk of exchange rate movements does not impact LBFL directly because as a NBFI, LBFL cannot deal with foreign currency. Interest rate risk, being a significant risk factor for the industry, is managed closely by the Company, to ensure there are no erosion of spreads and no impact to final profitability. Equity risk remains the other main market risk, considering the Company has an equity portfolio in excess of Taka 1 billion. This is managed at individual investment level, as well as on a portfolio basis, based on whether the portfolio is trading or non-trading or strategic Ivestment. These two main market risks are discussed separately below:

10.1 Interest Rate Risk

Interest rate risk arises when changes in interest rates have an impact to the future cash flows of financial instruments' fair values. This remained a potential concern for the finance industry, as market interest rates continued to fall during the period. As LBFL deals in a number of interest bearing financial assets that are mainly grouped under loans and advances there was close focus on safeguarding core business interest spreads.

Downward movements in interest rates were continued both for lending and borrowing to be influenced by monetary policy changes whereas the decrease in lending rates remained at a relatively faster pace and resulting decreases in interest income too then the decrease in the borrowing rates. Apart from the resulting pressure exerted on our core margins, interest rate fluctuations continued to also influence;

- our ability to canvass deposits
- the fair values of financial assets and liabilities and
- Average duration of mortgage backed lease portfolios and other interest earning assets.

To stay competitive, LBFL had to revise deposit rates during various times of the year through the ALCO committee.

ALCO is the main committee that regularly oversees the interest rate risk of the Company and initiate appropriate action to minimise overall interest risk exposure within the Company's risk appetite limits. Treasury division is responsible to manage funding and the market rates on an ongoing basis and uphold the optimal interest rate structure of all products of LBFL.

In maintaining an optimal level of return for our core business, average yield levels and cost of funding is monitored on a monthly basis and presented at ALCO meetings to decide on pricing matters. The ALCO evaluates any potential adverse effects that may arise from situations when the cost of funding rises at a relatively higher pace than the yield earned on lending and other investments. ALCO reviews current interest rate environment and monitors the movement of key interest rate indices and interest sensitive assets and liabilities maturity gap analysis. ALCO reviewed impact of interest rate change on the bottom line by carrying out sensitivity analysis/rate shock analysis taking note of the continued decline in rates observed. LBFL by having a strict monitoring system maintains its interest rate risk at moderate levels despite volatility in rates in the market.

The Treasury Division was able to pursue cheaper sources of funding to bring down overall weighted average cost in the year under review. The division was able to seek optimal funding with the advice of ALCO, maintaining monthly overall-weighted average cost of funds at low levels throughout as depicted.

10.2 Equity Risk

It's the potential loss due to an adverse change in the stock price. NBFI can accept equity as collateral for loans and purchase ownership stakes in other companies as investments from free or investible cash. Any negative change in stock price either leads to a loss or diminution in investments' value.

LBFL needs to be cognisant of equity price risk as Company holds Taka 4.2 billion in trading and held-to-maturity share portfolios as at the balance sheet date. The Company's accounting policies ensure that we reflect share investments at fair value recognising any realised gains/losses through the profit and loss.

11. Operational Risk

Operational risk could arise from inadequate or failed internal processes, people and systems or risks arising from external events, leading to financial losses. LBFL has instilled various internal controls to detect possible human errors, fraud, faulty internal processes and systems, non-adherence to procedures and non-compliance to regulations. A company-wide effective internal control system is in place, requiring all staff to adhere to set policies and procedures. To ensure clarity in required practices, the Company has developed a comprehensive procedure manual, covering all key functions. Failure to manage operational risk can often result in other risks emerging such as reputational losses, which may also cause brand erosion and would raise regulatory penalties.

Operational risk management techniques adopted directly linked to people including segregation of staff duties, job rotation, staff training and development, employee operations, while inbuilt ICT controls, maintaining of documentation and keeping backup of documents and systems remain other forms of measures.

12. Liquidity Risk

Liquidity risk arises when a Company encounters difficulty in meeting its obligations associated with financial liabilities that require to be settled either through cash or any other financial asset. The sector assets and liability portfolio is such that there is a general vulnerability to liquidity problems resulting from assets and liability mismatches. Therefore, purpose of liquidity risk management is to assess the necessity of funds to meet financial obligations on time and to ensure adequacy of funding to fulfil short-term and long-term financial needs appropriately even under stressed conditions. LBFL has in place a comprehensive in-built liquidity monitoring process that has been enhanced in the past few years by embracing stringent liquidity review and safeguard measures imposed by regulator on the sector.

To strengthen liquidity management we have formed a Board approved Asset and Liability Management Committee (ALCO) to overlook the liquidity status of the Company. ALCO being the overall supervisory in managing liquidity risk of LBFL meets monthly to oversee adequacy of overall liquidity aspects from other obligations. The impact arising from all strategic and medium term decisions taken by the Board and the corporate management on liquidity is also ascertained by this high level committee comprising key divisional heads.

LBFL is a financially sound institution that has been strong in liquidity right-throughout. In meeting liquidity requirements, the Company resorts to an array of diversified funding sources in addition to its core deposit mobilisation business. Similarly, LBFL adopts a strict policy of managing its assets keeping liquidity as a vital focus and therefore monitors liquidity on a daily basis.

13. Other Risks



13.1 Legal Risk

Legal risk can arise due to several reasons such as

- a defective transaction or;
- a claim (including a defence to a claim or a counterclaim) being made or some other event occurring which results in a liability for the Company or other loss (for example, as a result of a termination of a contract) or;
- failing to take appropriate measures to protect assets (for example, intellectual property) owned by the Company or;
- changes in law.

LBFL deals in financial transactions with higher scrutiny in a highly regulated finance industry. We understand that regulatory changes may result in additional cost of compliance, may limit the type of financial services and products that could be offered in the market and in certain instances increase chances of competitors capitalising on their own offerings. It is therefore essential that legal risk be managed appropriately to avoid undue impact to business financially and to avoid damage to reputation that could lead to loss of confidence.

13.2 ICT Risk

Risks arising due to system breakdown, non-availability of systems, errors and disruptions or not keeping pace with the technological changes. There was continuous monitoring of employees and users of ICT systems to ensure strict adherence to information security policies, pertaining to safeguard confidentiality of information and to secure accuracy of information. Company's ICT Division conducted a comprehensive staff training program on information system security awareness to all users.
Future technological needs of the Company were reviewed and identified as part of the strategic plan development process for next three financial years. ICT Division reviewed policies in relation to, hardware and software procurement and maintenance procedures, business contingency plan on ICT, system licensing procedures etc. Updates were done in accordance with best practices in the industry. Risk review of the ICT systems has already been done by the independent consultant KPMG and contingency plans incorporated as a part of the BCP for key ICT dependent processes in order to successfully face any unpredictable technological contingencies.

13.3 Reputation Risk

It is a threat or danger to the good name or standing of a business or entity. As an institution of financial services sector, it is key to maintain sound reputation for long-term organisational survival and success. Public is highly receptive to negative factors considering past experiences.

LBFL has implemented required corporate governance practices; risk assessment measures, departmental procedure manuals and carried out due compliance checking to ensure business is conducted in a professional, ethical and prudent manner. Suggestion boxes have been placed in all branches and customer survey carried out to obtain customer feedback to enhance customer relationship. Regardless of corporate hierarchy, all the employees are expected to live by core values of the Company. Deviation to LBFL's strict policies and procedure guidelines and rules result in strict disciplinary action for employees.

In sustaining company's vision providing a deep sense of social responsibility, a number of worthy projects were initiated for the benefit of the society and the environment as explained in the section on sustainability.

13.4 Human Resource Related Risk

Being a service organisation, there is high dependency on our human capital in driving our business forward, in meeting anticipated service standards. Lot depends on the performance of our workforce in the achievement of organisational objectives and other aspirations to remain successful. Hence attracting

and retaining high calibre staff, who possesses the necessary experience and skills to perform duties is integral if LBFL is to continue on its path to success. This of course has become a challenge especially since the job market is flooded with numerous job opportunities for capable individuals both within and outside our sector. This risk is relevant especially because most of our staff have been with us for at least five years or more, who have gained enormous experience in their related fields. Losing services of these experienced personnel hence at any point in time can create a vacuum in meeting anticipated standards and may disrupt smooth running of operations at least temporarily. We are mindful of the fact that finding suitable replacements in the short-term would not be easy. A proper employee succession plan in place to mitigate the risk of loss key people.

13.5 Strategic Risk

Strategic risk is defined as the risk associated with existing strategy, future business plans and strategies, including plans on entering new business lines, expanding existing services through organic business growth, mergers and acquisitions or exposure loss resulting from a strategy that turned out to be defective or inappropriate. Management reviews performance against expected targets periodically, referring to devised strategies and success of their implementation.

13.6 Competitor Risk

Financing being a popular method of sufficing funding needs of people and institutions has gained momentum, with a large number of institutions competing aggressively to secure relative market share. NBFI sector caters to a wide customer audience through a broad product range that has expanded from mere financing and deposit taking to tailor-made product offerings that meet varying customer needs. It is therefore vital to be receptive to customer needs in a highly competitive market like ours if the organisation is to thrive and succeed. Number of finance companies were introduced during this financial year. Banking and NBFI sector margins have narrowed while the market is set to widen exponentially with enhanced public perception towards the sector Owing to the plethora of other investments and borrowing options available to customers in the market, competition remained high for the sector players. Our style of management attempts to secure employee morale and motivation most of the time as means of sustaining optimal productivity levels in all our operations. In meeting future challenges, we are fortunate to possess a strong capital structure that gives us the opportunity and the needed flexibility to make broad strategic decisions.

> **“LBFL is a financially sound institution that has been strong in liquidity right-throughout. In meeting liquidity requirements, the Company resorts to an array of diversified funding sources in addition to its core deposit mobilisation business. Similarly, LBFL adopts a strict policy of managing its assets keeping liquidity as a vital focus and therefore monitors liquidity on a daily basis.”**

CAPITAL ADEQUACY AND MARKET DISCIPLINE

Significance of Capital Adequacy

Capital is the foundation of any business. In a Financial Institution, capital is a prime factor to consider when assessing the safety and soundness. It acts as a cushion in case the value of the bank's assets decline and liability rises. Maintaining a minimum capital level is of paramount importance for a Financial Institution so that adequate protection against risk can be ensured. A strong Capital Management Policy protects an organization by identifying and mitigating risks, as well as establishes a base of confidence by depositors, creditors, and other stakeholders.

Capital Adequacy gives a view on a Financial Institution's financial strength and stability. Adequate capital provides assurance to the stakeholders on the company's ability to provide consistent services.

Capital Adequacy is a basis for measurement of the amount of capital that the FI needs to hold to ensure that no excess leverage is taken that would lead to insolvency. Capital Adequacy is best expressed as the Capital Adequacy Ratio (CAR), also known as Capital to Risk Weighted Assets Ratio. CAR is a measure of a FI's eligible capital expressed as a percentage of its risk weighted asset. The objective of CAR is built around the Market Discipline, whereby depositors' get a standardized measurement on the extent to which their wealth is exposed to risk, and thereby establish confidence on the Financial Institution's operations. The CAR measurement is also directed towards making a FI's capital more risk sensitive and shock absorbent.

Basel II guidelines are formed on three features as follows

- Minimum capital requirements to be maintained by a bank against credit, market, and operational risks.
- Process for assessing the overall capital adequacy aligned with risk profile of a bank as well as capital growth plan.
- Framework of public disclosure on the position of a bank's risk profiles, capital adequacy, and risk management system. This forms the basis of Market Discipline.

The three tiers of regulatory capital are as follows: Tier 1 Capital, Tier 2 Capital, and Tier 3 Capital.

- Tier 1 Capital,also called the **'Core Capital'**, is the core measure of a bank's financial strength from a regulator's point of view. Banks have to maintain at least 50% of required capital as Tier 1 capital.
- Tier 2 Capital is called the **'Supplementary Capital'** and represents other elements which fall short of some of the characteristics of the core capital but contribute to the overall strength of a bank.
- Tier 3 Capital is called the **'Additional Supplementary Capital'** and consists of short-term subordinated debt. This capital base is solely for the purpose of meeting a proportion of capital requirements for market risk.

The computation of the three capital grades are subject to the following conditions:

- Tier 2 Capital amount will be limited to 100% of the amount of Tier 1 Capital.
- 50% of revaluation reserves for fixed assets and securities, and 10% of revaluation reserves for equity instruments are eligible for Tier 2 Capital.
- Subordinated debt shall be limited to a maximum of 30% of the amount of Tier 1 capital.
- A minimum of around 28.5% of market risk needs to be supported by the Tier 1 capital. Market risk must be supported by Tier 3 capital up to a maximum of 250% of Tier 1 capital, available after meeting the necessary credit risk capital requirement.

Common capital ratios as per the regulatory requirements are as follows:

Capital Ratios		Statutory Limits
Core Capital Ratio	= Core Capital / Risk-adjusted assets	>= 5%
Total Capital (Core and Supplementary Capital) Ratio	=Total Capital (Core+Supplementary) / Risk-adjusted assets	>= 10%

Effective risk management is considered as a central part of the financial and operational management of any company, whereby company sustainability and consistent profit generation are ensured. Only by adopting and strengthening risk management measures can the company deal with the complex and dynamic business environment.

Group Risks are managed on an integrated basis. Risk management is incorporated in the Group decision making



with regards to strategic planning. The diagram below illustrates this concept.

The risks which form the basis for effective risk management are: credit, market, operational, and liquidity risks.

- Credit Risk is a risk that the FI will not be able to recover the money it has owed. It occurs due to failure of the counter party to meet its obligations to pay the company in accordance with the agreed terms. The risk depends on the financial strength of the party owing to the bank as well as market factors that affect the value of assets used as lien against the loan.

Credit risk calculation recognizes and adjusts for two factors:

- On Balance Sheet credit exposures refer to the credit risks that the various assets in the balance sheet are exposed to. These assets are weighted according to the degree of the risks exposed.
- Off Balance Sheet credit exposures refer to the credit risks on the credit equivalent amounts of the various off balance sheet items.
- Market Risk is the potential for loss in earnings or in economic value of the FI's asset portfolio due to adverse changes in financial market rates or prices. The preferred approach to calculating this risk is VaR (Value at Risk).
- Operational Risk is the risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events (including legal risk), differ from the expected losses. The risk can be deliberate, accidental or natural. The FI's objective is to minimize the operational risk exposure within a framework of policies and procedures.

Risk Weighted Assets (RWA) is a Financial Institution's assets or off-balance-sheet exposures, weighted according to risk. By adjusting the amount of each asset for an estimate of how risky it is, a rough measurement of the company's financial stability can be determined.

Capital Adequacy Details of LankaBangla Finance Limited

Capital Adequacy

At LankaBangla Finance Ltd, Capital Management Policy sets out the principles and guidelines for effective and prudent capital planning, usage, and management. The policy delineates the minimum criteria for ensuring that adequate capital is met and effective management is performed. Capital Adequacy is explicitly followed in adherence to the statutory compliance and regulatory requirements of Basel II guidelines, affected by Bangladesh Bank from 1st January 2010. The guidelines are prudently followed to safeguard the LBFL's ability to continue as a going concern, by establishing a strong capital base, and to maintain high credit rating as well as the confidence of the investors and creditors.

At LBFL, capital planning is done in alignment with the company's risk appetite and profile. Capital goals are set to incorporate both normal and stressful business conditions. As such, the goals take into considerations current and future regulatory requirements and economic conditions, and the expectations of stakeholders.

Capital targets accommodate forward looking viewpoints on economic outlook, company's current financial condition, and future uncertainties inherent in capital planning.

In line with this objective,capital base is set at a level (0.5% to 1%) higher than the regulatory requirement, while capital target will be 1% to 2% higher than the minimum CAR. This ensures full compliance as well as a buffer against capital loss during stressful situations.

The company emphasizes on strong capital management through the followings:

- Oblige to regulatory requirements of capital base maintenance.
- Supply and demand forecast of capital to support business strategy and continuity.
- Incorporate rolling capital plan covering a time horizon of two to three years.
- Internal Controls and Governance to manage company's risk, performance and capital.

Capital strategies are periodically reviewed to ensure that strong governance and process framework are in place for effective risk management. Material capital risk is assessed periodically which supports the company's internal capital adequacy requirements.

The scope of application of such guidelines applies to 'Solo' as well as to the 'Consolidated' basis.

- 'Solo Basis' refers to all position of the FI and its local and overseas branches/offices.
- 'Consolidated Basis' refers to all position of the FI (including its local and overseas branches/offices) and its subsidiary companies engaged in financial (excluding insurance) activities like merchant banks, brokerage firms, discount houses, etc.

Since LBFL has subsidiary companies, the guidelines apply to both 'Solo' and 'Consolidated' basis.

Breakdown of each category of eligible capital is given below.

- **Core Capital** of LankaBangla Finance Ltd. is as follows:

Figures in BDT Million

Particulars	Solo		Consolidated	
	2016	2015	2016	2015
Fully paid-up capital/capital lien with BB	2,767	2,406	2,767	2,406
Statutory reserve	1,202	988	1,202	988
Non-repayable share premium account	-	-	1,091	1,091
General reserve	-	-	54	54
Retained earnings (restated)	2,200	2,065	1,572	1,723
Minority interest in subsidiaries (restated)	-	-	85	87
Non-cumulative irredeemable preferences share	-	-	-	-
Dividend equalization account	-	-	-	-
Other (if any item approved by Bangladesh Bank)	-	-	-	-
Less Shortfall in provisions required against investment in shares	-	-	-	-
Less: Book value of goodwill	-	-	234	234
Total	**6,170**	**5,459**	**6,537**	**6,115**

- **Supplementary Capital** of LankaBangla Finance Ltd. is as follows:

Figures in BDT Million

Particulars	Solo		Consolidated	
	2016	2015	2016	2015
General provision (unclassified loans up to specified limit + SMA + off Balance Sheet exposure)	449	357	449	357
50% of Asset Revaluation Reserve	-	-	-	-
10% of Securities Revaluation Reserve (restated)	-	-	-	
All other preference shares	-	-	-	-
Other (if any item approved by Bangladesh Bank)	-	-	-	-
Total	**449**	**357**	**449**	**357**

Risk Management

At LankaBangla Finance Ltd, disciplined risk management is considered as the key to organizational success. With that objective in mind, strong management structure and risk management system, along with robust policies,are developed to allow the company to manage the internal and external, and regulatory environments. A robust risk management framework is built to effectively cover the necessary requirements of managing risk. Establishment and oversight of the Group's risk management framework lies with the Company's Board of Directors. The risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk control standards, and to monitor the risks and adhere to defined policies. Protocols and responsibilities are clearly delineated such that decision making with regards to risk management are taken positively. LBFL contemplate on having the industry practices of identifying, measuring and controlling risks. The Risk management policies and systems are reviewed regularly to reflect changes in market conditions and operations. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

By implementing rigorous risk management policy, risk adjusted returns are maximized, while ensuring that the company remains within its desired risk appetite. Emphasis is given on establishing a risk management culture which takes into account the underlying assertions:

- Risk considered must be in line with the company's goals, and also must support the company's risk appetite.
- Responsibility of identifying and taking risks within the organization lies with every employee. The company carries the overall responsibility of ensuring that the risk-taking within the organization is disciplined and focused.
- Accountability is ensured by taking risk agreed by the respective company authorities and also assuring that the risks taken are transparent, controlled, reported and falls within the appropriate infrastructure and resource.
- Future risk emergence is identified and necessary steps taken to anticipate its impacts.
- Effective Risk Management Policy and Controls are founded to use the risk as a competitive advantage.
- Continuous improvement of the risk management approaches and methodologies to enhance current risk policies.
- Analyze and establish any new or improved policy to strengthen the company's risk management position.
- Ensuring consistent statutory compliance with regards to capital adequacy and risk management.

In accordance with the Basel II guidelines, LBFL takes precautionary methods against credit, market, operational, and liquidity risks.

- Credit Risk is effectively measured and managed through a framework of policies and procedures. All credit exposures undergo proper approving authority as a mean of effective management of counter party credit risk. A defined structure is established for delegation of credit approval authority and for monitoring compliance with appetite.

  Proper due diligence is applied to review the credit applications. Defined processes and procedures are used to support credit underwriting activities at levels of the business. As a part of proper underwriting standards, appropriate valuations of collaterals are done for secured credits.

  A counter party is also required to have an approved limit in place, prior to draw down of funds. Every credit party is subject to credit rating, and the rating is actively monitored as a part of effective credit risk management. Account level activity along with limit utilization monitoring is set as a part of risk trigger mechanisms. This helps to identify early alert situations based on which the company can take proper actions. Potential problem accounts are identified, investigated, controlled and monitored.

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

The table below gives details of Credit Risk:

Figures in BDT Million

Distribution of risk exposure by claims	Solo		Consolidated	
	2016	2015	2016	2015
Cash and Cash Equivalents	-	-	-	-
Claims on Bangladesh Govt. & Bangladesh Bank	-	-	-	-
Claims on NBFI and Banks	448	207	870	348
Claims on Corporate	19,179	15,884	19,179	15,884
Claims categorized as retail portfolio & Small Enterprise	2,391	1,100	2,391	1,100
Consumer Finance	7,696	4,953	7,696	4,953
Claims fully secured by residential property	2,955	1,926	2,955	1,926
Claims fully secured by commercial real estate	86	173	86	173
Past Due Claims	1,175	900	1,175	900
All other assets (restated)	11,157	11,720	9,700	13,574
Total	**45,087**	**36,863**	**44,053**	**38,858**

periodically in accordance with the Bangladesh Bank regulations. The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is non-collectable. This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

- Market Risk management is set as per the parameters defined in the policy. The objective of the Group's market risk management is to manage and control market risk exposures set within the acceptable parameters, thereby ensuring solvency while optimizing the Group's risk return strategy.

  Sufficient oversight and reporting are conducted for management of market risk profile. Overall authority for market risk rests with the ALCO. Setting market liquidity as the primary factor for determining the level of limits for portfolio trading, ALCO provides limits for each type of risk in aggregate and for individual portfolios.

The table below gives details of Market Risk:

Figures in BDT Million

Capital Requirements	Solo		Consolidated	
	2016	2015	2016	2015
Interest Rate Risk	-	-	-	-
Equity Position Risk (Re-stated)	283	214	903	682
Foreign Exchange Risk	-	-	-	-
Commodity Risk	-	-	-	-
Total	**283**	**214**	**903**	**682**

- Operational Risk framework is designed to ensure operational risk identification, assessment, control and monitoring at business and group level. Management of operational risks is an integral part of the roles played by business and the functional teams.

  The Risk Management Division oversees whether the operational risk exposures fall within the policy. Defined standards of measurement are also outlined which plays one of the critical roles of ensuring that the risks are managed within the acceptable tolerance limits. The policies and standards are also reviewed periodically to keep the framework updated.

  The types of events that could result in material operational risk loss or business disruptions are as follows:

- Internal and external fraud
- Damage to physical assets
- Business process disruptions and system failures
- Failure in service executions and deliveries, as well as process management
- Liquid Risk is managed by the ALCO team within the pre-defined liquidity limits set by and in compliance with the policies and regulatory requirements. The Treasury division oversees the implementation of policies and other controls relating to liquidity risks while managing the liquidity position of the company on a day to day basis.

RWA figure is calculated on the basis of credit, market, and operational risks. Total RWA is determined by first multiplying the amount of capital charge for market risk and operational risk with the reciprocal of the minimum CAR. The resulting figure is added to the sum of the risk weighted assets for credit risk.

Total Risk Weighted Asset

Figures in BDT Million

Particulars	Solo		Consolidated	
	2016	2015	2016	2015
Credit Risk				
1. On- Balance Sheet	45,087	36,863	44,053	38,858
2. Off - Balance Sheet	-	-	-	-
Market Risk	2,826	2,135	9,029	6,820
Operational Risk	2,143	2,030	3,040	2,573
Total RWA	**50,056**	**41,028**	**56,122**	**48,251**

Based on the data derived, the Capital Adequacy Ratio (CAR) is calculated. LankaBangla Finance Ltd. follows the standard CAR measurement method.

$$\text{Capital Adequacy Ratio (CAR)} = \frac{\text{Core Capital + Supplementary Capital}}{\text{Risk Weighted Assets}}$$

Capital Adequacy

Figures (except percentage) in BDT Million

Particulars	Solo		Consolidated	
	2016	2015	2016	2015
Core Capital	6,170	5,459	6,537	6,115
Supplementary Capital	449	357	449	357
Total Eligible Capital	6,619	5,815	6,987	6,472
Risk Weighted Assets (RWA)	50,056	41,028	56,122	48,251
Capital Adequacy Ratio	13.22%	14.17%	12.45%	13.41%
Core Capital to RWA	12.33%	13.30%	11.65%	12.67%
Supplementary Capital to RWA	0.90%	0.87%	0.80%	0.74%
Minimum Capital Requirement (10% of RWA)	5,005	4,103	5,612	4,825
Excess Capital Over Regulatory Requirement	1,614	1,712	1,375	1,647

The CAR figure of LankaBangla Finance Ltd. can be seen to be comfortably above the Bangladesh Bank's CAR requirement of 10%. This is in line with the institution's approach to being compliant, establish investors' confidence, and demonstrate company stability.

STATEMENT ON NPL MANAGEMENT

1. Introduction

Non-Performing Loan (NPL) is a debt obligation where the borrower has not paid previously agreed upon interest and principal repayments to the designated lender for an extended period of time. The nonperforming asset is therefore not yielding any income to Lankabangla in the form of principal and interest payments. Therefore, managing Non-performing Loan (NPL) to keep it at the lowest possible level is at the core of our business priorities in Lankabangla. Lankabangla have embedded the essence of asset quality in the business values, therefore, instituted the best local as well as international industry practices throughout the business processes.

2. Business Processes and Structures to Facilitate NPL Management:

NPL management is one of the topmost priorities of the management. At LankaBangla, NPL management starts from the very beginning of our business process. Step by step NPL management flow is as under:

- We have developed credit policies in line with the best practices which are the guiding principles for sales and relationship teams which drive their business efforts towards quality business through systematic management of any potential risk of NPL.
- Credit Risk Management (CRM) division independently reviews the credit proposals, approves (as per approved delegated authority) or recommends for onward approval those cases which are screened off of potential risks ensuring adequate protection against any potential NPL. The reporting authority of CRM division is also independent of reporting line of business division.
- The credit proposals recommended by CRM are reviewed by Management Credit Committee (MCC) consisting of the Managing Director, Deputy Managing Director and Heads of business divisions, operations division and CRM division, who put into a wide variety of inputs from different aspects ensuring the least possibility of NPL.
- Thereafter, credit proposals recommended by MCC are reviewed and if found acceptable, approved by the concerned authority which may be the Managing Director, the Board Executive Committee (BEC) or the Board of Directors (BOD) independently.
- Even after approval of credit facilities, the post approval activities like credit facility documentations and executions are carried out by separate department namely Asset Operations Department and vetting of credit facility and collateral documentations are taken care of by separate department namely Legal Affairs Department under centralized Operations Division which are independent of reporting line of business departments and divisions to avoid conflict of interests.
- For post disbursement activities like monitoring, collection, early alerts, etc. sales and relationship teams hold prima-facie responsibility to ensure their accountability towards quality asset portfolio, However, to put into more and rigorous monitoring, separate department namely Asset Recovery & Monitoring Department continuously thrives for protection before assets turn into NPLs. Regular due date and overdue status reminders through SMS, e-mails, letters, telecommunications, meetings, discussions, visits, etc with the clients are consistently carried out by the department which facilitates managing NPL at the lowest possible level.
- For managing NPL cases arising out even after all the efforts as mentioned above, a dedicated department namely SAM (Special Asset Management) Department is in place to directly monitor, put into action and intensify recovery and settlement drives through dedicated internal recovery officers and also third party collection service providers, where necessary. Litigation Unit of Legal Affairs Department is well organized with the assistance of leading law firms of the country to ensure all out legal actions for collection.
- Risk Management Division and its Internal Control & Compliance (ICC) Unit, Enterprise Risk Management (ERM) Unit and Audit & Inspection (AI) Unit are consistently reviewing and monitoring the implementation and execution of the policies, procedures, and systems; blowing whistles where necessary; updating with approval of competent authority the policies, procedures, and systems with the assistance of the Information Technology (IT) Division and other stake-holding divisions;
- The senior management is vigilant to monitor and review all the relevant aspects; provides necessary directions and guidance time to time; all to ensure asset quality maintaining the NPL ratio towards its desired goals outperforming the industry ratio.
- On top of all, the Board of Directors periodically monitors and reviews the NPL movements and performance of the management in arresting NPL; provides necessary directions and guidance, thereby ensures highest quality of assets of the company to ensure a quality asset portfolio thereby maximize business and profitability growth.

3. Strategies for NPL Management

The recovery strategies are formulated based on analysis carried out through the following three sub-functions:

- Classification of loan portfolio
- Trend analysis of the overdue installments
- Processes of recovery

3.1 Classification of Loan Portfolio

Loans are classified into the following categories:

- Regular accounts
- One month's overdue accounts
- Two months' overdue accounts
- Three months' overdue accounts
- Four months' overdue accounts
- Five months' overdue accounts
- Suspended accounts (Special Asset)

The above mentioned classification is based on the age of the loan portfolio. The strategy of recovery is based on the age of overdue of the loan facility.

3.1.1 Trend Analysis of the Overdue Loans

The data of the overdeu loan portfolio is analyzed in two respects, namely, Sector-wise Age Analysis and Client-wise Age Analysis. From each of these two reports a trend analysis is carried out. External data are utilized to do the analysis:

3.1.2 Sector-wise Age Analysis

This report provides information on the sectorial default level

of the loan portfolio. If the default happens to be random in nature for a particular sector, the client-wise age analysis is emphasized. If any sectorial default is evident the following further analysis is carried out.

3.1.3 Industry Sales Analysis

This analysis is carried out by collecting data from the external sources to find the causes of the sectorial sales decline. The nature of the causes (temporary or permanent) is also analyzed.

3.1.4 Industry Profitability Analysis

This analysis is carried out in order to find out the fluctuation of the profit margin of the sectors. The causes of the fluctuations are also analyzed to uncover the nature of the fluctuations (temporary or permanent).

3.1.5 Industry Liquidity Analysis

This analysis is carried out in the context of national economic activity, monetary condition to find out the immediate liquidity situation of the industry and be prepared to face the reality of the business.

3.1.6 Industry Change Analysis

This analysis is carried out to find out changes in the industry in terms of technology, investment, development of substitute product, etc. The objectives of the sector-wise age analysis are following:

- Take immediate action to realize the default outstanding by way of rescheduling, suspending or terminating the agreement.
- Provide investment advices to the client to help them recovering from turmoil.
- Adopt alternate strategies with respect to loan finance to the sector.
- Adopt new criteria for future reference in appraisal procedure.

3.1.7 Client-wise Age Analysis

This analysis is carried out to discover the clients' integrity and sincerity to pay the loan installments, their business profitability, and affectivity of their business strategy in the context of present business situation. The objective is to adopt correct strategy to recover the investment.

4. Recovery Processes

The various recovery actions in order of intensity is given below:

- Phone Call/ SMS
- Letter/ E-mail
- Visit
- Reminder
- 2nd Reminder
- Visit conducted by higher level employee/s
- Letter to guarantor/s
- Final letter for legal notice
- Legal Notice
- Report to Central Bank and to other agencies
- Terminate the loan
- Ask the guarantor of payment/ encashment of security
- Litigation

The application of the above mentioned options are contingent upon the age of the overdue installments, causes of the overdue, etc. Few of the application are as follows:

- Immediately after overdue of one installment, telephonic communication/ SMS is initiated by monitoring officer. Upon failing to obtain positive result default letter is issued to the client after closure of the due month. If the letter does not bring in result an official visit is made by a collection officer to resolve the matter.
- If two installments are overdue, the case is analysed and necessary corrective action is taken by sending an overdue status and a claim letter; simultaneously telephone calls and/ or visits are made to give the continuous reminder.
- If the above actions fail a second reminder is given to the client through letter along with telephonic conversation.
- If consecutively three installments are overdue the client is taken as problem case. In this case a higher level management meeting is conducted, to take corrective action with respect to rescheduling, early realisation, etc.
- If the above measures fail a letter showing the details of overdue and a list of already taken corrective actions is sent to the client with C.C. to the guarantor and security provider.
- After six monthly installments overdue, or the account is overdue for six months, the case is taken as suspended case and legal notice, reporting to central bank, termination of loan, security encashment, final provisioning, litigation etc. are carried out chronologically.

5. NPL Status as on December 31, 2016

During the year 2016, there was improvement in NPL status of the Company which is represented in its NPL ratio being decreased to 3.52% from previous year's 3.72%. However, the absolute figures show slight increase in classified portfolio from BDT 1,339.18 million in 2015 to BDT 1,647.65 million in 2016. The deterioration in figures has occurred under stress in the economy arising out of after month of political turmoil during 2014 & 2015. Special efforts were made during the course of the year, which were further intensified during last quarter of the year and it helped reduce the impact of stressful economy on NPL to a sizable extent comparing to the industry. The movement in NPL accounts during the year 2016 has been depicted in following table:

Particulars	BDT Million
Opening Balance as on January 1, 2016	1,339.18
Add: Addition During the Year	582.11
Less: Collection During the Year	253.14
Less: Write-offs	20.50
Closing Balance as on December 31, 2016	1,647.65

6. Write offs

During the year 2016, the movement in write-offs accounts is as under:

Particulars	BDT Million
Opening Balance as on January 1, 2016	494.70
Add: Addition During the Year	20.50
Less: Collection During the Year	12.25
Closing Balance as on December 31, 2016	502.96

7. Sector-wise NPL Status

Following table shows sector-wise exposure vis-à-vis sector-wise NPL of LankaBangla.

Sl.	Particulars	Total Credit Portfolio (in BDT mn)	Credit Portfolio (in %)	NPL Portfolio (in BDT mn)	NPL % of Total Portfolio
1.	**Trade and commerce**	**6,031.68**	**12.90%**	**310.96**	**0.67%**
2.	**Industry**				
a)	Garments and knitwear	1,894.19	4.05%	252.38	0.54%
b)	Textile	2,209.53	4.73%	12.95	0.03%
c)	Jute and jute -products	301.83	0.65%	-	0.00%
d)	Food production and processing industry	4,722.68	10.10%	22.96	0.05%
e)	Plastic industry	1,184.01	2.53%	-	0.00%
f)	Leather and leather goods	63.79	0.14%	-	0.00%
g)	Iron, steel and engineering	3,300.47	7.06%	91.63	0.20%
h)	Pharmaceuticals and chemicals	929.40	1.99%	-	0.00%
i)	Cement and allied industry	358.56	0.77%	8.30	0.02%
J)	Telecommunication and IT	726.11	1.55%	25.79	0.06%
k)	Paper, printing and packaging	581.37	1.24%	11.30	0.02%
l)	Glass, glassware and ceramic industry	537.59	1.15%	19.62	0.04%
m)	Ship manufacturing industry	-	0.00%	-	0.00%
n)	Electronics and electrical products	278.49	0.60%	-	0.00%
o)	Power, gas, water and sanitary service	639.18	1.37%	35.86	0.08%
p)	Transport and aviation	641.42	1.37%	150.61	0.32%
	Industry Total	18,368.61	39.29%	631.40	1.35%
3.	Agriculture	255.53	0.55%	34.40	0.07%
4.	Housing	6,714.35	14.36%	303.06	0.65%
5.	Others				
a)	Loan to subsidiaries	2,766.87	5.92%	-	0.00%
b)	Others	12,612.15	26.98%	367.82	0.79%
	Others Total	15,379.03	32.90%	367.82	0.79%
	Grand Total	**46,749.20**	**100.00%**	**1,647.65**	**3.52%**

In order to arrest NPL our focus is not only reducing existing NPL portfolio, but also avoiding further NPL. In line with that we have strengthened our recovery & monitoring team, deployed external sources where found suitable, strengthened our legal team, thereby intensified recovery drive which brought in defaulting clients under negotiation and thereby sizable recovery was possible in year 2016 like-wise 2015. We hope further improvement in year 2017 in recovery of NPL accounts.

On the other hand, in order to check any further significant NPL, we have extensively reorganized our Organogram, reengineered business and operational processes and SLAs, strengthened pool of qualified human resources in the departments, enhanced lawyers' panel incorporating leading law firms, strengthened Risk management division, putting into a strong risk management framework in place which is expected to result in significant improvement in year 2017.

REPORT ON GOING CONCERN

Every company requires assessing its ability to continue as a going concern. The Board of Directors of Lanka Bangla Finance Limited has made annual assessment about whether there exists any material uncertainty which may cast significant doubt upon the Company's ability to continue as going concern. This assessment involves making appropriate inquiries including review of budget and future outcome of inherent uncertainties in existence. The Directors are convinced from the following indications, which give reasonable assurance as to Company's continuance as a going concern for the foreseeable future.

Financial Indications

Performance Growth

LankaBangla has excellent growth in its operating performance. Company's Consolidated Total Asset has increased from BDT 50,447 Million to BDT 63,935 Million, achieving a growth of 27% over last year. Consolidated Earning Assets of LANKABANGLA grows by 30% in 2016 compared to that of 2015. Earning Assets reaches to BDT 60,624 Million in 2016 which was BDT 47,619 in 2015. Consolidated Operating Revenue for the year 2016 amounted to BDT 7,311 Million which is 17% higher than last year's BDT 6,237 Million. Although all through the year 2016 the interest rate was in a declining state the Net Interest of LANKABANGLA grow by 58% over last year. Consolidated Net Interest for the year 2016 amounted to BDT 1,697 Million compared to BDT 1,072 Million of 2015.

Credibility in Payment Obligations

LANKABANGLA has strong credibility in terms of payment of its obligations to the lenders and suppliers. LANKABANGLA is very particular in fulfilling the terms of payment or repayment agreements without any exception. This has resultant from our effective liquidity management plan.

Positive Key Financial Ratios

The key financial ratios of LANKABANGLA for the year 2016 indicate a very positive picture as evident from financial highlights and graphical presentation of financial position given separately in this annual report. Financial ratios indicate LANKABANGLA's sound financial strength and good prospects.

Cash Flow Analysis

LANKABANGLA's cash flow analysis represents its strengths about its ability to repay its obligations, ability to adapt in changing circumstances and generate sufficient cash and cash equivalents which will lead the organization to a sustainable future growth.

Consolidated Operating Cash Flow before changes in operating assets and liabilities increase by 44% in 2016 compared to 2015; BDT 1,479 Million as against BDT 1,024 Million of previous year. However, Net Operating Cash Flow after changes in operating assets and liabilities shows net inflow of BDT 2,496 Million which was BDT 2,966 million in previous year.

Expansion of Business

LANKABANGLA has expanded its segment geographically by opening new branches in different places considering the economic significance. In 2016 LANKABANGLA opened 5 new branches and initiatives have been taken to open 10 new branches in 2017 at different places in Bangladesh. As on 31 December 2015 LANKABANGLA has 18 Branches and 1 SME Booth.

LANKABANGLA give due importance on product diversification a key strategy to achieve customer satisfaction by tailoring the need of customers. It is the impact of our sound organizational structure, skilled and dedicated work force and business strategies that in the year 2016 Lease, Loans and Advances has increased by 30% and Term Deposit has increased by nearly 33% compared to that of 2015. Fund Under Management grows by 29% and reaches to BDT 112,348 Million in 2016 compared to BDT 87,249 Million of previous year. LANKABANGLA's Management has positive intent to maintain this growth in future years which represent Company's intention to perpetuity.

Consistent Payment of Dividends

LANKABANGLA has been paying consistent dividend to its shareholders over many years, which reflects company's long term vision and firm commitment to its shareholders.

Corporate Environment and Employees' Satisfaction

There exists a very good corporate working environment in the Company. LankaBangla Finance Limited is an excellent work place with a friendly working environment. Communication among the employees is excellent. The organization endeavors to be honest and practices fair treatment to all employees which ensures healthy corporate environment. The company pays a very competitive compensation package and there exists a good number of employee benefits like provident fund, gratuity fund, Home and personal loan for employees at a reduced rate, employees' health insurance, incentive bonus, transport facility to the eligible employees. Pay scale are frequently revised to give effect of inflation as well as to align with the industry level. These factors are instrumental for employee satisfaction.

Maintenance of Sufficient Capital

As per BASEL-II, an NBFI should maintain total capital of at least 10 percent of Risk Weighted Asset. LBFI maintains its capital well above the required level consistently even though growth of RWA is significant. As on 31 December 2016 Consolidated Capital Adequacy Ratio (CAR) of Lanka Bangla is 12.45%.

Other Indications

Satisfactory Credit Rating

Credit Rating Agency of Bangladesh Ltd. (CRAB) has rated the Company on 31 July 2016 with "AA3" (Pronounced as AA Three) in the long term and ST-2 for the Short Term based on audited financial of FY2015 and other available information up to the date of rating declaration. The outlook on the rating is Stable. The rating reflects the strengths of the Company which is backed by a strong team of management, growth in the non-interest income, deposits and investments, adequate capital coverage with high Tier-1 capital, improved asset quality and well controlled liquidity position.

Changes in Government Policy

LANKABANGLA Management anticipates no significant change in legislation or government policy, which may materially affect the business of LankaBangla.

Based on the above mentioned indications, Directors feel it is appropriate to adopt going concern assumptions. Adequate disclosures have been made in the financial statements and different sections of the annual report to understand the appropriateness of going concern basis in preparing the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

"The primary role of LankaBangla is to facilitate the movement of capital and flow of money from where it is to where it is required to meet stakeholder needs. It is through the meeting of these needs that we enable a thriving society and create long-term value."

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REVIEW FROM THE MANAGING DIRECTOR

> **"In 2016, LankaBangla is entering into another growth trajectory. With a larger platform, we are well positioned for large scale expansion of our personal financial services and SME financial services. We have been emerging as customer centric financial institution with full range of financial services."**



Dear Stakeholders,

2016 marks the completion of two decades of our operation and it has been a tremendous journey so far. We have placed ourselves as one of the leading financial service providers of the country and now we are all set for the big jump, which is to be the most preferred financier to our customers.

Like the past few years, 2016 has been a momentous year with lots of accomplishments to strengthen our spirit. Before going into details, I want to highlight the macro-economic environment that surrounds us with few of my observations and enlighten you on the steps that we are going to take to strengthen our position.

Bangladesh is showing a healthy growth in GDP despite slowing remittance stream and private investment. Rate of inflation has decreased to 5.9 percent from 6.4 percent this year which is the lowest rate of inflation in last twelve years. Industry has shown a downward trend in interest rates and a rise in the flow of credit to the private sector. Political environment remained stable and highly suitable for businesses to grow. Bangladesh Bank is maintaining an accommodative monetary policy stance and has been very supportive to growth. We expect that in 2017, businesses will take the advantage of falling interest rates.

Year-end Highlights-2016

To exploit the huge opportunities in SME sector, we deployed different strategies aimed to grow and achieve a diversified portfolio and as on December 2016, our SME portfolio stood at BDT 4,209 million, showing a growth of 98%. These strategies are aligned with our strategy of branch growth, and we are planning to ensure our presence in the major SME business hubs all over the country.

We continued our effort to increase service-providing capacity and established diversified platforms for high frequency lending in retail sector as well. Our credit card department has shown significant growth and offers the highest number of merchant relationships for discounts and other privileges. On top of that, we are successfully exploiting our competitive edges in auto loan and unsecured personal loan products and achieved the highest growth in the industry. Our prime vision for 2017 is to ensure that branches play a bigger role in promoting retail and SME lending and driving medium term business goals.

Our Corporate Financial Services has shown a modest growth of 13% in 2016. Moreover, our strategy of increasing non-funded income from fee-based services has also been proved to be a success. Our primary focus in coming years for this division will be to widen our umbrella of corporate relationships and prove ourselves as the true growth partner to our clients as we claim to be.

Since the inception of LankaBangla Finance, our goal has always

partner to our customers. We have diversified our portfolio through financing retail, SME and corporate businesses with well-structured product mix and continued our effort to expand our footprints all over the country. To accommodate our customer-centric focus, we kept upgrading our IT backbone over the years and we expect to have the top notch IT backbone in the industry in the upcoming years.

Reducing dependency on bank borrowing is a major prerequisite for a NBFI to have sustainable future. Our Public deposit has grown by 32% in 2016.

To reach our prospective clients through electronic and digital media, we have widened our delivery channels. Moreover, conventional delivery and advertisement mechanisms were used selectively, especially to promote our SME products.

Financial Highlights

As on 31st December 2016, our asset portfolio has reached at 46,749 million which indicates a growth of 30%. Overall disbursement was 45,539 million showing a growth of 27%. Other major highlights are shown below.

Revenue

Consolidated revenue for 2016 has been BDT 7,310.93 million which shows a growth rate of 17.23% from the previous year, of which 77.44% was from interest earning products, 6.61% from investment income, 7.74% from commission & brokerage income and rest 8.20% from other income sources.

Profitability

Consolidated Pre-tax profit was recorded at BDT 946.66 million for the year 2016, which was BDT 532.84 million in the previous year, resulting in a growth of 77.66%. Consolidated Post-tax profit also shows an impressive growth of 89.02% from the previous year.

Portfolio

Lease, Loans & Advances Portfolio of LBFL shows a growth of 30% from 36,019 million in 2015 to 46,749 million in 2016. Retail portfolio grew 51% and now stands at BDT 16,997 million, whereas, corporate portfolio has grown from 22,633 to 25,543 million. SME financial services division shows a huge growth of 98% from 2,125 million in 2015 to 4,209 million in 2016.

Credit Quality and NPL

We have been successful in reducing our stand alone NPL ratio from 3.72% in 2015 to 3.52% in 2016. Overall NPL ratio of the Group was well placed at 3.22%. This shows that we have displayed growth without sacrificing our credit quality.

Liquidity and Capital Adequacy Ratio

Capital Adequacy Ratio (CAR) for 2016 stood at 13.22% on separate basis and 12.45% on consolidated basis against the Bangladesh Bank's stipulation of 10%. This shows the strength of Capital and the level of compliance of LankaBangla with the regulatory requirements with regards to a sustainable growth.

Share Performance

Market price of our share had shown fluctuation throughout the year in between BDT 26.5 and BDT 42.4 and finally settled at BDT 34.8 at the end of 2016, which is up by 20% than 2015 year end.

ROA

For the year 2016, our Consolidated Return on Assets (ROA) was 1.39% compared to 2015 figure of 0.94%. The increase in the ratio despite a modest asset growth shows the management efficiency of LankaBangla.

ROE

Consolidated Return on Equity (ROE) for the year 2016 was 12.29% which was 6.37% in 2015. The outcome has been the result of increased profitability.

EPS

Consolidated Earnings per Share (EPS) for 2016 stood at BDT 2.87 compared to BDT 1.53 in 2015. This indicates increased profitability and stable asset base despite fierce competition amongst the players within the market.

Activities of Subsidiaries

In the Capital Market front, we maintained our leadership in both stock brokerage and merchant banking. LankaBangla Securities Limited is the current market leader in both the stock exchanges of the country. And as the market is getting stronger day by day, we are getting ready to cease the upcoming opportunities. On a similar note, LankaBangla Investment Ltd, a leading merchant bank of the country, has successfully completed several mandates. Another Subsidiary LankaBangla Asset Management Company Limited made a kick start in fund management activities. In 2016 we restructured the company looking forward to manage Private Equity, Venture Capital and Impact Funds in foreseeable future.

"Our vision is to be the leading financial services organisation in the Country, delivering exceptional client experiences and superior value. This sets the primary goals and standard of excellence we intend to achieve. As an integrated financial services provider organisation that serves the full spectrum of the financial needs of individuals, small and medium enterprises (SMEs) and large corporations across the Country, it is in our interest that Bangladesh's growth is strong and inclusive."

CSR and Green Banking Initiatives:

We value social and political progress just as much as we value our profitability. We have adopted our green office initiative for the best utilization of natural resources. Financing Greenfield brick projects are a part of our green banking strategies. Our CSR initiative, LankaBangla Foundation has broadened its landscape to support the underprivileged all over the country.

Our Motto "Growing Together" includes the growth of our employees as well. We seek to foster a well-trained, dynamic and diverse workforce who can understand, relate and interpret the expectations of our clients and meet those aspirations efficiently. We believe in nurturing our employees through knowledge sharing and training programs and spent BDT __ million and __ training hours to enhance their professional capabilities. We are continuing our effort to uphold professional ethics among our employees while ensuring the transparency in the operational policies, guidelines and procedures.

We allocate capital and human resources to market segments where we believe we will be most effective in creating value for our clients and generating profitable revenue. This is reflected in our strategy to shift the focus of our core business. The ultimate test of our strategy is whether it will enable the group to deliver a superior ROE and sustainable growth in earnings over the medium to long term.

Economic Outlook and Competitive Challenges for 2017:

Judging the current economic and political scenario, it can be predicted that the business environment for us will remain stable but we will face increased competition in the coming years particularly in our growing business areas of emerging & commercial business unit, SME unit and retail unit. However, we are confident that LankaBangla will be able maintain its position and our investments in technology and human resources would continue to grow in the coming days to deliver the needs of new and existing customers throughout our footprint.

In 2017, our target will be to strengthen our SME and Retail positions and increase our cost to income ratio with a view to improve profitability. Besides, our branch network will be further widened with the opening of 10 branches at the country's major business hubs. Also, we are making heavy investments to strengthen our IT backbone and hopefully, we will be able to cash-in the results soon.

We recognise that employee engagement is a lead indicator of client experience. We are committed to best practice people management and to a workplace where high performance is expected and rewarded. Diversity in our leadership teams and demographic representation among our employees is an advantage as we serve equally diverse client bases.

Appreciations:

I would like to thank each and every customer across the country for the privilege to serve each and every one of you. You have always been our inspiration and we are committed to provide top notch services to our customers in the coming days. I also want to thank the board of directors and all the shareholders for their continued support and trust. My sincere gratitude goes to all of my fellow colleagues for their team effort, sincerity, diligence and professionalism. Special thanks to all of our lenders, depositors, regulators and other stakeholders. I believe all of our stakeholders would be growing together hand in hand with a sense of ownership in the LankaBangla family.

Thank you!



Mohammed Nasir Uddin Chowdhury
Managing Director & CEO

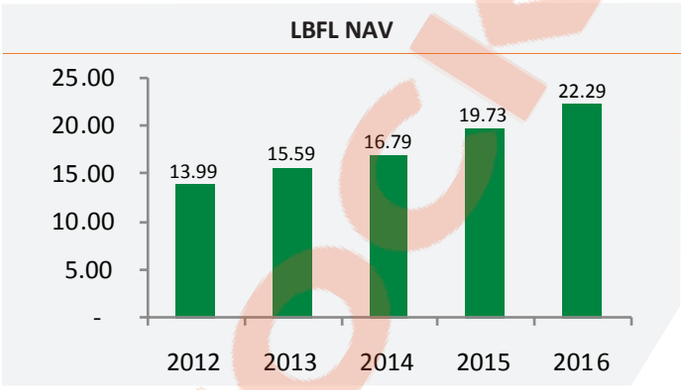
CFO's STATEMENT ON PERFORMANCE

Review of 2016 Financial Results

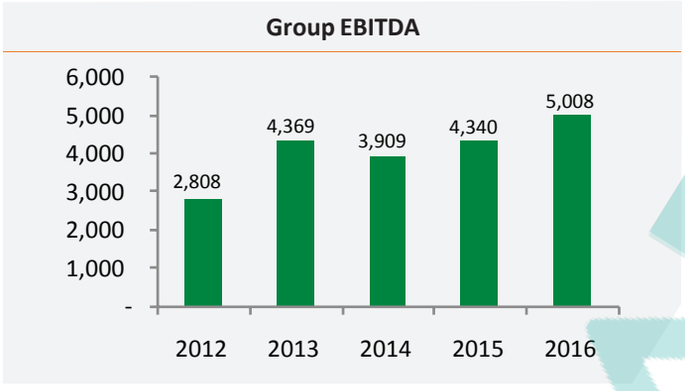
LBFL produced a strong set of results in 2016, supported by good performance across the segments. This was evident in the increase in Net Interest Income (NII), growth in non-interest revenue (NIR) and improvement in Non-performing Loans (NPL) resulted in reduction in Loan loss provisions.

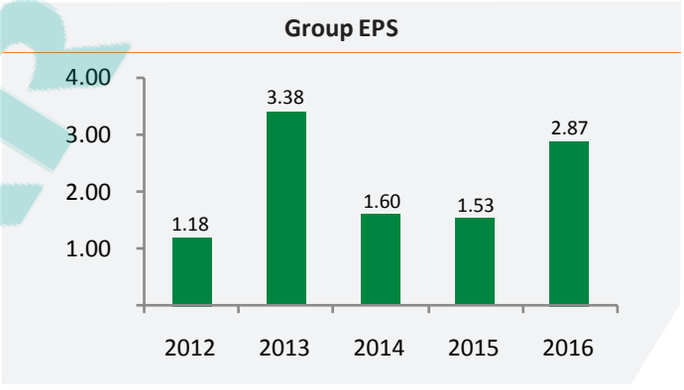
We continued to create value to our shareholders by delivering:

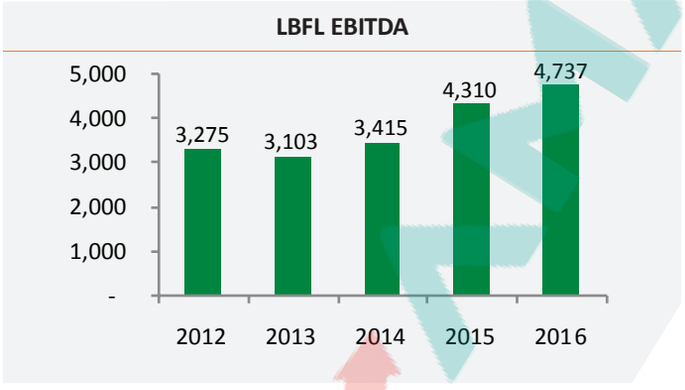
- Gross revenue growth of 17.23% to BDT 7,311 million
- Group's EBITDA growth of 15.40% to BDT 5,008 million
- Cost to Income ratio reduced to 59.89% in 2016 from 63.92% of 2015
- Return on average shareholders' equity (ROE) of 18.44% considering LBFL as a separate entity
- Net Asset Value (NAV) increase of 13.03% to BDT 22.29 per share; Group NPV increased to BDT 24.16 per share in 2016 which was BDT 22.63 per share in 2015
- 30% dividend (Cash 15% & Stock 15%) for the year 2016

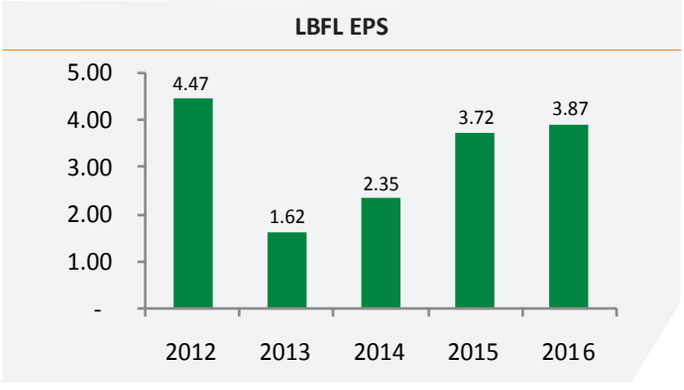


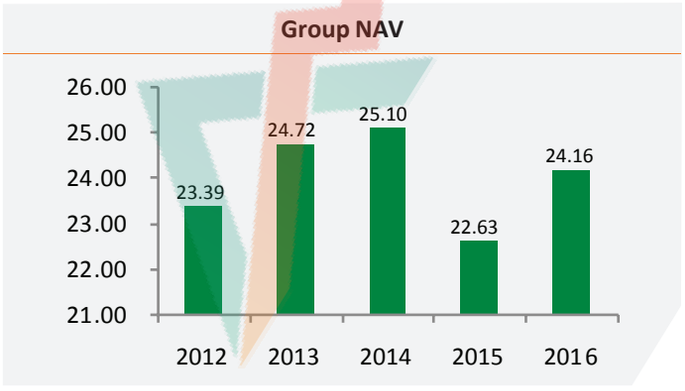
LBFL's Earning per Share stood at BDT 3.87 per share for the year 2016 compared to BDT 3.72 per share of previous year. Although due to adjustment impact of bearish market trend our subsidiary LBIL produced negative net profit, consolidated Earnings per Share of LankaBangla has increased by 87.39% to BDT 2.87 per share in 2016 compared to BDT 1.53 per share (restated) in previous year. As the market is recovering and LanglaBangla is growing sustainably future seems more promising.











The Group's balance sheet is well positioned with our Basel II Capital Adequacy Ratio (CAR) at 12.45%. CAR is well above regulatory requirement of 10% even after 27.31% growth of investment portfolio. Increase in Tier 1 eligible capital was possible because of profitability. Funding and liquidity level remain sound, with statutory liquid asset and cash reserve increasing resulting in positive liquidity coverage ratio which was well above the regulatory requirement.

LBFL's Performance against the Industry

Total Asset

In terms of Asset Growth LankaBangla is growing faster than the Industry. From the year 2012 to 2016 Asset base of NBFI Industry grew at a Cumulative Average Growth Rate (CAGR) of 19.14%. At the same time LBFL's Asset Base Grew at a CAGR of 31.11%. LanakaBanglais sustainably maintaining its asset growth. Market share on terms of Asset is also growing. As at the end of 2016 LBFL holds 8.6% of the total Assets of NBFI Industry which was 5.8% way back in 2012.

BDT Billion

Year	Industry	LBFL	Market Share	Industry Growth	LBFL's Growth
2012	333.90	19.50	5.8%	15.8%	22.6%
2013	436.30	26.63	6.1%	30.7%	36.6%
2014	520.05	32.35	6.2%	19.2%	21.5%
2015	611.00	44.61	7.3%	17.5%	37.9%
2016	672.80	57.62	8.6%	10.1%	29.2%

Total Deposit

Total Deposit in NBFI Industry mainly sourced through Term Deposits. LBFL maintains a well-diversified term deposit portfolio with a good number of products depending on the depositors' preference. CAGR of 51.12% against industry CAGR of 24.68% over the last five years describes the depositors' confidence on LBFL. In 2012 LBFL's market share in terms of Total Deposit was only 5.3% and as at the end of 2016 it reached to a commendable position holding 11.4% of the Total Deposit of the Industry.

BDT Billion

Year	Industry	LBFL	Market Share	Industry Growth	LBFL's Growth
2012	145.40	7.68	5.3%	29.1%	44.6%
2013	198.30	10.88	5.5%	36.4%	41.7%
2014	238.50	16.72	7.0%	20.3%	53.7%
2015	318.10	30.08	9.5%	33.4%	79.9%
2016	351.40	40.03	11.4%	10.5%	33.1%

Leases, Loans and Advances

LBFL offers well-diversified and need based Loan Products for its valuable clients. In case of growth in leases, loans and advances portfolio LBFL outperformed Industry by nearly double margin for the last five years. From 2012 to 2016 NBFI Industry grew at a CAGR of 18.59% and in comparison LBFL's CAGR was 35.73% for the same duration. In the year 2016 LBFL's Loans portfolio increased by 29.8% compared to Industry growth of 11.2%. LBFL's market share for leases, loans and advances grew to 9.4% by the end of 2016 which was only 5.5% in the year 2012.

BDT Billion

Year	Industry	LBFL	Market Share	Industry Growth	LBFL's Growth
2012	252.10	13.77	5.5%	20.2%	24.3%
2013	273.60	19.26	7.0%	8.5%	39.8%
2014	372.80	24.27	6.5%	36.3%	26.0%
2015	448.50	36.02	8.0%	20.3%	48.4%
2016	498.60	46.75	9.4%	11.2%	29.8%

Asset Quality

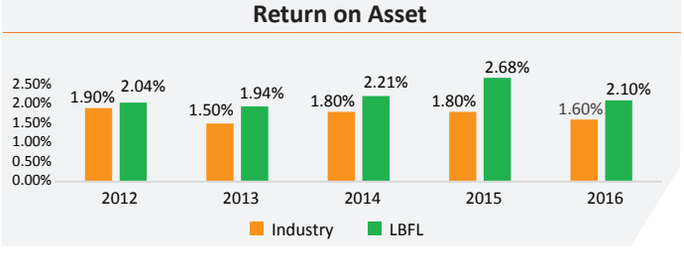
Maintaining the soundness of the asset quality is one of the major strategic focus areas of LBFL. As at the end of 2016 LBFL's standalone NPL ratio well placed at 3.52% against the Industry figure of 9.05%. By the end of 2016 LBFL holds only 3.7% of the total non-performing assets, even if it holds 9.4% of the total loan portfolio of the Industry. Despite of a maintaining a sustainable growth in Loan portfolio LFL's NPL% is gradually decreasing against the gradually increasing trend of the Industry.

BDT Billion

Year	Industry	LBFL	Market Share	Industry NPL%	LBFL's NPL%
2012	13.70	0.52	3.8%	5.43%	3.79%
2013	16.80	0.93	5.5%	6.14%	4.84%
2014	19.70	1.23	6.3%	5.28%	5.08%
2015	40.00	1.34	3.3%	8.92%	3.72%
2016	45.10	1.65	3.7%	9.05%	3.52%

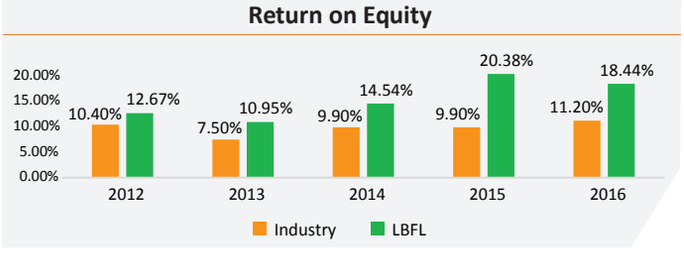
Return on Asset (ROA)

LBFL's ROA for the year 2016 was 2.10% compared to 1.60% Industry's ROA for the same time. Despite of a modest growth of its Asset base LBFL maintain above average ROA for the last five years.



Return on Equity (ROE)

LBFL's ROE for the year ended 2016 was 18.44% against the Industry ROE of 11.20% for the same time. LBFL has been maintaining an above average ROE compared to the Industry for each of the last five years maintain a stable equity growth at the same time.



Key Developments in 2016

Our 2016 financial results reflect both the benefits of strategic actions taken over the past few years and the impact of strategic actions and restructuring continued this year, as we build for the future.

Corporate loans and advances were our strength for a number of years. Considering current business trends, risks and profitability, we tend to focus more on Retail and SME sector. 2016 is evident in cashed the benefit of our strategic tilt as Retail and SME disbursement grew by 50.57% and 90.60% respectively and respective portfolio grew by 50.94% and 98.04% correspondingly. In terms of no. of clients Retail division's total no. of clients increased by 9,083 clients to 34,853 by the end of 2016. No. of SME clients doubled in one year and reached to 695 clients in 2015 from only 335 clients in 2014.

Total Loan portfolio increased by 30% in the year 2016 supported by a modest27% growth in Lease & Loan disbursement. Total number of lease loan clients reached to 35,955 by the end of 2016 which was 35,955 in 2015.

LankaBangla is growing with its subsidiaries and branches. In 2016, 5 new branches have been opened and another 10 new branches will start operation in 2017.

We focused meticulously on human resource as one of our major strategies. Recruitment of quality resources continued in 2016 and we invested a lot to improve the quality of the existing employees in form of both local and foreign training. Employee motivation is prominent in LankaBangla by means of Smart compensation package, increment and performance bonus, family involvement events and so on.

Succession planning has been introduced in LBFL. We planned a two to three level backup and career succession plan. In LankaBangla we encourage leadership and provide ample opportunities to the successor to come forward. Two week annual leave is a must for each and every employee and during the leave the work has to go on.

Analysis of our Financial Performance

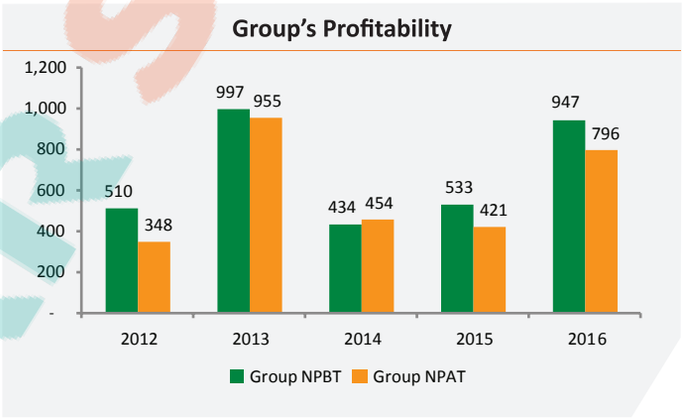
Profitability Position:

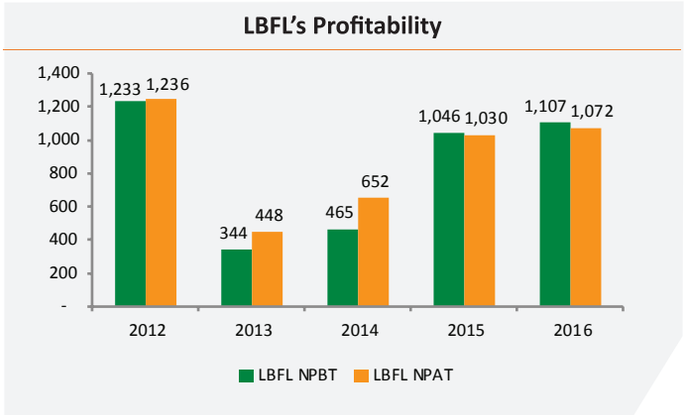
For the financial year ended 2016, the profitability indicators showed significant improvements posting a consolidate net profit before tax of BDT 947 million compared to BDT 533 million achieved in the previous year reflecting a y-o-y growth of 78%. Consolidated net profit after tax for the year 2016 was BDT 796 million which was 89% higher than BDT 421 million of 2015. LBFL's net profit before and after tax was BDT 1,107 million and BDT 1,072 million respectively. Group's reduced profitability affected long term bearish capital market trend resulted in reduced revenue and increased provisions for LBIL.

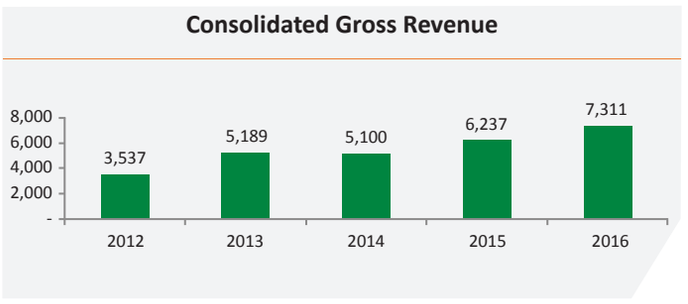
We were focusing more on our primary line of business and 2016's financial result is the evident of the outcome. We kept focusing on keeping overall average cost of funding at optimal levels and tackled overhead cost escalation through concise means of cost management to finally reach current level of profitability.

Group			Y-O-Y Growth	
	2015	2014	Amount	%
Net profit before tax	946.66	532.84	413.82	78%
Net profit after tax	795.64	420.93	374.71	89%

LBFL			Y-O-Y Growth	
	2015	2014	Amount	%
Net profit before tax	1,107.34	1,045.91	61.43	6%
Net profit after tax	1,072.05	1,030.01	42.04	4%







Where the industry is facing numerous challenges in growing up revenue lines we have succeeded in reaching BDT 7,311 million of group revenue achieving 17.23% growth over last year's BDT 6,237 million. Keeping pace with our strategic plan, management was able to maintain a strong momentum in revenue growth.

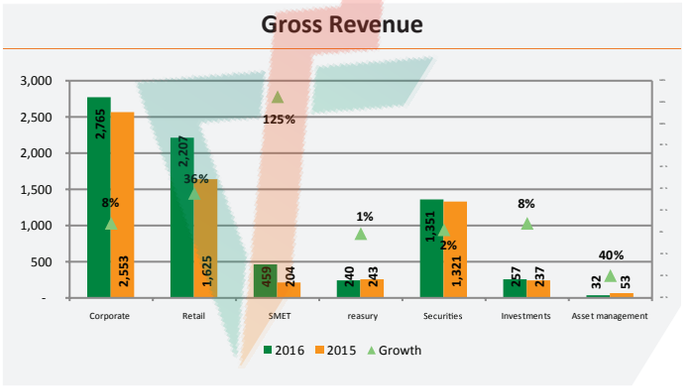
Gross Revenue			Y-O-Y Growth		Contribution %	
Segments	2016	2015	Amount	%	2016	2015
Corporate	2,764.85	2,553.28	211.57	8%	38%	41%
Retail	2,206.94	1,625.09	581.85	36%	30%	26%
SME	458.88	204.23	254.65	125%	6%	3%
Treasury	239.97	242.83	-2.86	-1%	3%	4%
LankaBangla Securities	1,351.42	1,320.55	30.87	2%	18%	21%
LankaBangla Investments	256.75	237.21	19.54	8%	4%	4%
LankaBangla Asset management	32.13	53.37	-21.24	-40%	0%	1%
Total Group Revenue	**7,310.93**	**6,236.56**	**1,074.37**	**17%**	**100%**	**100%**

Corporate segment is the highest contributor to the LBFL Group's revenue. In 2016, 38% of the Gross revenue came from this segment. In this segment LBFL is the market leader in the industry. Even in the excess liquidity and reducing interest rate regime corporate segment nearly earn BDT 2.8 billion of revenue in the year 2016 which is 8% higher than that of previous year.

Retail is the rapidly growing segment and we are focusing more on this segment. Revenue growth of 36% in 2016 compared to 2015 and increase in retail income concentration by 4% (26% to 30% of total revenue) signifies the strategic focus of LBFL and rapid growth in this segment.

SME is comparatively a new segment of LBFL and we are structuring our self to make it one of the important core segments of LBFL. In 2016 SME revenue grows by 125% compared to last year. Revenue contribution by SME segment increased to 6% which was only 3% in previous year. We are forecasting rapid growth in coming years also.

Treasury is a very important business segment of LBFL. Our treasury not only manage fund for internal uses but also actively participate in the revenue through dealing in the money market and managing diversified Investment portfolio. Treasury tends to maintain its position through efficiency of money market dealing and conscious invest decisions even in a very challenging business condition.



After experiencing negative growth in last few years Our subsidiaries' (LBSL and LBIL) revenue grows by 2% and 8% even though facing the adverse impact of the Share Market in Bangladesh. Although LBIL is still producing losses LBSL is moving towards achieving its old momentum. Being the Market Leader for last few years LBSL is expecting a modest growth in revenue and profit in coming years as the Bearish trend of share market in reversing.

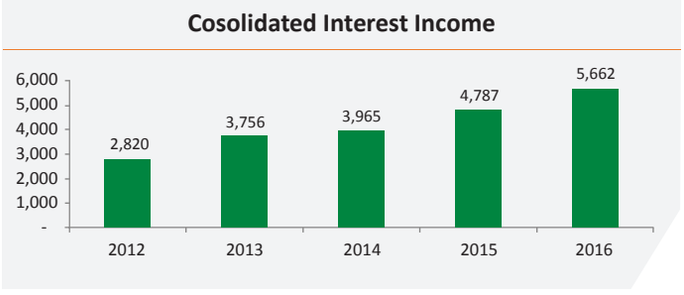
In 2016 we restructured LBAMCL to enable it face the market demand thorough innovative and penetrating product portfolio. In coming years we are expecting more volume growth as the market is very responsive towards the new products and services of LBAMCL.

Gross Revenue			Y-O-Y Growth		Contribution %	
Elements	2016	2015	Amount	%	2016	2015
Interest income	5,661.54	4,787.25	874.29	18%	77%	77%
Income from investment	483.53	436.31	47.22	11%	7%	7%
Commission and brokerage income	566.23	562.07	4.16	1%	8%	9%
Other operational income	599.63	450.94	148.69	33%	8%	7%
Total Revenue	**7,310.93**	**6,236.56**	**1,074.37**	**17%**	**100%**	**100%**

In boosting revenue core contributor was interest income. Interest income contributed 77% in the total revenue where investment income, commission & brokerage income and other income contributed 7%, 8% and 8% respectively. Other than Commission and brokerage income all the segments of revenue experienced a healthy growth in the year 2016.

Interest Income

Interest income is the core component of revenue for LBFL group. With loan portfolio sustaining a resilient 22.54% growth, interest income grew by 18.26% to BDT 5,662 million in 2016 which was BDT 4,787 million for the year 2015. Acquisition of new clients, increase in volume of business with existing clients and expansion of products and services helped to boost interest revenue in the year 2016.



In 2015 LBFL experienced only 6% increase in interest suspense account. World class client service with rigorous monitoring of asset clients make this possible. We are looking forward to keep the same trend for the upcoming years.

Interest income	2016	2015	Y-O-Y Growth		Contribution %	
			Amount	%	2016	2015
Corporate	2,676.27	2,460.06	216.21	9%	47%	51%
Retail	1,919.26	1,422.85	496.41	35%	34%	30%
SME	434.11	186.98	247.13	132%	8%	4%
Treasury	132.46	102.79	29.67	29%	2%	2%
Debit balane of share clients	401.49	505.08	-103.59	-21%	7%	11%
Margin loan	97.96	109.48	-11.52	-11%	2%	2%
Total Interest Income	**5,661.54**	**4,787.25**	**874.29**	**18%**	**100%**	**100%**

47% of the total interest income came from Corporate finance segment which held 44% of the Loan portfolio. Interest income from corporate segment reached BDT 2.68 billion in 2016 which is 36.66% of the total consolidated revenue earned by LBFL group for that year.

Giving more emphasis on Retail/Personal finance division was one of the major strategies for the year 2016. Our planned strategy resulted in 35% growth in interest income from Retail segment to BDT 1,919.26 million in 2016 which was 1,422.85 million in 2015. Retail finance division produced 34% of the total interest income holding 33% of the Loan portfolio.

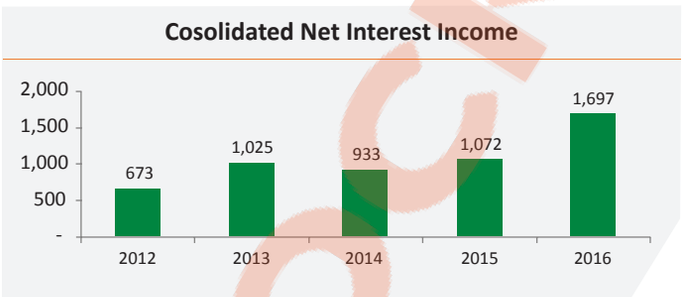
SME finance division of LBFL has started to stretch its wings as part of long term strategic goal of the group. Interest income from SME division achieved a growth of 132% to BDT 434.11 million in 2016 from BDT 186.98 million of 2015.

Interest Expenses

In the year 2016 consolidated interest expenses increased by only 6.71% to BDT 3,964 million from BDT 3,715 million of 2015. During this time total deposit and borrowings experienced a growth of 30.54%. Liquid market scenario and efficient liability and treasury management control the growth of interest expense by means of reduced in average funding cost.

Interest Expenses	2016	2015	Y-O-Y Growth		Contribution %	
			Amount	%	2016	2015
Term deposits	2,966.47	2,332.15	634.32	27%	75%	63%
Term loan-commercial bank	428.52	651.82	-223.30	-34%	11%	18%
Zero Coupon Bond	187.94	278.58	-90.64	-33%	5%	7%
Short term loan	193.07	187.03	6.04	3%	5%	5%
Bank overdraft	79.17	64.06	15.11	24%	2%	2%
Call loan	60.89	108.44	-47.55	-44%	2%	3%
Term loan-Bangladesh Bank	48.03	47.87	0.16	0%	1%	1%
Bangladesh Bank REPO	-	44.93	-44.93	-100%	0%	1%
Total Interest Expenses	**3,964.08**	**3,714.88**	**249.20**	**7%**	**100%**	**100%**

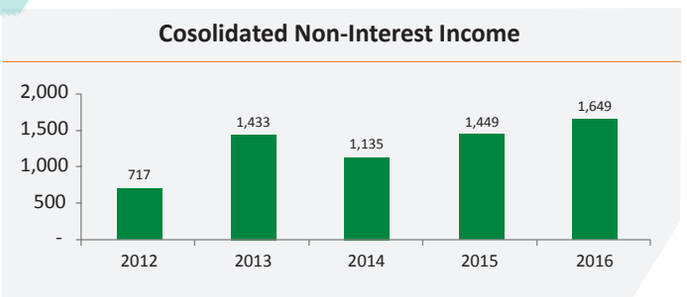
Net Interest Income (NII)



LankaBangla was able to achieve a massive58.29% growth in NII in 2016 compared to 2015. Even in present excess liquidity regime where the industry is experiencing reducing trend of spread it is the growth of the volume and diversified asset portfolio which help us to maintain a sustainable growth of NII over the years. LBFL remained vigilant to mitigate any significant margin erosion that may occur by ensuring pricing is based on a proper trade-off between risks and returns on asset side, and looking for longer term funding to mitigate the negative assets and liabilities maturity mismatch.

Non-Interest Revenue (NIR)

NIR grew at an average compound rate of 23.15% from 2012 to 2016 supported by continuous progress in number of asset clients, credit card operation and impact of conscious investment decisions. In 2016, as a result of efficient strategic actions NIR increased by 13.80% to BDT 1,649 million.

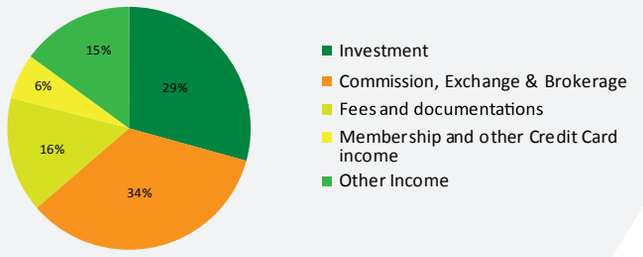


The underlying drivers of NIR growth included:

- Investment income increased by 10.82% from BDT 436 million in 2015 to BDT 484 million in 2016. It includes BDT 247 million from investment in shares, BDT 156 million of income from dividends earned from strategic investment portfolio and 80 million incomes from commercial paper.
- Fees and documentation income increased by 46% in 2016 to BDT 254 million from BDT 173 million in 2015. A massive 74% of this revenue comes from the retail segment and the major contributors were Credit card, Auto loan and personal loan.
- Membership fee and other income from Credit cards increased by nearly 41% to BDT 99.51 million in 2016 from BDT 70.77 million in 2015.

Our NIR-to-Operating expenses ratio was 82% and NIR grew by 13.81% in 2016. It indicates efficiency gains and we are committed to perform better in coming years.

NIR Composition - 2016



Investment Income

7% of the total revenue for the year 2016 has come from investment income. Strategic investment decision has paid off in terms of 37% increase in Income from investment in shares, realizing more than BDT 117 million of Provision for diminution in value of investments and resulted in capital gain even in the reign of bearish capital market. Our Strategic Investments provide us with BDT 156 million of dividend income in 2016 registering an immense 64% compared to that of previous year.

Income from investment	2016	2015	Y-O-Y Growth		Contribution %	
			Amount	%	2016	2015
Income from investment in share	246.76	180.22	66.54	37%	51%	41%
Dividend income	155.63	95.16	60.47	64%	32%	22%
Commercial paper	80.49	3.45	77.04	2233%	17%	1%
Coupon income from treasury bond	0.65	157.47	-156.82	-100%	0%	36%
Total Investment Income	**483.53**	**436.31**	**47.22**	**11%**	**100%**	**100%**

Operating Expenses

Operating expenses growth of 24% to BDT 2,001 million in 2016 compared to BDT 1612 million of 2015 is reflective of continuous investment in human resource to enrich human capital, expansion of branch distribution network to cover more areas of the country and to help the Company to mobilize more public funds and to reach to more Retail and SME clients and investment in marketing and promotional expenses.

Operating Expenses	2016	2015	Y-O-Y Growth		Contribution %	
			Amount	%	2016	2015
Salary and allowances	1,004.84	838.35	166.49	20%	50%	52%
Rent, taxes, insurance, electricity etc.	187.07	159.81	27.26	17%	9%	10%
Legal and professional fees	30.01	19.74	10.27	52%	2%	1%
Postage, stamp, telecommunication etc.	20.64	17.01	3.63	21%	1%	1%
Stationery, printing, advertisement	47.49	40.17	7.32	18%	2%	2%
Repairs, maintenance and depreciation	123.48	109.54	13.94	13%	6%	7%
Other expenses	591.02	427.34	159.86	38%	29%	27%
Total Operating Expenses	2,004.54	1,611.97	388.75	24%	100%	100%

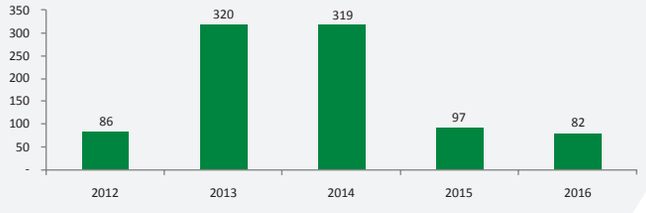
The main expense growth contributors were:

- Staff related cost increased by 20%, comprising-
  - Growth in number of employees to 673 by the end of 2016 from 520 at the same time in 2015
  - Growth in remuneration and other staff costs
  - Increase in incentives provided to employees in line with strong financial performance for the year 2016
- Rent, insurance and electricity expenses increased by 17% due to expansion of branch distribution network and restructuring and extension head office premises.
- Other expenses increased by 38% in the year 2016 compared to 2015. Major contributors were training expenses, travelling expenses, vehicle maintenance, office maintenance, business promotion and marketing expenses.

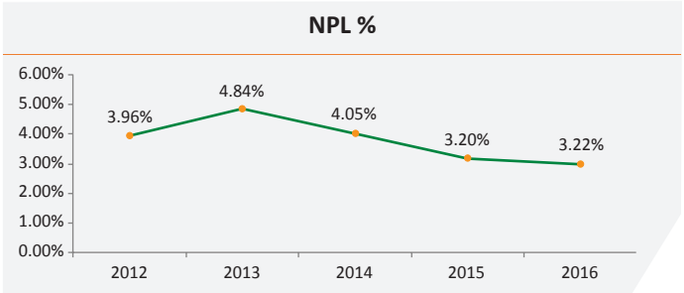
Provision charges on Loans and Investments

In LankaBangla Group we focus on quality of asset with great consciousness. As a result of our rigorous before and after sales monitoring NPL remain at 3.22% at the end of 2016 which was 3.20% in 2015 and 6.51% in 2011. Provision for Margin Loan increased notably, provision for leases and loans slightly increased on the other hand provision for Investment reduced in 2016 compared to that of 2015. Provision charges for leases and loans for the year 2016 was BDT 199 million which was BDT 133 million in 2015. Provision charge for diminishing value of investments was negative BDT 117 million in 2016 i.e. there was a recovery of provision charged in previous years, whereas in 2015 provision recovery was BDT 27 million.

Provision charges on Loans and Investments other than Margin Loan



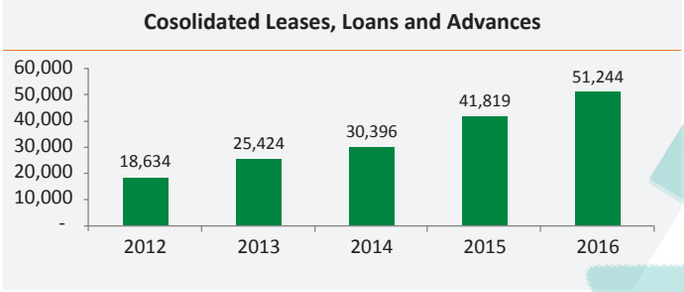
Due to bearish Capital market condition quality of Margin Loans become inferior and provision charged requirement for Margin Loan increased to BDT 314 million in 2016 which was BDT 280 million in 2015.



Balance Sheet- Strong Metrics and well positioned for Economic Headwinds:

Loans and Advances

The positive growth trend in loans and advances continued into 2016, resulting in four-year CAGR of 28.78%. In the year 2016 advances grew 22.54% to BDT 51,244 million excluding intercompany loans and advances supported by gross new disbursement of BDT 45,539 million.



Corporate portfolio has increased by 18.38% to BDT 22,776 million in 2016 compared to BDT 19,239 million of 2015. LBFL is the market leader within the industry in this segment. Beside Term loans LBFL offers factoring, syndicated financing arrangements and short term financing also to accomplish the motive of providing corporate bodies need based services. Corporate disbursements in the year 2016 were BDT 28,544 Million which was 14.08% higher than BDT 25,022 million of 2015.

Retail loans and advances portfolio grew by massive 50.77% to BDT 17,037 million in 2016 which was BDT 11,301 million in 2015. Retail loans comprises of auto loans, Home loans, Personal loans and Credit Cards.

Auto loan portfolio experienced a y-o-y growth of 62% to reach BDT 5,057 million in 2016. Auto loan of BDT 3,090 million has been disbursed in the year 2016 which was 53.9% superior to last year's BDT 2,008 million.

Home loan portfolio grows by 51.60% to BDT 6,517 million in 2016 compared to BDT 4,299 million of 2015. Fresh home loan disbursed during 2016 was BDT 3,189 million which was 77.2% higher than 2015's disbursements of BDT 1,800 million.

Both the portfolio and disbursement grew intensively in the year 2016 compared to the year 2015. At the end of the year 2016 Personal loan portfolio reaches to BDT 3,413 million experiencing a 51.83% over BDT 2,248 million of 2015. BDT 2,718 million personal loans have been disbursed in the year 2016 which was 45% higher than that of 2015.

Credit Card is a distinctive feature for Lanka Bangla Finance Limited as we are the only NBFI in the industry to deal with Credit Card Business. Credit card portfolio increased by 26% to BDT 2,050 million in 2016 from BDT 1,630 million of 2015. Credit Card usage boosted up by 36.0% in 2016, during the year Lanka Bangla Master and Visa Card uses reached the milestone of BDT 4,134 million which was BDT 3,039 million during 2015.

Loans and Advances (Portfolio)	2016	2015	Y-O-Y Growth		Contribution %	
			Amount	%	2016	2015
Corporate Financial Services	22,775.78	19,239.03	3,536.75	18%	44%	46%
Retail Financial Services	**17,037.46**	**11,300.58**	**5,736.88**	**51%**	**33%**	**27%**
Auto Loan	5,056.88	3,123.62	1,933.26	62%	10%	7%
Home Loan	6,517.45	4,299.03	2,218.42	52%	13%	10%
Personal Loan	3,413.09	2,248.00	1,165.09	52%	7%	5%
Credit Card	2,050.05	1,629.93	420.12	26%	4%	4%
SME Financial Services	**4,209.19**	**2,125.45**	**2,083.74**	**98%**	**8%**	**5%**
LBIL- Margin loan to share trading clients	2,473.81	3,559.65	-1,085.84	-31%	5%	9%
LBSL- Debit balance of share trading clients	4,748.06	5,594.31	-846.25	-15%	9%	13%
	51,244.30	**41,819.02**	**9,425.28**	**23%**	**100%**	**100%**

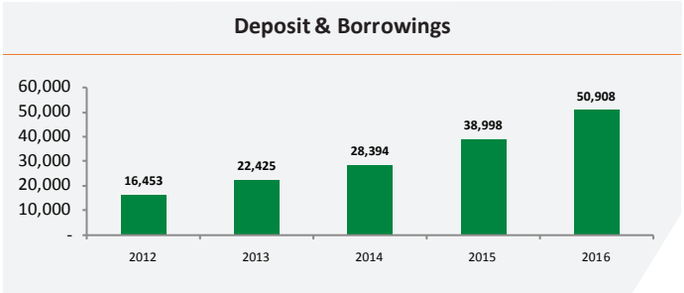
SME portfolio nearly doubled by the end of 2016 compared to the year 2015. SME portfolio reached to BDT 4,209 million grew at a rate of 98% from BDT 2,125 million of the year 2015. We are focusing more on SME business and it was evident from disbursement of BDT 3,865 million to SME clients during the year 2016.

Margin loan is a product of Lanka Bangla Investment Limited. In the year 2015 the exposure of Margin Loan was BDT 3,560 million and due to the long term bearish trend of capital market a sizeable portion of this loan became unproductive. We thus took initiative to recover the amount and reduce the exposure and in 2016 margin loan portfolio reduced by 31% to BDT 2,474 million.

Balance of share trading clients refers to the facility provided to the clients by LankaBangla Securities Limited (LBSL) against the purchase of shares in the secondary market. Debit balance to clients reduced to BDT 4,748 million which was 15% lower than that of 2015.

Funding and Liquidity

LBFL's consolidated balance sheet remain well funded with deposits and borrowings increasing 31% to BDT 50,908 million in 2016 from BDT 38,998 million of 2015.



Deposit growth was supported by 33% growth in Term Deposit. Compared to 2015 Corporate department increased by 35% in 2016, Retail and Bank deposit grew by 24% and 37% respectively.

Overall Bank Borrowing increased by 34% in 2016 compared to that of 2015. Our strategy was to take the benefit of reduced rate of bank borrowing to cut down the overall cost of fund.

General provision for leases and loans. As both the disbursement and portfolio of leases and loans increased so did the requirement for general provisions.

Supplementary capital increased by 25.97% to BDT 450 million in 2016 from BDT 357 million of 2015.

Total eligible capital of the group stood at BDT 6,987 million in 2016, 8% higher than that of BDT 6,472 million of previous year. LBFL's total eligible capital increased by 13.83% to BDT 6,620 million in 2016 compared to BDT 5,815 million of 2015.

Compared to 2015 Consolidated Risk weighted asset grew by 20.14% in 2016 and so does our capital requirement. We not only maintain the required level of capital, we had a good surplus. The surplus eligible capital of the company and the group at the close of business on 31 December 2015 were BDT 1,615 million and BDT 1,190 million respectively.

Deposit and Borrowings	2016	2015	Y-O-Y Growth		Contribution %	
			Amount	%	2016	2015
Term Deposit	**40,033**	**30,081**	**9,952**	**33%**	**83%**	**83%**
Corporate TDR	21,435	15,897	5,538	35%	**44%**	**44%**
Retail TDR	8,028	6,454	1,574	24%	**17%**	**18%**
Bank & FI	10,570	7,730	2,840	37%	**22%**	**21%**
Bank Borrowing	**8,334**	**6,236**	**2,098**	**34%**	**17%**	**17%**
Bank overdraft	1,242	917	325	35%	**3%**	**3%**
Long term loan	1,004	1,432	(429)	-30%	**2%**	**4%**
REPO against Govt. treasury bills and bonds	-	-	-	-	**-**	**-**
Call loans	980	490	490	100%	**2%**	**1%**
Short term borrowings	4,190	1,665	2,525	152%	**9%**	**5%**
Zero Coupon Bond	919	1,732	(814)	-47%	**2%**	**5%**
Total Deposit and Borrowings	**48,367**	**36,317**	**12,050**	**33%**	**100%**	**100%**

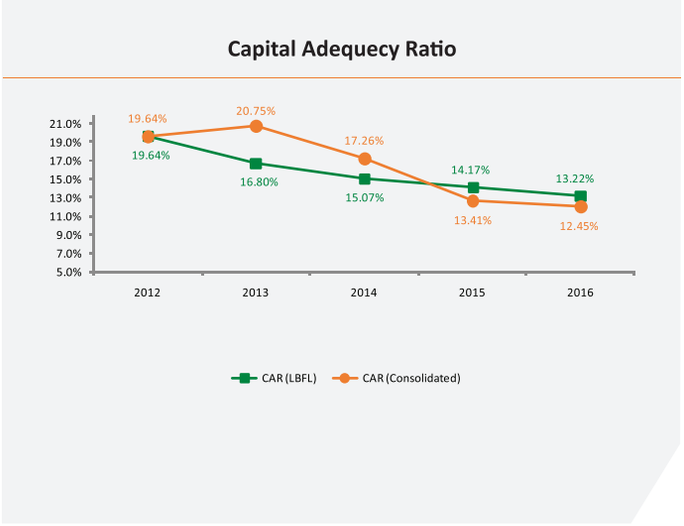
LBFL maintained a sound liquidity position, with contingent liquidity well in excess of prudential liquidity requirements.

Capital

LankaBangla Group remains well capitalized, with all capital adequacy ratios well above the Basel II minimum regulatory capital requirements. At LankaBangla Finance Limited, Capital Management policy sets out the principles and guidelines for effective and prudent capital planning, usage and management.

Tier I Core Capital of LBFL Group and LBFL as at 2016 were BDT 6,537 million and BDT 6,170 million respectively. LBFL's core capital increased by 13.02% in 2016 compared to that of 2015 boosted by solid financial performance by means of Net Profit after tax of BDT 1,072 million. Group's equity increased by 6.91% supported by Consolidated Net Profit after Tax of BDT 796 million.

Tier II Supplementary capital of the Group and LBFL comprises of



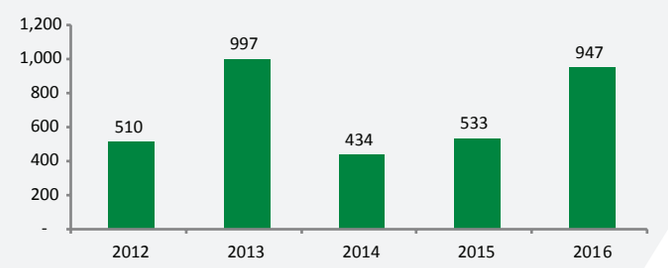
FINANCIAL HIGHLIGHTS OF LANKABANGLA GROUP

All figures in BDT million except (%)

Financial Position	2012	2013	2014	2015	2016	Growth of 2016 over 2015	5 Year CAGR (%)/ Average*
Total Assets	25,339	32,648	39,129	50,448	63,935	26.74%	26.03%
Total Liabilities	18,672	25,619	31,997	44,099	57,164	29.63%	32.28%
Business Disbursement	6,370	11,070	19,750	35,770	45,539	27.31%	63.52%
Property Plant and Equipment	238	291	311	1,292	1,430	10.66%	56.53%
Current Assets	19,887	19,281	13,316	19,146	33,088	72.82%	13.57%
Current Liabilities	10,805	14,965	9,381	17,301	29,043	67.87%	28.04%
Net current assets	9,082	4,317	3,935	1,845	4,045	119.26%	-18.31%
Non Current Assets	5,452	13,367	25,813	37,132	30,847	-16.93%	54.23%
Long Term Liabilities	7,867	10,654	22,616	26,798	28,121	4.94%	37.50%
Loans and Advances	18,634	24,841	30,396	41,819	51,244	22.54%	28.78%
Term Deposits	7,616	10,827	16,683	29,992	40,033	33.48%	51.42%
Total Investment Portfolio	23,424	29,812	36,576	47,212	57,462	21.71%	25.15%
Operational Performance							
Operating Revenue	3,537	5,189	5,100	6,237	7,311	17.23%	19.90%
Operating Expenses	794	892	1,285	1,612	2,005	24.35%	26.07%
Financial Expenses	2,148	2,731	3,033	3,715	3,964	6.71%	16.56%
Non Interest Revenue	717	1,433	1,135	1,449	1,649	13.80%	23.15%
Net Profit Before Tax	510	997	434	533	947	77.66%	16.71%
Net Profit After Tax	348	955	454	421	796	89.02%	22.96%
EBITDA	2,808	4,369	3,909	4,340	5,008	15.40%	15.56%
Turnover of Share Trading by LBSL	135,335	135,795	181,674	148,645	166,902	12.28%	5.38%
Financial Ratios							
Gross Profit Ratio	60.71%	52.63%	59.47%	59.57%	54.22%	-8.97%	56.89%
Operating Profit Ratio	16.86%	30.18%	15.34%	14.59%	18.36%	25.87%	16.47%
Return on Capital Employed	2.60%	5.35%	2.21%	2.01%	2.33%	15.95%	2.17%
Cash reserve ratio/ liquidity asset ratio (Required 2.5%)	2.80%	2.58%	2.64%	2.51%	2.52%	0.40%	2.52%
Statutory Liquidity Reserve (Required 5%)	7.57%	6.52%	6.00%	5.05%	5.08%	0.59%	5.07%
Capital Adequacy Ratio	19.64%	20.75%	17.26%	13.41%	12.45%	-7.16%	12.93%
Gross Non performing assets to gross advances/Non performing loans (assets) to total loans (assets)	3.96%	4.84%	4.05%	3.20%	3.22%	0.62%	3.85%
Cost to Income Ratio	57.10%	36.29%	62.16%	63.92%	59.89%	-6.31%	55.87%
Current Ratio	1.84	1.29	1.42	1.11	1.14	2.95%	1.36
Debt Equity Ratio	2.54	3.28	4.09	6.23	7.61	22.25%	4.75
Financial Expense Coverage Ratio	1.28	1.57	1.26	1.24	1.34	7.53%	1.34
Return on Equity (%)	5.71%	14.34%	6.59%	6.37%	12.29%	92.82%	9.06%
Return on Assets (%)	1.46%	3.29%	1.26%	0.94%	1.39%	48.03%	1.67%
Equity Parameters							
Authorized Capital	3,000	3,000	3,000	3,000	10,000	233.33%	35.12%
Paid-up Capital	1,894	2,083	2,188	2,406	2,767	15.00%	9.94%
Shareholders' Equity	6,474	6,840	6,947	6,262	6,687	6.78%	0.81%
No. of Share Outstanding	189.41	208.35	218.77	240.64	276.74	15.00%	9.94%
Net Asset Value (NAV) Per Share	23.39	24.72	25.10	22.63	24.16	6.78%	0.81%
Earnings Per Share (EPS)	1.18	3.38	1.60	1.53	2.87	87.58%	24.81%
Market Price Per Share (Closing)	46.4	57.6	40.00	29.0	34.8	20.00%	-6.96%
Price Earnings Ratio (Times)	39.27	17.02	25.00	18.95	12.13	-36.03%	22.47
Dividend Payment (C- cash & B- bonus)	10% B -	5% B 15% C	10% B 10% C	15% B 15% C	15% B 15% C	-	-
Profit Per Employee (mn)	0.77	1.79	0.59	0.55	0.87	57.48%	3.11%
Credit Ratings							
Long Term	A2	A2	A2	A1	AA3	-	-
Short Term	ST-3	ST-3	ST-3	ST-3	ST-2	-	-

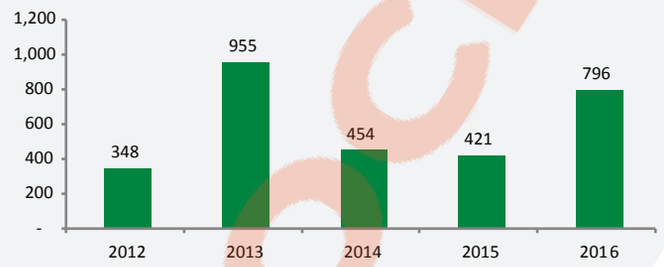
FINANCIAL HIGHLIGHTS OF LANKABANGLA GROUP

Net Profit Before Tax



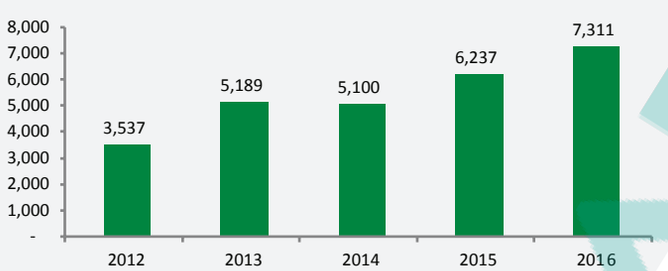
Net Profit before Tax (NPBT) increased significantly in 2016 registering a significant growth of 77.66% triggered mostly by increase in operating income.

Net Profit After Tax



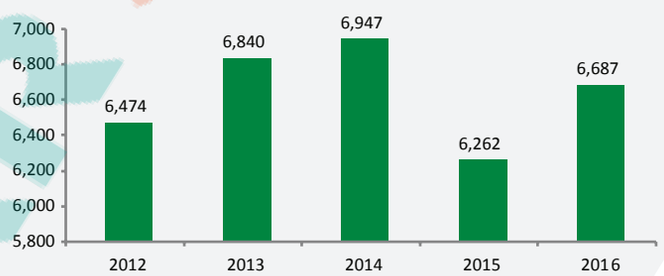
Net Profit after Tax (NPAT) registered a massive growth of 89.02% in 2016 while having an average growth of 22.96%. Increase in net operating income has mostly triggered the rise in NPAT.

Operating Revenue



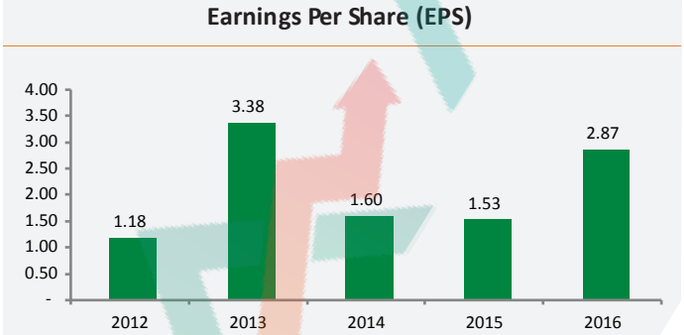
Growth in Operating Revenue in 2016 has been commendable. Operating revenue grew by 17.23% in 2016 triggered mostly by interest income revenue.

Shareholders' Equity



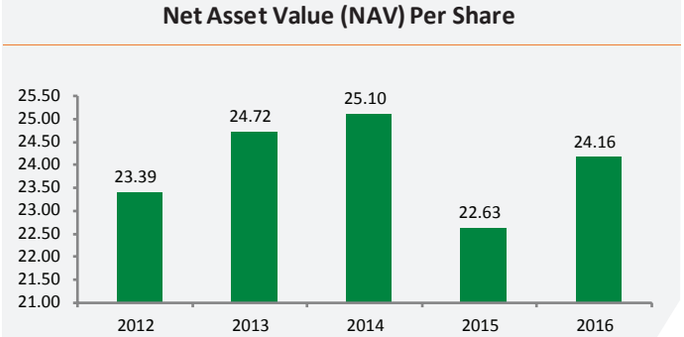
Shareholders' Equity rose by 6.78% in 2016 to reach BDT 6,687 million. Profit has been the main contributor to the rise in equity.

Earnings Per Share (EPS)



Huge growth in net profit (89.02%) results substantial upward movement of EPS.

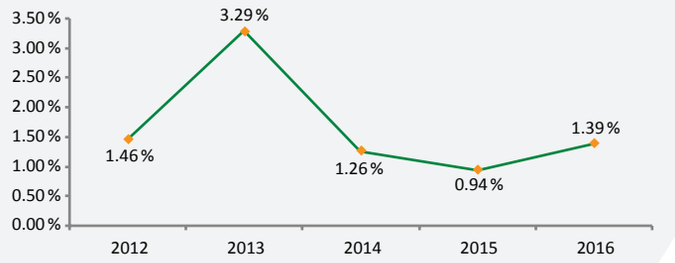
Net Asset Value (NAV) Per Share



NAV increased by 6.78% in 2016 to reach a figure of 24.16 The increase is caused by the high increase in net assets of the Company indicating effective management of resources thereby contributing to value creation.

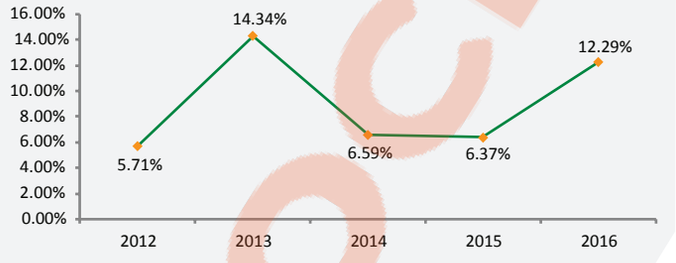
FINANCIAL HIGHLIGHTS OF LANKABANGLA GROUP

Return on Assets (%)



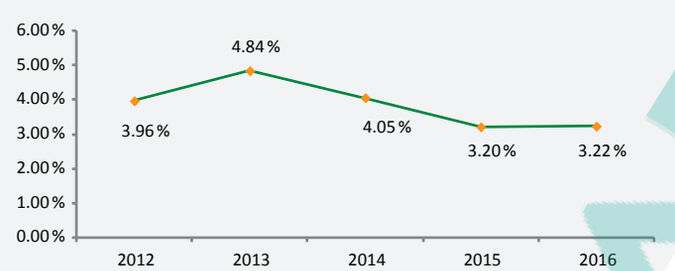
Return on Assets (ROA) also saw a high increase in 2016 by 0.45 percentage points due to sharp increase in net profit.

Return on Equity (%)



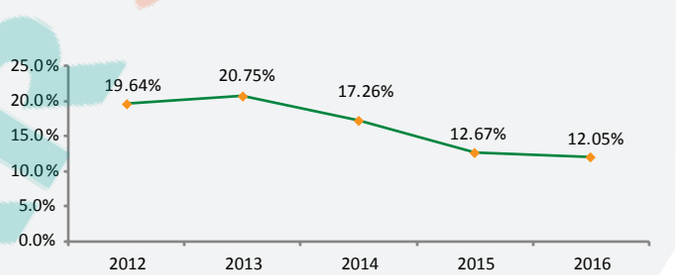
The sharp rise in Return on Equity (ROE) in 2016 has been triggered by the massive increase in Net Profit after Tax during the year. ROE increased by 5.92 percentage points in 2016 to reach 12.29% at the end of 2016.

NPL Ratio



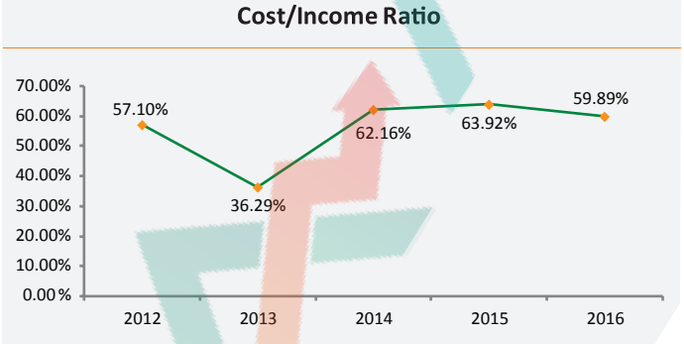
NPL has been at a decline since 2013 indicating quality portfolio management by the Company.

Capital Adequacy Ratio



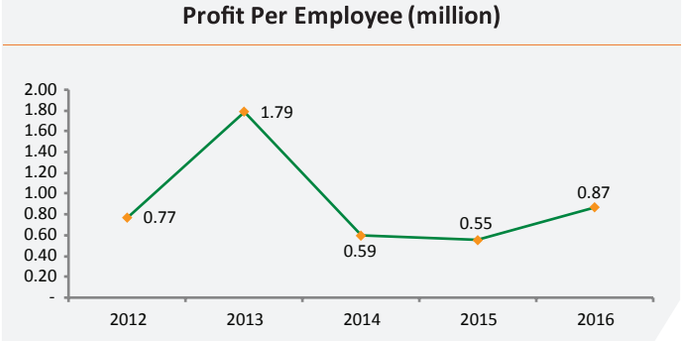
Although CAR decreased in 2016 by around 0.50 percentage point, the group always endeavors to keep more than adequate capital in order to be compliant and risk free through continuous monitoring.

Cost/Income Ratio



Costs to income ratio decreased in 2016 by 4.03 percentage points in 2016 as a result of increased operating income during the year while controlling the operating expenses from significant rise.

Profit Per Employee (million)



Profit per employee increased significantly from 2015 and has maintained a stable figure of 0.87 in 2016.

FINANCIAL HIGHLIGHTS OF LANKABANGLA FINANCE LIMITED

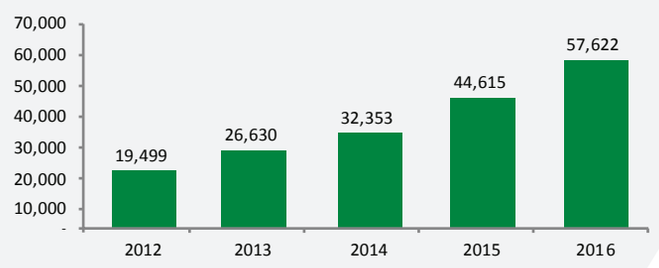
All figures in BDT million except (%)

Financial Position	2012	2013	2014	2015	2016	Growth of 2016 over 2015	5 Year CAGR (%)/ Average
Total Assets	19,499	26,630	32,353	44,615	57,622	29.16%	31.11%
Total Liabilities	15,628	22,315	27,705	39,156	51,453	31.40%	34.70%
Business Disbursement	6,370	11,070	19,750	35,770	45,539	27.31%	63.52%
Property Plant and Equipment	50	73	129	878	999	13.83%	111.72%
Term Deposits	7,677	10,876	16,717	30,081	40,033	33.09%	51.12%
Total Investment Portfolio	18,634	25,732	31,228	42,600	55,205	29.59%	31.19%
Operational Performance							
Operating Revenue	3,628	3,490	4,090	5,298	5,997	13.18%	13.38%
Operating Expenses	374	407	718	957	1,248	30.50%	35.19%
Financial Expenses	1,829	2,409	2,631	3,219	3,565	10.76%	18.15%
Net Profit Before Tax	1,233	344	465	1,046	1,107	5.87%	-2.66%
Net Profit After Tax	1,236	448	652	1,030	1,072	4.08%	-3.49%
EBITDA	3,275	3,103	3,415	4,310	4,737	9.89%	9.66%
Financial Ratios							
Gross Profit Ratio	49.58%	30.96%	35.69%	39.25%	40.55%	3.31%	39.90%
Operating Profit Ratio	39.28%	19.28%	18.14%	21.19%	19.73%	-6.90%	20.46%
Return on Capital Employed	8.81%	3.14%	2.70%	3.12%	2.46%	-21.20%	2.79%
Capital Adequacy Ratio (2011: Test Run. Effct. From 2012)	19.6%	16.8%	15.07%	14.17%	13.23%	-6.63%	13.70%
Gross Non performing assets to gross advances/Non performing loans (assets) to total loans (assets)	3.96%	4.84%	5.08%	3.72%	3.51%	-5.65%	4.22%
Cost to Income Ratio	20.78%	37.71%	49.18%	46.01%	51.35%	11.60%	41.00%
Debt Equity Ratio	4.04	5.17	5.96	6.65	7.86	18.11%	5.94
Financial Expense Coverage Ratio	1.78	1.28	1.28	1.35	1.33	-1.26%	1.40
Return on Equity (%)	12.67%	10.95%	14.54%	20.38%	18.44%	-9.54%	15.40%
Return on Assets (%)	2.04%	1.94%	2.21%	2.68%	2.10%	-21.64%	2.19%
Equity Parameters							
Authorized Capital	3,000	3,000	3,000	3,000	10,000	233.33%	35.12%
Paid-up Capital	1,894	2,083	2,188	2,406	2,767	15.00%	9.94%
Shareholders' Equity	3,871	4,315	4,647	5,459	6,170	13.03%	12.36%
No. of Share Outstanding	189.41	208.35	218.77	240.64	276.74	15.00%	9.94%
Net Asset Value (NAV) Per Share	13.99	15.59	16.79	19.73	22.29	13.03%	12.36%
Earnings Per Share (EPS)*	4.47	1.62	2.35	3.72	3.87	4.08%	-3.49%
Market Price Per Share (Closing)*	46.4	57.6	40.00	29.0	34.8	20.00%	-6.96%
Price Earnings Ratio (Times)*	10.79	30.92	14.77	6.78	8.98	32.59%	14.45
"Dividend Payment (C-cash & B- bonus)"	10% B	5% B	10% B	15% B	15% B	-	-
	-	15% C	10% C	15% C	15% C	-	-
Dividend Payout Ratio (%)	56.60%	43.67%	67.11%	87.61%	96.80%	10.49%	14.36%
Dividend Coverage (Times)	1.84	2.29	1.49	1.43	1.29	-9.49%	-8.44%
Dividend Yield (%)	1.69%	3.01%	4.55%	10.34%	8.62%	-16.67%	5.64%
Profit Per Employee (mn)	6.15	1.37	1.38	1.98	1.59	-19.58%	2.49
"Credit Ratings"							
Long Term	A2	A2	A2	A1	AA3	-	-
Short Term	ST-3	ST-3	ST-3	ST-3	ST-2	-	-

*restated

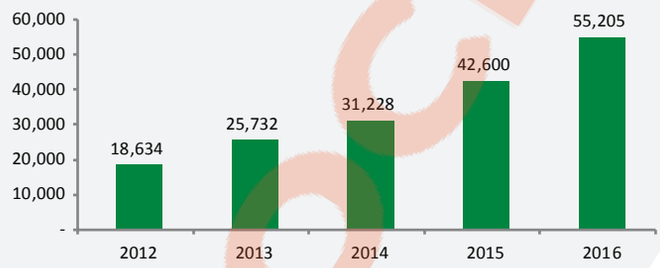
FINANCIAL HIGHLIGHTS OF LANKABANGLA FINANCE LIMITED

Total Assets



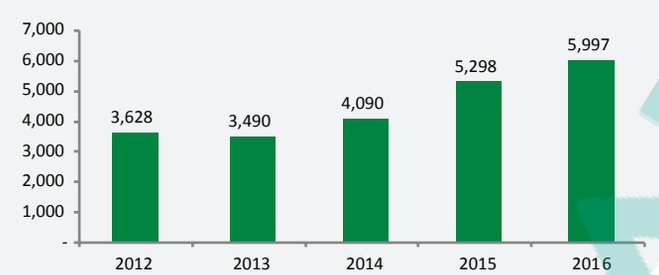
In 2016 Total Assets grew by 29.16% comapred to 20145 maintaining an average growth of 31.11% over the last 5 years. It is a result of company's relentless effort to disburse quality loans and planned expansition of LBFL network.

Total Investment Portfolio



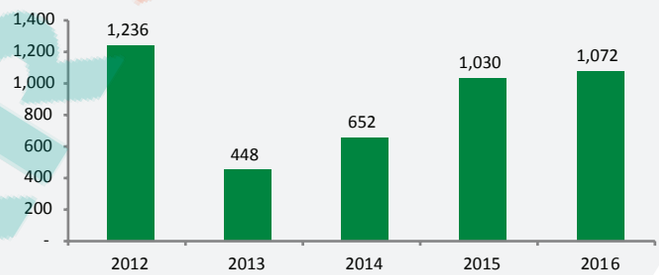
Investmnet portfolio has been growing at a rapid pace due to excellent growth in loan disbursement and vigilant investment decisions. Total Investment portfolio grows by 29.59% in 2016 from that of 2015 registering an average growth of 31.19% in last 5 years.

Operating Revenue



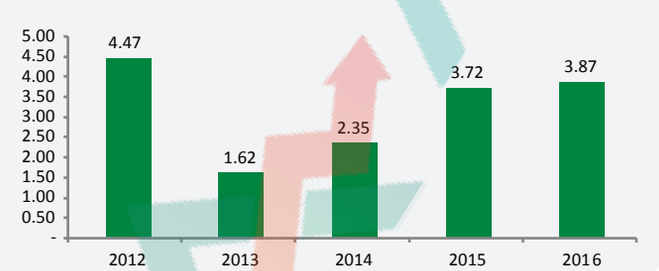
13.18% growth of operating revenue in 2016 over 2015 is evident of a sound operating activities. Income has been boosted as a result of goodquality assets and effective management of PAR.

Net Profit After Tax



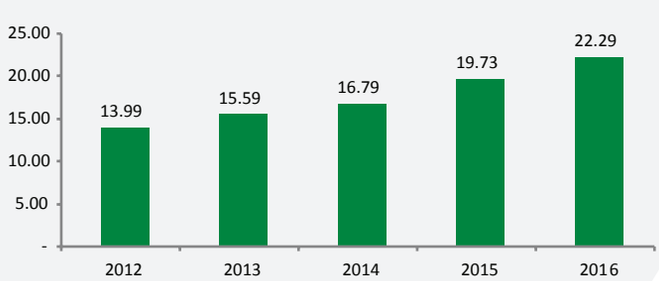
Net Profit after Tax reaches to a figure of 1,072 million for the year 2016 registering a relatively small growth of 4.08% over 2015. Profit after tax has seen a growing trend since 2013.

Earnings Per Share (EPS)



Growth in net profit has resulted in the upward movement of EPS. EPS grew by 4.08% in 2016 to reach 3.87. Healthy growth in EPS indicates the soundness of financial performance of the company.

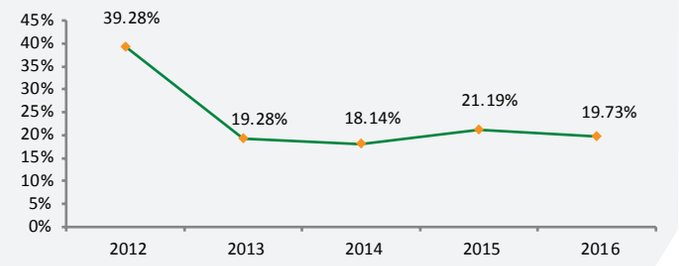
Net Asset Value (NAV) Per Share



NAV increased to 22.3 compared to 19.7 in 2015 indicating a growth of 13.03% and an average growth of 12.36% over the 5 year period. Valur per shares increases and it is evident that the company is managing its resources effectively and efficiently to create value towards the investors.

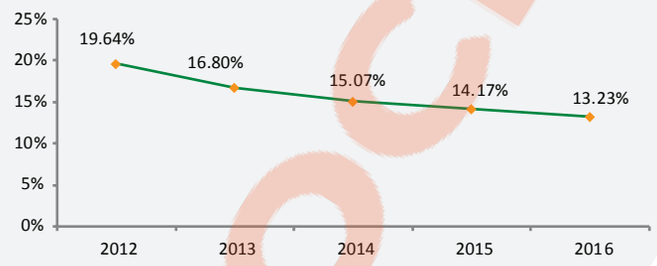
FINANCIAL HIGHLIGHTS OF LANKABANGLA FINANCE LIMITED

Operating Profit Ratio



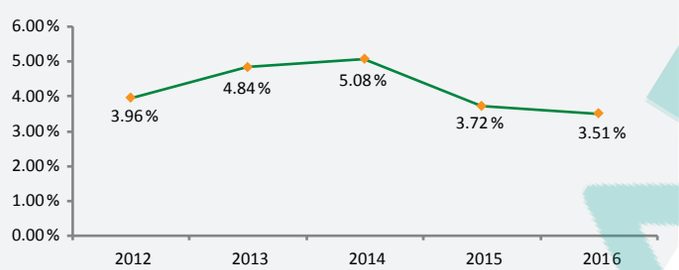
Operating margin decreased by 1.46 percentage points to reach 19.73% in 2016. This is mostly due to a higher increase in operating expenses during 2016 compared to the increase in operating revenue.

Capital Adequacy Ratio



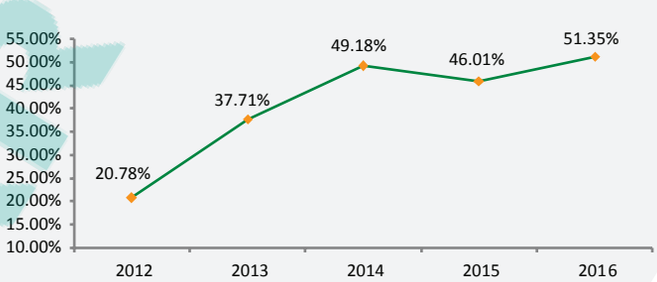
Although the CAR has reduced to 13.23% in 2016 compared to 14.17% in 2015, this is well above the Bangladesh Bank requirement of 10%. The Company always endeavors to keep more than adequate capital in order to be compliant and risk free. Continuous monitoring of capital adequacy is undertaken.

NPL Ratio



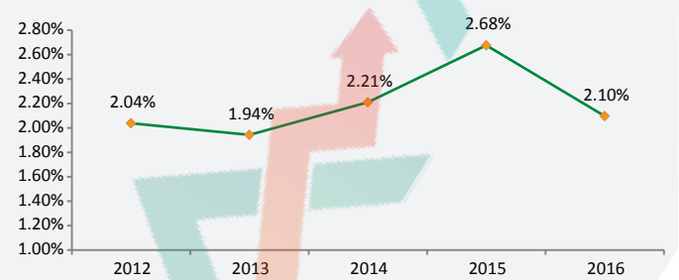
Quality of loan portfolio has improved as is visible from the reduction of NPL ratio to 3.51% at the end of 2016 from 3.72% in 2015.

Cost to Income Ratio



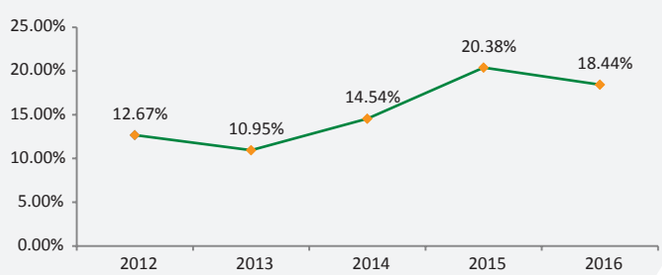
Costs to income ratio increased to 51.35% in 2016 compared to 46.01% in 2015. The jump is mostly triggered by the significant increase in operating expense in 2016. In comparison, operating revenue grew by a small percentage in 2016.

Return on Assets (%)



Return on Average Assets declined slightly to 2.10% at the end of 2016 which was 2.68% in 2015. Decrease in ROA is caused by the high investments in total assets of the company in 2016.

Return on Equity (%)



In 2016 ROE reach a figure of 18.44% compared to 20.38% in 2015. The ratio is well above the industry average and is evident of effective management of shareholders' funds.

HORIZONTAL ANALYSIS

For the last 5 years

Consolidated Statement of Comprehensive Income

	2016	2015	2014	2013	2012
Operating Income					
Net interest	**252%**	**159%**	**139%**	**152%**	**100%**
Interest income	201%	170%	141%	133%	100%
Less : Interest expenses on deposits & borrowings	185%	173%	141%	127%	100%
Income from investment	1480%	1335%	608%	2289%	100%
Commission, exchange and brokerage income	118%	117%	141%	100%	100%
Other operational income	293%	220%	126%	101%	100%
Total operating income	**241%**	**181%**	**149%**	**177%**	**100%**
Operating Expenses					
Salary and allowances	271%	226%	185%	121%	100%
Rent, taxes, insurance, electricity etc.	272%	232%	167%	129%	100%
Legal and professional fees	246%	162%	208%	140%	100%
Postage, stamp, telecommunication etc.	241%	199%	204%	123%	100%
Stationery, printing, advertisement	303%	256%	220%	131%	100%
Managing director's salary and allowance	160%	154%	129%	112%	100%
Director fees and expenses	203%	143%	122%	121%	100%
Audit fees	269%	146%	298%	132%	100%
Changes on loan losses	-	-	-	-	-
Repairs, maintenance and depreciation	191%	170%	145%	112%	100%
Other expenses	237%	172%	125%	92%	100%
Total operating expenses	**253%**	**203%**	**162%**	**112%**	**100%**
Net Operating Income	**225%**	**153%**	**131%**	**263%**	**100%**
Provisions for loans / investments	**460%**	**438%**	**403%**	**651%**	**100%**
Provisions for leases and loans	270%	180%	226%	378%	100%
Provision for margin loan	-	-	-	-	-
Provision for diminution in value of investments	-952%	-221%	1243%	335%	100%
General provision for other assets	-	-	-	-	-
Profit before tax and reserve	186%	104%	85%	195%	100%
	93%	**69%**	**-13%**	**26%**	**100%**
Provision for tax made during the year	89%	67%	-9%	16%	100%
Deferred tax expense or (Income)	-54%	2%	101%	-322%	100%
Net profit after tax	229%	121%	130%	274%	100%
Earnings Per Share (EPS)	**244%**	**130%**	**135%**	**287%**	**100%**

HORIZONTAL ANALYSIS

For the last 5 years

Consolidated Statement of Financial Position

	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
PROPERTY AND ASSETS					
Cash	**430%**	**317%**	**207%**	**119%**	**100%**
Cash in hand	480%	204%	98%	112%	100%
Balance with Bangladesh Bank	430%	317%	208%	119%	100%
Balance with other banks and financial institutions	**287%**	**94%**	**126%**	**155%**	**100%**
Inside Bangladesh	287%	94%	126%	155%	100%
Outside Bangladesh					
Money at call and short notice					
Investment	**148%**	**129%**	**143%**	**104%**	**100%**
Government securities	0%	0%	91%	91%	100%
Other investments	220%	191%	168%	110%	100%
Leases, loans and advances	**275%**	**224%**	**163%**	**136%**	**100%**
Lease portfolio, term finance, short term loan, etc.					
Fixed assets including land, building, furniture and fixtures	**600%**	**542%**	**131%**	**122%**	**100%**
Other assets	**85%**	**73%**	**89%**	**62%**	**100%**
TOTAL PROPERTY AND ASSETS	**252%**	**199%**	**154%**	**129%**	**100%**
LIABILITY AND SHAREHOLDERS' EQUITY					
Liabilities	**309%**	**237%**	**173%**	**136%**	**100%**
Borrowings from Bangladesh Bank, other banks and financial institutions	123%	102%	133%	131%	100%
Term deposits	526%	394%	219%	142%	100%
Other liabilities	**282%**	**230%**	**199%**	**144%**	**100%**
TOTAL LIABILITIES	**306%**	**236%**	**176%**	**137%**	**100%**
Shareholders' Equity	**103%**	**97%**	**94%**	**106%**	**100%**
Paid up capital	146%	127%	115%	110%	100%
Share premium	100%	100%	100%	100%	100%
Statutory reserve	214%	176%	139%	116%	100%
General reserve	110%	126%	124%	107%	100%
Fair value measurement reserve	0%	0%	0%	15%	100%
Retained earnings	65%	71%	81%	119%	100%
Non controlling interest	44%	45%	66%	98%	100%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**252%**	**199%**	**154%**	**129%**	**100%**

VERTICAL ANALYSIS

For the last 5 years

Consolidated Statement of Comprehensive Income

	2016	2015	2014	2013	2012
Operating Income					
Net interest	**23.22%**	**17.19%**	**18.29%**	**19.76%**	**19.02%**
Interest income	77.44%	76.76%	77.75%	72.39%	79.73%
Less : Interest expenses on deposits & borrowings	54.22%	59.57%	59.47%	52.63%	60.71%
Income from investment	6.61%	7.00%	3.90%	14.41%	0.92%
Commission, exchange and brokerage income	7.74%	9.01%	13.28%	9.21%	13.56%
Other operational income	8.20%	7.23%	5.07%	3.99%	5.79%
Total operating income	**45.78%**	**40.43%**	**40.53%**	**47.37%**	**39.29%**
Operating Expenses					
Salary and allowances	13.51%	13.17%	13.20%	8.50%	10.29%
Rent, taxes, insurance, electricity etc.	2.56%	2.56%	2.25%	1.71%	1.94%
Legal and professional fees	0.41%	0.32%	0.50%	0.33%	0.34%
Postage, stamp, telecommunication etc.	0.28%	0.27%	0.34%	0.20%	0.24%
Stationery, printing, advertisement	0.65%	0.64%	0.68%	0.39%	0.44%
Managing director's salary and allowance	0.24%	0.27%	0.28%	0.23%	0.31%
Director fees and expenses	0.04%	0.03%	0.03%	0.03%	0.04%
Audit fees	0.02%	0.01%	0.03%	0.01%	0.01%
Changes on loan losses	0.00%	0.00%	0.00%	0.00%	0.00%
Repairs, maintenance and depreciation	1.69%	1.76%	1.84%	1.40%	1.83%
Other expenses	8.03%	6.81%	6.05%	4.39%	6.99%
Total operating expenses	**27.42%**	**25.85%**	**25.19%**	**17.19%**	**22.44%**
Net Operating Income	**18.36%**	**14.59%**	**15.34%**	**30.18%**	**16.86%**
Provisions for loans / investments	**5.41%**	**6.04%**	**6.78%**	**10.78%**	**2.43%**
Provisions for leases and loans	2.73%	2.13%	3.27%	5.36%	2.08%
Provision for margin loan	4.29%	4.49%	0.52%	4.63%	0.00%
Provision for diminution in value of investments	-1.60%	-0.44%	3.00%	0.79%	0.35%
General provision for other assets	0.00%	-0.14%	0.05%	0.18%	0.00%
Profit before tax and reserve	**12.95%**	**8.54%**	**8.50%**	**19.22%**	**14.43%**
	2.07%	**1.79%**	**-0.40%**	**0.82%**	**4.59%**
Provision for tax made during the year	2.03%	1.80%	-0.30%	0.51%	4.73%
Deferred tax expense or (Income)	0.04%	0.00%	-0.10%	0.31%	-0.14%
Net profit after tax	**10.88%**	**6.75%**	**8.90%**	**18.40%**	**9.84%**

VERTICAL ANALYSIS

For the last 5 years

Consolidated Statement of Financial Position

	2015	2014	2013	2012	2011
PROPERTY AND ASSETS					
Cash	**1.10%**	**1.02%**	**0.86%**	**0.60%**	**0.64%**
Cash in hand	0.00%	0.00%	0.00%	0.00%	0.00%
Balance with Bangladesh Bank	1.09%	1.02%	0.86%	0.59%	0.64%
Balance with other banks and financial institutions	**6.79%**	**2.83%**	**4.88%**	**7.20%**	**5.98%**
Inside Bangladesh	6.79%	2.83%	4.88%	7.20%	5.98%
Outside Bangladesh	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Money at call and short notice					
Investment	**7.88%**	**8.67%**	**12.40%**	**10.77%**	**13.40%**
Government securities	0.00%	0.00%	2.59%	3.09%	4.38%
Other investments	7.88%	8.67%	9.82%	7.68%	9.02%
Leases, loans and advances	**80.15%**	**82.90%**	**77.88%**	**77.87%**	**73.54%**
Lease portfolio, term finance, short term loan, etc.					
Fixed assets including land, building, furniture and fixtures	**2.24%**	**2.56%**	**0.80%**	**0.89%**	**0.94%**
Other assets	**1.85%**	**2.02%**	**3.18%**	**2.67%**	**5.50%**
TOTAL PROPERTY AND ASSETS	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
LIABILITY AND SHAREHOLDERS' EQUITY					
Liabilities	**79.62%**	**77.30%**	**72.75%**	**68.69%**	**64.93%**
Borrowings from Bangladesh Bank, other banks and financial institutions	17.01%	17.85%	30.01%	35.52%	34.88%
Term deposits	62.62%	59.45%	42.74%	33.16%	30.06%
Other liabilities	**9.78%**	**10.11%**	**11.31%**	**9.78%**	**8.76%**
TOTAL LIABILITIES	**89.41%**	**87.41%**	**84.06%**	**78.47%**	**73.69%**
Shareholders' Equity	**10.46%**	**12.41%**	**15.62%**	**20.95%**	**25.55%**
Paid up capital	4.33%	4.77%	5.61%	6.38%	7.48%
Share premium	1.71%	2.16%	2.79%	3.34%	4.31%
Statutory reserve	1.88%	1.96%	2.00%	1.99%	2.22%
General reserve	0.07%	0.11%	0.14%	0.14%	0.17%
Fair value measurement reserve	0.00%	0.00%	0.00%	0.21%	1.77%
Retained earnings	2.47%	3.42%	5.08%	8.88%	9.61%
Non controlling interest	0.13%	0.17%	0.32%	0.58%	0.76%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**100%**	**100%**	**100%**	**100%**	**100%**

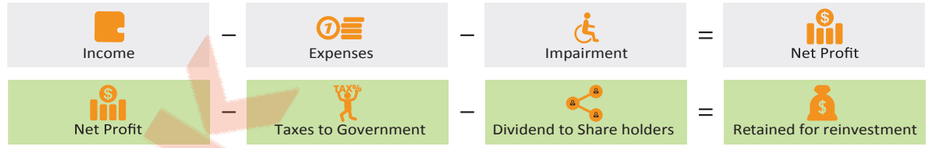
OUR VALUE DRIVING BUSINESS MODEL

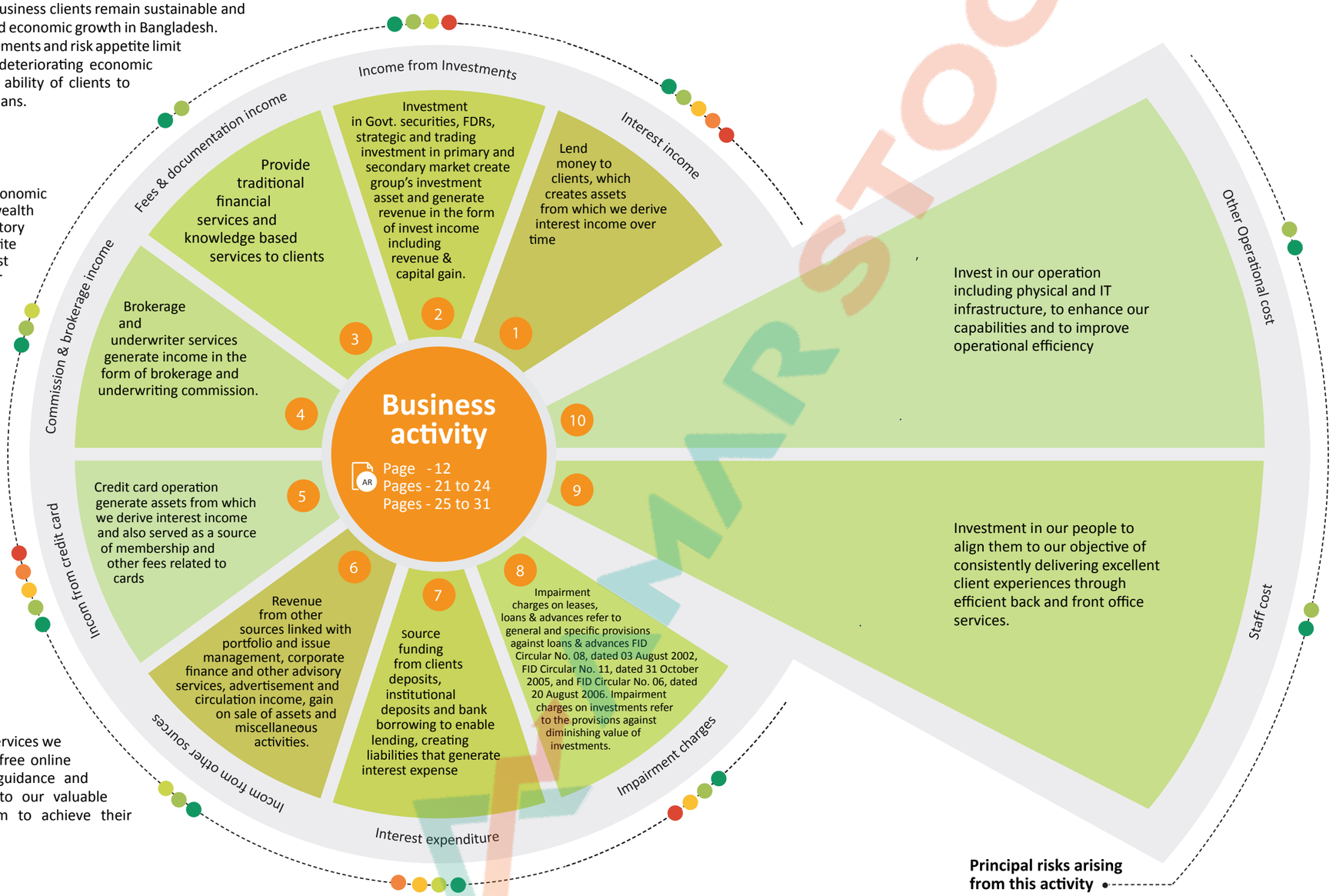


The primary role of LBFL is to facilitate the movement of capital and flow of money from where it is to where it is required to meet stakeholder needs. It is through the meeting of these needs that we enable a thriving society and create long-term value. Our business model can be understood from multiple perspectives. The primary lens is through the various activities that a financial services institution performs.

HOW WE CREATE VALUE

We manage our business activities in a way that connects profitability to socially beneficial outcomes.





1

Lending enables individual customers to create wealth and generate income, helps business clients remain sustainable and supports employment and economic growth in Bangladesh. Regulatory capital requirements and risk appetite limit our ability to lend, and deteriorating economic conditions may limit the ability of clients to borrow or service their loans.

2

Investments support economic activity and enable wealth creation. However, regulatory capital and risk appetite limits our ability to invest to ensure we deliver appropriate risk-adjusted returns.

3

Through traditional financial services we attempt to connect the lives of our clients with progress and happiness. Our knowledge-based services, which include corporate advisory and loan structuring services, allow our clients to benefit from our experience and track record on the country.

4

Through our brokerage services we offer clients with hassle free online trading facilities, offer guidance and advice, provide access to our valuable research and help them to achieve their business objectives.

5

Credit Cards enable the card holder facility of not having to carry cash in pocket everywhere, providing safer interest free purchase facility up to 45 days, installment facilities, discounts and rewards. Most importantly it facilitates the card holders with emergency cash.

6

Various activities contribute towards revenue from other sources. Through our portfolio & issue management, corporate finance and other advisory services we tend to maximize the return of our clients and help them act as a link towards investment market. Our research based advisory services helps clients to get the best value for their investments.

7

Funding provides our depositors and lenders with returns while protecting against the erosion of capital due to inflation. We need to meet liquidity requirements (CRR & SLR) to protect depositor funds, our own sustainability and that of the broader financial system. Cost of funding depends on the interest rate regime

8

Impairment charges on Lease, loans & advances refer to general and specific provisions against loans & advances FID Circular No. 08, dated 03 August 2002, FID Circular No. 11, dated 31 October 2005, and FID Circular No. 06, dated 20 August 2006. Impairment charges on investments refer to the provisions against diminishing value of investments.

9

As a significant employer we hire locally, wherever possible, and through our activities sustain other jobs in local economies. Training and development enhances the level of financial services and related skills in Bangladesh. Digital transformation in financial services requires greater investment in people which includes hiring new skills and training interventions for current employees..

10

Investing in our operations enables us to continue meeting our clients' needs, contribute positively to host economies and strengthen our competitive position. Although our investment in technology is currently reducing our return on equity (ROE), it will ensure future income-enhancing opportunities as well as access to new markets, thereby supporting our growth and sustainability.

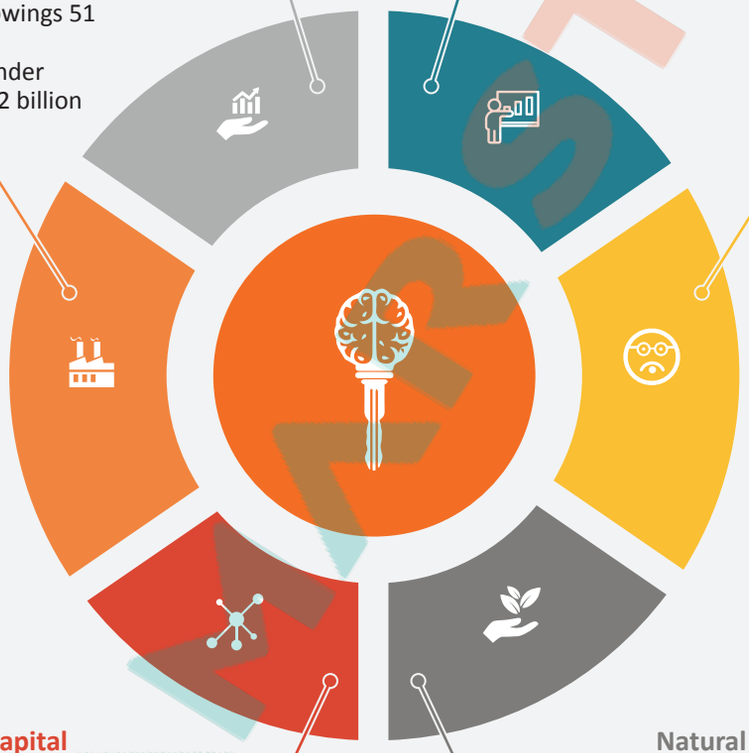
Principal risks arising from this activity

- Credit risk
- Liquidity risk
- Interest rate risk
- Market risk
- Business reputational risk
- Operational risk including compliance, environmental and social risk

DELIVERING VALUE THROUGH OUR BUSINESS

	Group	LBFL	LBSL	LBIL	LBAMCL
Operation Overview	Uncompromised and well diversified array of financial services Brokerage Services Asset Management Research based Advisory services	Country's leading provider of integrated financial services. LankaBangla is the lone Financial Institute that offers cards and provides third party card processing services through its state-of-the-art card software. It has wide spectrum of product range that can cater to any demand of a client whether a client is person having personal requirement or a corporate house with business expansion plan. Its Liability Management division offers a wide range of deposit products which can be both beneficial and profitable as per the client's needs. The unit provides high quality services coupled with maximum security.	Number one brokerage house in the country. LBSL is crowned as the largest in terms of transaction value for the 11th consecutive time in DSE and 12th in CSE in 2016. It has a fully phased research unit which is engaged in both macroeconomic and microeconomic research. LBSL published a monthly research paper namely "Market Pulse" which is considered the only research based capital market journal of the county. LBSL is the first brokerage house of the county offering Bloomberg services to its client. LBSL has two subsidiaries: * LankaBangla Information Systems Limited and *BizBangla Media Limited	Premier investment bank in the country providing corporate advisory, issue management and portfolio management services. It is a fully owned subsidiary of LankaBangla Finance Limited. LBIL has positioned itself prominently in investment banking arena of Bangladesh through its wide range of services including Primary Market Services, Investment Banking Services and Portfolio Management Services.	Official asset management wing of LankaBangla group, and is deeply committed to providing client driven solution and superior risk adjusted performance to its valued clients. LBAMCL is focused to meet the professional investment management demand of a wide range of Investors.
Strategic Focus Area	• Diversifying Portfolio with sustainable product innovation • Creating Convenience for our Customer • Triple bottom line • Create a Sustainable Brand • Prudent Balance Sheet Management	• Distinctive client centered product experience. • A rigorous approach to capturing circle and interdependencies between client segments. • Robust risk management supporting strong product niches. • A sustainable strength in liability management. • Collaborative and people centered culture.	• Providing efficient trade management service to all clients with least cost. • Enabling client with best convenience to market through Internet trading system. • Updating client with best information and research possible to take the best investment decision. • Offering multi-channel e-trading to its customers (web, mobile, and client server) and advantages of Multi Asset Class (Equity, Derivatives, Bond, Commodity, etc.) trading option, smart order routing, multiple exchanges and Cross Border supported application, MIS & centralized risk management.	• Providing Value added service to client e.g. Compliance guideline, IPO Readiness, Customized Equity Financing strategy. • Offering wide range of investment banking service to institutional client seeking to raise finances for business development, to merge with or acquire another business, to re-structure for better performance, or to grow business by exploring new territories. • Sharing the best experience with institutional client seeking to raise funds through Issue Management, Capital raising & Private Placement business. • Providing retail client with best capital market exposure through its two unique product "AlphaPlus" and "LankaBangla Nishchinto".	• Extensive research and strong fundamental analysis to achieve the best result in close end fund. • Meeting the heavily growing demand of Islamic Shariah (IS) based products with carefully designed product line. • Minimizing the clients' funding volatility while systematically improving the funding positions of their portfolios and providing research tailored to the specific needs of the organizations while managing Provident fund, Pension fund and Gratuity fund. • Providing advice on appropriate strategic asset allocation strategies on the basis of risk return profile and different constraints of the investors
Staff	1792	1527	211	37	17
Total Assets	100%	80.34%	13.76%	4.53%	1.37%
Revenue	100%	78.38%	17.79%	3.36%	0.47%
ROA	1.39%	2.10%	1.58%	-11.50%	0.28%
ROE	12.29%	18.44%	3.66%	-65.26%	0.29%
NAV	24.16	22.29	16.93	2.65	19.27

KEY RESOURCES OF LANKABANGLA FINANCE LIMITED



Financial Capital

- PAT BDT 1,107 million (Group BDT 796 million)
- Consolideted Shareholders' Equity BDT 6.7 billion
- Total Deposit & Borrowings 51 billion
- Consolidated Fund Under Management BDT 112 billion

Human Capital

- 672 talented employees (FTE & BSO)
- Human Capital of BDT 27.20 billion

Manufactured Capital

- 18 LBFL branches along with a SME booth and 10 LBSL Branches
- 24/7 call centers
- State of the art online trading window

Intellectual Capital

- Leadership in areas such as corporate finance, personal and Auto loans
- Leading brokerage house in terms of transaction both in DSE & CSE
- Only NBFI in Bangladesh to have Card operation

Social & Relationship Capital

- Stakeholder engagement
- Voluntary contributions towards Corporate Social Responsibility (CSR)
- Committed towards sustainability

Natural Capital

- Green Financing
- Green Banking initiatives

FINANCIAL CAPITAL

The money we obtain from providers of capital that we use to support our business activities and invest in our strategy. Financial capital, which includes reserves generated through share capital, other equity-related funding and retained profits generated from our operations, is used to fund our business activities.

	2016	2015	Growth	
			Amount	%
Shareholders' Equity	6,687	6,262	425	6.78%

Net Profit After Tax	2016	2015	Growth	
			Amount	%
LBFL	1,072	1,030	42	4.08%
Group	796	421	375	89.02%

	2016	2015	Growth	
			Amount	%
Term Deposit	40,033	29,991	1,868	33.48%
Borrowing from BB and other Banks & FIs	10,875	9,007	10,042	20.74%
Total Deposit and Borrowing	50,908	38,998	11,910	30.54%

	2016	2015	Growth	
			Amount	%
Cash & cash equivalents	5,044	1,944	3,100	159.49%
Investments	5,037	4,373	664	15.18%
Lease, loans & advances	51,244	41,819	9,425	22.54%
Total deposit & borrowings	50,908	38,998	11,910	30.54%
Fund Under Management	112,233	87,134	25,099	28.80%

HUMAN CAPITAL

Our people and how we select, manage and develop them. This enables them to use their skills, capabilities, knowledge and experience to improve and develop products and services that meet the needs of our clients across the diverse regions in which we operate.

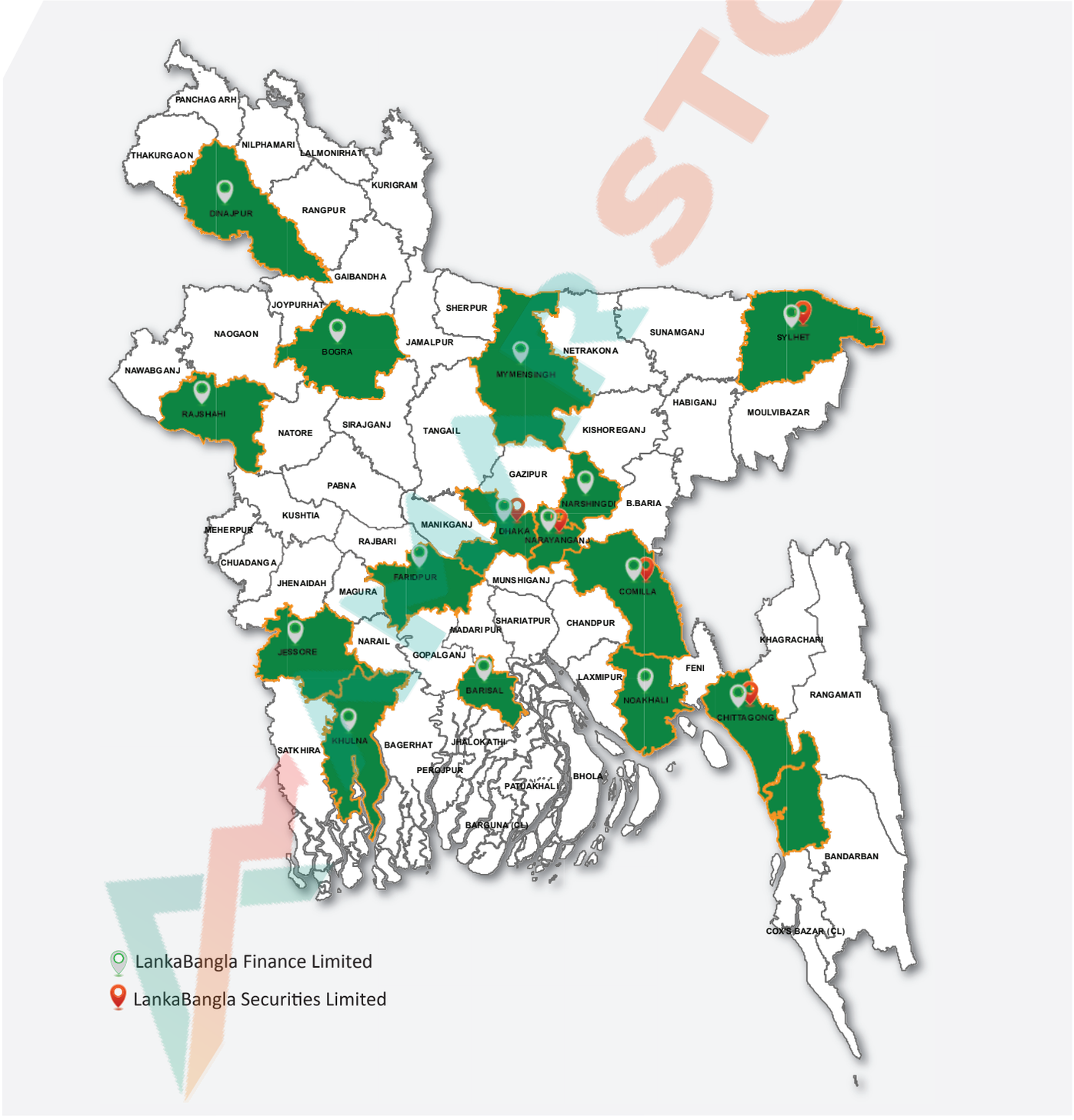
	2016	2015
Total employee benefits	1,043.14	871.53
Training Cost	11.43	11.74
Employee Benefit Per Employees	25.77	21.74
Training Cost per Employees	0.023	0.028
Gross Revenue per employee	180.64	155.58
Total Expenses per employees	147.48	132.89
Operating cost per employee	49.53	40.21
Operating profit per employees	33.17	22.69

MANUFACTURED CAPITAL

The tangible and intangible infrastructure that we use to conduct our business activities, including our infrastructure, network, information technology (IT) assets, and the national infrastructure of the country in which we operate.

Our parent company LBFL has 19 Branches along with a SME booth in Bangshal and our major subsidiary LBSL has 10 branches distributed all over Bangladesh to cover more horizon and to serve greater number of people with our valued services. We invested substantial amount in Information Technology to get better efficiency in operation that resulted in more comfortable services for our valued clients. Online trading window of LBSL provides its clients with easy access to the stock market from remote places and facilitate them with hassle-free trading services.

We are committed to further strengthen our branch network to supersede the potential for expanding our footprint in new frontiers. We are also committed to cater more investment in information technology to increase our service efficiency and to achieve the vision of becoming the most preferred financial service provider in Bangladesh.



INTELLECTUAL CAPITAL

Intellectual capital is the group of knowledge assets that are attributed to our group and most significantly contribute to our improved competitive position by adding value to defined key stakeholders. The knowledge of our people and our intellectual property, brand and reputation, which is closely related to financial, human and manufactured capital given the nature of our businesses, provide us with competitive advantage in the industry.



Value creation map as figured above shows the pathways of how value is created in LBFL. Knowledge assets are represented in bubbles linked with arrows. The size of individual bubbles represents stocks of particular knowledge assets in terms of strategic importance and arrows of different thickness show the transformations and relationships between knowledge assets and stakeholder needs.

Our intellectual capital along with our restructured infrastructure helped us by means of:

- Achieved market leadership in areas such as Corporate finance, personal loan and Auto loans.
- LBSL is the leading brokerage house of the country in terms of transaction both in DSE and CSE. LBSL transacted 6.47% and 8.23% of total transaction of DSE and CSE respectively. Transaction volume of LBSL for the year 2016 in DSE and CSE was BDT 154 billion and BDT 127 billion respectively.
- LBFL is the only NBFI in Bangladesh having Credit Card operation. We are one of the leading market player in credit card business. Including both MasterCard and VISA our credit card usage in the year 2016 was BDT 4,134 million and in the group's revenue credit card segment contributed BDT 404 million of gross revenue which was 7.13% of the total gross revenue of LBFL group for the year 2016.

SOCIAL AND RELATIONSHIP CAPITAL

Social and relationship capital refer to the cooperative relationships with our customers, clients, capital providers, regulators and other stakeholders that we create, develop and maintain to remain commercially and socially relevant, and operate as a responsible corporate citizen.

Corporate Social Responsibility (CSR) of LankaBangla is a form of corporate self-regulation integrated into our business model based on the objective of good business for good society. We focus on social and environmental concerns in all business operations and interactions with its stakeholders including shareholders, customers, employees, suppliers, business partners, local communities and other organizations.

With our CSR policies & principles, our organization believes in achieving a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach") besides safeguarding interest of stakeholders. We have also considerably

achieved efficient business operations and conscience corporate governance and compliance to facilitate smooth and effective business. As a result we have been able to contribute towards a sustainable society. LankaBangla through its Foundation extends its support for underprivileged people of the community in particular to ensure their education, health and living.

Followings are some of the CSR activities we performed in the year 2016:

- Supporting education of underprivileged brilliant students
- Financial Assistance for education for Children of deceased Ex-Officers
- Protecting Environmental & Ecological Degradation through Tree Plantation
- Support for local community to protect from Cold Wave
- Support for Renovation and Modernization of college libraries
- Creativity and Cultural Development of children through art competitions

NATURAL CAPITAL

Natural Capital refers to the natural resources on which we depend to create value and returns for our stakeholders. As a financial service group we always carry a positive mentality to deploy our financial capital in a way that promotes the preservation, or at least minimizes the destruction, of natural capital.

LBFL being Participating Financial Institution (PFI) of the Investment Promotion and Financing Facility (IPFF) assist the clients to obtain the low cost funding through Green Banking & CSR Department of Bangladesh Bank:

- Assisting the green bricks manufacturer avail the ADB funded refinance from Bangladesh Bank under the 'Refinance Scheme of Brick Kiln Efficiency Improvement.
- Assisting the entrepreneurs of the relevant businesses avail the Bangladesh Bank own funded refinance in the specified sectors as per the BB guidelines.

LankaBangla takes environmental stewardship ahead of each year realizing the present generation's responsibility to the future. By adopting Environmental Risk Management (ERM) Guidelines for Banks and Financial Institutions in Bangladesh, LankaBangla closely monitors the environmental impact of every step and effectively mitigates any risks arise thereon. With more emphasis on environmental risk management programs, at LankaBangla, a noticeable increase has occurred in the amount of screening and due diligence efforts to gather information on potential environmental risks.

We take every effort to delight our clients being the growth partner in financing environment friendly products or initiatives. LankaBangla takes pride in being one of the financiers of a project having one of the largest biological Effluent Treatment Plant (ETP) of the world, the first auto brick manufacturing project to implement flexible fuel technology trapping harmful CO2 emissions and also to trade Certified Emissions Reductions (CERs) to the World Bank, country's first lube-recycling plant and so forth. Green financing has been growing steadily in our portfolio.

We have established our office environment and only allow rational use of energy and promote the spirit of environment friendly action plans. Our policy allows only energy savings bulbs at all of our service points and Head Office. While furnishing our office premises we use ISO certified paints. On top of that, LankaBangla introduced automated e-alert system to ensure secured financial information flow to its clients in Bangladesh. The launch of e-mail based Customer Statement Delivery System, added an important service to support the clients' needs, providing superior customer service to ensure delivery of account statements and transaction advices to the designated e-mail addresses of clients on time. This new system also helps to protect the environment by eliminating paper-based activities at office, protecting and preserving our environment for the next generation. In future we dream to enhance our effort on preserving ecosystems, land air and water, in line with our broad corporate mission we defined.

STAKEHOLDERS ANALYSIS

We recognise that we compete and operate on the basis of trust, and that it is our stakeholders who are the ultimate arbiters of our legitimacy, and therefore our sustainability.

Our stakeholders are those individuals or organisations who have direct or indirect interest in our success or failure and whose opinions and actions can impact our ability to execute our strategy and conduct our business activities and without whose continuing participation, LBFL cannot survive as a going concern. For reporting purpose, we identified following parties as our key stakeholders, from a sustainability perspective.



Stakeholder		Importance of Stakeholder	Influence by Stakeholder on LBFL	LBFL's Influence on Stakeholder
	Investors/ Shareholders	Investors remain LBFL's key stakeholder, who having invested capital, requires information on a continuous basis to track LBFL's performance and achievements in enhancing shareholder wealth.	High	High
	Customers	We consider customers as the bread and butter of LBFL's business, who remain interested as they transact with LBFL on an ongoing basis. It is important for LBFL to sustain business and build bonds with them and also to attract new customers.	High	High
	Employees	Employees are considered LBFL's most valuable asset and key to LBFL's continued success. Employees are deemed key stakeholders as they drive LBFL's business forward. They wish to grow with the Company and develop their careers to that they aspire to be, hand-in-hand, whilst the Company progresses.	High	High
	Suppliers & Business partners	Material suppliers have become increasingly important to LBFL with the expansion of its network and increasing requirement for stationery and other related supplies.	Medium	Medium

Stakeholder		Importance of Stakeholder	Influence by Stakeholder on LBFL	LBFL's Influence on Stakeholder
	Lenders	Funding providers, mostly LBFL's banking partners are an important component of LBFL's business as they support LBFL in meeting funding needs, when need arises. It is necessary to sustain a continued relationship, which will yield mutual benefit for both parties.	High	Medium
	Regulators	As a listed Finance Company and a holder of public deposits, various regulatory bodies continue to be interested to know LBFL's progress, to establish level of safety, soundness and compliance status.	High	Medium
	Society	Society has varying expectations of LBFL especially from a broader sustainability perspective. Apart from financial needs, they require corporates to act in a socially responsible manner, for societal benefit.	Medium	Medium
	Environmental Groups	In an era where protection of environment and its resources has become vital, LBFL considers environment aspects of high importance, particularly when LBFL continues to build greater presence across the country.	Medium	Low
	Board Members	Board members are part of the investors/shareholders. But for the roles and responsibilities, Board members remain vital for LBFI's success.	High	High

LBFL and its stakeholder's relational influential matrix can be chalked out as follows:

Influence by LBFL on Stakeholder				
	High			▸ Investors/ Shareholders ▸ Customers ▸ Employees ▸ Board Members
	Medium		▸ Suppliers & Business partners ▸ Society	▸ Lenders ▸ Regulators
	Low		▸ Environmental Groups	
		Low	Medium	High
		Influence by Stakeholder on LBFL		

Investors/Shareholders

Investors/Shareholders are the provider of financial capital to the group.

We strive to be a great place to invest – providing attractive and sustainable financial returns, protecting against downside risks and unlocking growth opportunities. At the same time we will remain fully transparent in our communication and disclosure with the investment community.

LBFL has a total 12,314 shareholders with 86.67% domestic holding and 13.37% foreign holding. Details of shareholding structure are as follows:

Sponsor shareholders:	Number of shares	Percentage of shareholding
Foreign institution		
Sampath Bank Limited, Sri Lanka	26,211,685	9.47%
Local institution	13,726,992	4.96%
ONE Bank Limited, Bangladesh	10,458,017	3.78%
SSC Holdings Limited, Bangladesh	2,968,975	1.07%
Shanta Apparel Limited	300,000	0.11%
Foreign individual		
Mr. Tahsinul Huque	10,782,073	3.90%
Local individuals	45,672,825	16.50%
Mr. Mohammad A. Moyeen	11,731,614	4.24%
Mrs. Jasmina Sultana	300,000	0.11%
Mrs. Aneesa Mahial Kundamal	21,315,793	7.70%
Mr. Mahbub Anam	12,325,418	4.45%
Total Sponsor Shareholders	**96,393,575**	**34.83%**
General shareholders	**180,346,374**	**65.17%**
Grand Total	**276,739,949**	**100%**

Shareholders needs and expectation

The core needs of our shareholders are as follows:

- Relevant timeous information on our strategy, prospects and financial and non-financial performance so that the LBFL group can be fairly valued and appropriate credit ratings assigned
- Consistent financial performance, delivering attractive returns (increasing ROEs) and solid dividend income, underpinned by a sound balance sheet
- Good and experienced management.
- An attractive and sustainable growth strategy

How did we deliver value to our shareholders in 2016

- Achieved economic value addition of BDT 554 million in 2016
- LBFL achieved net profit after tax of BDT 1,072 million in solo basis
- Net profit of the Group was BDT 796 million due to impact of bearish trend of capital market on our subsidiary LBIL
- Paid a full-year dividend of BDT 3.00 per share, up 15% in absolute value.
- Maintained world-class transparent reporting and increased our disclosure related to financial statements.
- Experienced smooth leadership transitions, with one of the most experienced management teams in the NBFI industry of Bangladesh

Customers

Customers are the most important stakeholder for any organisation. They are the resources upon which the success of our business depends. When thinking about valuing the customers we consider following points:

- LBFL is dependent upon their customers. If we do not develop customer loyalty and satisfaction, we could lose our customers.
- Without customers the existence of LBFL would not be justified.
- The purpose of LBFL is to fulfill the needs of the customers.
- The customer makes it possible to achieve our business aims.

Our Customers

- The full spectrum of individual demographics in Bangladesh from entry-level to high-net-worth individuals
- Various legal entities from trusts, non- governmental organisations and associations, to small businesses up to the largest corporates and the public sector
- Those who are engage with us even on single product classes, such as advance, deposit, asset management and investment or finance solutions.
- Foreign traders who trade in the secondary market of Bangladesh

Needs and expectations of our customers

- Offering innovative solutions and services.
- Growing and protecting client investments and wealth.
- Financing the aspirations of clients, while protecting against over indebtedness.
- Providing convenient access to LBFL's financial services with less complexity and improved flexibility.
- Protecting clients and their assets through secured IT systems and infrastructure.
- Providing value added services that are competitive and transparent in pricing.
- Providing sound financial advice and financial education.

How did we deliver value to our customers in 2016

Emerging and commercial business unit constantly striving to provide innovative financial solutions to meet working capital needs of our existing and prospective clients. With this intent LBFL has designed products like Factoring, Reverse factoring, distributor finance etc.

Project and structured finance unit comprising of experienced professionals who are expert in conducing the technical, financial and economic feasibility of projects. Financial solutions like syndicated loan, preference share, bond etc. are some of its wide array of services.

- Growing and protecting client investments and wealth:

  Y-O-Y Growth of 33% in Term deposit in 2016 is evident of increasing clients' confidence on us. We always focusing of providing best value for investment to our depositors by offering need based liability products and attractive return on their investments.

- Financing the aspirations and dreams of clients:

  Altogether 573 new home loans and 1,071 cars were financed and we supported many of our business clients in their endeavors to start and grow sustainable business.

- Providing convenient access to clients with less complexity and improved flexibility:

  LBFL continued to invest in its physical distribution, expanding its footprint with 5 new branches in the year 2016. All LBFL employees are well trained to deliver uncompromised client services. 24/7 helpline service is there to help our valued clients as and when required.

  FinSmart, LankaBangla mobile application has been launched to reach the services of LankaBangla to the fingertips of the valued customers.

- Protecting clients and their assets through secured IT systems and infrastructure.

  LBFL invested meticulously in its IT structure and committed to invest more in upcoming years to align with latest state of the art technology for the smoothness of its operation, strengthen data security and ensure protection for clients assets.

- Providing competitive and transparent pricing and giving value back to clients We always strive to ensure best value for money for our clients by means of competitive pricing of our products and services. We not only charge competitive interest to our asset clients but also ensure transparent and reasonable pricing for documentation and other fees.

  We have maintain agreements with good number of vendors which helps our credit card customers to avail attractive discount offers and credit purchase facilities (up to 24 months) with interest facilities.

  We also offer attractive reward points to the credit card customers which they can cash in by means of different free gifts on the basis of their uses.

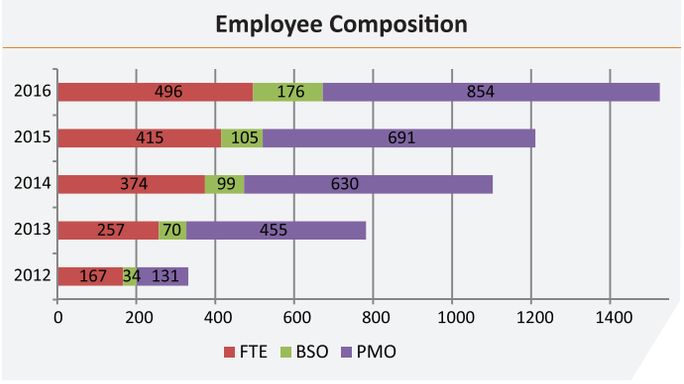
- Providing sound financial advice and financial education

  LBFL along with its subsidiaries provide financial advice and financial education to the valued clients by means of interactive consultation and professional investment advices.

  LBFL has strong research units which rigorously analyze market data and economic trends to produce weekly and monthly market pulse and other research papers to educate the investors and prospective LBFL clients.

Employees

Employees are the most valuable resources of LBFL. We have always been very passionate about human capital management and takes responsibility for developing employee potentials and leveraging employee skills in the organization. LankaBangla continues to implement HR policies and practices that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. LankaBangla believes that the skills and enthusiasm of its employees are a major force that helps it to achieve sustainable results.



More details about employees is provided in page number 182. HR Accounting and page number 187. Human Capital.

Needs and expectations of our staff

A central component of the achievement of our vision to be the most preferred financial service provider is delivery on our own sustainability objectives and commitments. Our staff play a key role in this, so we strive to create and maintain a positive and productive working environment that embraces and respects diversity and enables the personal and professional goals of all our employees.

In achieving this, we engage constantly with our workforce to establish their priorities, needs and expectations. In 2015, the following were identified as our employees' most significant needs and expectations:

- Career development opportunities
- Adequate training facilities
- Effective performance management and recognition
- Effective employee relations
- A healthy and safe work environment

How we deliver value to our staff

Career development opportunities

All employees of the company irrespective of their gender received formal performance and career development reviews during 2016. Annual performance reviews and the reviews conducted upon completion of probationary periods help the company in identifying and enhancing the salient skills and developing them as needed. A significant number of contractual employees have been absorbed under Management Cadre in 2016.

Our Investment on Training

To further strengthen the staff development process, the company increased its concentration on training and development of employees. This concentration will also support our intensive efforts to improve customer experience across all business units, with long term benefits accruing to the company. In 2016, we have also launched E-Learning training system for our Management Cadres.

Given the company's strong commitment towards developing a learning culture, it is pertinent to note that employees underwent a total of 27,705 man-hours of training during the year on various knowledge-building programs compared to 17,014 man-hours of the year 2015.

Effective performance management and recognition

In LankaBangla, Management is very much concerned about performance management of its employees and to ensure proper recognition. LBFL has followed a systematic approach to the identification of high performers among its employees to motivate them with good incentive bonus and promotion if deserved. Management also tend to identify the training needs of individual employees and through training, leadership competencies are identified and a pool of talent is created to serve the long term needs of the Company.

Effective employee relations

LBFL always value its employees through maintaining effective employee relations from top to bottom. Our approach to employee relations ensures that we recognise our employees' rights to fair and equitable employment practices and to freedom of association. LBFL follows a policy of continuous improvement in respect of the working lives of its employees. In addition to this, management has taken further steps to enhance the facilities and benefits afforded to its staff:

- Festival Bonus
- Provident Fund
- Gratuity
- Staff loan facility at concessionary interest rate
- Home loan facility at concessionary interest rate
- Medical benefits enjoyed by all employees including life insurance and hospitalization insurance to tide over any personal exigency
- Annual increment
- Performance related bonus
- Mobile allowance for all permanent employees
- Motorcycle for employees who need to visit outside office in regular basis
- Travel allowance & daily allowance
- Cost sharing for Professional qualification
- Fuel allowance and transport allowance
- Disturbance allowance for temporary transfer
- Reward and Recognition is created to set up a systematic process of expressing appreciation for employees' hard work, dedication and contribution to the company
- LBFL plan, design and arrange various job specific soft skills and technical training based on individual need assessment and business requirement
- E-Learning for all Management Cadres

A healthy and safe work environment

LBFL and all of its employees are to protect and enhance the environment in which they live. Everyone will comply with all laws and strive to do more. LBFL do not compromise safety or environmental protection for profit. LBFL believes environmental stewardship as an obligation and support this commitment with the necessary personnel and financial resources.

The following principles will guide and measure our corporate goals and objectives in Health, Safety and Environment:

- We are committed to continuously improving our Health, Safety and Environment performance;
- We will continually promote employee safety on and off the job;
- We conduct our business so it meets or exceeds all applicable laws and regulations and minimises risk to our employees, the public and the environment;
- We will endeavour to do business with companies and contractors that share our expectations for Health, Safety and Environment performance and commitment and we will regularly assess their performance;
- We will use our influence with companies in which we have partial ownership so they will want to meet the Health, Safety and Environment Commitment of the Company;
- We believe all employees are responsible and accountable for Health, Safety and Environment performance.

LBFL provides the training necessary to ensure that all the Company personnel are sensitive to the importance of our Health, Safety and Environment policy, understand the nature of the laws and regulations that govern our activities and have skills to implement our policy and comply with Health, Safety and Environment requirements.

Suppliers and business partners

Suppliers have become increasingly important to LBFL with the expansion of its network and increasing requirement for stationery and other related supplies. To ensure uninterrupted day to day operational activities we should maintain smooth flow of all related supplies and thus maintain good relations with our suppliers.

Needs and expectations of our suppliers

- Compliance to contractual terms

How we deliver value to our suppliers

LBFL operates with its suppliers based on a registered supplier list, which ensures LBFL's expectation of quality versus price is maintained while dealing with reputed parties in a mutually benefiting manner. We are committed to comply with all the contractual regulations with our suppliers and timely payment for supplies is our reputation.

Lenders

Funding providers, mostly LBFL's banking partners are an important component of LBFL's business as they support LBFL in meeting funding needs, when need arises. It is necessary to sustain a continued relationship, which will yield mutual benefit for both parties.

Needs and expectations of our lenders

- Competitive interest rate
- Compliance to contractual terms
- Building business relationships

How we deliver value to our lenders

Finance is the solution that assists in our businesses operation, and allows us to take advantage of opportunities to grow. Our lenders support to excel our advance growth and expanding our operations. We value our lenders through:

- Providing them with market competitive interest rate on their invested fund
- Meticulously comply with all the contractual term and conditions
- Our treasury division is always keen to build and maintain long term relationship with our lenders. In early 2016 Treasury division organized a successful treasury night to promote and value such relations.

Regulators

Compliance and regulatory risk has become increasingly significant given the more stringent regulatory environment in which LankaBangla operates. As a listed financial institution and holder of public deposit LBFL is regulated by following regulators:

- Bangladesh Bank
- Bangladesh Securities and Exchange Commission (BSEC)
- National Board of Revenue (NBR)

Needs and expectations of our regulators

- Ensure effective corporate governance
- Compliance with rules and regulations
- On time regulatory reporting
- Timely submission of VAT and Tax
- Ensure value for the general shareholders

How we deliver value to our regulators

In LBFL we firmly believe that our regulators guided us towards our journey to ultimate success. We maintain regulatory requirements with top priorities.

Ensure effective corporate governance

Our practice to remain within the guideline for strategic and steady journey towards progress is being governed by our participant leaders harmonized by our Board of Directors and Chairman. These practices ensure transparent and winning corporate governance for LankaBangla.

Compliance with rules and regulations

LBFL upholds a strong compliance culture within the organisation and maintains a close dialogue with regulators to ensure required regulations are followed to expectations. Our Risk Management division closely monitors our operations, activities and compliance with all the regulatory requirements.

On time regulatory reporting

As a public limited financial institution LBFL has to submit a good number of regulatory reporting on regular basis. In LBFL our regulatory reporting responsibilities are decentralized. It is designed is such a way that concerned division or department or concern individual employee will prepare and submit respective reports to the respective regulatory body. A concrete review process is predesigned to ensure correctness and timely submission of all the regulatory reports,

Timely submission of VAT and Tax

Being a legitimate and ethical company, LankaBangla contributes to the Government Exchequer when the necessary amounts fall due. For the year 2016, LankaBangla Finance and its subsidiaries made a handsome contribution to Government Exchequer of an amount equal to BDT 636 million, composed of income tax, withholding tax, VAT, withholding VAT and excise duty. This is in comparison to BDT 467.04 million in 2015, reflecting its fair and consistent commitment towards national contribution.

Ensure value for the general shareholders

Transparent and fair reporting of its financial information is backbone of LankaBangla's success stories so far. Our financials show our growing picture that we are consistently increasing the value of our shareholders with all our efforts. Our Transparency and fair reporting was not only recognized in national level but also in International level. Last year we adjudged the Winner in financial Service Sector for SAFA Best presented Annual Report Award.

Society

As a member of the society LBFL has responsibilities towards the society from a broader sustainability perspective. Apart from financial needs, LBFL have to act in a socially responsible manner, for societal benefits.

Needs and expectations of the society

- To act in a socially responsible manner

How we deliver value to the society

LBFL always act considering itself as a part of the society. Corporate Social Responsibilities (CSR) of LankaBangla is a form of corporate self-regulation integrated into our business model based on the objective of good business for good society.

In 2015 we performed following CSR activities:

- Supporting education of underprivileged brilliant students
- Financial assistance for education for children of deceased Ex-officials
- Support local community to protect from cold wave
- Protecting environmental and ecological degradation through tree plantation
- Support the renovation and modernization of library of different colleges.

Environmental Groups

Environmental groups are organizations coming out of the conservation or environmental movements that seek to protect, analyse or monitor the environment against misuse or degradation from human forces.

Needs and expectations of the environmental groups

- Protection of environmental and ecological balance

How we deliver value to the environmental groups

In an era where protection of environment and its resources has become vital, LBFL considers environment aspects with high importance, particularly when LBFL continues to build greater presence across the country. LBFL has already established its Green Banking policies. LBFL promotes its operation in a Green way with less use of paper and increase the use of electronic documents. LBFL is also playing leading role in the banking and financial sector of Bangladesh in introducing and executing Green Finance.

Board Members

LBFL has a group of experienced and professional Board members in its Board. With immense experience and professionalism the Board of LankaBangla is conducting its Business for the last 20 years and ensuring proper corporate governance since then.

Our Board members are as follows:

Name	Designation
Mr. Mohammad A. Moyeen	Chairman
Mr. Mahbubul Anam	Director
Mr. I. W. Senanayake	Director
Mr. M. Y. Aravinda Perera	Director
Mr. Mirza Ejaz Ahmed	Director
Mr. M. Fakhrul Alam	Director
Mr. Tahsinul Huque	Director
Mrs. Aneesa Mahial Kundamal	Director
Mr. Al-Mamoon Md. Sanaul Huq	Independent Director
Mrs. Zaitun Sayef	Independent Director
Mr. Mohammed Nasir Uddin Chowdgury	Managing Director

Needs and expectations of the Board

- Sound Financial position
- Efficient Financial performance
- Effective Corporate Governance
- Protecting shareholders wealth

How we deliver value to the Board

LBFL management faces the Board on a quarterly basis. Quarterly financial statements along with detailed financial analysis and rationale for the results has been presented to the board. After detailed discussions and fact finding analysis the board approved the financial statements.

Based on the financial position and data with explanation presented by the management the board guide the management for the future courses of action. Management adherence with the guidance operate the business to get desired result and hence strive towards increasing the wealth of the shareholders.

Our relationships with all our stakeholders impact directly and indirectly on our business activities and reputation. We proactively engage with stakeholders to inform our business strategy and operations, shape our products and services, manage and respond to social expectations, LBFL's reputational risk and influence the environment in which we do business. The ways in which we engage with our stakeholders, and the frequency with which we do so, varies according to each stakeholder group. Engagement is based on identified issues and areas of concern that may impact our stakeholders. We use a decentralized stakeholder engagement model in which individual business units undertake stakeholder engagement appropriate to their areas and are responsible for identifying stakeholder concerns and taking appropriate action. At the center, the board, oversees all engagement and plays a key role in analyzing our business relevant issues and concerns and providing guidance on appropriate responses.

Stakeholder	Engagement methods	Frequency of engagement	Key topics related to stakeholder identified during engagement	Expectations of stakeholder	Mechanisms adopted by LBFL to respond to topics/concerns
Investors/ Shareholders	Annual General Meeting (AGM)	Annual	- Effectiveness of business strategy in delivering anticipated financial results. - Slow improvement in ROE - Cost efficiency	- Higher return on equity - operating efficiency - Effective cost management	- LBFL ensures that the AGM is held in March each year and there is constructive dialogue between management and shareholders and follow up on valid material investor concerns and recommendations - As LBFL is in growth mode operating cost is a bit high at this moment and will be reduced when we will finish the branch expansion activity though the cost to income ratio is reduced to 59.89% from 63.92% - LBFL will give best effort to reduce the fund cost
	Annual Report	Annual	Overall Financial Performance of the Company	- Sustainable business growth.	The Company presents annually a comprehensive Annual Report backed by necessary disclosures on LBFL's progress for the period, in terms of shareholders wealth created.
	Integrated report	Annual	The value creation and value distribution		For the first time LBFL is presenting a comprehensive Integrated Report backed by necessary disclosures on LBFL's progress for the period, in terms of shareholders value created. LBFL is committed to continue with annual integrated report for upcoming years.
	Announcements to Shareholders	Ad hoc as necessary (Interim accounts – quarterly)	Financial Performance of the Company		
	Extraordinary General meetings	Ad hoc as and when necessary	Appraising plans, future prospects, in relation to core business growth.		
	One-to-One Meetings	As necessary	Improvements in relation to LBFL operations.		
	LBFL website information updates	On a regular basis	Strengthening governance and risk management mechanisms.		
	Press releases and articles in magazines	At least one release per quarter	Financial Performance of the Company		
Customers	Customers awareness programs	Annually in every branch	- Compliance and rights to the customers - Product information to customers. - Combating financial crimes. - Anti-money laundering issues	Efficient and customer oriented business environment	- To invest more in Information technology - To increase delivery channel to reach more marginal customer segments. - To introduce new product to cater customer needs
	Direct customer feedback to any of LBFL service points	On a regular basis	- Aspects on attractive pricing and customer service. - Customer specific problems	Fulfill one's financial needs to better prospects or meeting personal requirements.	- Product diversification is part of LBFL's growth strategy and is pursued on a continuous basis to see how best customer needs can be fulfilled. Both lending and deposit businesses are highly geared and well receptive to changes in customer preferences and remains flexible to cater to growing needs of customers.
	Marketing visits/ Field visits	- Credit customers mostly once prior to transacting - Deposit customers on an ad hoc basis and selective	- Identification of customer needs - Assessment of customers	To derive optimum benefit/satisfaction from offered products and services.	- LBFL shall devise mechanism to manage customer expectations to yield high level of customer satisfaction to ensure superior customer service quality - Through continuous training and development, we gear our employees to deliver a quality service and to be better equipped to face complexities evolving in our sector.
	One to one Meetings	As necessary	- Standards of service and related improvements. - Customer convenience.	Ensuring safety of one's investment.	There is persistent investment in technology, to enhance ICT capabilities to remain competitive in the market. This is done without compromising on data security. We audit our systems closely to ensure required ICT standards are met.

Stakeholder	Engagement methods	Frequency of engagement	Key topics related to stakeholder identified during engagement	Expectations of stakeholder	Mechanisms adopted by LBFL to respond to topics/concerns
Customers	Customer suggestions via suggestion boxes and follow up	Ad hoc	Stability of LBFL and its reputation as a trustworthy transparent partner.	Maintaining confidentiality of information placed.	
	Telephone discussions/Emails	On a regular basis	Confidentiality of customer information.		
	Media campaigns	As necessary			
Employees	LBFL corporate Website	On a regular basis			Through the Risk and Compliance function, risk management and compliance is strengthened constantly.
	Inculcating an 'open door policy' for employees to freely interact one -on-one with MD, other senior officers.	On a regular basis	Professionalism and diligence level expected in executing duties.	Having clear understanding of individual performance goals, for its achievement.	LBFL upholds a strict performance based culture across all job functions. Employees are evaluated by their superiors based on a formal evaluation process, and high performers rewarded biannually.
	Management Meetings	As and when necessary			
	Performance appraisal and individual review meetings	Annual	Sustaining a creative and innovative culture.		
	Town hall Meeting	Biannual	Bi Annual performance of the company and to recognise the best performers for the period		Ability to express ideas, concerns and grievances freely.
	Internal Newsletter communiqués	Monthly	Sustaining a creative and innovative culture.		
	Corporate communiqués via circulars, memos and e-mails	Regular	Knowledge-based environment and career development.		

AMARSTOCK

ECONOMIC OUTLOOK

World Economic Outlook

The start of the Trump Administration and the decision for a "hard Brexit" by the UK, and the subsequent legal challenges to it has further increased the level of uncertainty in the fate of the global economy. Although in the short run the US economy may have a little growth upside due to tax cuts and infrastructure investments; in the long run the USA as well as the global economy could still be poised for growth due to a number of important factors. Brexit has started to cause a tighter financial conditions and a weaker consumer confidence. Since the decision for a "hard Brexit", a number of UK financial services firms have decided to move a portion of their workforce to the EU, causing deep financial uncertainty for the future of the UK's financial services industry. Although world economic growth could depend a large part on the emerging and developing economies, the outcomes of India's banknote demonetization decision in November 2016 is likely to have negative spillover on Indian macroeconomic growth; and subsequently, growth of developing Asia could stumble.

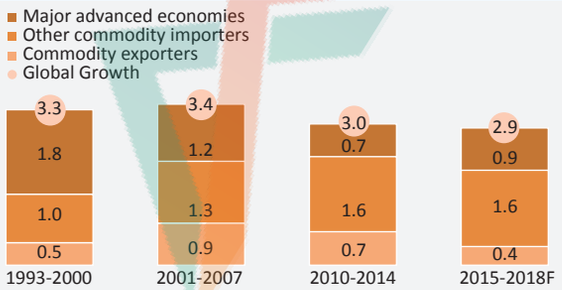
Overview of the World Economic Outlook Projections	Percent Change				Rebased			
	2014	2015	2016F	2017F	2014	2015	2016F	2017F
World Output	3.4	3.2	3.1	3.4	100	94	91	100
Advanced Economies	1.8	2.1	1.6	1.8	100	117	89	100
Emerging & Developing Economies	4.6	4.0	4.2	4.6	100	87	91	100
Emerging & Developing Asia	6.8	6.6	6.5	6.3	100	97	96	93

Source: World Economic Outlook, IMF, October 2016

Growth in advanced economies in 2017 and could be lower than previous estimates due to lackluster performance of the Eurozone, UK and Japan. A slight recovery in the early 2017 of US would be largely offset by the performance of other developed economies. The downside risks on the face of global economy have become more eminent in 2016. A sharper-than-expected slowdown in major developing and emerging economies caused by a protracted decline in commodity prices, flagging capital flows, subdued global trade and more unpredictable spell of the global financial market volatility could significantly impact the global output growth in 2017.

Growth in developing Asia would be hampered by India's somewhat impaired terms of trade performance and also by the slow growth (ca. 6.5% in 2016 and lower growth in 2017) in China.

Global growth and contribution
(percent)



Source: Global Economic Prospects, World Bank, January 2016

The pattern of contribution to global growth has been changed over the years driven mainly by decreasing growth from commodity exporters on the back of declining commodity prices and increasing growth from major advanced economies. Most importantly, a combination of BRICS's weakening and rising financial risk premia could take a big toll on the global growth.

Global inflation is expected to remain low in 2017. Headline inflation in advanced economies could inch up a bit, which would be offset by the steadily decreasing inflation by the emerging and developing economies.

Bangladesh Economic Outlook

Bangladesh has continued to show signs of resilience and has entered into the 7%+ GDP growth trajectory. Bangladesh is the second country in South Asia to share such performance after India (7.4% in FY16). The per capita GDP has increased to USD 1466 from USD 1316 in the last fiscal year. GDP growth is officially estimated at 7.1% in FY16, which is a 0.5% increase from the 6.6% growth recorded in FY15. Sustained domestic consumption was the key contributor to this impressive growth. On the other hand, headline inflation eased further and dropped below 6% level due to lower food inflation on the back of good harvest and declining global food prices. Point-to-point inflation dropped to 5.03% in December 2016 from 6.10% in December 2015. Besides, strong external performance driven by acceleration in export growth, rising FDI and increasing foreign exchange reserves contributed a large part to maintaining macroeconomic stability during the period. Going forward, we project higher economic growth on the back of increase in infrastructure spending and improved political stability.

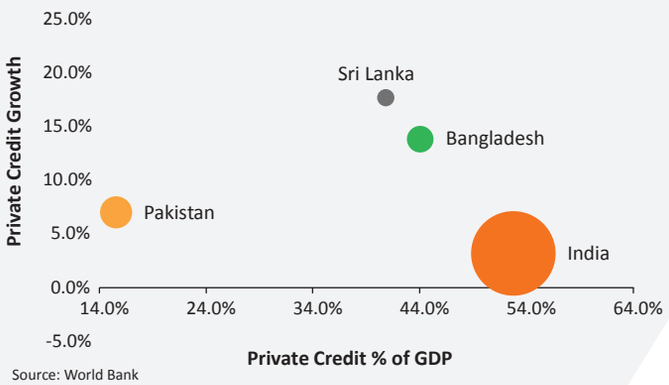
Bangladesh Macro Indicators	In Percentage				Rebased			
	FY14	FY15	FY16	FY17F	FY14	FY15	FY16	FY17F
GDP Growth	6.1	6.6	7.1	7.2	100	108	117	119
Headline Inflation (point-to-point)	7.0	6.3	5.5	6.0	100	90	79	86
Current Account Balance (% of GDP)	0.8	1.5	1.7	-0.7	100	188	213	-88
Private Credit Growth	12.3	13.2	16.8	16.5	100	107	137	134
Interest Rate (Avg. Lending)	13.1	11.7	10.4	10.5	100	89	79	80

Source: Bangladesh Bank, MoF and World Economic Outlook, IMF, October 2016

Bangladesh's real GDP growth is expected to continue to grow at 7%+ in FY17 due to a couple of major factors. The major driver for a higher GDP growth in FY17 would be an increasing infrastructure spending. FY17 budget targets stepping up spending on creaking infrastructure to stimulate higher economic growth. Spending on development needs, such as transport and power, is targeted to increase by 31% in the budget. To provide impetus to the business activities, the government has fast tracked several large infrastructure projects, allocating BDT 446.3 billion (USD 5.7 billion), which is 40.3% of ADP outlay, for 61 large and fast-track projects in FY17. Estimated allocation on mega-projects in the next three fiscal years (FY17, FY18 and FY19) will run into BDT 2,000 billion (USD 25.6 billion).

LBFL is expected to benefit indirectly from the 'crowd-in' impact of high government infrastructure spending. Engagement of private sector and backward linkage industries in the infrastructure projects is an opportunity for LBFL.

Pvt. Credit Growth vs. Pvt. Credit% of GDP in 2015



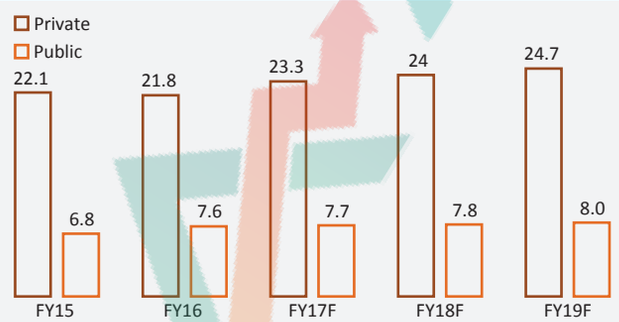
Source: World Bank

In addition to a boost in infrastructure spending, increasing private sector credit will continue to support higher output growth. Bangladesh is in a favorable position in the GDP-Private credit matrix compared to other regional countries. In the South Asian region, Bangladesh and Sri Lanka achieved high private credit growth in FY16, while India and Pakistan observed low growth.

Credit growth in the private sector picked up more sharply in FY16 registering 16.78% growth compared to 13.19% in FY15. Private investment is expected to continue its increasing trend on the back of 'crowd-in effect' of public sector investment attracting private investment through implementation of mega projects. The gradual acceleration in private sector credit growth is a good indication for the economy to head towards 7%+ growth and it is also a good symptom increased lending by the financial sector.

Most of the banks and NBFIs in Bangladesh achieved an increase in the general level of loan disbursements. However, further growth in private investment could depend a large part on improved electricity and gas supply, smooth process in property acquisition and registration; and high quality logistics support.

Private and Public Sector Investment in Bangladesh
(as % of GDP)



Source: National Budget FY2017

Consistent increase in real output growth could be driven in large part by the private sector credit growth and this could have spillover on LBFL in terms of accelerating corporate lending, although the rate-cut could help a bit accelerate the corporate marketing. However, the decreased interest rates would mainly boost the retail business as increased public sector wages could have positive impact on the overall consumption of the economy. In addition, increased activity in FY17 could have positive impact on the SMEs in terms of their business growth and scope for more borrowing from the financial sector. On this note, we project SME loans of LBFL could flourish more strongly tapping a fundamental generic growth in the portfolio.

Outlook for inflation in Bangladesh is a moderate increase from the current level, despite public sector wage increase in the earlier part of the current fiscal. Falling commodity price on global market has been pushing inflation downward. The declined trend of inflation, which started in 2015, prevailed through Dec'16. Overall inflation stood at 5.52% in Dec'16 which was 6.19% in the same period in 2015. Food inflation started to decrease rapidly from 2016 but formed a positive trend from June 2016. As of Dec 2016, Point to point (P2P) inflation stood at 5.03%, the lowest since Sep'12. The decline in average inflation is mainly attributable to the falling food prices while non- food inflation edges up primarily because of the consumption boost in the wake of the historically highest salary hike in the public sector. As past evidence suggests, the private sector is likely to follow suit in a staggered fashion, putting an upward pressure on nonfood inflation. However, the inflation rate is now in a safe zone.

Looking forward, Bangladesh Bank expects proactive management of market liquidity and commodity price trend would keep FY17 CPI inflation at or close to the 5.8% target level. Looking forward, the inflation regime will change its direction on the back of a moderate reversal of global commodity prices in FY17.

Higher expected inflation in the coming years could be a breather for LBFL as it is facing a downward interest rate pressure. Increased lending along with reduced pressure on the declining lending rate could play the major role in consolidating higher core operating income. On the other hand, increase in public sector wages could have linear impact on the cost of living adjustments (COLA) for LBFL personnel.

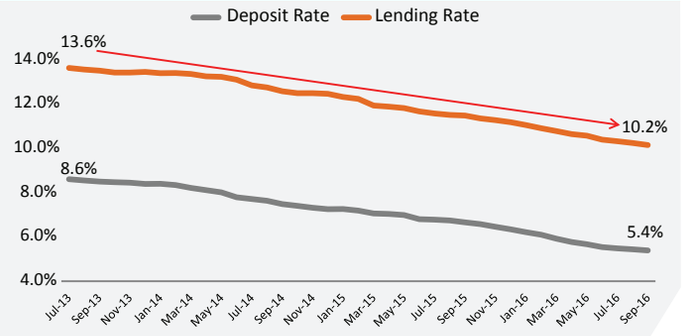
External growth will pick up slowly along with some intra year volatility due to uncertainties over Brexit and the Trump presidency. Both export and import are expected to show modest trend in FY17. Export could grow slowly due to slower growth in Euro and US area. Export to UK is expected to decrease followed by the decision of Brexit and its impact on uncertainties over global trade. Import could grow at a faster rate due to pick up of capital machinery import on the back of higher investment. Import from India – a major trade partner - is expected to decline due to the economic shock caused by their demonetization measure.

Increased activity in the external side could have positive spillover into local business growth of Corporates. Although LBFL cannot take part in the trade finance, it could enjoy the opportunity to extend higher line of credit through funded businesses.

We expect the interest rate to continue its downward trend throughout 2017. Call money rate slumped below 4% in 2016 and reached 3.5% in Oct'16. This clearly indicates the sluggish

money demand situation by the banks. Overall lending and deposit rates continued to decrease in 2016, and we expect the trend to continue in 2017. Corporate borrowers can borrow at single digit from the banks. Demand could perk up slowly in the later period of 2017, causing interest rates to consolidate at a bottom level.

Private and Public Sector Investment in Bangladesh



Source: Bangladesh Bank

LBFL is offering lending and deposit products at very attractive rate compared to the NBFI market. All types of loan, especially retail and SME, could observe higher growth in 2017 on the back of further possible rate cuts in 2017.

Sector Outlook

In general, we are broadly bullish on the overall credit market outlook including corporate, retail and SME. Since private sector credit perked up at a much faster rate in FY16 with a positive trend; corporate credit could grow at a higher rate in 2017 on the back of high demand for loanable funds. Credit to infrastructure and its associated linked backward linkage sectors could grow exponentially due to increase in infrastructure spending in 2017. Infrastructure linked companies, mainly cement and steel, could witness a higher growth due to a number of infrastructure projects in the pipeline.

Progress of Megaprojects	Estimated cost	Starts in	Complete by	FY17 budget allocation
	(USD mn)		(USD mn)	
Payra Deep-Sea Port (2.1%)	15,500	2013	2023	25.45
2,400MW Ruppur Power Plant (Phase 1: 80%)	13150	2013	2022	78.73
Dhaka Elevated Expressway	8,940	2016	2018	
Matarbari Coal Power Plant (1.18%)	4,600	2014	2022	305.73
Dhaka Underground Railway	3,100	2017	2019	
Dhaka-Chittagong 4 lane highway (90%)	3,020	2005	2016	
Padma Multipurpose bridge (39%)	3,000	2014	2018	Bridge: 767.64 Rail: 522.5
LNG terminal and power plant	3,000 (G2G)	2017	2021	
Dhaka Sky rail/Metro Rail (3.5%)	2,800	2017	2020	283.69
	(75% from JICA)			
Dohazari- Gundum Rail	2,330	2010	2022	78.2
	(1,670.7 mn from ADB)			
Dhaka Ashulia Elevated Expressway	1,900			
1320MW Rampal Thermal Power Plant (2.5%)	1500	2016	2018	323.57
Shantinagar-Mawa Flyover	313	2011	2016	
Joydevpur-Madanpur 4 lane	117	2013	2016	

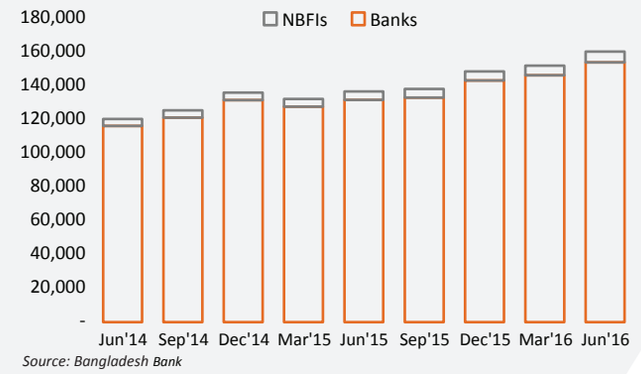
Average lending rate on corporate credit is expected to remain low due to intense competition in form of price war by the aggressive movers. Offering term loans at 'single digit' by a few finance companies has changed loan pricing paradigm to a great extent. Although the overall cost of fund of the NBFI industry has come down to single digit since January 2016 as per Bangladesh Bank data, but this is not sufficient to keep a reasonable margin/ spread on top of the cost to keep the lending rate into single digit! Nevertheless, cost of bank deposits could continue to remain very low.

Corporate NPL of the financial sector could remain low driven by more secured lending structure compared to SME. A general reluctance by the banks to finance ship-breaking and real estate industries could have positive impact on the loan book charge. Overall debt-burden ratio for the corporate clients could improve in 2017 on the back of a higher aggregate earnings growth.

LBFL shall not follow the practice of aggressively cutting rates in order to compete with the unsustainable rates offered by competitors. Increase in corporate credit at moderate pace in the financial sector could have positive impact on LBFL in terms sustaining its growth in this segment. The company is expected to maintain its well-diversified loan portfolio and reap the benefit of acceleration in corporate credit. Particularly, some industries could attain much more focus in 2017, like RMG-Textile, Food and steel; which are the top three industries contributing more than one-fifth of the total loan portfolio of LBFL. On the other hand, downward pressure on the corporate lending rate of LBFL could be neutralized by the gradual increase in the inflation in the upcoming fiscals. Besides, since overall asset quality of the corporate loans of the financial sector is expected to improve and LBFL deals with some of the finest clients in the sector; the company could be able to curb its corporate NPL ratio further.

SME loans in Bangladesh increased by 17.2% in Jun'16 compared to Jun'15; growth of SME loans from NBFI is very impressive; increased by 26.7% during the period. The dimension of growth by different segments is expected to persist through this year and continue in the next year as well, since the SME financing cycle by NBFIs is hovering around the early growth stage.

SME Loans in Bangladesh (BDT Crore)

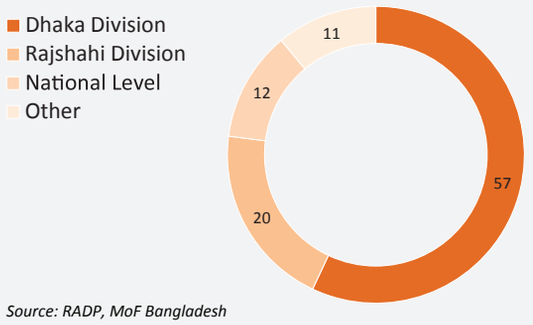


Source: Bangladesh Bank

On the demand side of SMEs, the regional disparity of ADP expenditure for SME development is mainly driven by Dhaka-based allocation. Thus business growth in Dhaka-based SMEs could be higher than other regions. Increase in tax exempted turnover in the last national budget from BDT 30 lac (USD 37,500) to BDT 36 lac (USD 45,000) could be very helpful for the small enterprises.

Although the tick size for small enterprise loans is very low, this particular segment could post splendid growth in 2017.

Regional disparity in ADP allocation of SME sector
(in percent)



Source: RADP, MoF Bangladesh

Both the general level of lending rates and the NPL ratio could continue to decline across the SME sector. The declining cost of fund for the NBFIs could be play a major role for financing SMEs at lower rates compared to the previous year. Improved macroeconomic conditions could help improve the repayment behavior of the SMEs and thus it could help improve the loan quality of the SMEs.

LBFL will focus specifically on SME and retail sectors in 2017. LBFL could be largely benefited from the declining SME NPL ratio on the back of a splendid growth in SME portfolio. Although the size of the LBFL SME portfolio is low compared to Corporate and Retail loan, reducing interest rate environment could help tap more SME clients in 2017.

Outlook for the retail loans across the financial sector is broadly very promising due to increasing focus in this segment to disburse both secured and unsecured loans, particularly by the NBFIs. The demand for personal loans could increase across the financial sector due to increase in the general level of consumption driven in large part by the increase in public sector wages.

The trend for retail lending rate is broadly downward and it could continue this pattern in the next couple of years. Declining interest rate in the retail segment could attract more consumers to get engaged in this type of loan category. However, the retail NPL outlook is mixed due to parallel increase in secured loans (mainly home loans and car loans at reduced rates) and unsecured loans (mainly personal loan and credit card).
The retail portfolio of LBFL is growing at a splendid pace in all the major type of retail loan-category, like car loan, home loan and personal loan. LBFL has targeted the retail sector along with the SME sector for 2017. An accelerated growth within the financial sector could have positive impact on overall LBFL retail loan growth. Decreasing retail lending rate of LBFL could also help reduce the overall lending rate of the company. However, managing the asset quality of personal loan and credit card could be challenging.

BUSINESS ENVIRONMENT ANALYSIS

1. SWOT Analysis for LBFL

Sl. No.	LBFL's Key Strengths	Outlook on Key Strengths	Key actions taken to build on Strengths
1	Having the broadest umbrella of products and service offerings	A broad category of product can attract and serve the people with different financial need. It will diversify the revenue stream and reduce the dependency on single products	▸ LBFL has well diversified financial products to serve its diverse customers ▸ More focus on segmented approach with dedicated team to strengthen the product line ▸ LBFL is the only NBFI having the credit card business in Bangladesh.
2	Offering highest loan ceilings and LTV ratio	High loan ceilings and LTV ratio can attract and serve people with immediate solutions to their financial needs. It ensures portfolio growth and healthy revenue streams as well as a competitive edge over peer organizations, like commercial banks.	▸ LBFL offers highest credit ceiling to their retail and SME clients. A ceiling of BDT 2 million for unsecured credit facility is the highest in the market. ▸ Besides, LBFL offers lease facility with the maximum Loan to Value ratio, which is up to 100% ▸ To attract home loan and SME clients, LBFL facilitates them with the maximum limit of BDT 100 and 200 million respectively.
3	Having a reputation as a stable Financial Institution for two decades	Public will continue to pursue institutions that remain reputed and act with utmost corporate responsibility.	▸ Attracting customers from other investment options ▸ Enhanced financial, governance and operational reporting to make public more aware of LBFL's financial stability ▸ Introducing Integrated Reporting ▸ Keep improving on regulatory compliances ▸ Keep investing on building a reputed brand value ▸ Actively participating in the CSR activities through LankaBangla Foundation
4	Strong capital base with a sound capital adequacy ratio position	As LBFL's business is growing at a rate of 40% annually, we could expect capital adequacy ratios to be pressured downward on account of anticipated growth in credit business.	▸ Planning for healthy profitability growth ▸ More focus on Retail and SME business ▸ Focus on lending to good rated corporate houses ▸ New Capital issue in the form of rights share (2:1) already approved by the shareholders and in regulatory approval process. ▸ Planning to issue Zero Coupon Bonds, if required ▸ Developed a Capital planning for next five years for anticipating business growth
5	Having a skilled human resource base with the lowest average age of employees	To hire and retain skilled human resource will be key to succeed in the coming years as there are few new Banks and NBFIs in the market.	▸ Investing more on training key skills and soft skills ▸ Planning for an in-house training institute to train the employees ▸ Introduce a reward recognition policy under which the most performing employees are being awarded twice in every year. ▸ For improvement of the performance, LBFL also introduce different programs like HEROES @ WORK, DINE WITH MD in every two months ▸ Organize different events for the employees like Annual Football, Annual Badminton, Family day, New year celebration, women's day, mother's day etc. to motivate the employees.

6	Establishing a diverse delivery channel across the country	Increased expansion would lead to greater decentralization of LBFL's work operations to reach more clients. This will also Increase operational risk.	▸ LBFL will look forward to expand its delivery channel to cater new more people. ▸ Where there are no branch networks LBFL will use Hub and Spoke model and will employ mobile lending officers with state of the art technology.
7	Possessing an effective ICT environment supported by right IT hardware and software systems, IT support staff and an IT savvy workforce	IT will be a key factor to improve the service quality, imposing controls and reducing the cost in coming days.	▸ Introducing new ERP ▸ Investing more on IT hardware ▸ Improving the Call center ▸ Enhanced certain core system features ▸ Training users on effective use of these IT tools across the branch network.
8	Online presence through user-friendly website and mobile application	Online presence can be as much about customer service as it is about selling products and services. A dynamic website or application can create a good impression about the organization, as well as ensuring faster services and accessibility	▸ LBFL maintains its web presence through website, financial portals, social networking sites and its unique mobile application "Finsmart". ▸ Clients can reach LBFL through these channels and the Alternative Delivery Channel (ADC) division of LBFL facilitates the requests received from these sources. ▸ LBFL's clients can avail different services like balanced information, card-check processing requests, form filling, etc. through its mobile application "Finsmart".
9	Discount and Ezypay Privileges for Credit Card clients	To attract new and retain existing clients, promotional offers like discounts, cash-back, reward point etc. can play a vital role. Moreover, Ezypay or EMI facilities can release clients from their immediate payment burden.	▸ LBFL has agreement with more than 2000 merchants across the country to offer discount facilities to its clients. ▸ EMI scheme allows clients to convert the big-ticket retail purchases made by their LankaBangla Credit Card and LankaBangla Card Cheque into an installment scheme. ▸ LBFL clients can enjoy 0% interest per month on their EMI purchases (BDT 10,000 and above) from its 0% merchant partners in different product and service sectors.
10	Having a knowledgeable and prudent Board of Directors	A visionary and knowledgeable Board will guide the company to a sustainable growth over the period	▸ The Board will keep guiding the company with all their valuable knowledge

Sl. No.	LBFL's Key Weaknesses	Outlook on Key Weaknesses	Key actions taken to counter Weaknesses
1	Large concentration on Corporate portfolio	Traditional lending on corporate product volume could be hampered with rising intensity in competition.	▸ Increased emphasis placed on Retail and SME business.
2	Comparatively high cost of fund	Absence of CASA deposits increases bank dependency and reduces bargaining power to bring public deposits resulting high cost of fund and low spread	▸ Increased focus placed on long term public deposit, especially scheme deposits.
3	Strong Presence in the Capital Market	Exposed to highly sensitive and volatile income which depends on market conditions.	▸ To reduce the dependency on the capital markets, more focus was given to the core products of the company.

4	Lowering Yields on traditional lending products.	In churning higher income, the needfor more innovative products and wider customer choice will be pivotalin the years to come.	▸ To retain the profitability, LBFL focus on the increased volume of business in Retail and SME. ▸ Focus on the higher margin products
5	Less flexibility in the money market	Banks affording very competitive Cost of Borrowing as well as interest rates for fixed deposits will continue to add pressure to the NBFI sector.	▸ Reduce dependency on bank borrowing ▸ More focus on the term deposits from the retail customers ▸ Introduced new deposit products for senior citizen, female and other niche market. ▸ Quick decision making to respond the Market situation
6	Below one year asset and liability mismatch (any interest rate hike would impact core spreads as funding cost will tendto go up in such a situation)	The possibility of interest rates moving upward again is high in the medium to long-term and hence itis vital to pursue long-term funding for sustaining healthy margins.	▸ In accordance with ALCO recommendations, the Liability Division was able to offer attractive rates to secure greater level of one year and longer deposits during the period. ▸ Managed to secure long-term borrowings between two to three years at fixed rates

Sl. No.	LBFL's Key Opportunities	Outlook on Key Opportunities	Key actions taken to build on Opportunities
1	Growing middle income group and increase in purchasing capability	More than 10% people are moving from the low income group to middle income group	▸ More focused on the Retail and SME business. ▸ Increased distribution channels to reach out to more people. ▸ Required ICT environment is in place
2	Reducing deposit rates in commercial banks	Due to the presence of excess liquidity, commercial banks are reducing deposit rates, which could be LBFL's way of lowering its cost of fund	▸ More focus on public deposit collection with varieties of deposit products with attractive rates
3	Introduction of dual Currency credit cards and online transaction facilities	Services like dual currency and online transaction facilities will attract more customers from different market niches	▸ Focus on dual currency credit card and offering online transactional facilities to enhance brand image, attract new customers, and avoid losing existing customers.
4	Introduction of Mobile banking services	Current trend and success of mobile banking in grass root level indicates the huge growth potential in this segment	▸ Steps have been taken to allow our deposit clients to pay their installments through different mobile banking service vendors, and few more services will be up and running by 2017
5	Expected sound GDP growth levels and improved infrastructure would continue to give impetus to financial products.	With GDP growth set at 7%, we could expect financial service sector to sustain credit growth well above 15%.	▸ Maintaining commendable core business growth, taking advantage of the positive business conditions and steady economic growth trajectory. ▸ In spite of being in a highly competitive market, our total lending and deposit growth YOY stood commendable.
6	People prefer fixed income Term Deposit products as opposed to risky investments in the Stock Market	The stock market remains volatile and property value is declining. These two trends should continue to boost investment in fixed income securities.	▸ Management continued to implement successfully planned deposit mobilization strategy which sustained envisaged growth levels. ▸ Our branch network played a more significant role in mobilizing deposits, taking advantage of the expanded reach taken place within the last three years.
7	More funding opportunities from the foreign market	We could expect greater number of international deals to be struck by the sector in terms of funding. Rating will play a significant part.	▸ International funding sources remain a viable option and the company will look into these sources when optimal pricing can be obtained.

Sl. No.	LBFL's Key Threats	Outlook on Key Threats	Key actions taken to counter Threats
1	Wide range of product choice for the depositors to invest, such as Government Sanchaya Patra, the share market, real estate and other fixed income securities.	We could expect real estate prices to move upward and the stock market to remain attractive with better foreign investments.	▸ Sustained an aggressive deposit mobilization drive with attractive returns to investors throughout the year, supported by continuous advertising and promotion.
2	Growing competitive pressures	More fierce competition is expected from the competitors. Quality and timeliness of services offered would be key in attracting business and retaining existing portfolios.	▸ Customer oriented services should be in place. ▸ Intensive customer awareness campaigns in key operating locations should be undertaken.
3	Shrinking margins due to heavy price competition	In gaining strategic advantage, the sector would continue to pursue low cost funding options and high yield lending avenues to improve margins.	▸ More focus on high yieldgenerating lending products such as personal loan, credit cards, mortgage loan, auto loan, etc.
4	Newly licensed NBFI and Banks	More fierce competition in acquiring clients	▸ More focus on building a stronger client base through uncompromised quality to retain and attract new business.
5	Turnover of skilled employees	Due to the skills and learning obtained through quality training in LBFL, the employees attract employers in the same industry.	▸ Regular reward campaigns, motivational and other non-financial programs are conducted throughout the year to retain skilled employees.

2. PESTEL Analysis

	Influencing Factor	Impact on LBFL	LBFL's Approach
POLITICAL	▸ Political Stability ▸ Annual Budget	▸ Stable political situation has a positive impact on LBFL and unstable political situation has negative impact on LBFL ▸ Change in different components of yearly budget like tax rates, interest waivers, refinancing facilities has impact on different products and projections of LBFL	▸ LBFL always try to negate the unstable political situation by taking prompt strategic action on interest rates, business volume, strategic shift on business focus etc to generate the business and achieve lending target. ▸ In the stable situation try to generate a synergy. ▸ LBFL always adjusts their internal guidelines and projections as per the directives provided by Bangladesh Bank
ECONOMIC	▸ Around 7% stable GDP growth ▸ Growing economic development activities ▸ Lowering interest rate regime ▸ Inflation control ▸ Increasing income level ▸ Fluctuations in capital market indices	▸ Due to subdued inflationary level and increasing income level, retail business will enjoy above average business growth. ▸ Corporate and deposit business remain very competitive as interest rates falling to one digit level. ▸ Rise in overall NPL of the country as some of the regional clients find it difficult to repay. ▸ Rise in capital market indices might encourage people to choose investment options over safe saving instruments, which in result, could cause liquidity crisis and vice versa	▸ LBFL pursues core business growth in Retail and SME capitalizing on emerging opportunities, supported by our increased presence across the country. ▸ Initiating prompt recovery action on overdue contracts through close supervision and effective recovery strategy. ▸ Expand delivery channels ▸ As a highly customer receptive organization, we continued to identify ways of expanding our product offerings and services to cater to wider customer requests. ▸ Generate a strong MIS system to gather and disseminate economic and business information. ▸ Make quick decisions on product pricing through ALCO responsive to the market need.

SOCIAL	▸ Increased Income level improved the standard of living. ▸ Growing competition ▸ Improved access to financial services ▸ Financial Inclusion ▸ Customer sophistication ▸ Changing Lifestyle ▸ Non-Regulated lending authorities ▸ Population and literacy rate	▸ Growing GDP and per capita income driven by the economic progress have paved the way for better social conditions and quality of life for society. ▸ LBFL can be the substitute for region or community-based lending authorities who charge very high interest rates	▸ We emphasized the importance of creating customer awareness and building customer relationships. ▸ We revisited our internal core operational processes, for purpose of streamlining parts of our work process to cut down on lead times and to afford a more effective service to our customers. ▸ We afforded greater autonomy to branches to handle deposits affording them full technology support and manpower to cater to wide ranging customer requests. ▸ Being a people-oriented Company, we remained receptive to people's needs as a socially responsible corporate and a caring employer. ▸ Numerous CSR initiatives were initiated for the betterment of society beyond commercial boundaries. Internally, we continued to adopt sound human resource practices to nurture our valued staff. ▸ LBFL has shifted its focus towards retail business and introduced products like Titanium Credit cards et. to meet growing customer needs efficiently ▸ LBFL has 18 operational branches all over the country and our Mobile lending officers working in different areas are paving the way for future branches ▸ We emphasized the importance of creating customer awareness and building customer relationships. So, we always consider areas with high population and literacy rate as potential business operation region
TECHNOLOGICAL	▸ Rapid technological advancement. ▸ Decisive factor to gain competitive advantage ▸ Growing demand for mobile banking services	Role that ICT plays in creating operational efficiency and generating Management Information Systems (MIS) for effective decision making has become vital for LBFL Ways through which LBFL can use this trend in its best interest	▸ Required updates were made to the core ICT system to make it more effective and meet user requirements and also to accommodate rapidly changing demands of the industry. ▸ Additional MIS reports were developed on a periodic basis to cater to information needs of key divisions, for decision-making. ▸ We have already introduced mobile banking services for our deposit clients in collaboration with Bkash and Surecash and going to expand these services in near future
ENVIRONMENTAL	Green Banking initiatives	Green banking initiative has a long term effect on both environment and economy of the country and helps in cost reduction as well	Green banking initiative has a long term effect on both environment and economy of the country and helps in cost reduction as well
LEGAL	Highly regulated business environment	LBFL is regulated by the FI act 1994 and other periodic guidelines provided by Bangladesh Bank from time to time	Apart from FI act 1994 and other prescribed guidelines, LBFL also follows the instructions regarding bank rates, repo & reverse repo and statutory reserve requirements mentioned in monetary policy statements published semi-annually by Bangladesh Bank

3. Industry Forces Analysis

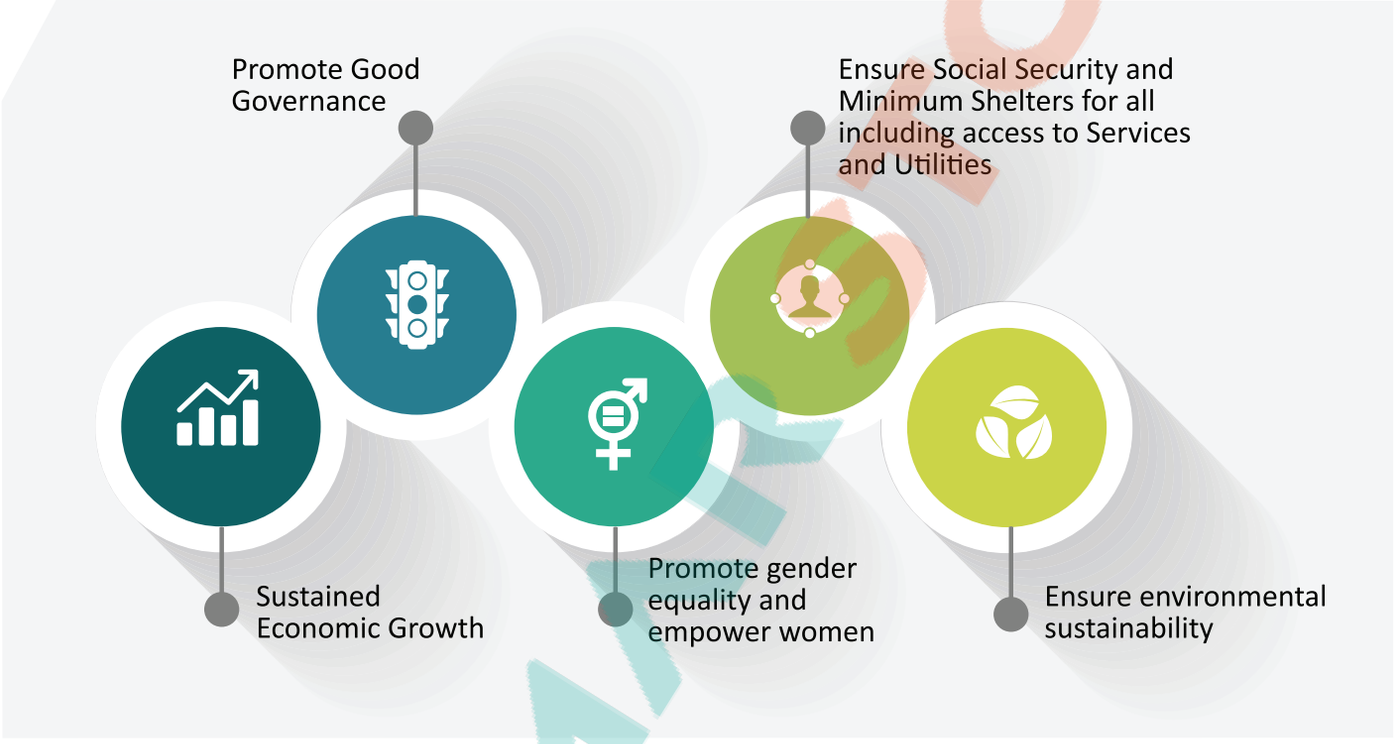
	Influencing Factor	Influence on LBFL	LBFL's Approach
Customers	▸ Customer perceptions of LBFL brand. ▸ Switching of customers. ▸ Brand loyalty. ▸ Customer relationship.	▸ Effect on customer relationships thereby impacting long term revenue.	▸ Strategic emphasis on serving particular customer segments (Retail and SME). ▸ Customer focused strategy ▸ Delivering uncompromised service to retain customers. ▸ Upholding and strengthening LBFL brand to avoid switching.
Suppliers	▸ Supply of funds (deposits and borrowings) ▸ Interest rates on borrowings and deposits ▸ Supply of materials	▸ Impacts on interest rate ▸ Effect on revenue and margin. ▸ Operational efficiency	▸ Appropriate sourcing of fund as per the company policy (reducing dependency on bank borrowing). ▸ Offering competitive interest on deposits and good relationship with banks for better negotiations of borrowing rates. ▸ Proper selection of vendors to ensure smooth supply of materials.
Competitors	▸ Number of players in the industry ▸ Strategic directions of competitors ▸ Generic strategies followed- Focus/Differentiation/Cost leadership	▸ Impact on the market share ▸ Loss of revenue to competitors ▸ Customer switching	▸ Engage in competitor analysis to understand the competitors' strategies and respond accordingly. ▸ Develop or revise short and long term strategies in relation to competitors' movement and impact on market share. ▸ Give emphasis on innovative value creation ideas to outplay the competitors
Substitute	▸ Availability of substitute products ▸ Aptness of substitute products. ▸ Relationship Management. ▸ High number of commercial bank and FIs	▸ Threat of loss of market share with increasing substitutes in the industry. ▸ Impacts of service quality leading to customers switch brands. ▸ Loss of revenue to substitute products ▸ Fierce competition among banks and FIs.	▸ Undertake competitors' product market analysis to understand their price structure, product features, and performance. ▸ Carry out product aptness analysis to understand the threat of substitutes at a continuous basis. ▸ Differentiating products to lock in customers and reduce substitute effects. ▸ Adopt appropriate relationship management techniques to retain the company's profitable customers.
New Entrants	▸ Emergence of new Banks and NBFIs in the industry licencing through Bangladesh Bank ▸ Patents and protection of intellectual property	▸ Threat on market share and possible reduction in industry dominance. ▸ Employee poaching	▸ New product development to take first mover advantage and deter possible competition from new entrants. ▸ Enhance the brand value of LBFL ▸ Maintain a sound and healthy employee friendly environment within the organization
Government	▸ Government regulations for the financial sector. ▸ Local and Foreign investment limits. ▸ Taxation policies. ▸ Government stability. ▸ Frequency of changing laws and regulations.	▸ Regulations affecting operations- source of funds and channelling of funds. ▸ Taxation policies impacting profits. ▸ Laws and regulations limiting businessoperation and revenue streams.	▸ Thorough compliance of laws and regulations as per Bangladesh Bank and other Government Bodies. ▸ Maintaining good and professional relationships with Government representatives to lobby for policy implementation which is beneficial to the company and the industry. - Policy includes taxation rules, capital limits, FDI limits, government subsidies, etc.

DRIVERS GUIDING OUR STRATEGY

LankaBangla believes in long term growth story of Bangladesh. However, at the same time we must acknowledge that connecting short term goals are vital to reach our long term dream to live as a developed nation eradicating many dimensions of poverty, promoting gender equality, promoting peace and security and sustainable human development.

Bangladesh has been experiencing 6%+ GDP growth over the last few years. Our rising per capita income, growing export basket, higher contribution in UN peace keeping force is a testament that we are rising as a nation. However, there remains a series of social, environmental and economic challenges to reach our long term goals. We recognize the interdependence between economic success, social well-being and environment health of the country and the long term sustainability of LankaBangla as a financier. We want to contribute in the long term goals we have developed for a prosperous future we want.

Long Term Goals



KEY INPUTS

Material Matters are derived from major macro trends, our unique strategic context, an analysis of our business risks and opportunities and most importantly, the needs of our key stakeholders- staff, clients, shareholders, regulators and the communities and environment in which we operate.

- Major Macro Trends
- Lankabangla's Unique Strategic Orientation
- Needs of Our Stakeholders

MATERIAL MATTERS

- Slow Credit Growth in Banking Industry
- Understanding Our Clients
- Motivating Our People
- Embracing Innovation
- Leveraging Our Investments in Information Technology
- Increased Demand on Governance and Risk Management
- Growth Opportunities in Retail and SME Segment

STRATEGIC FOCUS AREAS

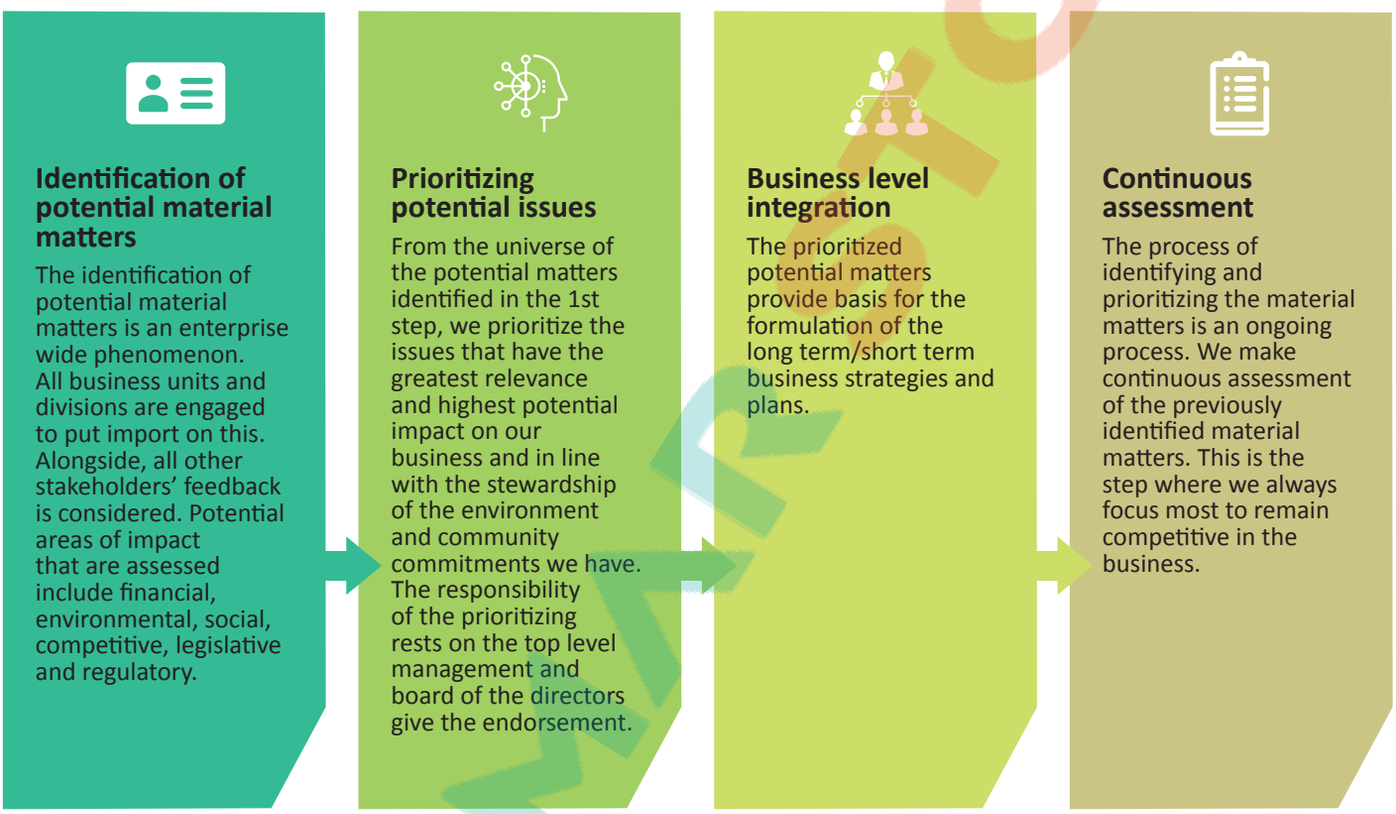
- Diversifying Portfolio with sustainable innovation
- Creating Convenience for our Customer
- People are the business
- Create a Sustainable Brand
- Prudent Balance Sheet Management

MATERIAL MATTERS THAT AFFECT OUR STRATEGIES

Our material issues are those issues that we believe could seriously affect our commercial viability and our social relevance. These include factors influencing economic growth and political and social stability, and those which impact on how our stakeholders perceive the group and its role in society. Effectively managing our material issues is critical to achieving our strategic objectives and meeting our stakeholders' expectations.

Materiality Determination Process:

The materiality determination process complemented our day-to-day stakeholder engagements, going beyond these engagements to place particular emphasis on aspects that are likely to influence the social, economic and physical environments in which we operate. Our material matters are our primary risks and opportunities. These have been the key factors that have significant impact on our ability to deliver sustainable value to our stakeholders. Our approach in identifying and evaluating material matters is very comprehensive. Below is our approach of chalking out material matters that guides our strategic priorities and our future.



Material Issues and Strategic Response:

Following engagement with certain internal and external stakeholders, we have determined our material issues into the following matters.

Material Issue	Strategic Context	Strategic Response of LankaBangla
Slow Credit Growth in Banking Industry	Private sector credit growth, which is often believed to be one of the most important leading indicators for macroeconomic growth, is projected to edge up marginally in FY16 at 14.8% and gradually consolidated at 15% in FY17 as targeted in the national budget. The gradual acceleration in private sector credit is a good indicator for the economy to head towards 7%+ growth.	▸ Private sector credit growth momentum in 2016 would be very beneficial for LankaBangla as we have already laid foundation for SME and Retail business in the preceding years. ▸ The declining interest rate environment would be helping in tapping good SME Clients. ▸ LankaBangla has the strength to go for retail financing business more aggressively.

Material Issue	Strategic Context	Strategic Response of LankaBangla
Understanding Our Clients	Our clients are the reason we are in business. To provide them with the products and services they need, we must understand the environments in which they live and work, their immediate needs, and their long-term plans in respect of their careers, their businesses, their personal lives and their families.	▸ Instill a culture that values excellent client experiences, ethical and fair conduct and market integrity. ▸ Constantly leverage new technologies to meet changing client expectations and enter partnerships to drive innovation. ▸ Ensure appropriate technical capability and skill to prevent our clients from being exploited.
Motivating Our People	Our ability to meet our objectives, deliver value to our clients, comply with our regulatory obligations and create shareholder value depends on our people. We strive to work with people who share our passion for Lankabangla, who see the opportunities inherent in the diversity and its people, and who are committed to putting the client at the center of everything we do.	▸ Ensure that we have a diverse workforce with the right skills and capabilities to successfully execute our strategy. ▸ Maintain an ethical and risk-aware culture that upholds our principles and values. ▸ Capacitate our people to perform in a world of rapidly changing client expectations, technology and ways of working.
Embracing Innovation	In a world of constant technological evolution, we need to be at the forefront of new ideas and leverage technology to provide exceptional client experiences and gain competitive advantage. Innovation extends beyond our products and services to how we operate by way of our internal processes and systems. These must all fulfill the ultimate objective of placing our clients at the center of everything we do.	▸ Deliver new products and services to market quickly without compromising system stability. ▸ Develop a culture that encourages innovation and challenges established processes, with a view to delivering excellent client experiences that differentiate us in a low-cost competitive environment. ▸ Build resilience to change among our people. ▸ Find ways to address social challenges through innovation.
Leveraging Our Investments in Information Technology	IT enables us to serve our clients in a way that is more convenient and that makes their financial transactions more reliable and secure. In addition to being an enabler of our strategy, IT is also a competitive advantage. We use our understanding of our clients to provide them with value-added, uninterrupted IT products and services. Many of the Bangladesh's people still live in remote areas, where IT can be used to overcome challenges in delivering services.	▸ Balance client expectation for innovation against maintaining system stability. ▸ Constantly monitor and anticipate criminal exploitation of our systems and cyber-attacks on cloud services, and deploy prevention and mitigation measures. ▸ Ensure that our systems maintain the privacy of client information and put additional measures in place to protect our data stores.
Increased Demand on Governance and Risk Management	The latest loan scams in the financial sector brought the onset of increased regulation to ensure the soundness of the financial sector. The increased reporting to central bank, offsite supervision and regulatory requirements like Basel III would justify for more disciplined financing, more compliance and more efforts to avoid reputational risk.	▸ Focus on risk management on enterprise level. ▸ Ensure closer working relations and partnerships with regulators. ▸ Implement capital adequacy and liquidity requirements. ▸ Focus not only on returns but also on the risk and capital requirements of these returns.

STRATEGIC FOCUS AREAS

LankaBangla Finance Limited – reinforces companies' commitment to its most significant constituency

- Develop deep insight into customers' needs
- Deliver pioneering products of outstanding quality and value
- Delight our customers at every touch point

OurFive strategic focus areas support the achievement of our delivery targets which are measured and re-evaluated on an ongoing basis. These delivery targets are reflected in the strategic focus areas referred to below.

1. Diversifying Portfolio with sustainable innovation

Developing a range of options for growth, including Retail & SME exploration, new opportunities for promoting Corporate growth, value-accretive opportunities at capital market both in Primary market supply creation as well as secondary market vibration, and maximizing the relationship with large corporate house of the country within our portfolio is our focus strategic area from business arena.

a. Momentum in SME

SME, the heart of growth of economies worldwide, is emerging as the most powerful and sustainable pillars of Bangladesh economy. Our country is moving towards SME led industrial development, and as such growth of SME Financial Service in LankaBangla Finance is also noteworthy. In 2016, SME loan disbursement of BDT 3,865 million has been made compared to BDT 2,028 million in 2015, thereby resulting in a 91% growth.
At the end of 2016, SME portfolio stood at BDT 4,209 million compared to BDT 2,125 million in 2015 resulting in 98% growth in portfolio. Management has taken a series of strategies to foster more disbursement in this sector and boost the portfolio size to a sizeable amount as this sector is less rate sensitive and more profitable.

b. Extended focus in Corporate and Retail

LankaBangla's focus on extending its Corporate Business portfolio has continued throughout 2016. A total of BDT 28,544 million of corporate lending has been disbursed in the year compared to BDT 25,022million in 2015. Of the total disbursement in 2016, BDT 7,750 million was Transitory Finance. Annual growth of total disbursement of Corporate stands at 14%. Disbursement in 2016 was driven mostly by Term Loan, Factoring and Transitory Finance. During the year 2016, the Company has continued to concentrate more on Retail segment by expanding several branches and increasing manpower in retail financial activities. The Company achieved51% yearly growth in this segment. Retail disbursement for the year 2016 was BDT 13,130 million compared to BDT 8,720 million of previous year.

c. "Super shop" service in Capital Market

LankaBangla Through its Market leader subsidiary LankaBangla Securities ltd provide one stop Brokerage services, NITA and Internet Trading Services, Foreign Trading Services, CDBL Services. We are backed by the strength of a comprehensive Research Unit, which provides a range of services from company, industry and country research to corporate valuation of the important functions of us is to carry out capital market research for ourselves and our valued customers. Our Research & Analysis Department is one of the most important departments which is solely dedicated to these functions. A competent Publication Department publishes the monthly magazine Market Pulse on regular basis that provides a thorough overview of the current state of economy and stock market. Our another hand LankaBangla Investment is the market leader in supply creation of primary market in capital market. It Completed Price Discovery of 1st issue under revised Book-building Method in 2013 and Launched AlphaPlus-Initial Received Consent for Public Subscription of UPGDCL under Revised Book Building Method

2. Creating Convenience for our Customer

LankaBangla Finance Limited has reached to the major cities and townships of the country by this time. We have 19 branches across the country to serve even retail businesses/ clients with a close proximity. LankaBangla Securities has another 10 branches around the country.

Name of the City	No of Branch of LBFL	No of Branch of LBSL
Dhaka	6	4
Narayangonj	1	1
Chittagong	2	3
Sylhet	1	1
Narshingdi	1	-
Comilla	1	-
Jessore	1	-
Bogra	1	-
Barishal	1	-
Comilla	1	1
Khulna	1	-
Mymenshing	1	-
Rajshahi	1	-
Chowmuhani	1	-
Total Branch	**20**	**10**

a. Doing Business with Smart Phone

We have launched "FinSmart" for our customers successfully from 13-Apr-2016. LBFL Mobile App "FinSmart" is a smart solution to get Products and Services related information of LankaBangla Finance Limited. For Example: If you have LankaBangla Credit Card, you can see your credit limit, outstanding amount, minimum dues etc.

b. The Portal

The financial world around us is changing with an inevitable power of information. The one who has it right on time acquires an ability to change the world around him. The faster a person has the access to information, the better decisions he makes. To cater to this demand, we are the first to launch a full-fledged financial portal in Bangladesh. This is a platform that will not allow you to leave the page for even one second because you will not want to! Every possible information that you might be requiring, LankaBangla Financial Portal brings that at your desktop. From market news to DGEN graph and from Economic Indicators to various Analyst Tools, everything is available in this information hive. As the portal is updated on a real-time basis, it will never let you fall behind.

c. I Frame

LankaBangla Financial Portal proudly presents "Investor Relationship Pages" so that anyone can add value to his/her company website by strengthening the investor relationship section. We will provide the solution and maintain it for clients. Complex financial data and news, delivered correctly and consistently, equally to all stakeholders at the same time. How important are your existing shareholders and new potential investors to your Listed Company? Presenting a fast and cost effective way for you to deliver shareholder value, over and beyond expectations, and stay ahead of BSEC legislation.

3. People are the business

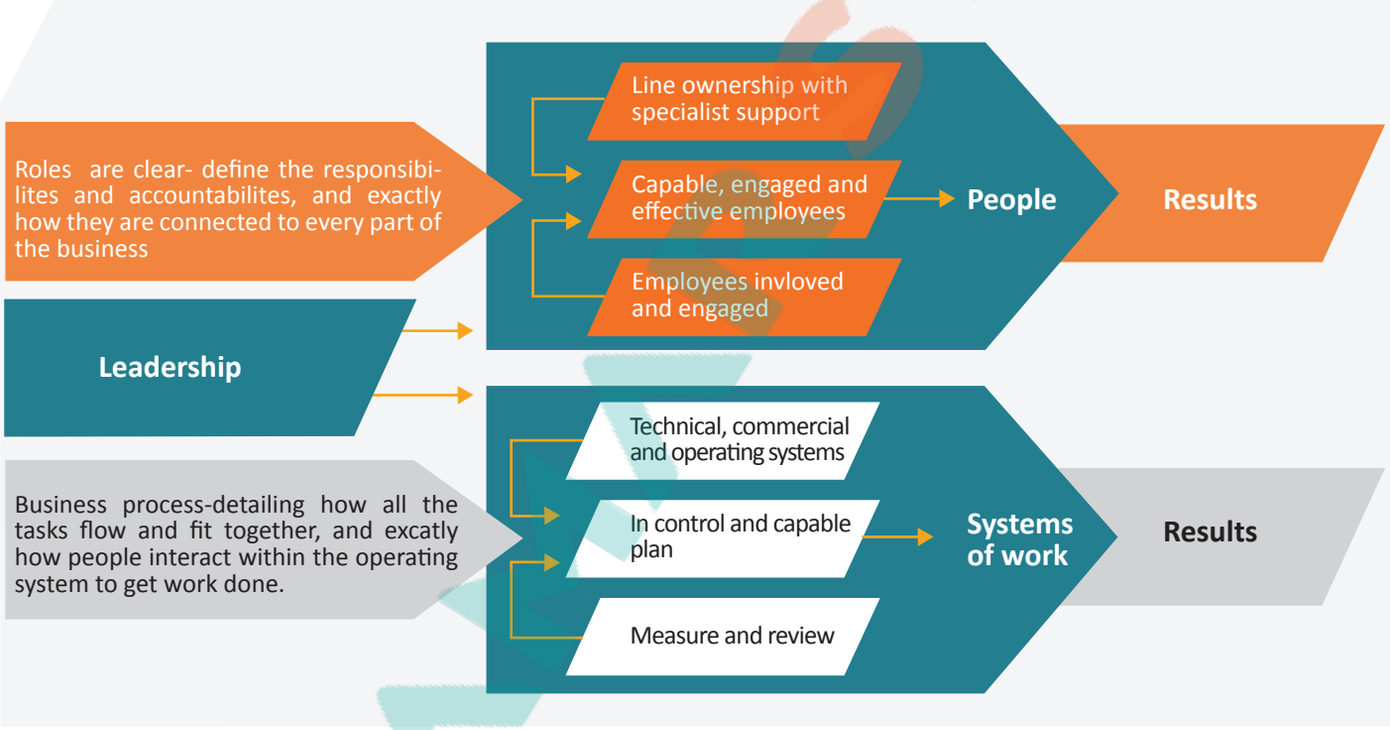
Our executive leadership team, led by our CEO, champions diversity and inclusion at LankaBangla. To enable us to work together effectively across the Company, the leadership team ensures that diverse perspectives are integrated into business objectives and key human resources processes.

c. Creating Satisfaction at resources end

BDT million

	2016	2015
Total Employee Benefit	1,043.14	871.53
Total Training Cost	11.43	11.74
Employee Benefit (Per Employee)	25.77	21.74
Training Cost (Per Employee)	0.023	0.028
Operating Cost (Per Employee)	49.53	40.21

LankaBangla has always been passionate about Human capital management and takes responsibility for developing employee potentials and leveraging employee skills in the organization. LankaBangla continues to implement HR policies and practices that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. LankaBangla believes that the skills and enthusiasm of its employees are a major force that helps it to achieve sustainable results. LankaBangla significantly considers human resources at corporate level, professional level, social level and overall national level. In this process LankaBangla not only identifies the value of human resources but also identifies and report investment made in human resources.



a. Nurture High skilled talent pool

At LankaBangla, we are powered by talent. We consider our human resources as the most important asset and mobilize people and teams by engaging them in cutting-edge financial industry practices. An attractive employer, we offer a broad spectrum of opportunities for both professional and personal development as well as encourage a work environment that is characterized by respect, trust, cooperation and collaboration. We do so because the skills and enthusiasm of our employees are a major force that helps us achieve sustainable results.

b. Work life Integration

We encourage employees and managers to discuss both business and personal goals. Work/life flexibility creates a competitive advantage and addresses the needs of our multi-generational workforce. We conduct different recreational program with our jems like Football tournament, Family day, women's day throughout the year.

4. Create a Sustainable Brand

LankaBangla is one of the most trusted and respected non-banking financialinstitutions (NBFI) of Bangladesh.The Company is engaged in the country's economic progress through fostering entrepreneurship by disbursing loans to SME and arranging and disbursing loans to corporate customers. LankaBangla provides a better standard of living to the country's citizens by disbursing a wide range of retail loans.The Company ensures the financial security of a large population cross section by providing access to high-quality, interest-yielding deposits.

a. Investment in Brand

LankaBangla is continuously perusing to uphold his Brand value to Existing/Prospective Customers, Business Partners, Investors and other stakeholders. We are arranging Corporate Night, Treasury Nights to celebrate our relationship with growth partners. Our customers are honoring throughout the year in different festivals to remind them that LankaBangla feels their precious support to us in every step of success.

b. Assume Environment Stewardship

LankaBangla Finance has already established its "Green Banking Policy". A Green Banking Unit (GBU) has been formed with the task of developing policies, planning and administering the initiatives. LankaBangla takes pride for being one of the financiers of a project having

- one of the largest biological Effluent Treatment Plant (ETP) of the world,
- the first auto brick manufacturing project to implement flexible fuel technology trapping harmful CO2 emissions,
- Country's first lube re- cycling plant and so forth.

Moreover as part of our response to the environment we at office;

- Only allow rational use of energy and promote the spirit of environment friendly action plans
- Use ISO certified paints while furnishing our office premises.
- Introduced automated e-alert system to ensure secured financial information flow to its clients in Bangladesh.
- Launch of e-mail based Customer Statement Delivery System to protect the environment by eliminating paper-based activities at office, protecting and preserving our environment for the next generation.

c. Support to underprivileged

5. Prudent Balance Sheet Management

a. Strengthening our Capital Base and Improve Our Funding positions

At LankaBangla Finance Ltd, Capital Management Policy sets out the principles and guidelines for effective and prudent capital planning, usage, and management. At LBFL, capital planning is done in alignment with the company's risk appetite and profile. Capital goals are set to incorporate both normal and stressful business conditions. As such, the goals take into considerations current and future regulatory requirements and economic conditions, and the expectations of stakeholders.

b. Diversify our Funding Sources

As per our plan to become self-reliant and reduce the pie of bank intermediary financing, Liability division has been encouraged to increase the Term deposit portfolio in last couple of years. Public deposit to back up the aggressive business growth was our key strength in last few years. It helps us to reduce our cost of fund significantly and make our borrowing side less sensitive to interest rate change. Beside this sustainable source of fund we raised BDT 3,000 million in 2014 through an issuance of Zero Coupon Bond. It was the largest issuance of such kind of Bond till early 2016. LankaBangla is the most active money market player with different short term instruments in the country.

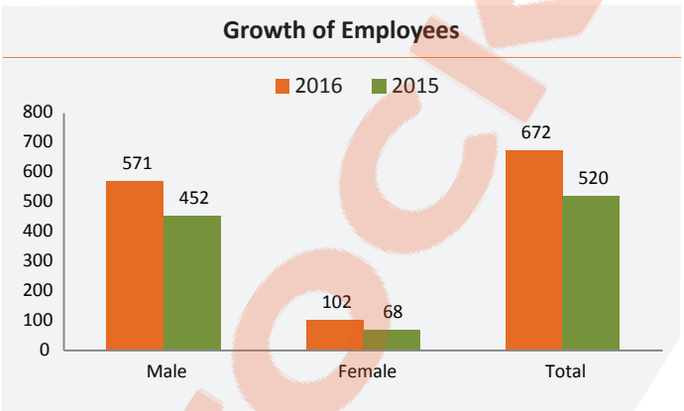
HUMAN RESOURCE ACCOUNTING

Key performance indicators of HR practices and decent work responsibility

Employment: Total by Employee type, Region and Gender

The tables and graphs given below provide information on total workforce by region, employment type, age analysis, service analysis, gender.

LankaBangla has opened 05 new branches in 2016 to serve the countrymen.These new branches are in Mymensingh, Narayangonj, Chowmuhani, Khulna and Rajshahi. Now the total number of branches stood 20 including 1 Booth in Dhaka and Head Office. 10 new branches are in pipe line for opening in 2017 as we are planning to reach every divisions of the country for better customer service.

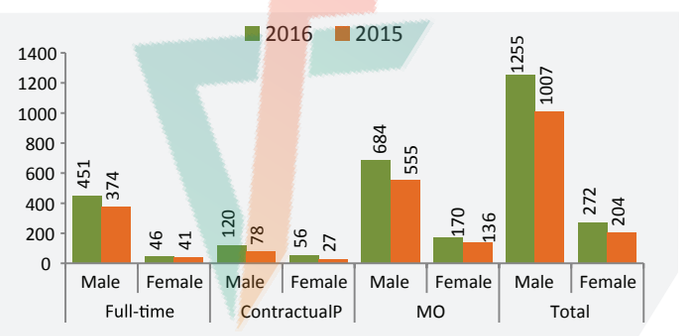


Division-Wise Breakdown of Human Capital as at December 31

Divisions	2016				2015			
	No. of Branches	No. of Employees			No. of Branches	No. of Employees		
		Male	Female	Total		Male	Female	Total
Dhaka	9	431	89	520	8	356	60	416
Chittagong	4	67	5	72	3	53	4	57
Sylhet	1	13	2	15	1	10	2	12
Khulna	2	26	1	27	1	17	0	17
Rajshahi	2	17	3	20	1	8	1	9
Barisal	1	9	2	11	1	8	1	9
Mymensingh	1	8	0	8	0	0	0	0
Total	**20**	**571**	**102**	**673**	**15**	**452**	**68**	**520**

Employment Type: Full-Time, Contractual and PMO

We have opened 05 new branches to boost-up the liability sales and sales of personal and corporate products and to explore the lending opportunity in the market, we have recruited new employees in 2016 as well. Major focus was given on recruiting contractual and marketing officers. The percentage of full-time, contractual and PMO has increased by 26.09% in 2016 compared to 9.79% in 2015. There is a growth of 67.62% in contractual employment and 23.59% in PMO in 2016. There is only 19.76% growth in full time employment in 2016. This full time employment growth is due to opening of new branches. LBFL provides equal employment opportunity to both male and female. There is a significant growth in female employees in contractual positions which is 107.41% in 2016. Overall the number of female employee has increased by 33.33% compared to 25.15% in 2015.



Employment Type: Full-Time, Contractual and PMO

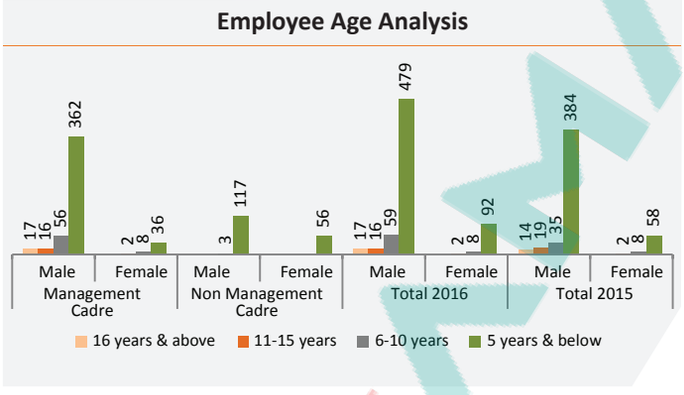
Employment Type	No. of Employees		Composition in %		Growth %
Full-Time	**2016**	**2015**	**2016**	**2015**	**2016**
Male	451	374	91%	90%	21%
Female	46	41	9%	10%	12%
Total	**497**	**415**	**100%**	**100%**	**20%**
Contractual	**2016**	**2015**	**2016**	**2015**	**2016**
Male	120	78	68%	74%	54%
Female	56	27	32%	26%	107%
Total	**176**	**105**	**100%**	**100%**	**68%**
PMO	**2016**	**2015**	**2016**	**2015**	**2016**
Male	684	555	80%	80%	23%
Female	170	136	20%	20%	25%
Total	**854**	**691**	**100%**	**100%**	**24%**
All Employees of LBFL	**2016**	**2015**	**2016**	**2015**	**2016**
Male	1255	1007	82%	83%	25%
Female	272	204	18%	17%	33%
Grand Total	**1527**	**1211**	**100%**	**100%**	**26%**

Age Analysis of Employees as at December 31

Category	Management Cadre		Non-Management Cadre		Total 2016		Total 2015	
	Male	Female	Male	Female	Male	Female	Male	Female
51-60 years	4	0	0	0	4	0	2	0
41-50 years	50	4	4	0	54	4	39	4
31-40 years	286	21	21	10	307	31	253	17
21-30 years	111	21	95	46	206	67	158	47
20 years & below	0	0	0	0	0	0	0	0
TOTAL	**451**	**46**	**120**	**56**	**571**	**102**	**452**	**68**

Service Analysis of Employees as at December 31

Category	Management Cadre		Non-Management Cadre		Total 2016		Total 2015	
	Male	Female	Male	Female	Male	Female	Male	Female
16 years & above	17	0	0	0	17	0	14	0
11-15 years	16	2	0	0	16	2	19	2
6-10 years	56	8	3	0	59	8	35	8
5 years & below	362	36	117	56	479	92	384	58
Total	**451**	**46**	**120**	**56**	**571**	**102**	**452**	**68**



Employment Status

Number of confirmed employee has increased by 11.38% compared to 17.39% in last year and employees under probation have increased by 105.41% compared to -28.85% in 2015. Percentage of contractual employees has increased by 67.62% compare to only 6.06% in 2015.

Status of Employment as at December 31	No. of Employees		Composition in %	
	2016	2015	2016	2015
Confirmed in Service	421	378	63%	73%
Undergoing Training or on Probation	76	37	11%	7%
Contractual	176	105	26%	20%
Total	**673**	**520**	**100%**	**100%**

Employees by Grade

As we have only two grades; Management Cadre and Non-Management Cadre that we have introduced in 2015, number of Management Cadre has increased by 23.63% in 2016 compare to 11.36% in 2015 and Non-Management Cadre by 49.15% compare to 5.36% in 2015. Now Management Cadre accounting around 74% of the total staff strength and Non-Management Cadre accounting for 26%. The number of employees of all grades increased over the previous year with the expansion of new branches. This growth in Non-Management Cadre helps us to reduces the staff cost in 2016.

Category	2016		2015	
	No. of Employees	Percentage	No. of Employees	Percentage
Management Cadre	497	74%	415	80%
Non-Management Cadre	176	26%	105	20%
Total	**673**	**100%**	**520**	**100%**

New Employees Hired

LBFL is a performance driven organization. We have focused more on improving the performance of the employees rather than recruiting new employees to generate our business. During the period 2016, we hired 298 new employees which is 122.39% compared to a negative growth of 23.86% in 2105 due to our new branches as well as high achievement targets and provide quality customer services. Details of which by employee grade are given below:

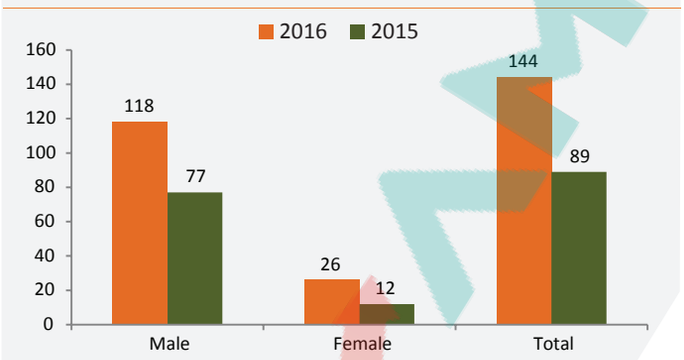
Category	No. of Employees Hired	
	2016	2015
Management Cadre	156	89
Non-Management Cadre	142	45
Total	**298**	**134**

Employees Attrition

Due to market competitiveness and improved employment opportunity, attrition rate has increased significantly. A total of 144 nos. of employees have resigned from service during the year under review which includes both full time and contractual employee comprising to 89 nos. of resignations in 2015. It is to be noted that out of 144 employees, 31 has joined as Management Cadre from Non-Management cadre. So we can say that the real attrition rate for the year 2016 is 17% comparing to 14% in 2015. Of the total employees resigned, 82% were male and 18% were female which is 5% higher than 2015.

Category	Gender-Wise Turnover		Percentage of Employees		Gender-Wise Percentage of Attrition	
	2016	2015	2016	2015	2016	2015
Male	118	77	82%	87%	21%	17%
Female	26	12	18%	13%	25%	18%
Total	**144**	**89**	**100%**	**100%**	**21%**	**17%**

Gender-wise Employee Turnover



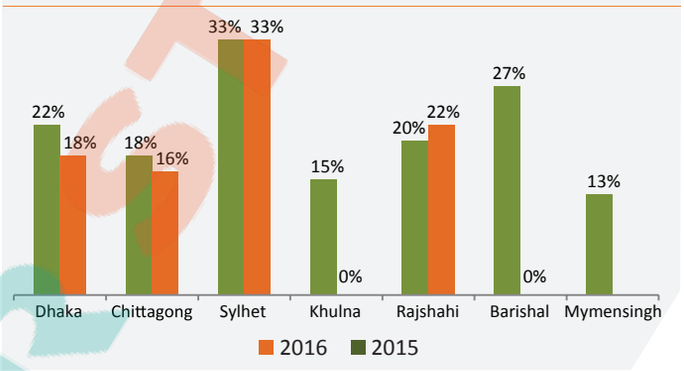
Employee Attrition Rate by Age Group:

Category	No. of Employees Left	
	2016	2015
51-60 years	1	3
41-50 years	8	2
31-40 years	62	35
21-30 years	73	49
20 years & below	0	0
Total	**144**	**89**

Employee Attrition Rate by Age Group:

Category	Turnover (No.)		Turnover %	
	2016	2015	2016	2015
Dhaka	114	74	22%	18%
Chittagong	13	9	18%	16%
Sylhet	5	4	33%	33%
Khulna	4	0	15%	0%
Rajshahi	4	2	20%	22%
Barishal	3	0	27%	0%
Mymensingh	1	0	13%	0%
Total	**144**	**89**	**21%**	**17%**

District-Wise Employee Turnover 2015 – 2016



Benefits Policy and Regime

The company follows a policy of continuous improvement in respect of the working lives of its employees. In addition to this, LankaBangla Finance Limited has taken further steps to enhance the facilities and benefits afforded to its staff:

- Festival Bonus
- Provident Fund
- Gratuity
- Staff loan facility at concessionary interest rate
- Home loan facility at concessionary interest rate
- Medical benefits enjoyed by all employees including life insurance and hospitalization insurance to tide over any personal exigency
- Annual increment
- Performance related bonus
- Mobile allowance for all permanent employees
- Motorcycle for employees who need to visit outside office on regular basis
- Travel allowance & daily allowance
- Cost sharing for Professional qualification and annual membership fees.
- Fuel allowance and transport allowance
- Disturbance allowance for temporary transfer
- Reward and Recognition is created to set up a systematic process of expressing appreciation for employee's hard work, dedication and contribution to the company
- LBFL plan, design and arrange various job specific soft skills and technical training based on individual need assessment and business requirement
- E-Learning for all Management Cadres
- Orientation program for all employees (Management **Cadres, Non-Management Cadres including PMOs)**

Occupational Health and Safety- Employee Representation on Health and Safety Committees

LBFL and all of its employees are to protect and enhance the environment in which they live. All will comply with all laws and strive to do more. LBFL do not compromise safety or environmental protection for profit. LBFL believes environmental stewardship as an obligation and support this commitment with the necessary personnel and financial resources.

The following principles will guide and measure our corporate goals and objectives in Health, Safety and Environment:

- We are committed to continuously improving our Health, Safety and Environment performance;
- We will continually promote employee safety on and off the job;
- We conduct our business so it meets or exceeds all applicable laws and regulations and minimises risk to our employees, the public and the environment;
- We will endeavour to do business with companies and contractors that share our expectations for Health, Safety and Environment performance and commitment and we will regularly assess their performance;
- We will use our influence with companies in which we have partial ownership so they will want to meet the Health, Safety and Environment Commitment of the Company;
- We believe all employees are responsible and accountable for Health, Safety and Environment performance.

LBFL provides the training necessary to ensure that all the Company personnel are sensitive to the importance of our health, safety and environment policy, understand the nature of the laws and regulations that govern our activities and have skills to implement our policy and comply with health, safety and environment requirements.

Learning & Development: Learning and Professional Development

LankaBangla Finance Limited is dedicated to improving the professional competencies and performance of all its employees. In the year under review, the company spent a total of BDT 12.46 million on training and education programs for employees which is 78.51% more than last year. All employees are subject to an annual performance review, at which they receive feedback on their performance and their development needs and potential as identified by the reviewers. A new dimension in Learning & Development is the introduction of E-Learning for all full time employees. Each employee has to complete at least 6 mandatory modules. Each module is equivalent to 2 hours of training.

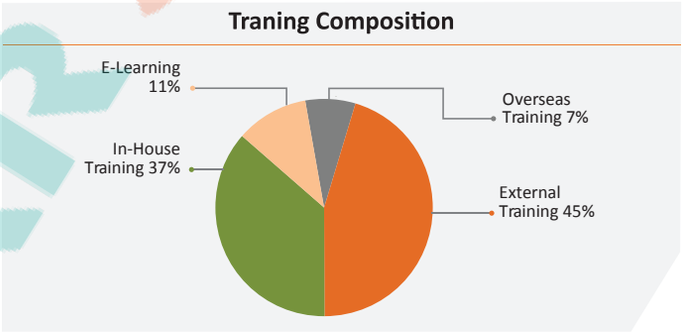
Since 2011, the company has followed a systematic approach to the identification of high performers among its employees. Through training; leadership competencies are identified and a pool of talent is created to serve the long term needs of the Company.

A total of 148 training programs involving 6,131 nos. of participants were executed during the year. These programs were categorized as in-house, external, e-learning and overseas training. Given the company's strong commitment towards developing a learning culture, it is pertinent to note that employees underwent a total of 27,507 man-hours of training during the year on various knowledge-building programs whereas it was 17,014 man-hours in 2015. It is to be noted that we are also focusing on providing trainings to our PMOs as well.

Training Type	2016			2015		
	No. of Programs	No. of Participants	Person Hours	No. of Programs	No. of Participants	Person Hours
Overseas Training	11	23	680	9	9	224
External Training	67	209	3,934	67	185	3,773
In-House Training	54	3,192	17,479	53	1,661	13,017
E-Learning	16	2,707	5,414	0	0	0
Total	**148**	**6,131**	**27,507**	**129**	**1,855**	**17,014**

Composition of Training Program

It is to be mentioned that, LBFL has focused more on internal training than external training in the year under review. We have prepared our own customized course contents and hired specialist for those programs. In some training, we had our own resources to conduct the training. In 2016, of the total training, 37% was in-house training, 45% was external training, 7% was overseas training and rest 11% was e-learning.



Training Hours by Employee Grade

This year, we have provided training to our PMOs and subsidiaries as a part of our continuous learning process and honing our skills to penetrate the market effectively and efficiently. Because we believe in "Growing Together". We will design and conduct specific training for our PMOs and for our subsidiaries in coming years as well.

Training Type	2016		2015	
	Male	Female	Male	Female
Management Cadre	19,034	2,226	13,372	943
Non-Management Cadre	1,050	597	576	290
Product Marketing Officer	3,611	829	1,584	154
LankaBangla Subsidiaries	160	0	96	0
Total	**23,855**	**3,652**	**15,628**	**1,386**

Our Investment on Training

To further strengthen the staff development process, the company increased its investment on training from BDT 6.98 million in 2015 to BDT 12.46 million in 2016. This approximately 78.51% increase will also support our intensive efforts to improve customer experience across all business units, with long term benefits accruing to the company. In 2016, we have successfully completed our E-Learning training for our Management Cadres.

Year	Local Training			Foreign Training		
	Total Participants	Hours	Tk. in mil.	Total Participants	Hours	Tk. in mil.
2016	6108	26,827	61.28	23	680	63.32
2015	1846	16,790	49.17	9	224	20.63
2014	1096	13,925	46.80	9	53	10.89
2013	256	4,649	28.74	2	48	0.52

Year	Staff Cost BDT million	Staff Costs as a Percentage of Operating Expenditure (%)
2016	652.33	52.25%
2015	516.12	53.95%
2014	422.71	58.89%
2013	230.55	56.60%

Career Development Review

All employees of the company irrespective of their gender received formal performance and career development reviews during 2016. Annual performance reviews and the reviews conducted upon completion of probationary periods help the company in identifying and enhancing the salient skills and developing them as needed. As mentioned earlier, as a part of promoting our internal resources, a significant number of contractual employees have been absorbed under Management Cadre in 2016.

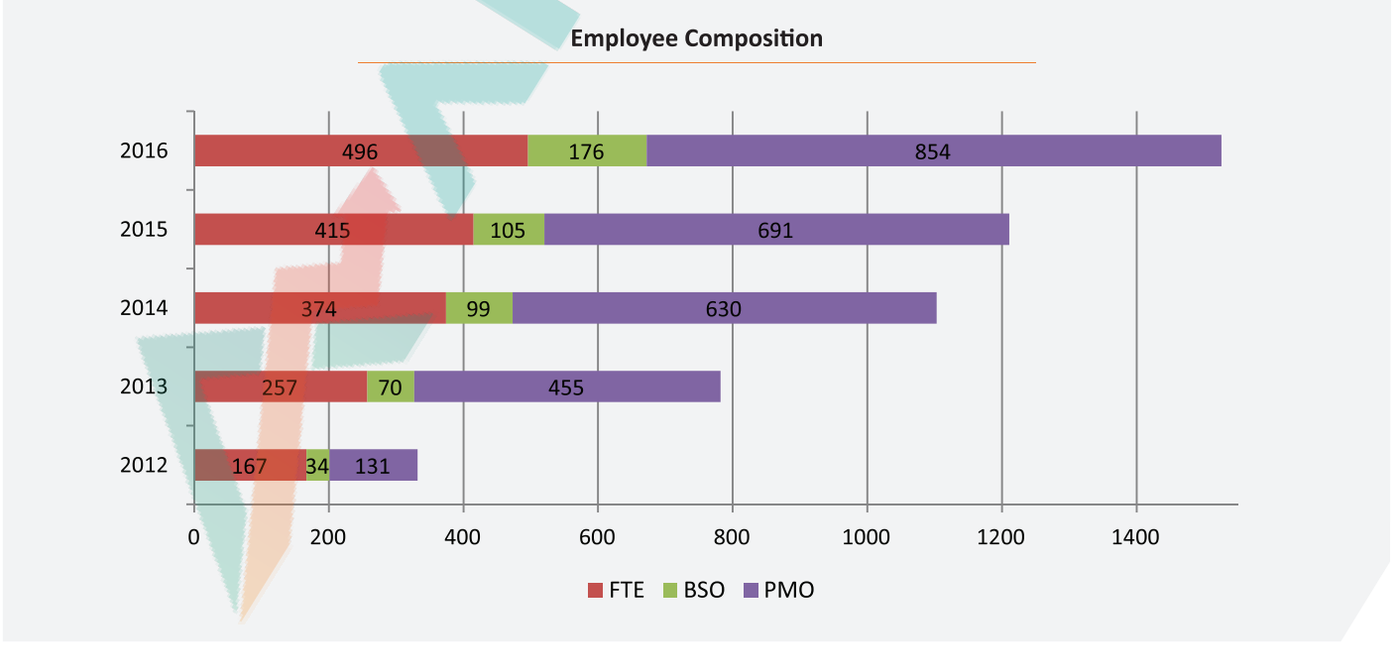
Outlook

In the coming year, through development of our core banking software, steps will be taken to further enhance productivity, including a closer alignment of the workforce plan with the business plan.

Feedback received during informal employee survey identified specific areas where action is needed. This includes devising viable career paths for all staff categories; improving process efficiency by effecting transfers with a minimum of disruption to the business; developing service level agreement at all levels, reducing turnaround time for service delivery and improving the support services available to employees.

We are working on creating an internal talent pool that is competent to fill the vacancies that we currently have in some positions, by enhancing managerial competencies through specific development interventions and by fast-tracking employees with high potential as well as by maintaining transparency with respect to the career progression and mobility for all staff. We will also strive to improve engagement amongst less productive staff.

LankaBangla Finance Limited will continue to benchmark and provide a fair and attractive compensation package for all levels of staff, while improving the quality of the staff appraisal process.



HUMAN CAPITAL

LankaBangla has always been very passionate about human capital management and takes responsibility for developing employee potentials and leveraging employee skills in the organization. LankaBangla continues to implement HR policies and practices that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. LankaBangla believes that the skills and enthusiasm of its employees are a major force that helps it to achieve sustainable results.

LankaBangla significantly considers human resources at corporate level, professional level, social level and overall national level. In this process LankaBangla not only identifies the value of human resources but also identifies and reports investment made in human resources.

BDT Million

	2015	2016
Total employee benefits	871.53	1,043.14
Training Cost	11.74	11.43
Employee Benefit Per Employee	21.74	26.13
Training Cost per Employee	0.028	0.023
Gross Revenue per employee	155.58	183.15
Total Expenses per employee	132.89	149.52
Operating cost per employee	40.21	50.22
Operating profit per employee	22.69	33.63

Total value of Human Capital has been ascertained BDT 27,197 million in the year 2016 which was BDT 20,845 million in 2015 using present value of future earning model (Lev & Schawrtz) by discounting total benefit payable to employees, which was considered minimum expected benefits for them up to retirement.

	2015	2016
Human Capital (BDT Million)	20,845	27,197
No. of employee	520	672
Per Capita Value (BDT Million)	40.09	40.47

Assumptions used in Human Capital Valuation:

- All existing employee will continuously serve the company up to their respective retirement.
- Average age of LankaBangla employees is around 33 and hence it has been assumed that present set of employees will serve for another 27 years till the retirement age of 60 years.
- Employee payouts include all direct and indirect benefits provided to them
- Annual increment is estimated to be granted at 10% on average over the years
- Only FTEs and BSOs are considered and PMOs are excluded from our calculation as they are not enrolled in the payroll system
- The future benefits of all employees in each year are discounted at 10.28% to calculate present value, which comes with the last on the run 20 years Treasury bond rate plus 2.50% premium for risk.
- The value herein is an internal assessment based on above stated assumptions and subject to change for any deviations with the assumptions.

As per model we have capitalized the total value of employees as Human Capital. Growth of 30.47% in the total value of human capital in 2016 over 2015 was due to net addition of 163 head counts of experienced and fresh recruitments that was required for the expansion of the business and ensuring better quality of service as well as customer satisfaction.

BDT Million

	31-Dec-15	31-Dec-16
Assets		
Cash	516	700
Balance with other banks and financial institutions	1,427	4,343
Investment	4,373	5,037
Leases, loans and advances	41,819	51,244
Fixed assets including land, building, furniture and fixtures	1,292	1,430
Human Assets	**20,845**	**27,197**
Individuals' value	20,833	27,185
Value of Investments	12	11
Other Assets	1,020	1,181
Total Assets	**71,293**	**91,132**
Capital & Liabilities		
Borrowings	9,007	10,875
Term deposits	29,992	40,033
Other deposits	115	115
Shareholders' equity	6,262	6,687
Human Capital	**20,845**	**27,197**
Other liabilities	5,073	6,625
Total Capital & Liabilities	**71,293**	**91,132**

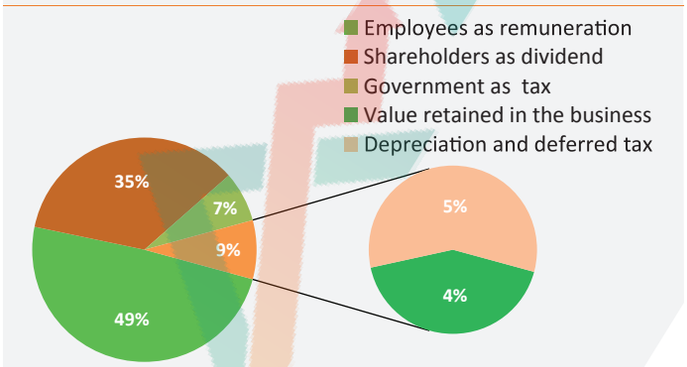
VALUE ADDED STATEMENT

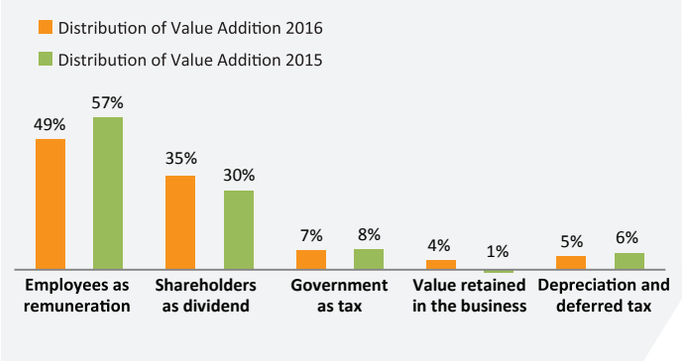
For the year ended 31 December 2016

The value added statement represents the value created by LankaBangla Finance Limited and its subsidiaries through operational activities and shows how it was distributed among major stakeholders of the Company (Shareholders, Government & Employees) to meet certain obligations. A portion of added value has also been retained in the company for future investment and expansion.

	2016 BDT Mn	%	2015 BDT Mn	%	2014 BDT Mn	%
Value added						
Operating revenue	7,311		6,237		5,100	
Cost of borrowing	(3,964)		(3,715)		(3,033)	
Provisions	(396)		(377)		(346)	
Operating expenses excluding staff cost and depreciation	**(902)**		**(681)**		**(515)**	
	2,049		**1,464**		**1,206**	
Distribution of value addition						
Employees as remuneration	1,005	49%	838	57%	687	30%
Government	148	7%	112	-1%	(15)	2%
Shareholders as dividend	722	35%	438	35%	417	27%
	1,875	90%	1,388	90%	1,088	44%
Retained for expansion and future growth						
Value retained in the business	74	4%	(17)	2%	30	50%
Deferred tax	3	0%	(0)	0%	5	1%
Depreciation	98	5%	93	7%	82	4%
Amount distributed	**2,049**	**100%**	**1,464**	**100%**	**1,206**	**100%**
Number of employees at the end of the year*	672		520		473	
Value created per employee (Mn BDT)	3.04		2.81		2.55	
Number of shares (Mn)	**276.74**		**276.74**		**276.74**	
Value created per share (BDT)	**7.40**		**5.29**		**4.36**	

Distribution of Value Addition : 2016





* Only FTEs and BSOs are considered and PMOs are excluded from our calculation as they are not enrolled in the payroll system

MARKET VALUE ADDED (MVA) STATEMENT

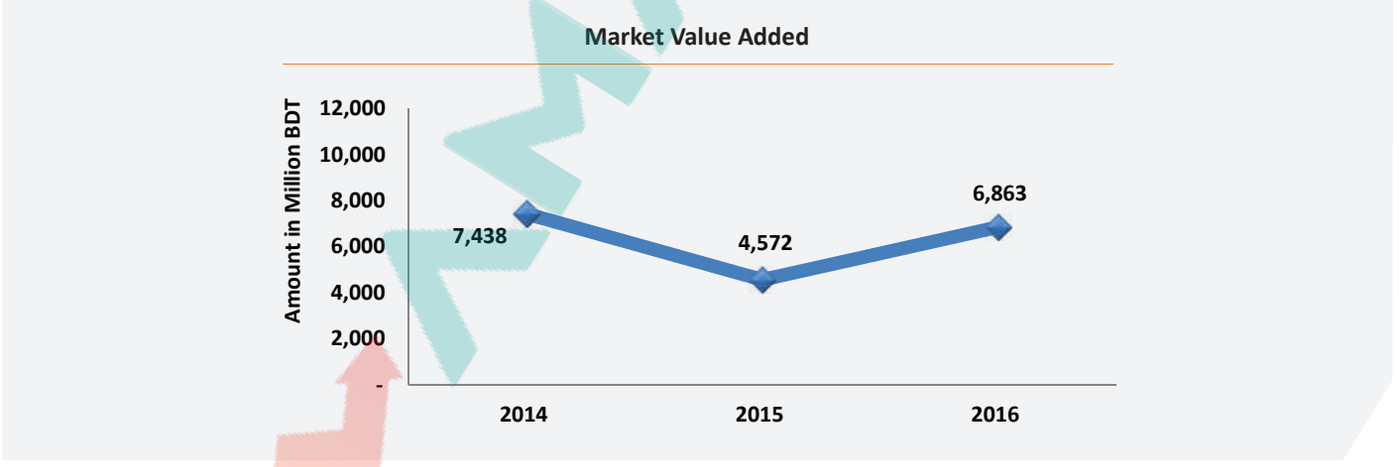
For the year ended 31 December 2016

Market Value Added (MVA) statement reflects the Company's performance evaluated by the market through the shares. MVA is the difference between total market value and total book value of the share of the company. A high value of MVA indicate that company has created substantial wealth for the shareholder. The share market value of the Company stood at Tk 9,631 million whereas the book value of the shares stood at Tk 2,767 million, resulting a Market Value Addition of Tk 6,863 million as of December 31, 2016. The calculation of Market Value Added is given below:

Particulars	2016		
	No. of Share (Mn)	Price per share	Mn BDT
Market Value	277	34.8	9,631
Book Value	277	10	2,767
Market Value Added			**6,863**

Particulars	2015		
	No. of Share (Mn)	Price per share	Mn BDT
Market Value	241	29	6,979
Book Value	241	10	2,406
Market Value Added			**4,572**

Particulars	2016		
	No. of Share (Mn)	Price per share	Mn BDT
Market Value	219	44	9,626
Book Value	219	10	2,188
Market Value Added			**7,438**



ECONOMIC VALUE ADDED (EVA) STATEMENT

For the year ended 31 December 2016

"Economic value added is a value-based financial performance measure which reflects the absolute amount of shareholders' value created or destroyed during each year. It provides a measurement of a company's economic success or failure over a period of time. Such a yardstick is useful to investors who wish to place confidence with the Company to retain their fund for better earnings as compared to other similar companies or similar industry. Economic value added is calculated by taking a company's net operating profit after tax, subtracting from it, the cost of average equity. EVA is calculated by applying following formula:

EVA = (NOPAT – Cost of average equity)

NOPAT

NOPAT is the net operating profit after tax which is calculated by deducting the income tax expense from operating profit.

	2016	2015	2014
Operating income	7,311	6,237	5,100
Operating expenses	(5,969)	(5,327)	(4,318)
Operating profit	1,342	910	782
Income tax	(151)	(112)	20
NOPAT	**1,191**	**798**	**803**

Equity

Shareholders' equity is the total amount of equity at the year end plus accumulated provision for doubtful losses.

	2016	2015	2014
Shareholders' equity at year end	6,687	6,262	6,096
Accumulated provision for doubtful losses	1,464	1,509	1,372
Equity	**8,151**	**7,771**	**8,307**

Average equity

Average equity is calculated by averaging opening and closing equity of a year.

	2016	2015	2014
Shareholders' equity	8,151	7,771	8,307
Average equity	**7,961**	**8,039**	**7,787**

Cost of equity

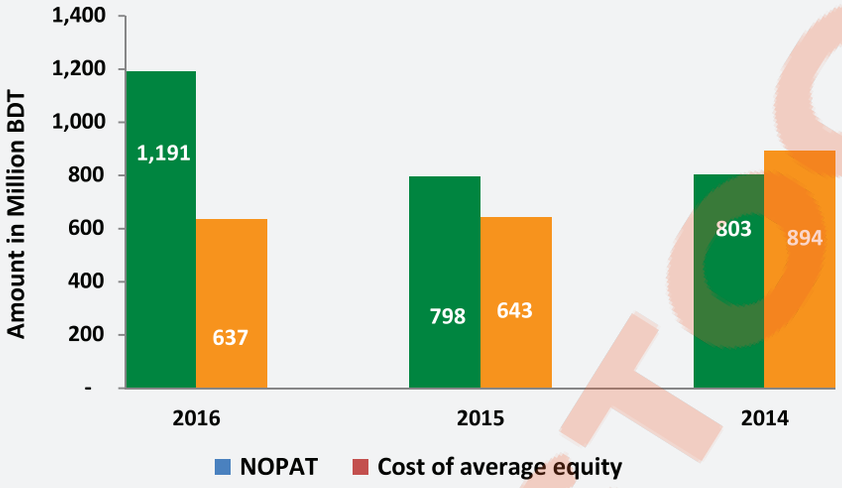
Cost of equity reflects shareholders' expected return. Eventually this is the opportunity cost for shareholders for investing their funds in the company. Interest on 5 years Government Treasury Bond plus a standard risk premium has been assumed to be the cost of equity.

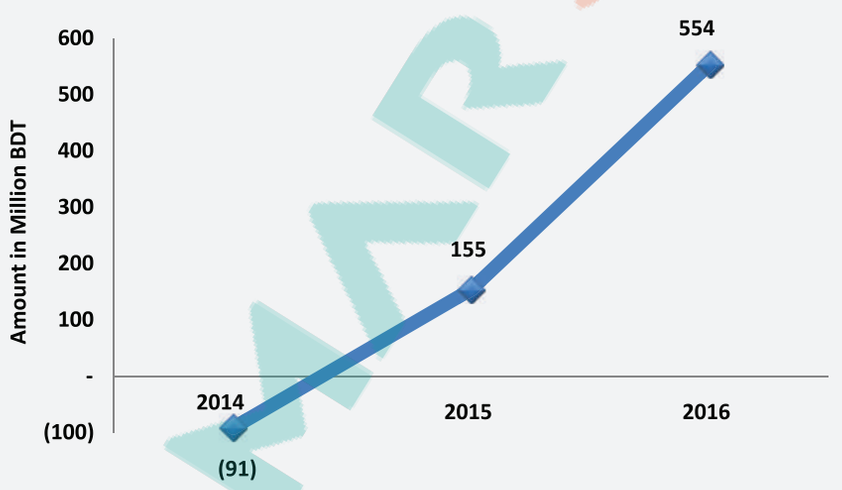
	2016	2015	2014
Interest rate on 5 Years Government Treasury Bond as on 31 December	6.00%	6.00%	9.48%
Standard Risk premium	2%	2%	2%
Cost of equity	**8.00%**	**8.00%**	**11.48%**

ECONOMIC VALUE ADDED

Cost of equity reflects shareholders' expected return. Eventually this is the opportunity cost for shareholders for investing their funds in the company. Interest on 5 years Government Treasury Bond plus a standard risk premium has been assumed to be the cost of equity.

	2016	2015	2014
NOPAT	1,191	798	803
Cost of average equity	637	643	894
Average Shareholders' equity	7,961	8,039	7,787
Cost of capital	8.00%	8.00%	11.5%
EVA	**554**	**155**	**(91)**
Number of shares (Mn)	277	277	277
Economic Value Added Per Share	**2.00**	**0.56**	**(0.33)**


Market Value Added
Amount in Million BDT
1,400
1,200
1,000
800
600
400
200
-
1,191
637
798
643
803
894
2016
2015
2014
NOPAT
Cost of average equity


Economic Value Added
Amount in Million BDT
600
500
400
300
200
100
-
(100)
554
155
(91)
2014
2015
2016

STATEMENT ON CONTRIBUTION TO GOVERNMENT EXCHEQUER

For the year ended 31 December 2016

Government is considered as one of the most important stakeholders which play a critical role in the economic development of the country. Being a legitimate and ethical company, LankaBangla contributes to the Government Exchequer when the necessary amounts fall due. For the year 2016, LankaBangla Finance and its subsidiaries made a handsome contribution to Government Exchequer of an amount equal to BDT 635.85 million, composed of income tax, withholding tax, VAT, withholding VAT and excise duty. This is in comparison to BDT 467.03 million in 2015, reflecting its fair and consistent commitment towards national contribution.

Forms of Contribution	2016	2015
Income Tax	528,201,799	385,806,948
Salary	38,207,299	26,155,857
Interest on savings deposit	266,026,408	181,348,147
Payment of Supplier	7,456,010	10,622,909
House Rent	6,647,201	5,276,588
Payment on transaction of securities	83,450,975	75,948,422
Payment of Commission	6,093,190	5,306,816
Advance Corporate Tax	999,256	6,128,950
Return Submission	3,735,025	63,750,382
Dividend Payment	115,428,448	11,149,730
Payment for Professional & Technical Services	104,835	113,147
Others	53,153	6,000
VAT	79,187,402	60,155,658
House Rent	15,147,248	9,149,496
Processing, Documentation Fee etc.	20,415,374	12,164,367
Procurement of goods and services	9,725,212	13,890,637
Legal, Professional & Technical Fees	2,549,161	2,087,884
Director Fees	116,610	78,000
Others	31,233,798	22,785,274
Excise Duty		
Collection of excise duty from clients	28,468,093	21,076,338
Excise duty deducted by bank	27,188,416	20,404,168
	1,279,677	672,170
Total Paid to Government Exchequer	**635,857,295**	**467,038,944**

SUSTAINABILITY

"Being focused on our strategic priorities, our redefined approach towards sustainability has built us a sustainable business that tends to continue without any pause. We have been offering financial products and services that directly or indirectly lead us along with all our stakeholders to long-term environmental benefit and social developments."

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MIR STOCK

SUSTAINABILITY REPORT

"Our sustainability position in the market is based on our sustainable business model and long term objective to stimulate growth and provide responsible lending and capital to the economy such that long term trust is built."

Mohammed Nasir Uddin Chowdhury
Managing Director and CEO

Our corporate vision "To be the most preferred financial service provider in establishing, nurturing and maximizing value to the stakeholders, thereby, GROWING TOGETHER" is the foundation of our sustainability vision. Sustainability is therefore an integral component of the business model we pursue and acknowledgment of the sustainability factors have led to positive impact on our financial positions and prospects throughout our period of operations. The goals and actions of LankaBangla clearly indicate its intentions to operate in the long term driven by superior decision making and good business model.

Our sustainability thinking encompasses socially, economically and environmentally beneficial approach to growth, hence the triple bottom line of sustainability. This allows us to evaluate our performance in a broader perspective to create greater business value. Sustainable development is an area of continuous concern in strategic discussions which is highlighted and prioritized when objectives and goals are set at LankaBangla.

Sustainability is now the primary moral and economic imperative and it is one of the most important sources of both opportunities and risks for businesses. Nature, society and business activities are interconnected in complex ways that need to be understood by the business in order to make sustainable decisions. Incremental changes towards sustainability are not sufficient; we need a fundamental shift in the way companies and directors act and organize themselves. Some companies have figured out how to benefit from the trend and some companies have not. Sustainability issues are slowly forcing a fundamental change in businesses as did globalization and information technology. Those companies that are not able to adapt, will not survive. The year started with promises and ended with even more but the system is still in recovery. We know that LankaBangla exists in a sector that faces challenges, but we are committed to playing a leadership role. We are invigorated that we have always structured our business practices to make dealings fairer for our customers and our communities. Our strategy is simple; the company's success is dependent on the success and fortune of our customers and the communities we operate in. We only succeed when they do. This is inbuilt in our motto of "Growing Together".

We always believe in building prosperity by supporting a broad range of causes through donation, sponsorship and supporting helpless people. We encourage our employees to participate in social and charitable programs. As a part of its social responsibility, the Company contributes to various funds that support flood affected people, hospitals and victims of natural calamities. We believe that sustainable economic growth and a healthy environment are inter-linked. We take supportive roles in terms of providing financial services by restricting and discouraging those projects that cause pollutions and inflict other harms to the environment and cause health hazards.

At the outset it can be demonstrated that as a corporate participant, we recognize the responsibilities to the development of the society and the country as a whole. We aspire to be known as an institution that builds enduring relationships with and delivers value for our clients, shareholders, employees and the community where we function. At LankaBangla, we define sustainability in the broadest possible terms. It is about conducting our day to-day business the right way and continuing to play a part in addressing some of the biggest challenges faced by society. First and foremost however, we need to get the basics right for our customers.

Like the previous years, during 2016, we have continued to build a sustainable business in which our clients have confidence, our employees can take pride and our neighboring community get better livelihood. We remain committed to providing our customers with superior and unparalleled experiences in the financial industry of the country. LankaBangla is developing and offering financial products and services that directly or indirectly lead to long-term environmental benefit and social development. We are committed to providing financial services to a wider section of population. Within a short span of time our operational branch network has reached 19 and we are moving ahead with further expansion plan. In 2017, another 10 new branches would be opened at major townships within the country for better customer reach.

We are committed to maintaining an open and transparent dialogue with all of our stakeholders to revisit our policies and practices in light of the company's environment, social and economic impacts, in order to strike the right balance of interests among the stakeholders. We host regular themed sessions with external stakeholders, where participants have the opportunity to speak directly to the Board on wide-ranging issues. With an increasing focus on ethics and sustainability, the priority of the Board of Directors is to assess and encourage the work of the executive team to build an institution that puts customers' interests first and embeds sustainable banking. At the same time integrity is imperative in everything we do. It underpins our work, our relationships and the products and services we provide. Everyone in the company is expected to behave with integrity and we have comprehensive policies/frameworks and compliance measures as well. In addition to that, we have training programs to support our people in maintaining the highest professional standards. The institution is committed towards a stance of zero tolerance on bribery and corruption, including facilitation payments across all areas of the business, regardless of jurisdiction.

Deposit products at LankaBangla Finance act as key sustainable parameters. Deposits keep bank borrowing at a low level which helps to reduce overall cost of fund. This is also a sign of people's confidence in the brand image of the company. Our total deposit portfolio grew by 33.09% from the previous year which is a commendable growth.

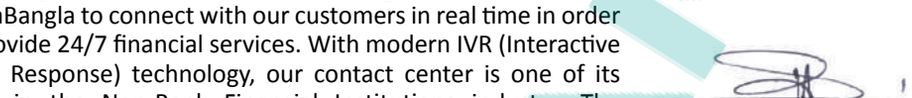
The employees at LankaBangla are the greatest assets who with their determination and dedication, and work towards achieving the company's goals, and in the process create long-term

value to our shareholders and make lasting contributions to our communities. As of 2016 end, total workforce stood at a number of 1,527. At the core of our efforts is a focus on nurturing and sustaining a diverse workplace, because we have experienced the power of bringing different perspectives of employees to address the complex and diverse situations our clients face. We recognize the significance of employee engagement and have continued to work towards creating a culture of trust and team building. The company's commitment to diversity, inclusion and excellence is pivotal to success and this supports our culture of innovation. We pursue to instill the values in our people that will encourage them to respect and abide by the social, economic and environmental commitments of the company. We encourage our people to participate in development programs to ensure that they are equipped with the tools they need to succeed. In line with this view, we arrange various training programs for our employees, in-house, external, and overseas in order to enhance knowledge and skills as well as develop a learning culture.

Innovation is a key parameter of sustainability as it expresses how we excel at securing and enhancing the financial well-being of people, businesses, and communities. At LankaBangla, innovation is about seeing things from the customer's point of view and giving customers the technologies and services that fundamentally change the way they access and manage their finances, for their betterments. Among the commendable technological establishment is a full-fledged contact center at LankaBangla to connect with our customers in real time in order to provide 24/7 financial services. With modern IVR (Interactive Voice Response) technology, our contact center is one of its kinds in the Non-Bank Financial Institutions industry. The contact center is handling customer complaints, raising product awareness by providing product specific information, generating sales references and contributing effectively in preventing fraud of credit card transactions.

At LankaBangla, we have long acknowledged that a healthy environment is the foundation for economic progress and the well-being of society. As a leading financial institution, we are committed to finding market solutions that benefit the environment. As per our long term commitment to our community, we continued to invest both in nurturing underprivileged people of our society, and to the environment we breathe in. We provide loans to customers carrying out due diligence and considering the environment and social impact. In all credit delivery points, we have focused on financing eco-friendly and environmentally sustainable business activities and energy efficient industries. Environmental infrastructure projects such as clean water supply, waste water treatment plants, solid and hazardous waste disposal plants, Effluent Treatment Plants, Bio-gas plants, Bio-fertilizer plants and energy efficient/low carbon emission projects like Auto Bricks using Hybrid Hoffman Kiln, Vertical Kiln, Zig-Zag Kiln etc. are always encouraged and dealt with top priority.

We at LankaBangla recognize our capacity to achieve the ultimate goal of creating both social and business value by incorporating social and environmental responsibilities into our core fundamental business operations and stakeholder management. Similar to our preceding years, we are strongly motivated to deliver to all sub-divisions of society and through careful customer segmentation, provide financial access and services to a wide range of socio demographic groups.



Mohammed Nasir Uddin Chowdhury
Managing Director and CEO



STATEMENT ON GREEN BANKING

Green Banking

The concept of green banking has been integral in LankaBangla, and goes hand in hand with our stance on sustainable business model. With the constant headway of our Green Banking Unit (GBU), we have been a successful team in green banking. Using smart innovative financing techniques and market development tools, we aim to stimulate investments in clean technologies and hence contribute to societal welfare. To seek increased deployment of clean energy and more efficient use of funds, we introduced Green Finance, initiated in-house management, created Climate Risk Fund, Green Marketing, and supported employee training.

Green Banking Unit

As per the Bangladesh Bank Circular No. 04 on "Policy Guidelines for Green Banking", LankaBangla Finance has established "Green Banking Policy" which is approved by the Board. A separate Green Banking Unit (GBU) was required to be formed for designing, evaluating and administering activities related to green banking issues of the company. As per the set BB circulation, this unit will report to the high powered committee from time to time. GBU will be under the supervision of Risk Management Division (RMD). GBU will be comprised of the representatives from each relevant division.

Green Banking Unit Members		
Designation	**Name**	**Status in the Committee**
Chief Risk Officer & Head of Green Banking Unit	Mohammed Kamrul Hasan	Chairman
Head of Corporate Financial Services	Mohammed Shoaib	Member
Head of SME Financial Services	Md. Kamruzzaman Khan	Member
Head of Asset Operations	Mohammad Faruk Ahmed Bhuya	Member
Head of Corporate Credit	Mohammad Nazmul Hasan Tipu	Member
Head of Human Resources	Md. Shariful Islam Mridha	Member
Head of General & Infrastructure Services	Md. Anisur Rahman	Member
Head of Home and Mortgage loan	Md. Shariar Parves	Member
Deputy Head of IT	Kazi Mohtasim Bellah Alom	Member
Senior Manager, Corporate Affairs	Md. Raziuddin	Member
Manager, Green Banking Unit & RMD	Ujjal Kumar	Coordinator

Followings are the GBU members who will work together for providing input, data and preparing relevant reports as per green banking policy guidelines and Bangladesh Bank requirements.

Statement of Green Banking Initiatives

In response to increasing awareness of climate change, and environmental degradation, urgent measures for sustainable development have been addressed by some of the stakeholders all over the world. Banking system holds a unique position in an economy that can affect production, business and other economic activities through their financing activities which would in turn contribute to economic development as well as protect environment/climate from pollution and degradation. Through green banking, LankaBangla concentrates on financing commercially viable technologies that consume less fossil fuel and have lower impacts on the environment. Moreover, implementing green banking concept within the organization through efficiency in energy use, water consumption and waste reduction may significantly contribute towards controlling operating costs.

Policy formulation and Governance

In line with the global development and response to the environmental degradation and as per instructions of Bangladesh Bank, LankaBangla Finance has already established its Green Banking Policy. A Green Banking Unit (GBU) has been formed with the task of developing policies, planning and administering the green banking initiatives of the company.

Incorporation of Environmental Risk in CRM (Core Risk Management)

The Company conforms to the instructions stipulated in the detailed guidelines on Environment Risk Management (ERM) of Bangladesh Bank in consideration to the Green Banking policy. Clear identification of the problems related to environmental risk is important for effective risk management as measures can be taken to address any environmental incidents. At LankaBangla, risks are prioritized based on the established processes in order to respond to unforeseen environmental happenings. A comprehensive risk exposure matrix is established for assessing environmental risks and then reported to management credit committee of the company by the branches.

Introducing Green Finance

Financing in eco-friendly and environmentally sustainable business activities and energy efficient industries shall be extended through preference by all the credit delivery points. Environmental infrastructures such as renewable energy project(s), Liquid Waste Management, Alternative Energy, Fire Burnt Brick, Non Fire Block Brick, Recycling & Recyclable Product, Green Industry, Safety and Security of Factory, etc. are encouraged and those will be financed by the company with priority.

Viability of environmental infrastructures for financing shall be assessed in line with the environmental issues i.e. how the purpose of the project(s)/business (es) & to what extent this/these is/are rewarding to the environment. Most viable project(s)/business (es)/ sector(s) shall be prioritized for financing to position the financial institution gradually as a "Carbon Neutral Financial Institution" first and then as a "Climate Positive Financial Institution".

Creation of Climate Risk Fund

The financial institution addresses environmental issues and assesses environmental risks (high/ moderate/low) of projects/ businesses of different sectors in different areas. At the same time, climate risk fund is created for "Green Banking" may be used as a part of CSR activities at the time of emergency.

Introducing Green Marketing

Green Marketing incorporates a broad range of activities, including products/services design, engineering, modification, new product innovation, changes to the production process and packaging, in order to encourage potential clients to design Green Project or environmentally safe products and also to modify advertising. Besides, company effectively uses green marketing channels more for widening target markets of usual products. Financial Institution takes steps that will help build awareness among common people to promote products/services which cause least harm to the environment. Corporate Affairs Division shall plan for developing & marketing Green Banking products to offer to the customers.

Supporting employee training, Consumer Awareness and Green Event

Exclusive training programs or specialized/befitting classes in foundation or other credit related courses for incorporating Green Banking Policy Guidelines as a part of awareness building among the employees of the Company are arranged by the Human Resources Department in consultation with the Green Banking Policy Guidelines Implementation Unit (GBPIU). Training programs on environmental and social risk and employee awareness development should have to be implemented by the HR Department as a continuous process.

Environment Related Initiatives

LankaBangla takes environmental stewardship ahead of each year realizing the present generation's responsibility to the future. By adopting Environmental Risk Management (ERM) Guidelines for Banks and Financial Institutions in Bangladesh, LankaBangla closely monitors the environmental impact of every step and effectively mitigates any risks that arise thereon. With more emphasis on environmental risk management programs at LankaBangla, a noticeable increase has occurred in the amount of screening and due diligence efforts to gather information on potential environmental risks.

We take every effort to delight our clients being the growth partner in financing environment friendly products or initiatives. LankaBangla takes pride for being one of the financiers of a project having one of the largest biological Effluent Treatment Plant (ETP) of the world, the first auto brick manufacturing project to implement flexible fuel technology trapping harmful CO2 emissions and also to trade Certified Emissions Reductions (CERs) to the World Bank, country's first lub-recycling plant and so forth. Green financing has been growing steadily in our portfolio.

We have established our office environment and only allow rational use of energy and promote the spirit of environment friendly action plans. Our policy allows only energy savings bulbs at all of our service points and Head Office. While furnishing our office premises we use ISO certified paints. On top of that, LankaBangla introduced automated e-alert system to ensure secured financial information flow to our clients in Bangladesh. The launch of e-mail based Customer Statement Delivery System, added an important service to support the clients' needs, providing superior customer service to ensure delivery of account statements and transaction advices to the designated e-mail addresses of clients on time. This new system also helps to protect the environment by eliminating paper-based activities at office, protecting and preserving our environment for the next generation. In future we dream to enhance our effort on preserving ecosystems, land air and water, in line with our broad corporate mission we defined.



STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

Corporate Social responsibility (CSR) of LankaBangla is a form of corporate self-regulation integrated into our business model based on the objective of good business for good society at the moment and in near future. LankaBangla in its core management concept and corporate responsibility integrated CSR with focus on social and environmental concerns in all business operations and interactions with its stakeholders including shareholders, customers, employees, suppliers, business partners, local communities and other organizations.

With these CSR policies & principles, our organization believes to achieve a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach") besides safeguarding interest of stakeholders. We have also considerably achieved efficient business operations and conscience corporate governance and compliance to facilitate smooth and effective business. As a result we have been able to contribute for our sustainable society. LankaBangla through its Foundation has extended its support for underprivileged people of the community in particular to ensure their education, health and living.

CSR activities of 2016 of LankaBangla Foundation:

Supporting Education of Underprivileged Brilliant Students:

LankaBangla Foundation always stands beside the underprivileged brilliant students to pursue their higher education. Scholarship program of Foundation for these students is a platform to ease the challenges to reach their aim in life. We extend this continuous financial support to make their dreams come true. Supporting education sector for building an enlightened society is not new for LankaBangla. Journey started from 2010 and continues till to date with an immense priority on education for building knowledge based society.

We provide educational support to a SSC completed poor brilliant student to continue his/her HSC and graduation with an objective to help the student to become self-sufficient in life. Scholarship program is one of the sustainable programs of CSR of LankaBangla Foundation.

In 2016, a total number of 55 students received financial assistance of 2.1 million to pursue their higher education. During 2016 total number 2 students completed their graduation.

Financial Assistance for Education for Children of deceased Ex-Officio of LankaBangla:

LankaBangla Foundation continues its support for education as part of its CSR activities. This support is extended to one female student who is the daughter of one deceased official of sister concerns of LankaBangla Finance Limited.

(i) Foundation contributed an amount of Tk.164,000/= (in two installments- for one year support) to Ms. Nora Sumlina (daughter of Late Mr. M. Shakil Islam Bhuiyan, Ex-CEO, LankaBangla Securities Limited) to continue her studies.

Creativity & Cultural Development of children is an integral part of CSR of LankaBangla Foundation:

Creativity & Cultural Development of children is an integral part of CSR of LankaBangla Foundation. Foundation organizes art competition for the young school children every year with focus on psychological and cultural development. Our endeavor is to help children to become familiar with our rich cultural heritage and also to explore their hidden creativity. In 2016, LankaBangla Foundation arranged 4th Art Competition for children in Chittagong. "Nandonik Shonderjer desh Bangladesh" was the theme of art competition of this year. LankaBangla Finance Limited selected top 17 arts works and printed in the calendar of 2017 of LankaBangla with caption of the respective names of the children and his/her schools. This unique facilitation definitely boosts up the children who won the competition and also keep alive the intention of others to compete in future.

The whole art competition program of 2016 costs 0.253 million.

Protecting Environmental & Ecological Degradation through Tree Plantation:

Another core area of CSR of LankaBangla Foundation is to extend support to protect environmental & ecological degradation through tree plantation every year. In 2016, Foundation undertook a tree plantation program during 16, 17 & 18 August 2016 at Shahzadpur Upazila, Sirajganj. In total 1,500 saplings of fruit-bearing, wood-trees & medicine-trees are planted at premises of different institutions and distributed among poor villagers of the Upazila. The plantation & distribution was supported by the local community voluntarily. The whole tree plantation program of 2016 costs 0.155 million.



Head of Human Resources of LankaBangla Finance Limited, Mr. Md. Shariful Islam Mridha and Chairman of Shahzadpur Upazila, Prof. Azad Rahman jointly opened tree plantation and distribution program in a simple ceremony.

LankaBangla undertakes tree plantation program every year as part of its environmental responsibility. This year our focus was on poverty alleviation and environmental protection through tree plantation. This time the plantation took place for 03 consecutive days.

High officials from LankaBangla Finance head office and Heads of Bogra branch attended the tree plantation & distribution program and also participated in the rally.

The program has ended by a rally to create awareness on tree plantation among the local citizens.

Distribution of Relief among poor flood victims of Sirajganj district:

In Bangladesh, flood hits the country almost every year. This year flood was more devastating and prolonged. Many ultra-poor



people of different districts were the worst victims. LankaBangla Foundation took the initiative to distribute relief materials among the poor victims of Kawakhali Char of Sirajganj.

We have distributed relief items among 2000 marooned families of Kawakhali Char. The relief materials included rice, pulses, flattened rice 9beaten rice), gur(jiggery), muri(puffed rice), orsaline, drinking water, biscuits and other dry food items etc.

Head of Treasury of LankaBangla Finance, Mr. Kamrul Islam, Head of ICC of LankaBangla Fianance, Mr. Kamrul Hasan; other high officials from LankaBangla Head office and Head of Bogra Branch and other officials from Bogra branch were present during the distribution of relief materials. Upazila Chairman of Sirajganj Sadar played the key role in relief distribution

The whole relief distribution programs costs 0.711 million.

This year Foundation with the help of local community has made an extensive effort for proper distribution of relief materials among the flood victims.

Support for local community to protect from Cold Wave:

In Bangladesh, during winter ultra-poor people fight against cold every year and LankaBangla Foundation distributes blankets every year to facilitate better comfort to the ultra-poor people. This year Foundation distributed more than 2,500 blankets on 28 November 2016 among the cold victims poor people of remote villages of Ulipur Pouroshova, Kurigram.



This year Foundation has made an extensive effort for proper distribution of blankets by identifying & listing ultra-poor people of Ulipur Pouroshova, Kurigram. An amount of Tk.0.508 million was spent in this regard.

Bicycle Distribution among female students of Mithapukur, Rangpur:

To facilitate education of poor school going female students of northern region of Bangladesh, LankaBangla Foundation took the initiative to distribute bicycles among school going poor female students of Mithapukur Upazila of Rangpur District.



As a pilot program/project we have distributed 20 bicycles among these female students on 28 December 2016. These female students were very happy to receive these bicycles from LankaBangla.

Head of Treasury of LankaBangla Fianance Mr. Quamrul Islam and other high officials from LankaBangla were present during the distribution of bicycles.

The whole program costs 0.134 million.

AUDITED FINANCIAL STATEMENTS

"Over the last few years, LankaBangla has exhibited newer dimensions in performance and redefined its financial position as an enterprise in the unpredictable financial market of Bangladesh. Our energetic effort and endless inspiration have led us to introduce an understandable, relevant, reliable, and comparable financial statements to our stakeholders."

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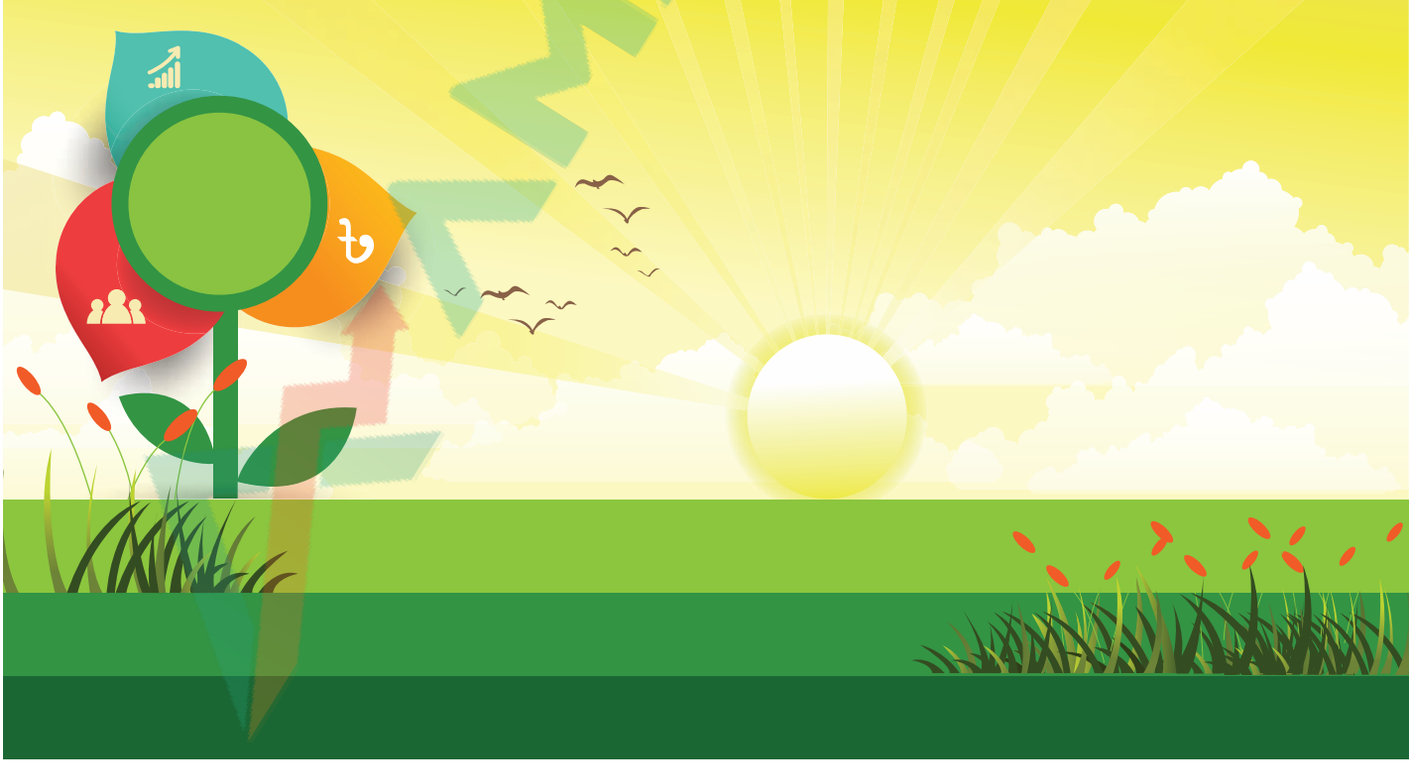

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Independent Auditors' Report

To the Shareholders of

LankaBangla Finance Limited

We have audited the accompanying consolidated financial statements of LankaBangla Finance Limited and its Subsidiaries (the "Group") as well as the separate financial statements of LankaBangla Finance Limited ("the Company") which comprise the consolidated and the separate balance sheet as at 31 December 2016, the consolidated and the separate profit and loss account, statement of changes in equity, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements of the Group and also the separate financial statements of the Company that give a true and fair view in accordance with Bangladesh Financial Reporting Standards (BFRS), the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Securities and Exchange rules 1987, the Companies Act 1994 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements of the Group and the separate financial statements of the Company. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements of the Group and separate financial statements of the Company, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements of the Group and separate financial statements of the Company 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 consolidated financial statements of the Group and also the separate financial statements of the Company.

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 consolidated financial statements of the Group and the separate financial statements of the Company give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Company as at 31 December 2016, and of the consolidated and the separate financial performance and cash flows of the Group and the Company for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and comply with the applicable sections of the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Report on Other Legal and Regulatory Requirements

We also report that:

i. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof and found satisfactory;

ii. in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;

iii. the consolidated balance sheet and the consolidated profit and loss account of the Group and the separate balance sheet and the separate profit and loss account of the Company together with annexed notes from 1 to 40 dealt with by the report are in agreement with the books of account;

iv. the expenditure incurred was for the purpose of the Group and the Company's business;

v. the consolidated financial statements of the Group and those of the Company have been drawn up in conformity with the Financial Institution Act 1993 and in accordance with the accounting rules and regulations issued by Bangladesh Bank to the extent applicable to the Company;

vi. the record submitted by the parent company and the subsidiary companies have been audited and consolidated properly in the financial statements;

vii. the records and accounts of the branches have been properly maintained and consolidated in the financial statements;

viii. adequate provisions have been made for leases and advances and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;

ix. statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;

x. taxes and other duties collected and deposited to Government treasury by the Company as per Government instructions found satisfactory;

xi. nothing has come to our attention that the Company has adopted any unethical means i.e. 'window dressing' to inflate the profit and mismatch between the maturity of assets and liabilities;

xii. proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions issued by Bangladesh Bank and other regulatory authorities have been complied properly;

xiii. the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible fraud, forgery and internal policies are being followed appropriately;

xiv. the Company has complied with relevant laws pertaining to capital, reserve and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/ leases found satisfactory;

xv. the consolidated financial statements of the Group and the separate financial statements of the Company conform to the prescribed formats and standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting body of Bangladesh;

xvi. we have reviewed over 80% of the risk weighted assets of the Group and the Company during the course of our audit and we have spent over 1,650 person hours for the audit of books and accounts of the Group and the Company; and

xvii. all other issues which are important for the stakeholders of the Company have been adequately disclosed in the audit report;

ACNABIN
Chartered Accountants

Dhaka,
13 February 2017

AMARSTOCK

LankaBangla Finance Limited and its Subsidiaries

Consolidated Balance Sheet

As at 31 December 2016

	Notes	Amount In Taka	
		31.12.2016	31.12.2015
PROPERTY AND ASSETS			
Cash		**700,351,241**	**516,273,295**
Cash in hand (including foreign currencies)	3	786,380	334,081
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	4	699,564,861	515,939,214
Balance with other banks and financial institutions	5	**4,343,232,588**	**1,427,389,298**
Inside Bangladesh		4,343,232,588	1,427,389,298
Outside Bangladesh		-	-
Money at call and short notice		-	-
Investment	6	**5,036,650,257**	**4,372,854,794**
Government securities		-	-
Other investments		5,036,650,257	4,372,854,794
Leases, loans and advances	7	**51,244,299,783**	**41,819,015,931**
Loans , cash credit and overdraft etc.		51,244,299,783	41,819,015,931
Bills discounted and purchased		-	-
Fixed assets including land, building, furniture and fixtures	8	**1,429,556,859**	**1,291,853,287**
Other assets	9	**1,181,066,060**	**1,020,498,293**
Non-Banking assets		-	-
TOTAL PROPERTY AND ASSETS		**63,935,156,789**	**50,447,884,897**
LIABILITY AND SHAREHOLDERS' EQUITY			
Liabilities			
Borrowings from Bangladesh Bank, other banks and financial institutions	10	**10,874,998,487**	**9,006,817,980**
Deposits and other accounts	11	**40,148,492,755**	**30,106,707,729**
Current deposits and other accounts etc.		-	-
Bills payable		-	-
Saving bank deposit		-	-
Term deposits	11.1	40,033,189,441	29,991,564,599
Bearer certificate of deposits		-	-
Other deposits	11.2	115,303,314	115,143,130
Other liabilities	12	**6,140,234,836**	**4,985,106,251**
TOTAL LIABILITIES		**57,163,726,078**	**44,098,631,960**
Shareholders' Equity		**6,686,609,319**	**6,261,793,994**
Paid up capital	13	2,767,399,490	2,406,434,340
Share premium		1,090,888,800	1,090,888,800
Statutory reserve	14	1,202,043,919	987,633,085
General reserve		46,768,017	53,849,069
Retained earnings	15	1,579,509,093	1,722,988,700
Non controlling interest	16	**84,821,392**	**87,458,943**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**63,935,156,789**	**50,447,884,897**

AMARSTOCK

	Notes	Amount In Taka	
		31.12.2016	31.12.2015
OFF-BALANCE SHEET ITEMS			
CONTINGENT LIBILITIES			
Acceptances and endorsements		-	-
Letter of guarantee		241,148,846	-
Irrevocable letters of credit		-	-
Bill for collection		-	-
Other contingent liabilities		-	-
TOTAL CONTINGENT LIBILITIES		**241,148,846**	**-**
OTHER COMMITMENTS			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		6,156,822,112	6,607,801,622
TOTAL OTHER COMMITMENTS		**6,156,822,112**	**6,607,801,622**
TOTAL OFF BALANCE SHEET ITEMS		**6,397,970,958**	**6,607,801,622**

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

Director **Director** **Managing Director** **Company Secretary**

This is the Consolidated Balance Sheet referred to in our separate report of even date.

Dhaka,
13 February 2017

ACNABIN
Chartered Accountants

LankaBangla Finance Limited and its Subsidiaries

Consolidated Profit and Loss Account

For the year ended 31 December 2016

	Notes	Amount In Taka 2016	2015
Operating Income			
Interest income	17	5,661,544,246	4,787,247,300
Less : Interest expenses on deposits & borrowings	18	3,964,079,328	3,714,884,740
Net interest income		1,697,464,918	1,072,362,560
Income from investment	19	483,526,596	436,307,012
Commission, exchange and brokerage income	20	566,226,015	562,067,448
Other operational income	21	599,634,180	450,938,098
Total operating income		**3,346,851,709**	**2,521,675,118**
Operating Expenses			
Salary and allowances	22	987,348,613	821,578,089
Rent, taxes, insurance, electricity etc.	23	187,066,477	159,808,261
Legal and professional fees	24	30,013,397	19,744,690
Postage, stamp, telecommunication etc.	25	20,638,151	17,006,908
Stationery, printing, advertisement	26	47,485,747	40,167,644
Managing director's salary and allowance	27	17,489,000	16,775,264
Director fees and expenses	28	2,591,389	1,822,127
Audit fees	29	1,227,625	667,584
Charges on loan losses		-	-
Repairs, maintenance and depreciation	30	123,478,392	109,543,227
Other expenses	31	587,201,180	424,855,180
Total operating expenses		**2,004,539,970**	**1,611,968,975**
Net Operating Income		**1,342,311,739**	**909,706,143**
Provisions for loans, investments and other assets		**395,649,328**	**376,862,732**
Provisions for leases and loans	32	199,224,797	132,649,299
Provision for margin loan		313,531,665	280,292,635
Provision for diminution in value of investments		(117,107,133)	(27,138,202)
General provision for other assets		-	(8,941,000)
Profit before tax and reserve		**946,662,411**	**532,843,411**
		151,019,485	**111,914,896**
Provision for tax made during the year	33	148,304,531	111,998,262
Deferred tax expense or (income)		2,714,954	(83,366)
Net profit after tax		**795,642,925**	**420,928,514**
Attributed to			
Shareholders of the Company		795,521,340	424,536,041
Non controlling interest	36.4	121,585	(3,607,526)
		795,642,925	**420,928,514**
Appropriations		**207,329,782**	**207,109,893**
Statutory reserve		214,410,834	206,002,705
General reserve		(7,081,053)	1,107,188
Retained surplus		**588,191,558**	**217,426,148**
Earnings Per Share (2015 restated)	34	**2.87**	**1.53**

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

Director **Director** **Managing Director** **Company Secretary**

This is the Consolidated Profit and Loss Account referred to in our separate report of even date.

Dhaka,
13 February 2017

ACNABIN
Chartered Accountants

LankaBangla Finance Limited and its Subsidiaries

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

		Amount In Taka	
		2016	2015
A)	**Cash flows from operating activities**		
	Interest received	5,643,928,216	4,799,308,668
	Interest paid	(3,736,524,929)	(3,467,162,403)
	Dividend received	267,597,867	95,159,729
	Fees and commission received	919,862,071	824,411,542
	Income from investment	294,121,128	360,880,032
	Cash paid to employees (including directors)	(1,020,466,579)	(911,853,695)
	Cash paid to suppliers	(101,908,389)	(45,047,728)
	Income taxes paid	(235,715,801)	(175,648,515)
	Received from other operating activities	242,891,136	192,876,080
	Paid for other operating activities	(794,659,621)	(648,868,906)
	Cash generated from operating activities before changes in operating assets and liabilities	**1,479,125,099**	**1,024,054,804**
	Increase/ (decrease) in operating assets & liabilities		
	Loans and advances to customers	(9,799,853,088)	(11,422,563,595)
	Other assets	(183,113,452)	232,254,283
	Deposits from customers	10,041,785,026	13,346,155,086
	Other liabilities	957,913,557	(213,963,774)
	Total increase/ (decrease) in operating assets & liabilities	**1,016,732,044**	**1,941,881,999**
	Net cash flow from operating activities	**2,495,857,143**	**2,965,936,804**
B)	**Cash flows from investing activities**		
	Investment in securities	(543,795,463)	38,337,117
	Net proceeds from Treasury bills	-	1,009,100,000
	Purchase of property, plant and equipment	(244,124,515)	(862,872,237)
	Investment in commercial paper	(120,000,000)	(580,000,000)
	Sales proceeds of fixed assets	8,984,971	28,799,486
	Net cash used in investing activities	**(898,935,006)**	**(366,635,634)**
C)	**Cash flows from financing activities**		
	Drawdown of term loan, overdraft and REPO	1,868,180,506	(2,704,656,335)
	Dividend paid	(365,181,408)	(192,410,992)
	Net cash flow from/(used in) financing activities	**1,502,999,099**	**(2,897,067,328)**
D)	**Net increase/(decrease) in cash & cash equivalents**	**3,099,921,236**	**(297,766,158)**
E)	**Cash and cash equivalents at the beginning of the year**	**1,943,662,593**	**2,241,428,751**
F)	**Cash and cash equivalents at the end of the year**	**5,043,583,829**	**1,943,662,593**
	*** Closing cash and cash-equivalents**		
	Cash in hand (including foreign currencies)	786,380	334,081
	Balance with Bangladesh Bank and its agent bank (s)	699,564,861	515,939,214
	Balance with other banks and financial institutions	4,343,232,588	1,427,389,298
		5,043,583,829	**1,943,662,593**

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

Director **Director** **Managing Director** **Company Secretary**

Dhaka,
13 February 2017

ACNABIN
Chartered Accountants

LankaBangla Finance Limited and its Subsidiaries

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

Amount in Taka

Particulars	Share Capital	Share Premium	Statutory Reserve	General Reserve	Retained Earnings	Total	Non Controlling Interest	Total Equity
Balance as at 01 January 2016	**2,406,434,340**	**1,090,888,800**	**987,633,085**	**53,849,069**	**1,722,988,700**	**6,261,793,994**	**87,458,943**	**6,349,252,937**
Items Involved in Changes in Equity								
Changes of non controlling interest	-	-	-	-	(9,740,864)	(9,740,864)	(2,759,136)	(12,500,000)
Net profit for the year	-	-	-	-	795,521,340	795,521,340	121,585	795,642,925
Appropriation to statutory reserve	-	-	214,410,834	-	(214,410,834)	-	-	-
Appropriation to general reserve	-	-	-	(7,081,053)	7,081,053	-	-	-
Dividend								
Stock dividend (15%)	360,965,150	-	-	-	(360,965,150)	-	-	-
Cash dividend (15%)	-	-	-	-	(360,965,152)	(360,965,152)	-	(360,965,152)
Balance as at 31 December 2016	**2,767,399,490**	**1,090,888,800**	**1,202,043,919**	**46,768,017**	**1,579,509,093**	**6,686,609,319**	**84,821,392**	**6,771,430,711**
Balance as at 01 January 2015	**2,187,667,590**	**1,090,888,800**	**781,630,380**	**52,741,881**	**1,983,390,086**	**6,096,318,738**	**126,558,266**	**6,222,877,003**
Items Involved in Changes in Equity								
Adjustments of non controlling interest	-	-	-	-	(17,561,042)	(17,561,042)	(25,974,779)	(43,535,821)
Changes of non controlling interest	-	-	-	-	(22,732,982)	(22,732,982)	(9,517,018)	(32,250,000)
Net profit for the year	-	-	-	-	424,536,041	424,536,041	(3,607,526)	420,928,514
Appropriation to statutory reserve	-	-	206,002,705	-	(206,002,705)	-	-	-
Appropriation to general reserve	-	-	-	1,107,188	(1,107,188)	-	-	-
Dividend								
Stock dividend (10%)	218,766,750	-	-	-	(218,766,750)	-	-	-
Cash dividend (10%)	-	-	-	-	(218,766,759)	(218,766,759)	-	(218,766,759)
Balance as at 31 December 2015	**2,406,434,340**	**1,090,888,800**	**987,633,085**	**53,849,069**	**1,722,988,700**	**6,261,793,994**	**87,458,943**	**6,349,252,937**

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

Director **Director** **Managing Director** **Company Secretary**

LankaBangla Finance Limited

Balance Sheet

As at 31 December 2016

	Notes	Amount In Taka	
		31.12.2016	31.12.2015
PROPERTY AND ASSETS			
Cash		**699,874,581**	**516,139,048**
Cash in hand (including foreign currencies)	3	309,720	199,834
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	4	699,564,861	515,939,214
Balance with other banks and financial institutions	5	**2,230,011,116**	**725,473,016**
Inside Bangladesh		2,230,011,116	725,473,016
Outside Bangladesh		-	-
Money at call and short notice		**-**	**-**
Investment	6	**2,130,061,460**	**1,836,284,248**
Government securities		-	-
Other investments		2,130,061,460	1,836,284,248
Leases, loans and advances	7	**46,749,199,258**	**36,018,816,850**
Loans , cash credit and overdraft etc.		46,749,199,258	36,018,816,850
Bills discounted and purchased		-	-
Fixed assets including land, building, furniture and fixtures	8	**999,057,016**	**877,649,370**
Other assets	9	**4,814,291,262**	**4,640,180,877**
Non-Banking assets		**-**	**-**
TOTAL PROPERTY AND ASSETS		**57,622,494,692**	**44,614,543,408**
LIABILITY AND SHAREHOLDERS' EQUITY			
Liabilities			
Borrowings from Bangladesh Bank, other banks and financial institution	10	**8,333,852,304**	**6,235,918,622**
Deposits and other accounts	11	**40,148,492,755**	**30,196,004,667**
Current deposits and other accounts		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits	11.1	40,033,189,441	30,080,861,537
Bearer certificate of deposits		-	-
Other deposits	11.2	115,303,314	115,143,130
Other liabilities	12	**2,970,331,482**	**2,723,890,987**
TOTAL LIABILITIES		**51,452,676,540**	**39,155,814,276**
Shareholders' Equity		**6,169,818,152**	**5,458,729,131**
Paid up capital	13	2,767,399,490	2,406,434,340
Statutory reserve	14	1,202,043,920	987,633,085
Retained earnings	15	2,200,374,742	2,064,661,706
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**57,622,494,692**	**44,614,543,408**

AMARSTOCK

	Notes	Amount In Taka	
		31.12.2016	31.12.2015
OFF-BALANCE SHEET ITEMS			
CONTINGENT LIBILITIES			
Acceptances and endorsements		-	-
Letter of guarantee		241,148,846	-
Irrevocable letters of credit		-	-
Bill for collection		-	-
Other contingent liabilities		-	-
TOTAL CONTINGENT LIBILITIES		**241,148,846**	**-**
OTHER COMMITMENTS			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		6,156,822,112	6,607,801,622
TOTAL OTHER COMMITMENTS		**6,156,822,112**	**6,607,801,622**
TOTAL OFF BALANCE SHEET ITEMS		**6,397,970,958**	**6,607,801,622**

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

Director **Director** **Managing Director** **Company Secretary**

This is the Balance Sheet referred to in our separate report of even date.

Dhaka,
13 February 2017

ACNABIN
Chartered Accountants

LankaBangla Finance Limited

Profit and Loss Account

For the year ended 31 December 2016

	Notes	Amount In Taka 2016	2015
Operating Income			
Interest income	17	5,432,663,241	4,605,008,851
Less : Interest expenses on deposits & borrowings	18	3,565,181,315	3,218,810,010
Net interest income		1,867,481,926	1,386,198,841
Income from investment	19	195,788,600	425,653,183
Commission, exchange and brokerage income	20	-	-
Other operational income	21	368,148,389	267,527,826
Total operating income		**2,431,418,914**	**2,079,379,850**
Operating Expenses			
Salary and allowances	22	634,844,436	499,344,992
Rent, taxes, insurance, electricity etc.	23	124,707,382	96,912,936
Legal and professional fees	24	23,863,346	15,941,909
Postage, stamp, telecommunication etc.	25	14,987,359	11,844,026
Stationery, printing, advertisement	26	37,743,769	29,219,123
Managing director's salary and allowance	27	17,489,000	16,775,264
Director fees and expenses	28	736,000	691,500
Audit fees	29	718,750	318,750
Charges on loan losses		-	-
Repairs, maintenance and depreciation	30	79,655,031	58,939,008
Other expenses	31	313,674,123	226,664,527
Total operating expenses		**1,248,419,196**	**956,652,034**
Net Operating Income		**1,182,999,718**	**1,122,727,816**
Provisions for loans, investments and other assets		**75,663,937**	**76,816,627**
Provisions for leases and loans	32	199,224,797	132,649,299
Provision for diminution in value of investments		(123,560,860)	(46,891,672)
General provision for other assets		-	(8,941,000)
Profit before tax and reserve		**1,107,335,782**	**1,045,911,189**
		35,281,610	**15,897,665**
Provision for tax made during the year	33	35,281,610	15,897,665
Deferred tax expense or (income)		-	-
Net profit after tax		**1,072,054,172**	**1,030,013,524**
Appropriations		**214,410,834**	**206,002,705**
Statutory reserve		214,410,834	206,002,705
General reserve		-	-
Retained surplus		**857,643,338**	**824,010,819**
Earnings Per Share (2015 restated)	34	**3.87**	**3.72**

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

Director **Director** **Managing Director** **Company Secretary**

This is the profit and loss account referred to in our separate report of even date.

Dhaka,
13 February 2017

ACNABIN
Chartered Accountants

LankaBangla Finance Limited

Statement of Cash Flows

For the year ended 31 December 2016

		2016 Taka	2015 Taka
A)	***Cash flows from operating activities***		
	Interest received	5,413,751,225	4,620,811,511
	Interest paid	(3,327,572,519)	(2,952,441,140)
	Dividend received	66,895,335	23,195,772
	Fees and commission received	274,762,656	209,960,146
	Income from investment	94,190,730	180,657,170
	Cash paid to employees (including directors)	(632,272,854)	(503,666,468)
	Cash paid to suppliers	(56,018,261)	(59,648,365)
	Income taxes paid	(116,685,640)	(11,606,145)
	Received from other operating activities	92,634,103	57,567,679
	Paid for other operating activities	(472,324,201)	(227,274,589)
	Cash generated from operating activities before changes assets and liabilities	**1,337,360,574**	**1,337,555,571**
	Increase/ (decrease) in operating assets & liabilities		
	Loans and advances to customers	10,684,775,913)	(11,752,822,777)
	Other assets	39,693,610	12,304,135
	Deposits from customers	9,952,488,088	13,401,252,024
	Other liabilities	(147,711,083)	301,991,440
	Total (decrease)/increase in operating assets & liabilities	**(840,305,297)**	**1,962,724,822**
	Net cash flow from operating activities	**497,055,277**	**3,300,280,392**
B)	**Cash flows from investing activities**		
	Investment in securities	(173,777,212)	(141,995,917)
	Net proceeds from Treasury bills	-	1,009,100,000
	Purchase of property, plant and equipment	(186,414,731)	(794,860,655)
	Sales proceeds of fixed assets	1,115,500	868,000
	Investment in commercial paper	(120,000,000)	(580,000,000)
	Investment in subsidiaries	(62,500,000)	(32,250,000)
	Net cash used by investing activities	**(541,576,443)**	**(539,138,573)**
C)	**Cash flows from financing activities**		
	Dividend paid		
	Drawdown of term loan, overdraft and REPO	2,097,933,682	(2,650,415,779)
	Dividend paid	(365,138,883)	(191,800,430)
	Net cash generated by financing activities	**1,732,794,799**	**(2,842,216,209)**
D)	**Net (decrease)/increase in cash & cash equivalents**	**1,688,273,633**	**(81,074,389)**
E)	**Cash and cash equivalents at the beginning of the year**	**1,241,612,064**	**1,322,686,454**
F)	**Cash and cash equivalents at the end of the year***	**2,929,885,697**	**1,241,612,064**
	*** Closing cash and cash-equivalents**		
	Cash in hand (including foreign currencies)	309,720	199,834
	Balance with Bangladesh Bank and its agent bank (s)	699,564,861	515,939,214
	Balance with other banks and financial institutions	2,230,011,116	725,473,016
		2,929,885,697	**1,241,612,064**

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

Director **Director** **Managing Director** **Company Secretary**

Dhaka
13 February 2017

LankaBangla Finance Limited

Statement of Changes in Equity

For the year ended 31 December 2016

Amount in Taka

Particulars	Share Capital	Statutory Reserve	General Reserve	Retained Earnings	Total Equity
Balance as at 01 January 2016	**2,406,434,340**	**987,633,086**	**-**	**2,064,661,706**	**5,458,729,132**
Items involved in changes in equity	-	-	-	-	-
Net profit for the year	-	-	-	1,072,054,172	1,072,054,172
Appropriation to statutory reserve	-	214,410,834	-	(214,410,834)	-
Stock dividend (15%)	360,965,150	-	-	(360,965,150)	-
Cash dividend (15%)	-	-	-	(360,965,152)	(360,965,152)
Balance as at 31 December 2016	**2,767,399,490**	**1,202,043,920**	**-**	**2,200,374,742**	**6,169,818,152**
Balance as at 01 January 2015	**2,187,667,590**	**781,630,380**	**-**	**1,678,184,396**	**4,647,482,366**
Items involved in changes in equity					
Net profit for the year	-	-	-	1,030,013,524	1,030,013,524
Appropriation to statutory reserve	-	206,002,705	-	(206,002,705)	-
Stock dividend (10%)	218,766,750	-	-	(218,766,750)	-
Cash (10%)	-	-	-	(218,766,759)	(218,766,759)
Balance as at 31 December 2015	**2,406,434,340**	**987,633,085**	**-**	**2,064,661,706**	**5,458,729,131**

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

Director **Director** **Managing Director** **Company Secretary**

Dhaka
13 February 2016

LankaBangla Finance Limited and its Subsidiaries

Consolidated Statement of Liquidity

As at 31 December 2016

Amount in Taka

Particulars	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	above 5-years term	Total
Assets						
Cash in hand (including balance with Bangladesh Bank)	700,351,241	-	-	-	-	700,351,241
Balance with banks and financial institutions	999,063,474	3,207,724,715	136,444,399	-	-	4,343,232,588
Money at call and short notice	-	-	-	-	-	-
Investments	842,733,314	320,704,343	756,666,269	1,269,588,241	1,846,958,090	5,036,650,257
Leases, loans and advances	3,187,364,282	8,868,861,510	13,590,362,270	15,762,712,928	9,834,998,793	51,244,299,783
Fixed assets including land, building, furniture and fixtures	8,378,580	16,757,160	75,407,220	510,983,860	818,030,040	1,429,556,859
Other assets	74,422,272	51,047,077	251,809,613	489,658,038	314,129,060	1,181,066,060
Non-banking assets	-	-	-	-	-	-
Total Assets	**5,812,313,162**	**12,465,094,806**	**14,810,689,770**	**18,032,943,067**	**12,814,115,984**	**63,935,156,789**
Liabilities						
Borrowing from other banks, financial institutions and agents	1,032,514,845	3,434,000,000	1,914,354,584	1,145,427,764	3,348,701,293	10,874,998,487
Deposits and other accounts	2,768,224,030	6,404,427,325	11,520,257,387	12,384,294,888	7,071,289,126	40,148,492,755
Other liabilities	162,623,031	1,014,121,276	792,217,434	3,256,304,870	914,968,225	6,140,234,836
Total Liabilities	**3,963,361,906**	**10,852,548,601**	**14,226,829,405**	**16,786,027,522**	**11,334,958,645**	**57,163,726,078**
Net Liquidity Surplus or (Gap)	**1,848,951,256**	**1,612,546,205**	**583,860,365**	**1,246,915,545**	**1,479,157,339**	**6,771,430,711**

AMARSTOCK

LankaBangla Finance Limited

Statement of Liquidity

As at 31 December 2016

Amount in Taka

Particulars	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	above 5-years term	Total
Assets						
Cash in hand (including balance with Bangladesh Bank)	699,874,581	-	-	-	-	699,874,581
Balance with banks and financial institutions	999,063,474	1,130,179,379	100,768,264	-	-	2,230,011,116
Money at call and short notice	-	-	-	-	-	-
Investments	624,246,899	28,482,661	360,317,271	311,773,608	805,241,021	2,130,061,460
Leases, loans and advances	2,771,621,114	7,918,626,349	11,325,301,892	15,453,640,125	9,280,009,778	46,749,199,258
Fixed assets including land, building, furniture and fixtures	7,101,136	14,202,272	63,910,222	174,269,676	739,573,710	999,057,016
Other assets	42,345,467	2,459,883	85,618,496	404,995,453	4,278,871,963	4,814,291,262
Non-banking assets	-	-	-	-	-	-
Total Assets	**5,144,252,671**	**9,093,950,543**	**11,935,916,144**	**16,344,678,863**	**15,103,696,471**	**57,622,494,692**
Liabilities						
Borrowing from other banks, financial institutions and agents	1,032,514,845	3,434,000,000	1,914,354,584	1,145,427,764	807,555,110	8,333,852,304
Deposits and other accounts	2,768,224,030	6,404,427,325	11,520,257,387	12,384,294,888	7,071,289,126	40,148,492,755
Other liabilities	151,197,295	71,513,443	362,364,017	214,149,801	2,171,106,926	2,970,331,482
Total Liabilities	**3,951,936,170**	**9,909,940,768**	**13,796,975,988**	**13,743,872,453**	**10,049,951,162**	**51,452,676,540**
Net Liquidity Surplus or (Gap)	**1,192,316,501**	**(815,990,225)**	**(1,861,059,843)**	**2,600,806,411**	**5,053,745,309**	**6,169,818,152**

LankaBangla Finance Limited and its Subsidiaries

Notes to the Consolidated and Separate Financial Statements

As at and for the year ended 31 December 2016

1 Legal status and nature of the company

1.1 Domicile, legal form and country of operation

LankaBangla Finance Limited (hereinafter referred to as "LankaBangla" or "the Company"), a joint venture **non-banking financial institution**, was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-31702(823)/96 dated 05 November 1996 as a Public Limited Company under the Companies Act, 1994 in the name of "Vanik Bangladesh Limited". It started commercial operations since 1997 obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. LankaBangla also obtained license from Securities and Exchange Commission vide No. MB-1.064/98-05 to transact public shares in the Capital Market as Merchant Banker. Subsequently, it was renamed as LankaBangla Finance Limited on 27 April 2005. The Company went for public issue in 2006 and its shares are listed in both Dhaka Stock Exchange and Chittagong Stock Exchange on 17 October 2006 and 31 October 2006 respectively.

Consequently the company has acquired the following Licenses and legal approvals:

Sl. No.	Name of License	Registration of License	Date of License	Renewed up to
1.	Trade License	0923826	24.09.2008	2016-2017
2.	Bangladesh Bank License	DFIM(L)/15	30.10.1997	N/A
3.	Tax Identification Number (TIN)	210-200-6736	N/A	N/A
4.	VAT Identification Number	5101018797	N/A	N/A
5.	Import Registration Certificate	BA159696	01.01.2006	2016-2017
6.	DCCI Membership Certificate	2857	23.12.2008	2016
7.	Board of Investment	9803054-H	30.03.1998	N/A
8.	Registration Number	C-702(823)/96	05.11.1996	N/A

1.2 Subsidiary companies

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

1.2.1 LankaBangla Securities Limited

The Company is holding a subsidiary company named "LankaBangla Securities Limited" (formerly Vanik Bangladesh Securities Limited) with an equity interest of 96.51% in the subsidiary company. The subsidiary is a private limited company which was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-33276(22)/97 dated 03 July 1997 under the Companies Act, 1994. The principal activities of the company are to act as a member of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited to carry on the business of brokers or dealers in stocks, shares and securities, commercial papers, bonds, debentures, debentures stocks, foreign currencies, treasury bills and/or any financial instruments. The company has ten branches in Bangladesh namely Dhaka-Principal, Banani, Dhanmondi, Uttara, Chittagong-Khatungonj, Nasirabad, Agrabad, Sylhet-Sylhet, Comilla-Comilla and Narayangonj- Narayangonj Branch. LankaBangla Securities Limited has two subsidiaries-

I) LankaBangla Information System Limited

LankaBangla Information System Limited LBIS was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-108903/13 dated 02 May 2013 as a Private Company Limited by Shares. Its registered office is situated at Safura Tower, 11th Floor, 20 Kemal Ataturk Avenue, Banani, Dhaka. The Operational activities are carrying out from AA Bhaban (Level 6), 23 Motijheel C/A, Dhaka-1000. The Company was entitled to commence its business from 02 May 2013. LBIS which has a TREC (Trading Right Entitlement Certificate) in DSE and CSE.

II) BizBangla Media Limited

BizBangla Media Ltd. is a Private Limited Company incorporated on January 18, 2011 under the Companies Act 1994 with the Registrar of Joint Stock Companies & Firm of Bangladesh vides Reg. no. C- 89751/11. The Registrar office of the company is situated at 12, Kazi Nazrul Islam Avenue, BDBL Bhaban (Level - 17), Karwan Bazar, Dhaka-1215.

1.2.2 LankaBangla Asset Management Company Limited

The Company has another subsidiary company named "LankaBangla Asset Management Company Limited" with an equity interest of 99.9998%. LankaBangla Asset Management Company Limited was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-67738(289)/2007 dated 16 July 2007 under the Companies Act, 1994. LankaBangla Asset Management Company Limited got license from Bangladesh Securities and Exchange Commission (BSEC) on June 24, 2012 vide registration no: SEC/Asset Manager/2012/17 to operate as a full-fledged asset management company.

1.2.3 LankaBangla Investments Limited

The Company has also another subsidiary company named "LankaBangla Investments Limited" with an equity interest of 99.999996%. LankaBangla Investments Limited was incorporated as private limited company with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-83568/10 dated 29 March 2010 under the Companies Act, 1994. Later on the company converted itself into a public limited company with effect from 12 June 2013. LankaBangla Investments Limited also applied for registration to the Bangladesh Securities and Exchange Commission for approval to operate in the Capital Market.

1.3 Company's activities

The activities of the company include services broadly classified as fee based and fund based services:

- Fees based services include Credit Card Membership Fees, Merchants Commission, Underwriting of Securities, IPOs, Portfolio Management, and Corporate Financial Services etc.
- Fund based services include Lease Finance, Term Finance, Real Estate Finance, Hire Purchase, Credit Card Operation, SME, Auto loan, Personal Loan, Factoring, Syndication Finance, Revolving Credit, Loan against Deposit, and Staff Loan etc.
- LankaBangla also provides brokerage services, Merchant Bank services and Asset Management Services through its majority owned subsidiary company.

2. Basis for preparation and significant accounting policies

2.1 Statement of compliance

The consolidated financial statements and separate financial statements of LankaBangla have been prepared on a going concern basis following accrual basis of accounting except for statement of cash flows as per DFIM circular No # 11 dated 23 December 2009 issued by Department of Financial Institutions and Market of Bangladesh Bank with reference to the provisions of Financial Institutions Act 1993 and Bangladesh Bank's other circulars and guidelines or directives and in accordance with Bangladesh Financial Reporting Standards (BFRS[1]), the Companies Act 1994, the Financial Institutions Act 1993, the Securities and Exchange Rules 1987, the Listing Rules of Dhaka and Chittagong Stock Exchanges.

In several cases, the laws, circulars, guidelines or directives of Bangladesh Bank differ from those of financial reporting standards as promulgated by International Accounting Standards Body (IASB) and as adopted by national standard setter, i.e., Institute of Chartered Accountants of Bangladesh (ICAB), the requirements of Bangladesh Bank prevails and these financial statements have been prepared by departing from those requirements of BFRS with a view to comply with the regulatory requirements .

The requirements of accounting standards as per BFRS that have been departed to comply with Bangladesh Bank requirements have been disclosed in detail in **Note - 2.5**.

However, this departure with BFRS has been made by following all of the relevant provisions of BAS – 1 and the details disclosures are given in **Note - 2.5** by following the provision of Para 20 of BAS – 1 (Presentation of Financial Statements).

2.2 Presentation of financial statements

The presentation of the financial statements has been made as per the requirements of DFIM Circular No: 11, dated 23 December 2009 issued by the Department of Financial Institutions and Markets of Bangladesh Bank. The activities and accounting heads mentioned in the prescribed form, which are not applicable for the financial institutions, have been excluded in preparing the financial statements.

[1]The term "BFRS" refers to all standards and interpretations adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) in compliance with those promulgated and adopted by International Accounting Standards Board (IASB). Therefore, BFRS includes all BAS and BFRS along with all of the relevant interpretations adopted by ICAB.

2.3 Basis of measurement and consolidation

These financial statements have been prepared on the historical cost convention other than the finance lease asset and finance lease obligations which were measured at present value of the minimum lease payments. No adjustment has been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous year.

The accounts of all the subsidiaries of the Company have been fully consolidated as the Company directly controls more than 50% of the voting shares of these entities.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.4 Non-Controlling Interest

Non-Controlling Interest are measured at their proportionate share of the acquires identifiable net assets at the date of acquisition as per Para 19 of BFRS – 3 "Business Combinations'.

The company presents the non-controlling interests in the consolidated balance sheet within equity, separately from the equity of the owners of parent as per Para 22 of BFRS – 10 "Consolidated Financial Statements".

Changes in Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction as per Para 23 of BFRS – 10 "Consolidated Financial Statements".

The company attributes the profit and loss to the owners of the parent and to the non-controlling interests even if the results in the non-controlling interest having a deficit balance as per provision of Para B94 of BFRS – 10 "Consolidated Financial Statements".

When the proportion of the equity held by the non-controlling interests changes, the company adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary and recognized directly in equity for any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent by as per provision of Para B96 of BFRS – 10 "Consolidated Financial Statements".

Further details about non-controlling interest are given in **Note – 16 and Note-36.4** of Financial Statements.

2.5 Disclosure of departure from few requirements of BFRS due to mandatory compliance of Bangladesh Bank's requirements

Bangladesh Bank is the ultimate regulatory body for Non-Banking Financial Institutions (NBFI) in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with those of BFRS. As such the company has departed from those contradictory requirements of BFRS in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below along with financial impact where applicable:

Sl.	Nature of Departure	Title of BFRS	Treatment of BFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
1	Measurement of provision for leases, loans and advances (financial assets measured at amortized cost)	BAS 39 "Financial Instruments: Recognition and Measurement"	An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall measure the amount of the loss as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an allowance account.	As per FID circular No. 08 dated 03 August 2002, FID circular No. 03, dated 03 May 2006 and FID circular No. 03, dated 29 April 2013 , a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained irrespective of objective evidence of impairment on lease, loans and advances. Also provision for sub-standard investments, doubtful investments and bad losses has to be provided at 20%, 50% and 100% respectively for investments depending on the duration of overdue.	In separate Financial Statements, provision has been kept for 2016 equivalent to BDT 199.22 million as per Bangladesh Bank guidelines among which BDT 92.86 million is general provision on good loan. Also, as at 31 December 2016, accumulated provision for lease, loan and advances stand at BDT 1,061.55 million. In consolidated accounts, provision has been kept for 2016 equivalent to BDT 199.22 million as per Bangladesh Bank guidelines Also, as at 31 December 2016, accumulated provision for lease, loan and advances stand at BDT 1,061.55 million.
2	Valuation of Investments in quoted and unquoted shares	BAS 39 "Financial Instruments: Recognition and Measurement"	Investment in shares falls either under "at fair value through statement of comprehensive income" or under "available for sale" where any change in the fair value (as measured as per BFRS 13 "Fair Value") at the year-end is taken to statement of comprehensive income or revaluation reserve respectively.	As per FID circular No. 08 dated 03 August 2002 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; however in case of any unrealized gain, no such gain can be recognized and investments are recognized at cost only.	During this year there is no impact in the financial statements due to this departure as total market value of all shares of the group are less than the cost price.
3	Recognition of interest income for SMA and classified lease, loans and advances	BAS 39 "Financial Instruments: Recognition and Measurement"	Income from financial assets measured at amortized cost is recognized through effective interest rate method over the term of the investment. Once an financial asset is impaired, investment income is recognized in profit and loss account on the same basis based on revised carrying amount.	As per FID circular No. 03, dated 03 May 2006 , once an investment on lease, loan and advances is termed as "Special Mention Account (SMA)", interest income from such investments are not allowed to be recognized as income, rather the respective amount needs to be credited as a liability account like: interest suspense account.	At year end, in separate Financial Statements interest suspense account has increased to BDT 349.91 million from 283.80 million resulting increase of BDT 66.11 million of interest suspense. This amount has been shown in other liabilities in note 12.3, rather shown as interest income.
4	Presentation of cash and cash equivalent	BAS 7 "Statement of Cash Flows"	Cash equivalent are short term, highly liquid investments that are readily convertible to known amounts of cash and only include those investments which are for a short tenure like: 3 months or less period. In the light of above, balance with Bangladesh Bank and fixed term deposits should be treated as investment asset rather than cash equivalent as it is illiquid asset and not available for use in day to day operations.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular# 11 dated December 23, 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements provided detail of presentation of statement cash flows.	Presentation of financial statements is not fully aligned with the requirements of BAS. Thus items which should be presented as "investment activities" as per BAS is shown as cash & cash equivalent.
5	Measurement of deferred tax asset	BAS 12 "Income Tax"	A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.	As per DFIM circular No. 7 dated 31 July 2011, no deferred tax asset can be recognized for any deductible temporary difference against lease, loans and advances.	During this year there is no impact in the financial statements due to this departure as the Company has no taxable income in near future.

Sl.	Nature of Departure	Title of BFRS	Treatment of BFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
6	Presentation and disclosure of Financial Statements and Financial Instruments	BAS 1 "Presentation of Financial Statements" BAS 32 "Financial Instruments : Presentation" BFRS 7 "Financial Instruments Disclosure"	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. BAS 1 requires separate line item for intangible assets on the face of statement of financial position. BAS 32 and BFRS 7 require specific presentation and disclosure relating to all financial instruments.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular# 11 dated December 23, 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of Other Comprehensive Income allowed to include in a Single Comprehensive Income Statement. Intangibles assets are not separately presented on the face of statement of financial position; rather it is presented along with the line item of fixed assets. As per Bangladesh Bank guidelines, financial instruments are categorized, recognized and measured differently from those prescribed in BAS 39. As such some disclosure and presentation requirements of BFRS 7 and BAS 32 have not been made in the accounts.	Presentation of financial statements is not fully aligned with all requirements of BAS.
7	Preparation of "Statement of Cash Flows"	BAS 7 "Statement of Cash Flows"	The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.	As per DFIM Circular-11, Date-23 December 2009, Cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.	Presentation of financial statements is not fully aligned with all requirements of the BAS.
8	Current/ Non-current distinction	BAS-1 "Presentation of Financial Statement"	As per Para 60 of BAS-1 "Presentation of Financial statement" An entity shall present current and non-current assets and current and non-current liabilities as separate classification in its statement of financial position.	As per DFIM Circular-11, Date-23 December 2009, Bangladesh Bank has issued templates for financial statements which is applicable for all the Financial Institutions. In this templates there is no current and non-current segmentation of assets and liabilities	Presentation of financial statements is not fully aligned with all requirements of the BAS. Moreover, the liquidity statement shows the current/non-current portion of assets and liabilities in this regards.
9	Off-balance sheet items	BAS 1 "Presentation of Financial Statements"	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.	As per DFIM Circular-11, Date-23 December 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.	Presentation of financial statements is not aligned with requirements of the BAS 1. There is no financial impact for this departure in the financial statements
10	Impairment of Margin Loan (Loans and receivables	BAS-39 "Financial instruments: Recognition and measurement"	Measurement after initial recognition at amortized cost and recording of changes through profit and loss.	As per Bangladesh Securities and Exchange Commission (BSEC) circular # BSEC/ Mukhpatro (Ditio Khondo)/2011/2205 dated 30 November 2015 provisions for the year 2015 on impairement of principal portion of margin loan may be kept at 20% on each quarter for the five quarters starting from December 2015.	As per the requirement of the BSEC circular 20% of erosion of principal portion of margin loan is kept as provision in the financial statement amounting to BDT 313.53 million.
11	Complete set of fi nancial statements	BAS 1 "Presentation of Financial Statements"	As per BAS 1"Presentation of Financial Statements" complete set of financial statements are i) statement of financial position, ii)statement of profit or loss and other comprehensive income, iii) statement of changes in equity, iv) statement of cash flows, v) notes, comprising significant accounting policies and other explanatory information and vi) statement of financial position at the beginning of preceding period for retrospective restatement.	As per DFIM Circular-11, Date-23 December 2009, complete set of financial statements are i) balance sheet, ii) profit and loss account, iii) statement of cash flows, iv) statement of changes in equity, v) statement of liquidity, vi) notes, comprising significant accounting policies and other explanatory information.	Presentation of financial statements is not aligned with requirements of the BAS 1. There is no financial impact for this departure in the financial statements.
12	Intangible asset	BAS 1 "Presentation of Financial Statements"	As per BAS 1"Presentation of Financial Statements" para 54 the statement of financial position shall include separate line item for intangible assets.	As per DFIM Circular-11, Date-23 December 2009, there is no option for separate line item for intangible asset in the balance sheet. We present intangible asset in the balance sheet as part of fixed assets and provide details in annexure- A as separate line item.	Presentation of financial statements is not aligned with requirements of the BAS 1. There is no financial impact for this departure in the financial statements.

2.6 Components of the financial statements

The financial statements comprise of (As per DFIM Circular-11, Dated 23 December 2009):

a) Consolidated and Separate Balance Sheet as at 31 December 2016;

b) Consolidated and Separate Profit and Loss Account for the year ended 31 December 2016;

c) Consolidated and Separate Statement of Cash Flows for the year ended 31 December 2016;

d) Consolidated and Separate Statement of Changes in Equity for the year ended 31 December 2016;

e) Consolidated and Separate Liquidity Statement for the year ended 31 December 2016;

f) Notes to the Consolidated and Separate Financial Statements for the year ended 31 December 2016.

2.7 Presentation and functional currency and level of precision

The financial statements are presented in Bangladesh Taka (BDT) currency, which is the Company's functional currency. All financial information presented in BDT has been rounded off to the nearest BDT.

2.8 Use of estimates and judgments

The preparation of financial statements in conformity with Bangladesh Financial Reporting Standards (BFRS) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. It also requires disclosures of contingent assets and liabilities at the date of the financial statements. Provisions and accrued expenses are recognized in the financial statement in line with the Bangladesh Accounting Standard (BAS) 37 "Provisions, Contingent Liabilities and Contingent Assets" when

- the Company has a legal or constructive obligation as a result of past event.
- it is probable that an outflow of economic benefit will be required to settle the obligation.
- a reliable estimate can be made of the amount of the obligation.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas are where management requiring the use of estimate and judgment

- Useful life of depreciable assets (see policy note-2.21.3).
- Provision for leases, loans, advances and investments for future impairment (see policy note-2.26).
- Provision for Gratuity scheme (see policy note-2.36.2).

However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognized in the period in which the estimates are revised.

Changes in accounting estimates

During 2016, the Company has not adopted any change of accounting estimates and consistency applies same accounting estimates of the year of 2015.

2.9 Contingent asset and contingent liability

The Company does not recognize any Contingent Asset and Contingent Liability; but discloses the existence of contingent liability in the financial statements. A contingent liability is a probable obligation that arises from the past events and whose existence will be confirmed by the occurrence of uncertain future events beyond the control of the Company or a present obligation that is not recognized because of outflow of resources is not likely or obligation cannot be measured reliably.

2.10 Going concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the accounts. The current credit facilities and resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.11 Materiality and aggregation

Each material item as considered by management significant has been presented separately in financial statements. No amount has been set off unless the Company has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

2.12 Directors' responsibility statement

The Board of Directors takes the responsibility for the preparation and presentation of these consolidated and separate financial statements.

2.13 Statement of cash flows

Statement of cash flows has been prepared in accordance with the template provide with DFIM circular no.-11, Date-23 December 2009 which is a mixture of Direct and Indirect method of BAS 7 "Statement of Cash Flows".

2.14 Branch accounting

The Company has 18 branches and a SME Booth, with no overseas branch as on 31 December 2016. Accounts of the branches are maintained at the Branch level, and consolidated through the Accounting software automatically in head office from which these accounts are drawn up.

2.15 Cash and cash equivalent

Cash and cash equivalents comprise cash in hand, current account with Bangladesh Bank, interest bearing and non-interest bearing bank deposit, fixed deposits and investments in call loan that are readily convertible to a known amount of cash, and that are not subject to significant risk of change in value. Cash and cash equivalents are used and maintained for day to day operation of the company and for CRR and SLR requirements of Bangladesh Bank.

2.16 Investments

Investments comprise of equity and Government Securities. All investments are initially recognized at cost, being fair value of the consideration given, including cost of acquisition associated with the investment. The valuation methods of investments used are:

Held to maturity (HTM)

Investments in Government Treasury Bills and Government Treasury Bonds classified as "Held to Maturity" are non-derivatives financial assets with fixed or determinable payments and fixed maturities that the management has the intention and ability to held to maturity (HTM).

Held for trading (HFT)

Investments classified in this category are acquired principally for the purpose of selling or repurchasing - in short trading or if designated as such by the management. After initial recognition, investments are measured at fair value and any impairment in the fair value is recognized in the statement of comprehensive income for the period in which it arises. However, as referred in **Note – 2.5**, no gain is recognized in statement of profit and loss account as per BB guidelines.

Investment in shares are classified broadly in two categories and accounted for as under:

Investments in marketable shares

Investments in listed securities are carried at cost. Adequate provision has been made considering each individual investment (where market price is less than cost) as guided by Bangladesh Bank. Unrealized gains are not recognized in the profit and loss account.

Investments in non-marketable shares

Investments in unlisted securities are reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

Investments in subsidiaries

Investments in subsidiaries are accounted for under the cost method of accounting in the Company's separate financial statements in accordance with BAS-27. Accordingly, investments in subsidiaries are stated in the Company's statement of financial position at cost, less impairment losses (if any).

2.17 Accounting for leases

The company, through implementation of BAS 17 "Leases", has been following the finance lease method for accounting of lease incomes. The aggregate lease receivables including un-guaranteed residual value are recorded as gross lease receivables while the excess of gross lease receivables over the total acquisition cost and interest during the acquisition period of lease assets constitutes the unearned lease income. Initial direct costs (if any) in respect of lease are charged in the period in which such costs are incurred.

The unearned lease income is usually amortized to revenue on a monthly basis over the lease term yielding a constant rate of return over the period. Unrealized income is suspended, in compliance with the requirements of circular issued by the DFIM of Bangladesh Bank.

2.18 Accounting for term finance

Books of account of term finance operation are maintained based on the accrual method of accounting. Outstanding loans, along with the accrued interest thereon, for short-term finance, and unrealized principal for long-term finance are accounted for as term finance assets of the company. Interest earnings are recognized as accrual basis.

2.19 Accounting for margin loan

Margin Loan to Portfolio investors is given at an agreed ratio between investors deposit and loan amount to purchase securities against respective investor account. The investors are to maintain the margin as per set rules and regulations. The margin is monitored on daily basis as it is changes due to changes in market price of share. If the margin falls below the minimum requirement, the investors are required to deposit additional fund to maintain the margin as per rules otherwise the securities are sold to bring the margin to the required level.

Interest on Margin loan is charged on client's portfolio value on daily basis at the applicable rate. Whenever the probability arises that the benefit will flow to the Company this is recognized to income as per para 29 of BAS 18 'Revenue'.

2.20 Financial liabilities

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of financial liability. After initial recognition, all financial liabilities are measured at amortized cost using the effective interest method. The amortized cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus principal repayments, plus the cumulative amortization using the effective interest. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument.

2.21 Recognition of fixed assets

2.21.1 Assets acquired under own finance

These are recognized initially at cost and subsequently at cost less accumulated depreciation in compliance with the BAS 16, "Property Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any direct cost attributable to bringing the assets to its working condition for its intended use. Expenditure incurred after the assets have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the assets, the expenditure is capitalized as an additional cost of the assets. Software and all up-gradation or enhancements are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

The company purchased land at Tejgaon Industrial area measuring 20 (twenty) katha in 2015 for the purpose of construction of a high raise building (LankaBangla Tower) for its Head Office. For purchasing the said land the company borrowed a fund of Tk. 643,801,400. Recently the govt. has declared Tejgaon zone as commercial area instead of industrial area. In this regard a bill related to commercialization of the said zone has already been passed in the National Parliament and Gazette Notification thereof is in process. Legal, technical and administrative procedures from the part of LankaBangla Finance Limited are yet to be completed to make the Land ready for its intended use, i.e. construction of the Building and as such the borrowing cost related to the purchase of the said land has been capitalized as per para 19 of BAS- 23: Borrowing Cost.

2.21.2 Assets acquired under finance lease

Assets acquired under finance lease are accounted for by recording the assets at the lower of present value of minimum lease payments under the lease agreement and the fair value of the asset. The related obligation under the lease is accounted for as liability. Financial changes are allocated to accounting period in a manner so as to provide a constant rate of charge on the outstanding liability. Depreciation on fixed assets acquired under lease has been charged in the accounts following the principal recovery method.

2.21.3 Depreciation on fixed assets

Depreciation will be charge from the day of acquisition of assets and depreciation will be charged on daily basis. However, the depreciation method on fixed assets is charged using straight-line method at the following rates:

Property and equipment	Rate
Furniture and fixture	20%
Office equipment	20%
Motor vehicle	20%
IT equipment	33.33%
Building	2%
Land	Nil

2.21.4 Depreciation of leased assets

Leased assets in the use and possession of the Company are depreciated in the books of the Company over the lease terms. The principal portions of lease installment paid or due are charged as depreciation in the period to which it relates.

2.21.5 Subsequent expenditure on property, plant and equipment

Subsequent expenditure is capitalized only when it increases the future economic benefit from the assets and that cost can be measured reliably. All other expenditures are recognized as an expense as and when they are incurred.

2.21.6 Disposal of property and equipment

On disposal of fixed assets, the cost and accumulated depreciation are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the assets and net sale proceeds.

2.21.7 Intangible assets

Intangible assets comprise the value of computer software. Intangible assets acquired separately are measured on initial recognition at cost and are carried at cost less accumulated amortization and accumulated impairment losses if any.

Intangible assets include accounting software, credit card software, other software and integrated systems along with related hardware.

Amortization

Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management best estimates of four (4) years.

Subsequent expenditure

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits in the specifications to which it relates. All other expenditure is expensed as incurred.

2.22 Other assets

Any assets which do not appear as separate line item in the face of the balance sheet of the company are categorised as other assets as per DFIM circular No # 11 dated 23 December 2009 issued by Department of Financial Institutions and Market of Bangladesh Bank.

Other assets include advance office rent, payment of advance income tax for which assessment of tax has not been closed yet and all other financial assets, fees and other unrealized income receivable, advance for operation and investment in subsidiaries etc. However, investment in subsidiaries is eliminated at time of consolidation in accordance with BFRS -10 'Consolidated Financial Statements'.

2.23 Borrowings from Bangladesh Bank and other banks and financial institutions

Borrowed funds include call money deposits, borrowings, re-finance borrowings and other term borrowings from banks and financial institutions. These are stated in the statement of financial position at amounts payable. Interest paid or payable on these borrowings is charged to the statement of comprehensive income.

2.24 Term deposits and other deposits accounts

2.24.1 Term Deposits

Term Deposits by customers and banks/NBFI are recognized when the Company enters into contractual provisions of the arrangements with the counterparties, which is generally on trade date, and initially measured at the consideration received.

2.24.1 Other deposits

Other deposits include advance rentals/installments received from assets clients against leases, loans and advances which will be adjusted at the end of termination/settlement of leases, loans and advances in accordance with terms and conditions mentioned in the sanction letter.

2.25 Provision for liabilities

A provision is recognized in the statement of comprehensive income when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with the BAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

2.26 Provision for leases, loans and advances

Generally, provision against classified loans and advances is made on the basis of quarter end review by the management and instruction contained in Bangladesh Bank FID Circular No. 08, dated 03 August 2002, FID Circular No. 11, dated 31 October 2005, and FID Circular No. 06, dated 20 August 2006. However, at the discretion of management, provision against classified loans and advances may be made on monthly basis. The provisions rates are given below

Particulars	Rates
General Provision on:	
Unclassified of leases, loans and advances except SME	1%
Unclassified of Small and Medium Enterprise(SME)	0.25%
Special Mention Account of leases, loans and advances	5%
Specific Provision On:	
Sub-standard of leases, loans and advances	20%
Doubtful of leases, loans and advances	50%
Bad/loss of leases, loans and advances	100%

See details in **Annexure-C**

2.27 Interest suspense account

In compliance with Bangladesh Bank FID Circular No. 08, dated 03 August 2002, FID Circular No. 11, dated 31 October 2005, and FID Circular No. 06, dated 20 August 2006, interests on leases, loans and advances overdue beyond three months period (in case of loan duration is within 5 years) and overdue beyond six months period (in case of loan duration is more than 5 years) are not recognized as revenue and credited to interest suspense account.

Interests on mortgage finance overdue beyond nine months are not recognized as revenue and credited to interest suspense account.

See details in **Annexure-C**

2.28 Borrowing cost

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of fund.

The Company capitalized borrowing costs that is directly attributable to the acquisition, construction or production of qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense as per BAS 23 'Borrowing Costs'.

2.29 Consistency

In accordance with the BFRS framework for the presentation of financial statements together with BAS 1 and BAS 8, LankaBangla Finance applies the accounting disclosure principles consistently from one period to the next. In case of selecting and applying new accounting policies, changes in accounting policies applied and correction of errors, the amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS-8.

2.30 Liquidity statement

The Liquidity Statement has been prepared in accordance with remaining maturity grouping of assets and liabilities as of the close of the period as per following bases:

a) Balance with other banks and financial institutions, money at call and short notice etc. are on the basis of their term.

b) Investments are on the basis of their residual maturity term.

c) Loans and advances are on the basis of their repayment or maturity schedule.

d) Fixed assets are on the basis of their useful lives.

e) Other assets are on the basis of their adjustment.

f) Borrowings from other banks and financial institutions as per their maturity or repayment term.

g) Deposits and other accounts are on the basis of their maturity period and behavioral past trend

h) Other long term liability on the basis of their maturity term.

i) Provisions and other liabilities are on the basis of their settlement.

2.31 Books of account

The Company maintains its books of account for main business in Electronic Form through soft automation.

2.32 Foreign currency transaction

Foreign currency transactions are translated into Bangladeshi Taka at exchange rates prevailing at the respective dates of transactions, while foreign currency monetary assets at the end of the period or year are reported at the rates prevailing on the Balance Sheet date. Exchange gains or losses arising out of the said conversions are recognized as income or expense for the period or year are charged in the profit and loss account after netting off.

2.33 Revenue recognition

As per BAS 18, "Revenue" is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be measured reliably.

2.33.1 Income from lease finance

The Company follows the finance lease method for accounting of lease incomes in compliance with BAS 17. Interests are recognized as and when interest or incomes are accrued. Lease interests outstanding over 3 months are not recognized as revenue, and used to keep under interest suspense account.

Fee based income charges from lease operations are accounted for on cash basis.

2.33.2 Interest income from term finance

Interest income is recognized when interest is accrued. No interest on loan (except mortgage loan) is accounted for as revenue where any portion of capital or interest is in arrears for more than 3 months for the loan tenure of which is within 5 years or in arrears for more than 6 months for the loan tenure of which is more than 5 years. In case of mortgage loan, no interest on loan is accounted for as revenue where any portion of capital or interest is in arrears for more than 9 months. Moreover, the amounts that were previously recognized as revenue in respect of such outstanding loans are also transferred from lease income to interest suspense account.

Fees based income and delinquent charges from loan operations are accounted when they arise.

2.33.3 Interest income from credit cards

Interest on credit card is accrued and taken to accounts up to 03 (three) months. Interest accrued on credit card for more than three months is accounted as Interest-in-Suspense and is not added to revenues. Thereafter, interest is recognized on cash basis reversing the suspense account. Fee based income from credit card operations are accounted for on accrual basis

2.33.4 Interest income from fixed deposit receipts

Interest on fixed deposit receipts is recognized on accrual basis.

2.33.5 Investment income

Interest income from investments in commercial paper is recognized on accrual basis as per para 30 (a) of BAS 18 'Revenue'.

Capital gain/ (loss) on investments in shares is recognized when it is realized.

Dividend income on shares is recognized during the year in which it is established the right to receive the payment as per para 30 (c) of BAS 18 'Revenue'.

2.33.6 Portfolio management fee

Portfolio management fee are recognized on the market value of the client's portfolio on daily basis at the applicable rate.

2.33.7 Issue Management and Corporate Advisory Fee

Issue management fee and corporate advisory fees are recognized according to the stage of completion of services as agreed and defined in Issue Management and Corporate Advisory agreement between company and clients.

2.33.8 Fees and commission based income

Fees and commission based income arising on services provided by the company are recognized on a cash basis. Commission charged to customers on is credited to income at the time of effecting the transactions.

2.33.9 Other income

Fee based incomes other than above are recognized as income at the stage of completion of transaction when the amount of revenue can be measured reliably and economic benefits associated with the transaction flows to the company.

2.34 Write off

Write-off describes a reduction in recognized value. It refers to recognition of the reduced or zero value of an asset. Generally it refers to an investment for which a return on the investment is now impossible or unlikely. The item's potential return is thus cancelled and removed from ("written off") the business's balance sheet.

Recovery against debts written off or provided for is credited to revenue. Income is recognized where amounts are either recovered and/or adjusted against securities, properties or advances.

2.35 Operating expenses

Major component of operating expenses other than salary and allowances are office rent, printing and stationery, postage and stamp, telecommunication, legal and professional fees and other miscellaneous expenses. All expenses are recognized on accrual basis of accounting.

2.35.1 Salary and allowances

Salary and allowances comprise basic salary, house rent, medical allowance, conveyance allowance, festival bonus, leave fare assistance etc. All expenses related to salary and allowances are recognized on accrual basis of accounting.

2.36 Employees benefit plans

LankaBangla Finance Limited offers a number of benefit plans which includes contributory provident fund, gratuity plan, Profit participation scheme and Group Life Insurance Scheme and Health Insurance. The retirement benefits accrued for the employees of the Company as on reporting date have been accounted for in accordance with the provisions of Bangladesh Accounting Standard-19, "Employee Benefit". Bases of enumerating the retirement benefit schemes operated are outlined below:

2.36.1 Provident fund

The Company maintains a contributory employees Provident Fund recognized by National Board of Revenue within the meaning of section 2(52), read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984 for its permanent employees. The Fund is administered by a Board of Trustees and is funded equally by the employer and the employees @ 10% of their basic salary as contribution of the fund. Provident Funds are invested in Fixed Deposit with other financial institutions and to the Government Treasury Bills and Bonds. Interest earned from the investments is credited to the members' account on yearly basis.

2.35.2 Gratuity fund

The Company operates an unfunded gratuity scheme. Employees are entitled to gratuity benefit at the following rates:

Year of Services	% of entitlement
3 years and above but less than 4 years	50% of Last Basic Salary
4 years and above but less than 5 years	100% of Last Basic Salary
5 years and above	150% of Last Basic Salary

The actuarial valuation has not yet been made to assess the adequacy of the liabilities provided for the scheme.

2.36.3 Profit participation scheme

Every confirmed employee will be entitled to participate in the profit participation scheme (on a pro-rata basis in case of new joiners) based on the performance.

2.36.4 Group life insurance scheme and health insurance

The Company has a group life insurance scheme for all of its permanent employees. It has also a health insurance scheme for all of its permanent employees including their spouse and children.

2.36.5 Employees home loan scheme

The Company also has real estate loan for its permanent employees at 7% simple interest rate. Employees are entitled for real estate loan after satisfying of minimum loan eligible criteria.

2.37 Corporate tax

a. Current tax

Provision for current income tax has been made as prescribed in Finance Act 2016 on the profit made by the Company considering major taxable allowances and disallowances and the same is understated or overstated to that extent. Any shortfall or excess provision will be duly adjusted after final assessment.

b. Deferred tax

Deferred tax liabilities are the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amount of income taxes recoverable in future periods in respect of deductible temporary differences. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences arising between the carrying values of assets, liabilities, income and expenditure and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted at the statement of financial position date. The impact on the accounts of changes in the deferred tax assets and liabilities has also been recognized in the profit and loss account as per BAS-12 "Income Taxes".

2.38 Legal proceedings

The Company is not currently a defendant or a plaintiff in any material lawsuits or arbitration. From time to time, however, the Company is involved as a plaintiff in some actions taken against the default clients in the ordinary course of business for non-payment of rentals/installments. We believe that the ultimate dispositions of those matters will be favorable and will have no material adverse effect on business, financial conditions or results of operations.

2.39 Earnings per Share (EPS)

The company calculates EPS in accordance with the requirement of BAS – 33: "Earnings Per Share", which has been shown on the face of the Statement of Comprehensive Income and the computation is shown in **Note - 34**.

Basic earnings

This represents earnings for the period ended on 31 December 2016 attributable to the ordinary shareholders.

Weighted average number of ordinary shares outstanding during the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares issued (as bonus share) during the year multiplied by a time weighting factor. The time-weighting factor is the numbers of days the specific shares are outstanding as a proportionate of the number of days in the year.

Basic earnings per share

This has been calculated by dividing the basic earning by the weighted average number of ordinary shares outstanding for the year.

Diluted earnings per share

Diluted EPS is calculated if there is any commitment for issuance of equity shares in foreseeable future, i.e., potential shares, without inflow of resources to the Company against such issue. This is in compliance with the requirement of BAS – 33" Earnings Per Share".

2.40 Credit rating

Credit Rating Agency of Bangladesh Ltd. (CRAB) has rated the Company on 31 July 2016 with "AA3" (Pronounced as AA Three) in the long term and ST-2 for the Short Term based on audited financial of FY2015 and other available information up to the date of rating declaration. The outlook on the rating is Stable.

The rating reflects the strengths of the Company which is backed by a strong team of management, growth in the non-interest income, deposits and investments, adequate capital coverage with high Tier-1 capital, improved asset quality and well controlled liquidity position.

2.41 Impairment of assets

The company has assessed at the end of each reporting period or more frequently if events or changes in circumstances indicate that the carrying value of an asset may be impaired, whether there is any indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the assets recoverable amount. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount by debiting to statement of comprehensive account. Fixed assets are reviewed for impairment whenever events or charges in circumstances indicate that the carrying amount of an asset may be impaired. This is in compliance with the requirement of BAS – 36 "Impairment of Assets".

2.42 Statutory reserve

The Financial Institutions Act 1993 requires the Company to transfer 20% of its current year's profit after tax to reserve until such reserve equals to its paid up capital.

2.43 Events after the Reporting Period

Where necessary, all the material events after the reporting period have been considered and appropriate adjustments / disclosures have been made in the financial statements.

The proposed dividend for the year 2016 has not been recognized as a liability in the balance sheet in accordance with the BAS -10: Events After the Reporting Period. Dividend payable to the Company'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.

2.44 Corporate governance

The company recognizes the importance of high standards of corporate governance and corporate social responsibility. Through regular Board Meeting and documented procedures of independence, the company endeavors to meet the standards expected.

The company has taken note of the recently prescribed measures by the Bangladesh Securities and Exchange Commission in this regard and intends to introduce the concept of independent Director at the earliest possible opportunity. An Audit Committee is already in place. The Company also prohibits provision of non-audit services by the external auditors. The Audit committee keeps under review the independence and objectivity of the external auditors.

The Board is also committed to effective communication between the company and its subsidiaries, investors, regulators and third party interests.

2.45 BASEL II and its implementation

To cope with the international best practices and to make the capital more risks sensitive as well as more shock resilient, guidelines on 'Basel Accord for Financial Institutions (BAFI)' have been introduced from January 01, 2011 on test basis by the Bangladesh Bank. At the end of test run period, Basel Accord regime will be started and the guidelines on BAFI will have come fully into force from January 01, 2012 with its subsequent supplements/revisions. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital, and Disclosure requirement as stated in these guidelines have to be followed by all financial institutions for the purpose of statutory compliance.

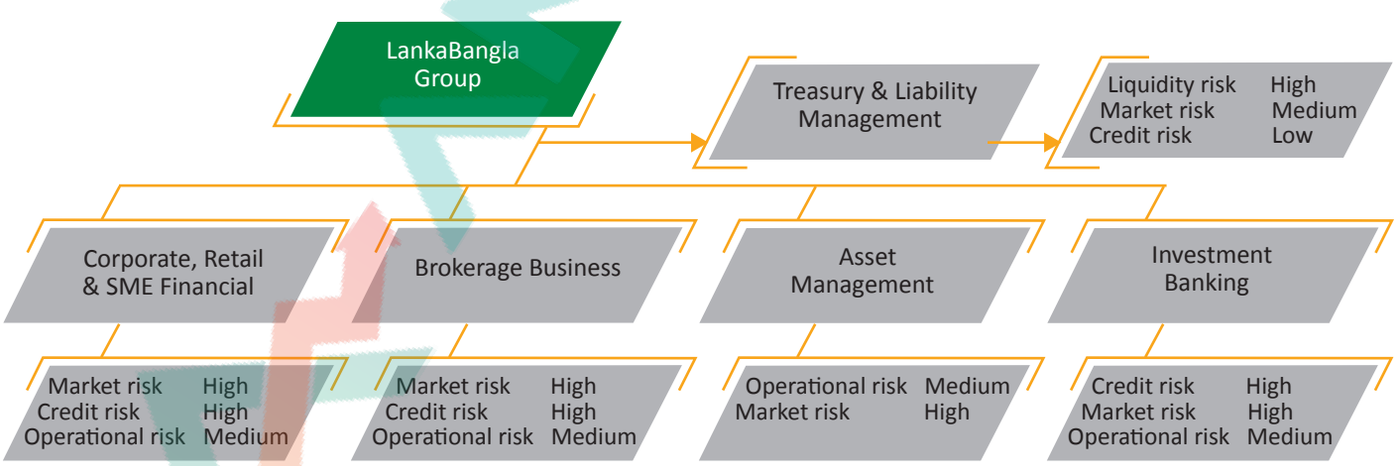
In line with Bangladesh Bank requirement, the Company has already formed BASEL Implementation Unit (BIU) to ensure timely implementation of BASEL II accord.

2.46 Financial risk management

The Group has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

The chart below provides a link between the Group's business units and the principal risks that they are exposed to. The significance of risk is assessed within the context of the Group as a whole and is measured based on allocation of the regulatory capital within the Group.



The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Asset Liability Management committee (ALCO) and Risk Management Forum by following the relevant directives and guidelines of Bangladesh Bank, which are responsible for developing and monitoring Group risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards andprocedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

A. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

The Board of Directors has delegated responsibility for the oversight of credit risk to its Group Credit Committee. A separate Group Credit Risk Management department, reporting to the Managing Director and Executive Committee, is responsible for management of the Group's credit risk, including:

Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Group Credit, Head of Group Credit, Group Credit Committee or the Board of Directors as appropriate.

Credit Risk Management assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).

Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee.

Regular audits of business units and Group Credit processes are undertaken by Internal Audit.

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status.

B. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's Board of Directors sets the Group's strategy for managing liquidity risk and delegates the responsibility for the oversight of the implementation of this policy to ALCO. ALCO approves the Group's liquidity policies and procedures. Treasury division manages the Group's liquidity position on a day-to day basis and reviews daily reports covering the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The key elements of the Group's liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate), zero coupon bond and different types of bank borrowing ranging from very short nature call loan to short term loan to long term loan and maintaining contingency facilities;
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity;

- Monitoring liquidity ratios, maturity mismatches, behavioral characteristics of the Group's financial assets and liabilities, and the extent to which the Group's assets are encumbered and so not available as potential collateral for obtaining funding;
- Carrying out stress testing of the Group's liquidity position. Treasury division receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

C. Market Risk

Market risk is the risk that changes in market prices, such as interest rates, share prices and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the Group's solvency while optimizing the return on risk.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios.

D. Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, the Group policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility for operational risk to Management Committee which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Management Committee with summaries submitted to the Audit Committee and senior management of the Group.

2.47 Segments

After incorporated the company started with lease and loan as its core financing business. By times, it diversified its business among Asset Management Operations, Merchant banking business and brokerage business. The company has decided it various operating segment considering nature of segmental business. Thus four operating segments of the Group are reported and presented. Profit and loss account of above operations and other operation have been prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), and results of its operation have been combined, item by item, with the financial results of the Company. Information about operating segment has been presented in **Note-35**.

2.48 Comparative figures

Comparative information has been disclosed in respect of the period ended 31 December 2016 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the year 2015 have been restated and rearranged whenever considered necessary to ensure comparability with the current period.

2.49 Date of authorization

The Board of Directors has authorized these financial statements for public issue on 13 February 2017.

2.50 Compliance of Bangladesh Financial Reporting Standards (BFRS)

Sl #	Name of BAS/BFRS	Status
01	**BAS 1:** Presentation of Financial Statements	Partially Complied
02	**BAS 2:** Inventories	Not Applicable
03	**BAS 7:** Statements of Cash Flows	Partially Complied
04	**BAS 8:** Accounting Policies, Changes in Accounting Estimates and Errors	Complied
05	**BAS 10:** Events after the Reporting Period	Complied
06	**BAS 11:** Construction Contracts	Not Applicable
07	**BAS 12:** Income Taxes	Partially Complied
08	**BAS 16:** Property, Plant and Equipments	Complied
09	**BAS 17:** Leases	Complied
10	**BAS 18:** Revenue	Complied
11	**BAS 19:** Employee Benefits	Complied
12	**BAS 20:** Accounting for Govt. Grants and disclosures of Govt. Assistances	Not Applicable
13	**BAS 21:** The Effects of Changes in Foreign Exchange Rates	Complied
14	**BAS 23:** Borrowing Costs	Complied
15	**BAS 24:** Related Party Disclosures	Complied
16	**BAS 26:** Accounting and Reporting by Retirement Benefit Plan	Not Applicable
17	**BAS 27:** Separate Financial Statements	Complied
18	**BAS 28:** Investments in Associates	Not Applicable
19	**BAS 29:** Financial Reporting in Hyperinflationary Economics	Not Applicable
20	**BAS 32:** Financial Instruments: Presentation	Partially Complied
21	**BAS 33:** Earnings Per Share	Complied
22	**BAS 34:** Interim Financial Reporting	Complied
23	**BAS 36:** Impairment of Assets	Complied
24	**BAS 37:** Provisions, Contingent Liabilities and Contingent Assets	Complied
25	**BAS 38:** Intangible Assets	Complied
26	**BAS 39:** Financial Instrument: Recognition and Measurement	Partially Complied
27	**BAS 40:** Investment Property	Not Applicable
28	**BAS 41:** Agriculture	Not Applicable
29	**BFRS 1:** First-time adoption of International financial Reporting Standards	Not Applicable
30	**BFRS 2:** Share-based Payment	Not Applicable
31	**BFRS 3:** Business Combinations	Not Applicable
32	**BFRS 4:** Insurance Contracts	Not Applicable
33	**BFRS 5:** Non-current Assets Held for Sale and Discontinued Operations	Not Applicable
34	**BFRS 6:** Exploration for and Evaluation of Mineral Resources	Not Applicable
35	**BFRS 7:** Financial Instruments: Disclosures	Partially Complied
36	**BFRS 8:** Operating Segments	Complied
37	**BFRS 10:** Consolidated Financial Statements	Complied
38	**BFRS 11:** Joint Arrangements	Not Applicable
39	**BFRS 12:** Disclosure of Interests in Other Entities	Complied
40	**BFRS 13:** Fair Value Measurement	Complied
41	**BFRS 14:** Regulatory Deferral Accounts	Not Applicable
41	**BFRS 15:** Revenue from Contracts with Customers	Not Applicable

Partially Complied standards are those requirements of which are different from those of Bangladesh Bank. **Note – 2.5** contains details about such departure from BFRS requirements to comply with Bangladesh Bank.

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
3	**Cash in hand**				
	See accounting policy in note (2.15)				
	Local currency	786,380	334,081	309,720	199,834
	Foreign currency	-	-	-	-
		786,380	**334,081**	**309,720**	**199,834**

Cash in hand represents the amount under impress system of petty cash to meet daily petty cash expenses requirement both for head office and branch offices.

4	**Balance with Bangladesh Bank and its agent banks**				
	See accounting policy in note (2.15)				
	Local currency	699,564,861	515,939,214	699,564,861	515,939,214
	Foreign currency	-	-	-	-
		699,564,861	**515,939,214**	**699,564,861**	**515,939,214**

Balance with Bangladesh Bank has been maintained as Cash Reserve Requirement (CRR) of Bangladesh Bank through non-interest bearing current account.

4.1 Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)

Cash Reserve Requirement and Statutory Liquidity Reserve have been calculated and maintained in accordance with Financial Institution Act, 1993 and Financial Institution Regulations 1994 and FID Circular No. 06 dated 06 November , 2003 and FID Circular No. 02 dated 10 November, 2004.

Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on 'Total Term Deposits' Term or Fixed Deposit, Security Deposit against Lease/Loan and other Term Deposits, received from individuals and institutions (except banks and financial institutions).

Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 2.5% on Total Term Deposit. SLR is maintained in liquid assets in the form of cash in hand (notes and coin in BDT), balance with Bangladesh Bank and other banks and financial institutions, investment at call, unencumbered treasury bill, prize bond, savings certificate and any other assets approved by Bangladesh Bank.

Cash reserve requirement (CRR) 2.50%

The Company requires to maintain cash with Bangladesh Bank current account equivalent to 2.50% of Term Deposits other than deposit taken from banks and financial institutions.

Required reserve	704,477,490	515,792,664	704,477,490	515,792,664
Actual reserve held	708,967,039	518,786,571	708,967,039	518,786,571
Surplus/ (deficit)	**4,489,549**	**2,993,907**	**4,489,549**	**2,993,907**

Statutory liquidity requirements (SLR) 5.00%

The Company requires to maintain SLR equivalent to 5% of total liability including 2.50% of CRR and excluding loans and deposits taken from banks and financial institutions.

Total required reserve	1,481,167,221	1,078,904,834	1,481,167,221	1,078,904,834
Actual reserve held	1,505,869,487	1,089,958,034	1,505,869,487	1,089,958,034
Total surplus/ (deficit)	**24,702,267**	**11,053,200**	**24,702,267**	**11,053,200**

5	**Balance with other banks and financial institutions**				
	See accounting policy in note (2.15)				
	Inside of Bangladesh				
	Local Currency				
	Non interest bearing current account (Note - 5.1)	28,945,635	14,353,725	28,945,635	14,353,725
	Interest bearing short term deposit account (Note - 5.2)	2,127,724,715	731,467,213	54,794,691	93,190,599
	Fixed deposit account (Note - 5.3)	2,186,444,399	681,445,595	2,146,152,952	617,805,926
		4,343,114,749	**1,427,266,533**	**2,229,893,278**	**725,350,251**

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
	Foreign Currency				
	Dhaka Bank Ltd.-USD A/C (Exchange Rate Tk. 78.4100)	85,814	85,596	85,814	85,596
	Dhaka Bank Ltd.-POUND A/C (Exchange Rate Tk. 95.9895)	25,804	30,761	25,804	30,761
	Dhaka Bank Ltd.-EURO A/C (Exchange Rate Tk.86.0863)	6,220	6,408	6,220	6,408
		117,839	**122,765**	**117,839**	**122,765**
		4,343,232,588	**1,427,389,298**	**2,230,011,116**	**725,473,016**
	Outside of Bangladesh	**-**	**-**	**-**	**-**
		4,343,232,588	**1,427,389,298**	**2,230,011,116**	**725,473,016**
5.1	**Non interest bearing current account**				
	Al Arafah Islamai Bank Limited	-	34,146	-	34,146
	Bank Al-Falah Limited	-	18,707	-	18,707
	Bank Asia Limited	655	-	655	-
	BRAC Bank Limited	263,972	252,572	263,972	252,572
	Dhaka Bank Limited	6605	34,862	6,605	34,862
	Dutch Bangla Bank Limited	2,060	-	2,060	-
	Eastern Bank Limited	120,281	79,240	120,281	79,240
	First Security Islami Bank Limited	-	3,504	-	3,504
	Hongkong and Shanghai Banking Corporation (HSBC)	-	297,960	-	297,960
	Jamuna Bank Limited	295	870	295	870
	Mercantile Bank Limited	10,963,087	3,210,137	10,963,087	3,210,137
	Mutual Trust Bank Limited	1,800	-	1,800	-
	National Bank Limited	-	16,442	-	16,442
	ONE Bank Limited	3,451,773	1,923,227	3,451,773	1,923,227
	Prime Bank Limited	1,249	153,705	1,249	153,705
	Shahjalal Islami Bank Limited	-	58,148	-	58,148
	Standard Bank Limited	-	16,444	-	16,444
	Standard Chartered Bank	8,594,968	738,573	8,594,968	738,573
	Trust Bank Limited	5,538,889	7,515,189	5,538,889	7,515,189
		28,945,635	**14,353,725**	**28,945,635**	**14,353,725**
5.2	**Interest bearing short term deposit account**				
	AB Bank Limited	452,098	300,103	452,098	300,103
	Bangladesh Development Bank Limited	51,868	157,103	2,405	3,095
	Bangladesh Krishi Bank Limited	-	325	-	325
	Bank Asia Limited	2,480,164	3,677,049	2,480,164	3,677,049
	BRAC Bank Limited	-	26,312	-	2,606,561
	Commercial Bank of Ceylon PLC	37,689,297	453,983	-	-
	Dhaka Bank Limited	16,454,019	3,564,531	3,914,159	-
	Dutch Bangla Bank Limited	1,912,151	14,235,738	1,912,151	14,218,068
	Exim Bank Limited	-	230	-	230
	Hongkong and Shanghai Banking Corporation	-	712,090	-	-
	ICB Islami Bank Limited	-	83,708	-	83,708

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka
IFIC Bank Limited	-	6,736	-	6,736
Jamuna Bank Limited	8,229	24,188	8,229	24,188
Meghna Bank Limited	5,252	9,611	-	-
Mercantile Bank Limited	14,931,397	7,397,612	14,931,397	7,397,612
Midland Bank Limited	1,419	-	-	-
Mutual Trust Bank Limited	678,657	47,486	678,657	47,486
National Bank Limited	-	7,470	-	-
National Credit and Commerce Bank Limited	24,976	3,172,904	-	2,720
NRB Commercial Bank Limited	-	3,930	-	3,930
ONE Bank Limited	1,991,054,418	638,336,731	2,653,354	9,023,742
Prime Bank Limited	239,217	241,269	239,217	241,269
Pubali Bank Limited	-	45,768	-	45,768
Shahjalal Islami Bank Limited	314,510	522,013	-	-
Social Islami Bank Limited	-	5,091	-	5,091
South Bangla Agriculture and Commercial Bank Limited	383,542	345,050	-	7,659
Southeast Bank Limited	-	2,202	-	2,202
Standard Bank Limited	229,094	-	-	-
Standard Chartered Bank Limited	55,727,030	52,348,506	22,515,918	49,834,858
The City Bank Limited	1,107,010	1,384,781	1,026,575	1,303,506
The Premier Bank Limited	3,897,455	4,288,554	3,897,455	4,288,554
United Commercial Bank Limited	82,911	61,420	82,911	61,420
Uttara Bank Limited	-	4,720	-	4,720
	2,127,724,715	**731,467,213**	**54,794,691**	**93,190,599**
5.3 Fixed deposit receipt account				
Commercial Bank of Ceylon PLC	62,969,129	58,946,426	62,969,129	58,946,426
Exim Bank Limited	100,000,000	100,000,000	100,000,000	100,000,000
Jamuna Bank Limited	149,970,000	-	149,970,000	-
Midas Finance Limited	250,000,000	200,000,000	250,000,000	200,000,000
Midland Bank Limited	50,000,000	-	50,000,000	-
Mutual Trust Bank Ltd	-	25,000,000	-	-
One Bank Limited	1,057,089	1,921,157	-	-
Prime Bank Limited	-	108,100,000	-	108,100,000
Shahjalal Islami Bank Limited	200,000,000	-	200,000,000	-
Social Islami Bank Limited	450,000,000	-	450,000,000	-
South Bangla Agriculture and Commerce Bank Limited	299,970,000	-	299,970,000	-
Standard Bank Limited	250,000,000	-	250,000,000	-
Standard Chartered Bank	39,234,358	36,718,512	-	-
The Premier Bank Limited	33,243,823	30,759,500	33,243,823	30,759,500
Union Bank Limited	300,000,000	120,000,000	300,000,000	120,000,000
	2,186,444,399	**681,445,595**	**2,146,152,952**	**617,805,926**

Disclosers in compliance to the FID Circular # 6, dated 06 November 2003 of the Bangladesh Bank consist of the following:

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
5.4	**Maturity grouping of balance with other banks and financial institutions**				
	Up to 1 month	999,063,474	14,476,490	999,063,474	14,476,490
	Over 1 month but not more than 3 months	3,207,724,715	731,467,213	1,130,179,379	93,190,599
	Over 3 months but not more than 6 months	136,444,399	681,445,595	100,768,264	617,805,927
	Over 6 months but not more than 1 year	-	-	-	-
	Over 1 year but not more than 5 years	-	-	-	-
	Over 5 years	-	-	-	-
		4,343,232,588	**1,427,389,298**	**2,230,011,116**	**725,473,016**
6	**Investment**				
	See accounting policy in note (2.16)				
	Government securities	-	-	-	-
	Treasury bills	-	-	-	-
	Treasury Bonds	-	-	-	-
	Other investments	**5,036,650,257**	**4,372,854,794**	**2,130,061,460**	**1,836,284,248**
	Non marketable ordinary shares (Note - 6.1)	145,175,450	165,559,935	73,569,450	78,569,450
	Marketable ordinary shares (Note - 6.2)	4,191,474,807	3,627,294,860	1,356,492,010	1,177,714,798
	Investment in Commercial Paper	700,000,000	580,000,000	700,000,000	580,000,000
		5,036,650,257	**4,372,854,794**	**2,130,061,460**	**1,836,284,248**
	Investment is Designated as follows:				
	Held for Trading	1,380,621,153	1,436,806,049	191,252,901	336,619,565
	Held to Maturity	3,656,029,105	2,936,048,745	1,938,808,558	1,499,664,683
		5,036,650,257	**4,372,854,794**	**2,130,061,460**	**1,836,284,248**
6.1	**Non marketable ordinary shares**				
	BD Venture Limited	20,000,000	20,000,000	20,000,000	20,000,000
	CAPM Unit Fund	2,000,000	2,000,000	2,000,000	2,000,000
	Central Depositary (Bangladesh) Limited	1,569,450	1,569,450	1,569,450	1,569,450
	Chittagong Stock Exchange Limited*	5,000,000	5,000,000	-	-
	Dhaka Stock Exchange Limited*	11,606,000	11,606,000	-	-
	Financial Excellence Limited	3,000,000	3,000,000	-	-
	Information Technology Company Limited (ITCL)**	-	72,384,485	-	5,000,000
	LankaBangla 1st Balanced Unit Fund	102,000,000	50,000,000	50,000,000	50,000,000
		145,175,450	**165,559,935**	**73,569,450**	**78,569,450**

*LankaBangla Securities Limited has received the following shares from DSE and CSE against the membership under demutualization scheme of the stock exchanges

Stock Exchange	Type of Shares	Number of Shares	Face Value	Face Value amount
Dhaka Stock Exchange	Floated (40%)	2,886,042	10	28,860,420
	Blocked (60%)	4,329,064	10	43,290,640
		7,215,106		**72,151,060**

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
Chittagong Stock Exchange	Floated (40%)	1,714,932	10	17,149,320	
	Blocked (60%)	2,572,398	10	25,723,980	
		4,287,330		**42,873,300**	

Valuation of membership has been shown at cost in the accounts.

**Information Technology Company Limited (ITCL) is converted to marketable ordinary share as on 10 January 2016.

6.2 Marketable ordinary shares

Bank	809,129,774	760,665,448	550,133,484	529,723,137
Cement	58,583,784	191,896,774	-	-
Ceramics	8,380,136	-	-	-
Ceramics	-	9,034,092	7,276,255	7,276,255
Engineering	142,611,712	129,400,990	21,044,022	20,929,882
Food and Allied	31,112,147	21,941,045	21,941,045	21,941,045
Fuel and Power	416,670,388	219,504,362	9,875,272	-
Insurance	483,243,887	332,745,630	121,793,929	-
IT Sector	65,185,399	24,620,272	6,586,026	24,620,272
Miscellaneous	211,633	-	-	-
Mutual Funds	181,378,635	225,148,476	85,756,500	63,118,703
Non-Bank Financial Institutions	727,197,726	665,508,687	165,290,369	165,290,369
Pharmaceuticals and Chemicals	646,109,542	512,071,758	212,026,585	212,416,332
Tannery Industries	139,181,617	69,761,029	22,369,720	-
Telecommunication	30,206,785	12,724,657	-	-
Textile	452,271,641	452,271,641	132,398,803	132,398,803
	4,191,474,807	**3,627,294,860**	**1,356,492,010**	**1,177,714,798**

All investments in marketable ordinary shares are valued at average cost price as on reporting date and adequate provision has been made as per Bangladesh Bank Guidline.*

Investments in nonmarketable ordinary shares are valued at cost due to fair value cannot be measured reliably.

*As at 31 December 2016 there was Tk. 54,357,889 (Gross unrealized gain was Tk. 92,548,534.75 and gross unrealised loss was Tk.38,190,645.75) net unrealized gain on investment in marketable ordinary shares which is not charged in profit and loss account in compliance with the DFIM circular No. 11 dated; 19 September, 2011 and DFIM Circular No.02 , dated; January 31, 2012 issued by Bangladesh Bank.

6.3 Strategic classification of investment in shares

Non-strategic investment in shares	1,380,621,153	1,436,806,049	191,252,901	336,619,565
Strategic investment in shares	2,810,853,655	2,190,488,811	1,165,239,108	841,095,233
	4,191,474,807	**3,627,294,860**	**1,356,492,010**	**1,177,714,798**

6.4 Maturity wise grouping of investments

Up to 01 Month	842,733,314	102,685,414	624,246,899	16,862,725
More than 01 Month to 03 Months	320,704,343	278,437,742	28,482,661	71,571,044
More than 03 Month to 01 Years	756,666,269	679,754,475	360,317,271	687,818,290
More than 01 Year to 05 Years	1,269,588,241	1,102,265,344	311,773,608	301,035,704
More than 05 Years	1,846,958,090	2,209,711,819	805,241,021	758,996,485
	5,036,650,257	**4,372,854,794**	**2,130,061,460**	**1,836,284,248**

			LankaBangla Group		LankaBangla Finance Limited	
			31.12.2016	31.12.2015	31.12.2016	31.12.2015
			Taka	Taka	Taka	Taka
7	**Leases, loans and advances**					
	Loans , cash credit and overdraft etc.	(Note - 7.1)	51,244,299,783	41,819,015,931	46,749,199,258	36,018,816,850
	Bills discounted and purchased		-	-	-	-
			51,244,299,783	**41,819,015,931**	**46,749,199,258**	**36,018,816,850**
7.1	**Loans , cash credit and overdraft etc.**					
	See accounting policy in note (2.17),(2.18) and (2.19)					
	Corporate finance					
	Factoring debtors		1,153,867,627	720,967,177	1,153,867,627	720,967,177
	Lease finance		2,797,564,588	2,199,768,799	2,797,564,588	2,199,768,799
	Real estate developers Finance		-	12,154,467	-	12,154,467
	Revolving credit -secured		69,660,736	48,568,179	69,660,736	48,568,179
	Short term finance		6,726,939,929	5,192,731,527	6,726,939,929	5,192,731,527
	Short term loan to subsidiaries	(Note - 7.1.1)	-	-	2,766,873,714	3,393,501,095
	Term loan		11,456,736,830	10,420,557,539	11,456,736,830	10,420,557,539
	Term loan syndication finance		513,713,742	586,981,656	513,713,742	586,981,656
	Work order finance		57,297,810	57,297,810	57,297,810	57,297,810
			22,775,781,262	**19,239,027,154**	**25,542,654,976**	**22,632,528,248**
	Retail finance					
	Auto loan	(Note - 7.1.2)	5,056,876,007	3,123,615,510	5,026,877,641	3,091,239,700
	Credit card receivables	(Note - 7.1.3)	2,050,046,922	1,629,929,972	2,050,046,922	1,629,929,972
	Mortgage loan	(Note - 7.1.4)	6,517,446,192	4,299,031,839	6,517,446,192	4,299,031,839
	Personal loan	(Note - 7.1.5)	3,413,086,327	2,248,003,861	3,402,987,543	2,240,637,614
			17,037,455,449	**11,300,581,182**	**16,997,358,298**	**11,260,839,125**
	SME finance					
	SME finance		4,209,185,984	2,125,449,476	4,209,185,984	2,125,449,476
			4,209,185,984	**2,125,449,476**	**4,209,185,984**	**2,125,449,476**
	Others					
	Debit balance of share trading clients		4,748,064,585	5,594,307,500	-	-
	Margin loan to share trading clients		2,473,812,503	3,559,650,618	-	-
			7,221,877,089	**9,153,958,118**	**-**	**-**
			51,244,299,783	**41,819,015,931**	**46,749,199,258**	**36,018,816,850**
	Place of disbursement					
	In Bangladesh		51,244,299,783	41,819,015,931	46,749,199,258	36,018,816,850
	Outside of Bangladesh		-	-	-	-
			51,244,299,783	**41,819,015,931**	**46,749,199,258**	**36,018,816,850**
7.1.1	**Short term finance-subsidiaries**					
	Short term loan to subsidiaries					
	LankaBangla Investments Limited		-	-	2,525,206,559	3,109,108,380
	LankaBangla Securities Limited		-	-	241,667,154	284,392,715
			-	**-**	**2,766,873,714**	**3,393,501,095**

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
7.1.2	**Auto Loan**				
	Commercial loan	4,977,287,862	3,047,230,683	4,977,287,862	3,047,230,683
	Staff loan	79,588,145	76,384,828	49,589,779	44,009,018
		5,056,876,007	**3,123,615,510**	**5,026,877,641**	**3,091,239,700**
7.1.3	**Credit card receivables**				
	Master card	1,294,155,294	1,061,022,683	1,294,155,294	1,061,022,683
	VISA card	621,443,146	481,094,367	621,443,146	481,094,367
	Master card ezypay settlement account	95,222,640	61,272,389	95,222,640	61,272,389
	VISA card ezypay settlement account	39,225,843	26,540,532	39,225,843	26,540,532
		2,050,046,922	**1,629,929,972**	**2,050,046,922**	**1,629,929,972**
7.1.4	**Mortgage loan**				
	Bangladesh Bank refinance loan	546,894,455	608,321,668	546,894,455	608,321,668
	Commercial loan	5,760,110,365	3,557,027,062	5,760,110,365	3,557,027,062
	Staff loan	210,441,372	133,683,108	210,441,372	133,683,108
		6,517,446,192	**4,299,031,839**	**6,517,446,192**	**4,299,031,839**
7.1.5	**Personal Loan**				
	Loan against deposit	177,886,763	160,738,946	177,886,763	160,738,946
	Staff loan	99,779,427	89,611,760	89,680,643	82,245,513
	Term loan	3,135,420,137	1,997,653,155	3,135,420,137	1,997,653,155
		3,413,086,327	**2,248,003,861**	**3,402,987,543**	**2,240,637,614**
7.1.6	**Maturity wise grouping of leases, loans and advances**				
	On demand	3,187,364,282	918,832,840	2,771,621,114	810,467,351
	Not more than 3 months	8,868,861,510	2,664,556,868	7,918,626,349	2,632,988,416
	More than 03 month to 01 years	13,590,362,270	12,375,650,736	1,325,301,892	8,316,000,118
	More than 01 year to 05 years	15,762,712,928	18,403,892,280	15,453,640,125	18,403,892,279
	More than 05 years	9,834,998,793	7,456,083,207	9,280,009,778	5,855,468,685
		51,244,299,783	**41,819,015,931**	**46,749,199,258**	**36,018,816,850**
7.1.7	**Classification wise leases, loans and advances**				
	Unclassified				
	Standard (UC)	48,830,884,347	39,786,087,762	44,335,783,821	33,985,888,681
	Special Mention Accounts (SMA)	765,769,034	693,746,690	765,769,034	693,746,690
		49,596,653,381	**40,479,834,452**	**45,101,552,856**	**34,679,635,371**
	Classified				
	Sub-standard (SS)	392,822,434	271,122,016	392,822,434	271,122,016
	Doubtful (DF)	177,580,680	312,397,978	177,580,680	312,397,978
	Bad/loss (BL)	1,077,243,288	755,661,484	1,077,243,288	755,661,484
		1,647,646,402	**1,339,181,479**	**1,647,646,402**	**1,339,181,479**
		51,244,299,783	**41,819,015,931**	**46,749,199,258**	**36,018,816,850**

See details in annexure-C

Loans, advances and lease on the basis of significant concentration

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka
a) Loans, advances and lease to the institutions in which Directors have interest	-	-	2,766,873,714	3,393,501,095
b) Loans, advances and lease to Chief Executive and Other senior executives	78,946,246	57,253,196	78,946,246	57,253,196
c) Loans, advances and lease to customer groups:				
i) Real estate finance	5,760,110,365	3,557,027,062	5,760,110,365	3,557,027,062
ii) Car loan	4,977,287,862	3,047,230,683	4,977,287,862	3,047,230,683
iii) Personal loan	3,135,420,137	1,997,653,155	3,135,420,137	1,997,653,155
iv) Loan against deposits (LAD)	177,886,763	160,738,946	177,886,763	160,738,946
v) Small and medium enterprises	4,209,185,984	2,125,449,476	4,209,185,984	2,125,449,476
vi) Special program loan (Bangladesh Bank refinancing scheme)	546,894,455	608,321,668	546,894,455	608,321,668
vii) Staff loan	389,808,944	299,679,696	349,711,794	259,937,639
viii) Industrial loans, advances and leases	22,775,781,262	19,239,027,154	25,542,654,976	22,632,528,248
ix) Other loans and advances	9,271,924,011	10,783,888,091	2,050,046,922	1,629,929,973
	51,244,299,783	**41,819,015,931**	**46,749,199,258**	**36,018,816,850**
d) Details of industrial loans, advances and leases				
1) Trade and commerce	6,031,675,690	3,024,082,267	6,031,675,690	3,024,082,267
2) Industries				
Garments and knitwear	1,894,189,916	1,420,353,942	1,894,189,916	1,420,353,942
Textile	2,209,527,265	1,523,745,941	2,209,527,265	1,523,745,941
Jute and jute -products	301,832,652	255,783,420	301,832,652	255,783,420
Food production and processing industry	4,722,684,265	3,866,039,628	4,722,684,265	3,866,039,628
Plastic industry	1,184,009,391	192,125,085	1,184,009,391	192,125,085
Leather and leather goods	63,787,555	40,595,787	63,787,555	40,595,787
Iron, steel and engineering	3,300,467,817	2,466,928,115	3,300,467,817	2,466,928,115
Pharmaceuticals and chemicals	929,396,014	966,840,928	929,396,014	966,840,928
Cement and allied industry	358,564,274	971,406,847	358,564,274	971,406,847
Telecommunication and IT	726,113,898	659,158,478	726,113,898	659,158,478
Paper, printing and packaging	581,370,549	572,279,087	581,370,549	572,279,087
Glass, glassware and ceramic industry	537,586,008	820,023,890	537,586,008	820,023,890
Ship manufacturing industry	-	-	-	-
Electronics and electrical products	278,485,406	919,868,304	278,485,406	919,868,304
Power, gas, water and sanitary service	639,180,336	366,804,879	639,180,336	366,804,879
Transport and aviation	641,419,399	599,990,424	641,419,399	599,990,424
	18,368,614,744	**15,641,944,756**	**18,368,614,744**	**15,641,944,756**
3) Agriculture	255,531,746	315,363,374	255,531,746	315,363,374
4) Housing	6,714,351,530	5,340,808,724	6,714,351,530	5,340,808,724
5) Others				
i) Loan to subsidiaries companies	-	-	2,766,873,714	3,393,501,095
ii) Others	19,874,126,073	17,496,816,811	12,612,151,834	8,303,116,635
	51,244,299,783	**41,819,015,931**	**46,749,199,258**	**36,018,816,850**

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka
7.1.8 Particulars of loans, advances and leases				
i) Loan considered good in respect of which the Bank/ FI is fully secured	16,808,856,818	12,231,506,072	16,322,978,455	10,565,156,501
ii) Loan considered good for which the Bank/FI holds no other security than the debtor's personal security.	6,059,269,084	5,763,779,482	2,050,046,922	1,629,929,972
iii) Loan considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors.	28,376,173,881	23,823,730,377	28,376,173,881	23,823,730,377
iv) Loan adversely classified; for which no provision is created.	-	-	-	-
	51,244,299,783	**41,819,015,931**	**46,749,199,258**	**36,018,816,850**
v) Loan due by directors or officers of the Bank/ FI or any of them either jointly or separately with any other persons.	389,808,944	299,679,696	349,711,794	259,937,639
vi) Loan due by companies and firms in which the directors of the Bank/FI have interests as directors, partners or managing agent or in case of private companies as members.	-	-	2,766,873,714	3,393,501,095
Note: These loans, advances and leases are given to subsidiaries companies where some of the Directors of LankaBangla Finance Limited are Directors in those subsidiaries companies				
vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors and managers or officers of the Bank/ FI or any of them either severally or jointly with any other persons.	183,110,972	156,000,621	183,110,972	156,000,621
viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank/ FI have interests as directors, partners or managing agents or, in case of private companies as members.	-	-	-	-
Note: These loans, advances and leases are given to subsidiaries companies where some of the Directors of LankaBangla Finance Limited are Directors in those subsidiaries companies				
ix) Due from other bank/ FI companies	3,524,497	4,369,115	3,524,497	4,369,115
x) Information in respect of classified loans and advances:				
a) Classified loans for which interest/ profit not credited to income	1,647,646,402	1,339,181,479	1,647,646,402	1,339,181,479
b) Amount of provision kept against loans classified as bad/ loss as at the Balance Sheet date	482,570,155	415,894,992	482,570,155	415,894,992
	2,130,216,557	**1,755,076,471**	**2,130,216,557**	**1,755,076,471**
c) Amount of interest credited to the interest suspense account	**66,111,317**	**(4,482,789)**	**66,111,317**	**(4,482,789)**

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
xi) Cumulative amount of written off loans:					
Opening Balance		959,567,143	737,330,708	494,701,972	517,051,972
Amount written off during the year		440,680,553	244,586,435	20,504,822	-
Amount received from written off during the year		12,250,000	22,350,000	12,250,000	22,350,000
Balance of written off loans and advances yet to be recovered		**1,387,997,697**	**959,567,143**	**502,956,794**	**494,701,972**
The amount of written off loans for which law suits have been filed.					
Leases, Loans, and advances -geographical location-wise					
Inside Bangladesh					
Urban					
Dhaka		38,021,896,089	31,329,466,188	34,847,433,610	27,053,261,529
Chittagong		10,290,089,641	8,821,795,173	9,198,273,248	7,501,864,323
Sylhet		632,720,554	575,134,845	532,583,623	423,499,369
Jessore		927,089,693	549,726,510	927,089,693	549,726,510
Narshindi		368,916,795	226,397,092	286,725,713	226,397,092
Comilla		327,505,436	239,078,823	327,505,436	186,650,727
Bogra		253,255,486	46,884,066	253,255,486	46,884,066
Barisal		153,593,269	30,533,234	153,592,151	30,533,234
Khulna		69,527,190	-	69,527,190	-
Mymensingh		104,588,195	-	104,588,195	-
Narayangonj		65,430,371	-	18,937,849	-
Rajshahi		28,177,611	-	28,177,611	-
Chowmuhani		1,509,453	-	1,509,453	-
		51,244,299,783	**41,819,015,931**	**46,749,199,258**	**36,018,816,850**
Outside Bangladesh		-	-	-	-
		51,244,299,783	**41,819,015,931**	**46,749,199,258**	**36,018,816,850**
8. Fixed assets including land, building, furniture and fixtures					
See accounting policy in note (2.21)					
Freehold assets	(Note - 8.1)	1,137,914,155	1,000,563,400	955,929,126	843,283,581
Intangible assets	(Note - 8.2)	282,295,846	276,405,276	39,200,132	29,214,282
Lease hold assets	(Note - 8.3)	9,346,858	14,884,611	3,927,757	5,151,506
		1,429,556,859	**1,291,853,287**	**999,057,016**	**877,649,370**
Details are given in Annexure - A and Annexure - B					
8.1 Freehold assets					
Land	(Note - 8.1.1)	739,573,710	686,921,231	739,573,710	686,921,231
Freehold asset other than land	(Note - 8.1.2)	398,340,445	313,642,170	216,355,417	156,422,351
		1,137,914,155	**1,000,563,400**	**955,929,126**	**843,343,582**
8.1.1 Land					
Opening Balance		686,921,231	-	686,921,231	-
Add : Addition/(Disposal) during the year		52,652,479	686,921,231	52,652,479	686,921,231
		739,573,710	**686,921,231**	**739,573,710**	**686,921,231**

			LankaBangla Group		LankaBangla Finance Limited	
			31.12.2016	31.12.2015	31.12.2016	31.12.2015
			Taka	Taka	Taka	Taka
8.1.2	**Freehold asset other than land**					
	A. Cost		623,628,908	494,908,085	311,962,401	232,598,422
	Opening Balance		167,799,329	150,101,514	114,682,377	83,145,749
	Add : Addition during the year		791,428,237	645,009,598	426,644,778	315,744,170
	Less: Sales/ disposal during the year		52,218,436	21,380,690	20,224,614	3,781,769
			739,209,801	623,628,908	406,420,164	311,962,401
	B. Accumulated depreciation					
	Opening Balance		309,986,739	241,794,293	155,540,050	121,392,826
	Add : Charged during the year		77,223,070	81,748,371	53,847,657	37,566,327
			387,209,809	323,542,664	209,387,708	158,959,153
	Less: Adjusted during the year		46,340,453	13,555,925	19,322,960	3,419,103
			340,869,356	309,986,739	190,064,747	155,540,050
	C. Written down value Total (A-B)		**398,340,445**	**313,642,170**	**216,355,417**	**156,422,351**
8.2	**Intangible assets**					
	Goodwill	(Note - 8.2.1)	234,143,286	234,143,286	-	-
	System Software	(Note - 8.2.2)	48,152,561	42,261,991	39,200,132	29,154,282
			282,295,846	**276,405,276**	**39,200,132**	**29,154,282**
8.2.1	**Goodwill***					
	Opening Balance		234,143,286	-	-	-
	Add: Addition during the year		-	234,143,286	-	-
			234,143,286	234,143,286	-	-
	Less : Impairment during the year		-	-	-	-
			234,143,286	**234,143,286**	**-**	**-**

* Intangible asset, goodwill arises as a result of acquisition of 80% shares of BizBangla Media Limited by LankaBangla Securities Limited a subsidiary of LankaBangla Finance Limited as on 31 May 2015. Details calculation is given below:

Cost of acquisition	-	60,000,000	-	-
Less: Share of net assets at acquisition date	-	(174,143,286)	-	-
	-	**234,143,286**	**-**	**-**
8.2.2 System software				
Opening Balance	42,261,991	41,036,525	29,154,282	16,301,245
Add: Addition during the year	23,672,707	30,039,217	19,079,875	19,916,676
	65,934,697	71,075,742	48,234,157	36,217,921
Less : Amortized during the year	17,782,137	28,813,752	9,034,025	7,063,639
	48,152,561	**42,261,991**	**39,200,132**	**29,154,282**
8.3 **Lease hold assets**				
A. Cost				
Opening Balance	43,605,030	49,297,810	9,777,000	4,900,000
Add: Addition during the year	-	6,277,000	-	4,877,000
	43,605,030	55,574,810	9,777,000	9,777,000
Less: Adjusted during the year	1,600,040	11,969,780	-	-
	42,004,990	43,605,030	9,777,000	9,777,000

			LankaBangla Group		LankaBangla Finance Limited	
			31.12.2016	31.12.2015	31.12.2016	31.12.2015
			Taka	Taka	Taka	Taka
B.	**Accumulated depreciation**					
	Opening Balance		28,720,419	32,455,139	4,625,494	3,674,999
	Add : Charged during the year		5,537,753	7,479,060	1,223,749	950,495
			34,258,172	39,934,199	5,849,243	4,625,494
	Less: Adjustment during the year		1,600,040	11,213,780	-	-
			32,658,132	28,720,419	5,849,243	4,625,494
	C. Written down value (A-B)		**9,346,858**	**14,884,611**	**3,927,757**	**5,151,506**
9.	**Other assets**					
	See accounting policy in note (2.22)					
	Non income generating assets					
	Advances and prepayments	(Note - 9.1)	**1,003,186,716**	**923,507,658**	**651,690,725**	**592,769,301**
	Income generating assets		**177,879,344**	**96,990,635**	**4,162,600,536**	**4,047,411,576**
	Interest and other receivables	(Note - 9.2)	177,879,344	96,990,635	66,663,573	13,974,613
	Investment in subsidiaries:		-	-	4,095,936,963	4,033,436,963
	LankaBangla Securities Limited		-	-	1,546,237,023	1,546,237,023
	LankaBangla Asset Management Company Limited		-	-	879,700,000	817,200,000
	LankaBangla Investment Limited		-	-	1,669,999,940	1,669,999,940
			1,181,066,060	**1,020,498,293**	**4,814,291,262**	**4,640,180,877**
9.1	**Advances and Prepayments**					
	Advance office rent		68,874,613	69,104,883	57,958,865	49,743,292
	Advance for expenses		2,600,285	5,706,243	520,433	322,262
	Advance insurance premium		1,939,450	1,791,899	1,939,450	1,791,899
	Advance to employee		-	956,852	-	-
	Advance to suppliers and others		10,157,183	2,364,083	10,157,183	2,364,083
	Advance income tax		351,313,982	230,516,824	319,543,947	202,858,308
	Advance interest payment		6,729,787	23,361,900	6,729,787	23,361,900
	Advance against floor purchase		191,968,000	191,968,000	-	-
	Security and other deposit receivable		114,755,038	7,120,208	6,822,208	6,920,208
	Advance for bank guarantee margin		1,058,401	319,611	-	-
	Prepayments and others	(Note - 9.1.1)	253,789,979	390,297,156	248,018,852	305,407,350
			1,003,186,716	**923,507,658**	**651,690,725**	**592,769,301**

**Advance income tax represents corporate income tax paid as per Section- 64 of the Income Tax Ordinance 1984 and the amount of income tax deducted at source (TDS) by different financial institutions on the interest on bank balances of LankaBangla Finance Limited.

9.1.1	**Prepayments and others**					
	Advance for land**		182,935,000	182,935,000	182,935,000	182,935,000
	Receivables against share trading		-	-	34,371,969	-
	Receivables DSE and CSE		33,964,790	46,759,317	-	-
	Deferred tax asset	(Note -9.1.1.1)	21,132,613	21,155,656	20,670,433	20,670,433
	Dividend receivables		4,563,703	116,533,046	2,067,953	97,393,125
	Capital work in progress	(Note -9.1.1.2)	5,342,062	370,000	5,342,062	370,000
	Receivable from Employees Provident Fund		-	-	-	1,128,321
	Other receivables		5,851,812	22,544,138	2,631,435	2,910,472
			253,789,979	**390,297,156**	**248,018,852**	**305,407,350**

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka

**LBFL has purchased a plot (9.07 katha of Land) from RAJUK. After completing necessary formalities, RAJUK duly alloted Plot no. 6 Road no. 3 Motijheel C/A to LBFL. The registration of the said Land is under process.

9.1.1.1 Deferred tax asset

Deferred tax has been calculated based on deductible taxable temporary difference arising due to difference in the carrying amount of the assets and its tax base in accordance with the provision of Bangladesh Accounting Standard (BAS) 12 "Income Taxes".

Particulars	Accounting base carrying amounts	Tax base amounts	Tax base carrying amounts
Deferred tax asset is arrived at as follows			
Assets:			
Fixed assets net of depreciation including leased hold assets as on 31 December 2016	216,355,417	843,988,745	627,633,328
Liabilities:			
Employee gratuity as on 31 December 2016	43,434,906	9,729,257	33,705,649
Total	**259,790,323**	**853,718,002**	**661,338,977**
Applicable tax rate for fixed assets and employee gratuity @40%			264,535,591
Deferred tax asset as on 31 December 2016			264,535,591
Deferred tax asset as on 31 December 2015			20,670,433
Deferred tax income need to account for during the year			**243,865,158**

However, as per BAS 12 deferred tax asset shall be recognized to the extent that it is probable that taxable profit will be available against which the deductible difference can be utilized. However, due to having huge amount of accumulated business loss as per tax laws, it is not probable that there will be future taxable profit against which these deductible temporary difference can be utilized. Hence, no additional deferred tax asset has been recognized during the current year.

In addition to that subsidiary companies recognized its respective deferred tax assets to the extent of its available taxable profit.

9.1.1.2 Capital work in progress

Opening balance	370,000	-	370,000	-
Add: Addition during the year	4,972,062	370,000	4,972,062	370,000
	5,342,062	370,000	5,342,062	370,000
Less: Transfer to fixed assets	-	-	-	-
	5,342,062	370,000	5,342,062	370,000

9.2 Interest and other receivables

Interest receivables from fixed deposit account	30,498,349	12,882,319	29,435,796	10,523,780
Interest receivables from Commercial Paper	37,227,778	3,450,833	37,227,778	3,450,833
Issue management fees receivable	3,772,500	5,040,000	-	-
Account receivable from PO department	30,663,233	16,886,433	-	-
Account receivable from advertisement	68,116,232	51,560,558	-	-
Account receivable from circulation	5,193,890	3,269,274	-	-
Receivable from LankaBangla 1st balanced unit fund	1,295,212	181,218	-	-
Corporate advisory fees receivable	1,112,150	3,720,000	-	-
	177,879,344	**96,990,635**	**66,663,573**	**13,974,613**

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
10	**Borrowings from Bangladesh Bank, other banks and financial institutions**				
	See accounting policy in note (2.23)				
	Inside Bangladesh (Note - 10.1)	10,874,998,487	9,006,817,980	8,333,852,304	6,235,918,622
	Outside Bangladesh	-	-	-	-
		10,874,998,487	**9,006,817,980**	**8,333,852,304**	**6,235,918,622**
10.1	**Inside Bangladesh**				
	Secured:				
	Bank overdraft (Note - 10.1.1)	1,241,715,754	935,636,347	1,241,715,754	916,705,734
	Long term loan (Note - 10.1.2)	1,688,521,479	2,665,656,043	1,003,630,699	1,432,163,901
		2,930,237,233	**3,601,292,391**	**2,245,346,454**	**2,348,869,635**
	Unsecured:				
	Call loans (Note - 10.1.3)	980,000,000	490,000,000	980,000,000	490,000,000
	Short term borrowings (Note - 10.1.4)	5,648,192,316	3,183,476,603	4,190,000,000	1,665,000,000
	Zero Coupon Bond (Note - 10.1.5)	1,316,568,938	1,732,048,987	918,505,850	1,732,048,987
		7,944,761,254	**5,405,525,590**	**6,088,505,850**	**3,887,048,987**
		10,874,998,487	**9,006,817,980**	**8,333,852,304**	**6,235,918,622**
10.1.1	**Bank overdraft**				
	Secured by FDR				
	Standard Chartered Bank Limited	(40,312,965)	(42,332,279)	110,559,894	(42,332,279)
	Commercial Bank of Ceylon PLC	110,559,894	109,999,798	(40,312,965)	109,999,798
		70,246,929	**67,667,519**	**70,246,929**	**67,667,519**
	Secured by Pari Passu sharing agreement				
	Bangladesh Development Bank Limited	(2,698)	916	(2,698)	916
	Midland Bank Limited	155,207,230	2,201,548	155,207,230	2,201,548
	Bank Asia Limited	3,585,741	24,722,800	3,585,741	24,722,800
	Prime Bank Limited	184,770,465	121,834,453	184,770,465	121,834,453
	Dhaka Bank Limited	3,237,424	29,852,734	3,237,424	29,852,734
	Dutch Bangla Bank limited	46,782,697	-	46,782,697	-
	Meghna Bank Limited	-	8,658	-	8,658
	Mercantile Bank Limited	45,612,188	44,085,417	45,612,188	44,085,417
	Modhumoti Bank Limited	168,671,147	1,551,443	168,671,147	1,551,443
	Mutual Trust Bank Limited	263,963,714	342,694,003	263,963,714	323,763,390
	United Commercial Bank Limited	299,640,918	301,016,857	299,640,918	301,016,857
		1,171,468,825	**867,968,828**	**1,171,468,825**	**849,038,215**
		1,241,715,754	**935,636,347**	**1,241,715,754**	**916,705,734**

AMARSTOCK

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka
10.1.2 Long term loan				
Opening Balance	2,665,656,043	4,491,767,186	1,432,163,901	3,204,863,348
Add: Addition during the year	318,117,949	750,000,000	218,342,388	400,000,000
	2,983,773,992	5,241,767,186	1,650,506,289	3,604,863,348
Less: Adjusted during the year	1,295,252,513	2,576,111,143	646,875,589	2,172,699,449
	1,688,521,479	**2,665,656,043**	**1,003,630,699**	**1,432,163,901**
Details of the above balance is presented below:				
From Bangladesh Bank and its agents Bank				
Bangladesh Bank (under Re-Finance)- Women Entrepreneur	160,753,737	109,511,188	160,753,737	109,511,188
Bangladesh Bank (under Re-Finance)- Mortgage Loan	547,061,546	600,125,826	547,061,546	600,125,826
Bangladesh Bank (under Re-Finance)- IPFF Fund	189,000,000	189,000,000	189,000,000	189,000,000
Bangladesh Bank (Under Re-Finance)- Agro Processing Industry	24,347,769	1,000,000	24,347,769	1,000,000
	921,163,051	**899,637,013**	**921,163,051**	**899,637,013**
From other than Bangladesh Bank and its agents Bank				
Dutch Bangla Bank Limited	78,211,725	53,848,203	78,211,725	53,848,203
Eastern Bank Limited	-	180,952,381	-	180,952,381
Fareast Finance Limited	-	23,342,251	-	-
Hajj Finance Company Limited	75,449,998	162,489,063	-	-
International Leasing and Financial Services Limited	-	63,479,266	-	-
Investment Corporation of Bangladesh (ICB)	10,789,043	52,121,257	-	-
Midland Bank Limited	49,255,458	-	-	-
Mutual Trust Bank Limited	-	291,447,008	-	291,447,008
Meghna Bank Limited	-	58,485,366	-	-
Phoenix Finance & Investment Ltd	-	170,961,484	-	-
Shahjalal Islami Bank Limited	100,201,608	148,481,145	-	-
South Bangla Agriculture and Commerce Bank Limited	436,950,663	544,780,421	-	-
Lease obligation	16,499,933	15,631,186	4,255,923	6,279,296
	767,358,427	**1,766,019,030**	**82,467,648**	**532,526,887**
	1,688,521,479	**2,665,656,043**	**1,003,630,699**	**1,432,163,901**

Bank borrowings are secured by:

a. First ranking pari passu charge on present and future fixed and floating assets of LankaBangla Finance Limited with the future and existing lenders.

b. Usual charge documents (Letter of Hypothecation, Promissory Notes, Letter of Continuation, Letter of Arrangements, etc.)

c. Funds required for the operation of business are primarily obtained from various banks and financial institutions. Secured loans are covered by way of first priority floating charge with full title guarantee ranking pari-passu among all the lenders of the company.

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
10.1.4	**Call loan**				
	Bangladesh Commerce Bank Limited	100,000,000	-	100,000,000	-
	Basic Bank Limited	40,000,000	100,000,000	40,000,000	100,000,000
	Dhaka Bank Limited	-	-	100,000,000	-
	Dutch Bangla Bank Limited	100,000,000	210,000,000	-	210,000,000
	Janata Bank Limited	150,000,000	40,000,000	150,000,000	40,000,000
	Mutual Trust Bank Limited	70,000,000	50,000,000	70,000,000	50,000,000
	Pubali Bank Limited	90,000,000	40,000,000	90,000,000	40,000,000
	Sonali Bank Limited	50,000,000	50,000,000	50,000,000	50,000,000
	Southeast Bank Limited	100,000,000	-	100,000,000	-
	United Commercial Bank Limited	280,000,000	-	280,000,000	-
		980,000,000	**490,000,000**	**980,000,000**	**490,000,000**
10.1.4	**Short term borrowings**				
	Brac Bank Limited	1,200,000,000	640,000,000	1,200,000,000	640,000,000
	Dhaka Bank Limited	300,000,000	-	300,000,000	-
	Eastern Bank Limited	740,000,000	700,000,000	740,000,000	700,000,000
	IPDC of Bangladesh Limited	-	75,000,000	-	75,000,000
	Jamuna Bank Limited	500,000,000	-	500,000,000	-
	Midland Bank Limited	102,827,789	-	-	-
	One Bank Limited	612,786,442	759,168,485	-	-
	Prime Bank Limited	700,000,000	-	700,000,000	-
	Shahjalal Islami Bank Limited	100,919,167	375,544,445	-	-
	South Bangla Agriculture and Commerce Bank Limited	17,513	103,257,345	-	-
	Standard Chartered Bank	787,266,405	280,506,327	400,000,000	-
	The Premier Bank Limited	-	250,000,000	-	250,000,000
	Trust Bank Limited	100,000,000	-	100,000,000	-
	United Finance Limited	254,375,000	-	-	-
	Uttara Bank Limited	250,000,000	-	250,000,000	-
		5,648,192,316	**3,183,476,603**	**4,190,000,000**	**1,665,000,000**
10.1.5	**Zero Coupon Bond**				
	Bangla Telecom Limited	33,171,924	-	-	-
	Central Depository Bangladesh Limited	30,617,474	57,736,121	30,617,474	57,736,121
	Delsey Cotton Spinning Mills Limited	45,925,293	86,602,449	45,925,293	86,602,449
	Faisal Spinning Mills Limited	66,343,848	-	-	-
	Grameen One: Scheme Two	33,171,924	-	-	-
	Janata Jute Mills Limited	283,216,942	346,409,797	183,701,170	346,409,797
	Mr. Mahmudul Huq	66,343,848	-	-	-
	Ms. Monisha Anwar Huq	66,343,848	-	-	-
	Prime Bank Limited	30,615,637	57,732,657	30,615,637	57,732,657
	Reliance Insurance Limited	33,171,924	-	-	-
	Sk. Akijuddin Limited	398,019,814	750,555,716	398,019,814	750,555,716

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka
Square Pharmaceuticals Limited	45,925,292	86,602,449	45,925,292	86,602,449
Universal Jeans Limited	91,850,585	173,204,899	91,850,585	173,204,899
Uttara Motor Corporation Limited	91,850,585	173,204,899	91,850,585	173,204,899
	1,316,568,938	**1,732,048,987**	**918,505,850**	**1,732,048,987**

On 15 December 2014, the Company issued Zero Coupon Bond face value equivalent to BDT 3,000 million. After discounting the Bond @ 11.5%, the Company received BDT 2,478,093,342. The mode of payment of the Bond is 6 equal installments (2 installments in a year, BDT 500 million in each installment). Total transaction costs incurred for issuance of the Bond is BDT 39,031,137.

Subsequently, the Zero Coupon Bond is measured at amortized cost using the effective interest method. The effective interest rate for this bond stands at 12.51% as per Para 9 of BAS 39.

Initially the Zero Coupon Bond is measured at fair value (2,478,093,342) less the transaction costs (39,031,137) ,i.e., 2,439,062,205 as per para 43 of BAS 39.

Maturity grouping of borrowings from other banks and financial institutions

Payable on demand	980,000,000	490,000,000	980,000,000	490,000,000
Up to 1 month	52,514,845	4,200,000	52,514,845	4,200,000
Over 1 month but within 3 months	3,434,000,000	455,759,383	3,434,000,000	75,000,000
Over 3 months but within 1 year	1,914,354,584	1,897,600,703	1,914,354,584	2,606,705,734
Over 1 year but within 5 years	1,145,427,764	4,744,117,210	1,145,427,764	1,264,575,875
Over 5 years	3,348,701,293	1,415,140,685	807,555,110	1,795,437,013
	10,874,998,487	**9,006,817,980**	**8,333,852,304**	**6,235,918,622**

11 Term deposits and other deposits

See accounting policy in note (2.24)

Term deposits	(Note - 11.1)	40,033,189,441	29,991,564,599	40,033,189,441	30,080,861,537
Other deposit	(Note - 11.2)	115,303,314	115,143,130	115,303,314	115,143,130
		40,148,492,755	**30,106,707,729**	**40,148,492,755**	**30,196,004,667**

11.1 Term deposits

Product wise break-up of term deposit

Periodic return term deposits	775,408,411	841,739,618	775,408,411	841,739,618
Cumulative term deposits	161,926,770	614,908,663	161,926,770	614,908,663
Double money term deposits	2,527,202,910	2,285,001,481	2,527,202,910	2,285,001,481
Money builders scheme	239,849,222	115,608,272	239,849,222	115,608,272
Fixed term deposit	14,950,824,477	14,023,727,619	14,950,824,477	14,113,024,557
Term deposit earn first	55,244,384	115,437,882	55,244,384	115,437,882
Term deposit shohoj sanchoy	835,056,966	635,601,529	835,056,966	635,601,529
Term deposit quick sanchoy	1,355,359	107,408	1,355,359	107,408
Term deposit triple money	292,650,588	49,382,895	292,650,588	49,382,895

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka
Term deposit (fixed term)-3 months	257,245,771	422,326,321	257,245,771	422,326,321
Term deposit Earn First Fixed Rate	139,766,600	504,516,956	139,766,600	504,516,956
Term deposit Agroj (Senior Citizen)	1,166,872,301	753,950,573	1,166,872,301	753,950,573
Term deposit Classic TDR 2 To 3 Years	18,629,785,682	9,629,255,381	18,629,785,682	9,629,255,381
	40,033,189,441	**29,991,564,599**	**40,033,189,441**	**30,080,861,537**

11.2 Other deposits against leases, loans and advances

Other deposits				
Corporate Clients	100,410,905	103,498,258	100,410,905	103,498,258
Retail Clients	8,947,298	5,388,410	8,947,298	5,388,410
SME Clients	5,945,111	6,256,462	5,945,111	6,256,462
	115,303,314	**115,143,130**	**115,303,314**	**115,143,130**

11.3 Group-wise break-up of term deposits and other deposits

Bank and Non Bank Financial Institute (NBFI)	10,720,847,500	7,899,772,481	10,720,847,500	7,899,772,481
Corporate houses	16,138,228,539	15,572,001,940	16,138,228,539	15,661,298,878
Individual	13,289,416,716	6,634,933,309	13,289,416,716	6,634,933,309
	40,148,492,755	**30,106,707,729**	**40,148,492,755**	**30,196,004,667**

11.4 Remaining maturity grouping of term deposits and other deposits

Payable on demand	-	-	-	-
In not more than 01 month	2,768,224,030	587,286,382	2,768,224,030	587,286,381
In more than 01 month but not more than 06 months	12,808,854,650	5,916,299,743	12,808,854,650	5,916,299,743
In more than 06 months but not more than 01 year	5,115,830,062	5,186,746,511	5,115,830,062	5,186,746,511
In more than 01 year but not more than 05 years	12,384,294,888	13,922,592,273	12,384,294,888	14,011,889,212
In more than 05 years but not more than 10 years	7,071,289,126	4,493,782,820	7,071,289,126	4,493,782,820
In more than 10 years	-	-	-	-
	40,148,492,755	**30,106,707,729**	**40,148,492,755**	**30,196,004,667**

12. Other liabilities

See accounting policy in note (2.25),(2.26),(2.27) and (2.35)

Accrued expenses		26,789,849	26,569,087	17,729,386	22,014,279
Salaries and related expenses payable		21,269,432	5,393,246	771,626	598,703
Office rent payable		3,111,159	3,036,500	556,043	629,077
Utility bill payable		3,066,481	2,404,409	1,819,214	1,027,038
Advance receipt against leases-adjustment A/C		143,128,174	306,665,865	143,128,174	306,665,865
CDBL expenses payable		3,549,078	2,114,650	-	-
Client positive balance		34,909,717	56,829,033	-	-
Deferred liability-employee gratuity	(Note -12.1)	51,615,460	87,910,169	43,434,906	27,534,735
Deferred tax liability		2,691,911	-	-	-
Employees provident fund payable		9,595,576	2,214,629	4,723,489	-
Interest payable	(Note - 12.2)	964,824,075	753,901,788	946,284,627	725,307,943
Interest suspense account	(Note - 12.3)	1,160,076,143	1,093,964,825	349,912,097	283,800,779

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
IPO subscription payable		51,794	51,794	51,794	51,794
ITCL settlement A/C		3,942,809	283,000	3,942,809	283,000
Insurance premium payable for asset clients		57,657	-	57,657	-
Payable against MCBS charges		8,538	465	8,538	465
Payable against merchants claims and others		892,270	206,315	892,270	206,315
Payable against receipt from other card holders		3,319,119	2,635,921	3,319,119	2,635,921
Payable to LB Foundation		12,590,284	11,188,409	10,828,830	10,404,177
Payable DSE and CSE		177,154,351	27,396,281	-	-
Payable to share trading clients		1,604,018,623	584,160,008	-	-
Provisions for loans / investments	(Note - 12.4)	1,460,992,545	1,506,023,770	1,061,553,115	1,006,394,000
Provision for other assets		2,910,000	2,910,000	2,910,000	2,910,000
Provision for taxation	(Note - 12.5)	267,389,317	234,003,429	214,770,322	179,488,712
Receivables/(payables)-other MasterCard operator	(Note - 12.6)	13,641,531	7,855,390	13,641,531	7,855,390
Payable to right share holder		214,123	214,123	214,123	214,123
Payable against legal and professional fees		3,401,659	2,772,175	3,275,659	2,772,175
Payable to Green Delta for trustee fee		-	350,000	-	350,000
Provision for audit fee		1,487,225	794,350	858,750	398,750
Sundry creditors		21,664,757	11,000,520	21,664,757	11,000,520
Safety net deposit-factoring and others		3,020,178	2,272,141	3,020,178	2,272,141
Unpaid dividend		49,455,675	53,671,930	46,333,230	50,506,960
Privileged creditors	(Note - 12.7)	74,772,274	175,393,392	73,991,939	78,476,686
VISA settlement A/C		526,490	26,287	526,490	26,287
Brokerage sharing		13,512,653	13,508,539	-	-
Other liabilities		473,102	7,318,661	-	-
Mobile phone bill payable-Handset		110,809	65,152	110,809	65,152
		6,140,234,836	**4,985,106,251**	**2,970,331,482**	**2,723,890,987**

12.1 Deferred liability - employee gratuity

Opening Balance	87,910,169	94,662,146	27,534,735	14,156,758
Addition during the year	52,642,228	38,994,698	25,139,378	13,650,287
Received cash	490,050	187,440	490,050	187,440
	141,042,447	133,844,284	53,164,163	27,994,485
Payment during the year	89,426,987	45,934,115	9,729,257	459,750
Closing Balance	**51,615,460**	**87,910,169**	**43,434,906**	**27,534,735**

12.2 Interest payable

Term deposit receipts	916,994,439	702,453,920	916,994,439	702,504,539
Long term loan-Bangladesh Bank	3,658,533	8,741,007	3,658,533	8,741,007
Long term loan-Bangladesh Bank-IPFF	24,919,097	13,786,840	24,919,097	13,786,840
Long term loan-Bangladesh Bank-Agro Processing Industry	160,475	31,668	160,475	31,668
Short term borrowings	18,739,447	28,831,964	200,000	187,500
Call loan borrowings	352,083	56,389	352,083	56,389
	964,824,075	**753,901,788**	**946,284,627**	**725,307,943**

12.3 Interest suspense account

Lease finance	83,798,612	91,825,435	83,798,612	91,825,435
Term finance	152,000,644	129,559,693	152,000,644	129,559,693
Credit card	25,901,238	17,824,665	25,901,238	17,824,665
Mortgage loan	88,211,602	44,590,986	88,211,602	44,590,986
Margin Loan	810,164,046	810,164,046	-	-
	1,160,076,143	**1,093,964,825**	**349,912,097**	**283,800,779**

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka
12.3.1 Movement of interest suspense account				
Opening Balance	1,093,964,825	1,098,447,614	283,800,779	288,283,568
Add: Transferred to interest suspense during the year	151,352,690	10,364,366	151,352,690	10,586,783
Less: Interest suspense realized during the year	84,711,021	14,847,154	84,711,021	15,069,572
	1,160,606,494	1,093,964,825	350,442,448	283,800,779
Less: Write off during the year	530,351	-	530,351	-
	1,160,076,143	**1,093,964,825**	**349,912,097**	**283,800,779**
12.4 Provisions for loans / investments				
Provision for leases and loans	**1,061,553,115**	**882,833,140**	**1,061,553,115**	**882,833,140**
Lease finance	363,976,057	238,732,396	363,976,057	238,732,396
Term finance and short term loan	461,682,149	439,572,274	461,682,149	439,572,274
Credit card	170,520,249	157,436,430	170,520,249	157,436,430
Mortgage loan	65,374,659	47,092,041	65,374,659	47,092,041
Margin loan	323,329,884	429,973,951	-	-
Provision for diminution in value of investment in equity shares	76,109,546	193,216,679	-	123,560,860
	1,460,992,545	**1,506,023,770**	**1,061,553,115**	**1,006,394,000**
12.4.1 Movement of provision for loans / investments				
Opening Balance	1,506,023,770	1,360,105,926	1,006,394,000	920,636,374
Provision required for the year	515,042,889	486,450,335	195,057,497	195,345,228
Provision released during the year	(119,393,560)	(109,587,602)	(119,393,560)	(109,587,602)
Provision charged for the year	395,649,328	376,862,732	75,663,937	85,757,626
Write off during the year	440,680,553	-	20,504,822	-
Closing Balance	**1,460,992,545**	**1,506,023,770**	**1,061,553,115**	**1,006,394,000**

During the year 2016, the Company had written off it's receivables of contracts as per write off policy of the Bangladesh Bank (FID circular No. 03 dated 15 March 2009) and no written off it's receivables of contracts during the year 2016.

12.4.2 Grouping of Provision for leases, loans, advances and investments				
General Provision				
Standard (UC)	413,556,962	325,157,854	413,556,962	325,157,686
Special Mention Account (SMA)	35,859,341	31,394,070	35,859,341	31,394,070
	449,416,303	**356,551,924**	**449,416,303**	**356,551,757**
Specific Provision				
Sub-standard (SS)	52,000,640	25,065,438	52,000,640	25,065,438
Doubtful (DF)	36,238,736	80,783,373	36,238,736	80,782,373
Bad Loss (BL)	523,897,436	420,432,405	523,897,436	420,433,572
	612,136,812	**526,281,216**	**612,136,812**	**526,281,383**
Provision for margin loan	**323,329,884**	**429,973,951**	-	-
Provision for investment in shares	**76,109,546**	**193,216,679**	-	**123,560,860**
	1,460,992,545	**1,506,023,770**	**1,061,553,115**	**1,006,394,000**

Details see in **Annexure-C**

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka

12.5 Provision for taxation

Opening Balance	234,003,429	273,616,467	179,488,712	163,591,047
Provision during the year	148,304,531	112,104,402	35,281,610	15,897,665
	382,307,960	385,720,869	214,770,322	179,488,712
Adjusted during the year	114,918,643	151,717,440	-	-
	267,389,317	**234,003,429**	**214,770,322**	**179,488,712**

12.6 Receivables/(payables)-other Master Card operator

This represents receivable/payables from the other master card operators which is created due to the use of credit card systems at the point of sales.

Bank Asia Limited	(929,773)	(641,871)	(929,773)	(641,871)
City Bank Limited	1,730	1,730	1,730	1,730
National Bank Limited	15,570	15,570	15,570	15,570
Premier Bank Limited	7,757	7,757	7,757	7,757
Balance for Master Card operation (Nostro A/C)	5,584,533	5,584,533	5,584,533	5,584,533
Standard Chartered Bank	8,961,714	2,887,671	8,961,714	2,887,671
	13,641,531	**7,855,390**	**13,641,531**	**7,855,390**

12.7 Privileged creditors

Three major categories of Government dues are reported. Tax deduction at source, VAT, Excise duty payable to govt. exchequer.

VAT at source	12,739,673	9,103,922	12,624,733	9,045,173
Tax deducted at source (TDS)	40,320,491	150,765,019	39,655,096	53,907,062
Excise duty deducted form customer accounts	21,712,110	15,524,450	21,712,110	15,524,450
	74,772,274	**175,393,392**	**73,991,939**	**78,476,686**

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka
13 Share capital				
Authorized	**10,000,000,000**	**3,000,000,000**	**10,000,000,000**	**3,000,000,000**
100,000,000 ordinary shares of Tk.10/- each				

The company increased its authorised capital from 3,000 million to 10,000 million in it's 100th board meeting held on 26 July 2016 and by passing a special resolution in it's 8th Extra Ordinary General Meeting(EGM) held on 24 October 2016.

Issued, subscribed and paid up	**2,767,399,490**	**2,406,434,340**	**2,767,399,490**	**2,406,434,340**

Details of shares holding position are as under:

Sponsor shareholders:	Percentage 31.12.2016	2016		2015	
		Number of shares	Taka	Number of shares	Taka
a. Foreign sponsors					
Sampath Bank Limited, Sri Lanka	9.47%	26,211,685	262,116,850	22,792,770	227,927,700
b. Local sponsors	25.36%	70,181,890	701,818,900	70,002,913	700,029,130
ONE Bank Limited, Bangladesh	3.78%	10,458,017	104,580,170	11,688,600	116,886,000
SSC Holdings Limited, Bangladesh	1.07%	2,968,975	29,689,750	2,581,718	25,817,180
Shanta Apparel Limited	0.11%	300,000	3,000,000	4,184,645	41,846,450
Individuals	20.40%	56,454,898	564,548,980	51,547,950	515,479,500
General shareholders	65.17%	180,346,374	1,803,463,740	147,847,751	1,478,477,510
	100.00%	**276,739,949**	**2,767,399,490**	**240,643,434**	**2,406,434,340**

Classification of shareholders by holding as required by Regulation- 37 of the Listing Regulations of Dhaka Stock Exchange Limited

Shares groups		Number of share	Percentage	Number of share	Percentage
Less than 500		824,795	0.30	731,392	0.30
501	to 5,000	12,808,522	4.63	14,115,151	5.87
5,001	to 10,000	10,054,174	3.63	8,760,282	3.64
10,001	to 20,000	11,518,221	4.16	10,102,813	4.20
20,001	to 30,000	7,558,307	2.73	6,152,562	2.56
30,001	to 40,000	5,674,440	2.05	4,529,229	1.88
40,001	to 50,000	5,347,664	1.93	10,209,110	4.24
50,001	to 100,000	13,756,619	4.97	3,179,311	1.32
100,001	to 1,000,000	53,931,911	19.49	56,340,711	23.41
Above 1000000		155,265,296	56.11	126,522,873	52.58
		276,739,949	**100.00**	**240,643,434**	**100.00**

The company increased its paid-up capital from Tk. 2,406,434,340 to Tk. 2,767,399,490 by issuing 360,965,150 bonus share to the shareholder as approved in 19th Annual General Meeting (AGM) held on 30 March 2016.

The shares were listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited on 17 October 2006 and 31 October 2006 respectively, also trading in the both houses form 01 November, 2006. Share trade Tk. 34.80 and Tk. 34.70 At Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited respectively at the end of the year 2016.

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka

13.1 Capital Adequacy Ratio (CAR):

"As per section 4(GHA) of the Financial Institution Rule 1994, the minimum paid up capital of the Financial Institution (FI) shall be Tk. 100 crore; Provided that the sum of paid up capital and reserves shall not be less than the minimum capital determined by the Bangladesh Bank under the Risk-Based Assets of the Company. The surplus eligible capital of the Group as well as the company at the close of business on 31 December 2016 were Tk.1,374.51 million and Tk. 1,613.61 million respectively."

Core Capital (Tier-1)					
Paid-up capital	(Note - 13)	2,767,399,490	2,406,434,340	2,767,399,490	2,406,434,340
Share premium		1,090,888,800	1,090,888,800	-	-
Statutory reserves	(Note - 14)	1,202,043,919	987,633,085	1,202,043,920	987,633,085
General reserves		46,768,017	53,849,069	-	-
Dividend equalization reserves		-	-	-	-
Retained earnings	(Note - 15)	1,579,509,093	1,722,988,700	2,200,374,742	2,064,661,706
Non-controlling interest		84,821,392	87,458,943	-	-
Sub-Total		**6,771,430,711**	**6,349,252,937**	**6,169,818,152**	**5,458,729,131**
Deductions from Tier-1 (Core Capital)					
Goodwill and value of any contingent assets which are shown as assets		234,143,286	234,143,286	-	-
Total Eligible Tire - 1 Capital		**6,537,287,425**	**6,115,109,651**	**6,169,818,152**	**5,458,729,131**
Supplementary capital (Tier -II)					
General provision (unclassified loans up to specified limit + SMA + off balance sheet exposure)		449,416,303	356,551,924	449,416,303	356,551,757
Assets revaluation reserves up to 50%		-	-	-	-
Revaluation reserve for securities up to 10%		-	-	-	-
All others preference shares		-	-	-	-
Others (if any other item approved by Bangladesh Bank)		-	-	-	-
Sub-Total		**449,416,303**	**356,551,924**	**449,416,303**	**356,551,757**
A) Total capital		**6,986,703,728**	**6,471,661,575**	**6,619,234,454**	**5,815,280,888**
Total assets including off -balance sheet exposures		**70,333,127,747**	**57,055,686,519**	**63,779,316,804**	**51,222,345,030**
B) Total risk weighted assets		**56,121,952,259**	**48,250,823,201**	**50,056,222,400**	**41,028,018,699**
C) Required capital based on risk weighted assets (10% on B)		**5,612,195,226**	**4,825,082,320**	**5,005,622,240**	**4,102,801,870**
D) Surplus (A-C)		**1,374,508,502**	**1,646,579,255**	**1,613,612,214**	**1,712,479,018**
E) Capital Adequacy Ratio		**12.45%**	**13.41%**	**13.22%**	**14.17%**
F) Core Capital to RWA		**11.65%**	**12.67%**	**12.33%**	**13.30%**
G) Supplementary Capital to RWA		**0.80%**	**0.74%**	**0.90%**	**0.87%**

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka

14 Statutory reserve

See accounting policy in note (2.42)

Opening Balance	987,633,085	781,630,380	987,633,085	781,630,380
Add: Transferred from profit during the year @ 20%	214,410,834	206,002,705	214,410,834	206,002,705
	1,202,043,919	**987,633,085**	**1,202,043,920**	**987,633,085**

15 Retained earnings

	2,518,510,040	2,407,926,127	3,136,715,878	2,708,197,920
Opening Balance	1,722,988,700	1,983,390,086	2,064,661,706	1,678,184,396
Add: Profit for the year	795,521,340	424,536,041	1,072,054,172	1,030,013,524
Less: Adjustment during the year:	939,000,948	684,937,426	936,341,136	643,536,214
Transfer to statutory reserve during the year	214,410,834	206,002,705	214,410,834	206,002,705
Transfer to general reserve during the year	(7,081,053)	1,107,188	-	-
Changing effect of non controlling interest	-	22,732,982	-	-
Adjustment of non-controlling interest	9,740,864	17,561,042	-	-
Transferred of stock dividend	360,965,150	218,766,750	360,965,150	218,766,750
Cash dividend	360,965,152	218,766,759	360,965,152	218,766,759
	1,579,509,093	**1,722,988,700**	**2,200,374,742**	**2,064,661,706**

16 Non-controlling interest

See accounting policy in note (2.4)

Name of Subsidiaries	Percentage of Non-controlling interest	Equity as on 31.12.2016	LankaBangla Group	
			2016	2015
			Taka	Taka
Name of Subsidiaries				
LankaBangla Securities Limited	3.4932333%	4,180,794,512	146,044,904	142,880,994
LankaBangla Investments Limited	0.0000036%	441,749,358	16	31
LankaBangla Asset Management Company Limited	0.0002000%	963,419,895	1,927	8,983
LankaBangla Information System Limited	3.6862468%	1,697,780	62,584	34,693
BizBangla Media Limited	22.7945866%	(268,871,028)	(61,288,039)	(55,465,758)
			84,821,392	**87,458,943**

		LankaBangla Group		LankaBangla Finance Limited	
		2016	2015	2016	2015
		Taka	Taka	Taka	Taka
17	**Interest income**				
	See accounting policy in note (2.33.1) (2.33.2), (2.33.3) and (2.33.4)				
	Corporate finance				
	Factoring finance	104,606,664	76,329,685	104,606,664	76,329,685
	Lease finance	260,642,122	320,796,682	260,642,122	320,796,682
	Lending to subsidiaries	-	-	325,965,295	483,216,124
	Real estate developers Finance	1,343,114	2,932,662	1,343,114	2,932,662
	Short term lending	864,639,604	638,294,386	864,639,604	638,294,386
	Term finance	1,380,902,854	1,317,865,151	1,380,902,854	1,317,865,151
	Term loan secured overdraft	6,295,292	7,460,624	6,295,292	7,460,624
	Term loan syndication finance	57,838,401	96,382,416	57,838,401	96,382,416
		2,676,268,051	**2,460,061,606**	**3,002,233,346**	**2,943,277,730**
	Retail finance				
	Auto loan	514,479,186	353,024,563	514,479,186	353,024,563
	Credit card (Note- 17.1)	403,552,585	330,975,827	403,552,585	330,975,827
	Mortgage loan (Note- 17.2)	574,210,038	491,057,355	574,210,038	491,057,355
	Personal loan (Note- 17.3)	427,013,795	247,792,522	425,689,291	246,548,601
		1,919,255,605	**1,422,850,268**	**1,917,931,100**	**1,421,606,347**
	SME finance				
	SME finance	434,105,938	186,979,790	434,105,938	186,979,790
		434,105,938	**186,979,790**	**434,105,938**	**186,979,790**
	Treasury finance				
	Fixed deposit accounts	128,309,605	53,471,964	75,045,134	50,474,643
	Short term deposit accounts	4,150,129	49,320,996	3,347,723	2,670,341
		132,459,734	**102,792,960**	**78,392,856**	**53,144,984**
	Others				
	Debit balance of share trading clients	401,494,843	505,083,119	-	-
	Margin loan to share trading clients	97,960,075	109,479,557	-	-
		499,454,918	**614,562,675**	**-**	**-**
		5,661,544,246	**4,787,247,300**	**5,432,663,241**	**4,605,008,851**
17.1	**Credit Card**				
	Master Card	274,809,480	224,550,428	274,809,480	224,550,428
	Visa Card	128,743,105	106,425,399	128,743,105	106,425,399
		403,552,585	**330,975,827**	**403,552,585**	**330,975,827**
17.2	**Mortgage loan**				
	Bangladesh Bank refinance loan	68,680,888	66,362,609	68,680,888	66,362,609
	Commercial loan	493,985,029	418,141,428	493,985,029	418,141,428
	Staff loan	11,544,121	6,553,318	11,544,121	6,553,318
		574,210,038	**491,057,355**	**574,210,038**	**491,057,355**

		LankaBangla Group		LankaBangla Finance Limited	
		2016	2015	2016	2015
		Taka	Taka	Taka	Taka
17.3	**Personal loan**				
	Loan against deposit	20,427,756	15,151,276	20,427,756	15,151,276
	Staff loan	10,898,218	9,873,048	9,573,713	8,629,127
	Term loan	395,687,822	222,768,198	395,687,822	222,768,198
		427,013,795	**247,792,522**	**425,689,291**	**246,548,601**
18.	**Interest expenses on deposits and borrowings**				
	See accounting policy in note (2.28)				
	Other than Bangladesh Bank				
	Bank overdraft	79,171,499	64,056,395	76,882,259	63,721,763
	Call loan	60,888,472	108,439,167	60,888,472	108,439,167
	Short term loan	193,066,734	187,030,981	193,066,734	187,030,981
	Term deposits	2,966,465,005	2,332,154,318	2,970,681,267	2,337,345,229
	Term loan- commercial bank	428,516,617	651,824,625	27,691,582	150,893,617
	Zero Coupon Bond	187,941,863	278,577,293	187,941,863	278,577,293
		3,916,050,190	**3,622,082,778**	**3,517,152,178**	**3,126,008,048**
	Bangladesh Bank				
	Bangladesh Bank REPO	-	44,934,729	-	44,934,729
	Term loan- Bangladesh Bank	48,029,138	47,867,233	48,029,138	47,867,233
		48,029,138	**92,801,962**	**48,029,138**	**92,801,962**
		3,964,079,328	**3,714,884,740**	**3,565,181,315**	**3,218,810,010**
19.	**Income from investment**				
	See accounting policy in note (2.33.5)				
	Commercial paper	80,486,354	3,450,833	80,486,354	3,450,833
	Coupon income from treasury bond	649,711	157,473,587	649,711	157,473,587
	Dividend income	155,628,524	95,159,729	67,820,926	206,947,231
	Income from investment in share (Capital gain)	246,762,009	180,222,862	46,831,610	57,781,533
		483,526,596	**436,307,012**	**195,788,600**	**425,653,183**
20.	**Commission, exchange and brokerage income**				
	See accounting policy in note (2.33.8)				
	Brokerage commission	4,293,551	560,594,048	-	-
	Underwriting commission	561,932,464	1,473,400	-	-
		566,226,015	**562,067,448**	**-**	**-**
21.	**Other operational income**				
	See accounting policy in note (2.33.6),(2.33.7),(2.33.8),(2.33.9), (2.21.6) and (2.34)				
	Corporate finance				
	Fees and documentations (Note-21.1)	40,633,208	24,216,913	40,633,208	24,216,913
	Portfolio and issue management fee	35,697,750	46,649,680	-	-
	Write off recovery	12,250,000	22,350,000	12,250,000	22,350,000
		88,580,958	**93,216,593**	**52,883,208**	**46,566,913**

		LankaBangla Group		LankaBangla Finance Limited	
		2016	2015	2016	2015
		Taka	Taka	Taka	Taka
Retail finance					
Fees and documentations	(Note-21.1)	188,165,691	131,474,972	188,165,691	131,474,972
Membership fees of credit card		21,185,600	14,664,800	21,185,600	14,664,800
Other income from credit card		78,328,932	56,103,163	78,328,932	56,103,163
		287,680,223	**202,242,936**	**287,680,223**	**202,242,936**
SME finance					
Fees and documentations	(Note-21.1)	24,778,158	17,253,461	24,778,158	17,253,461
		24,778,158	**17,253,461**	**24,778,158**	**17,253,461**
Others					
Advertisement		95,371,440	40,345,956	-	-
Circulation		10,604,270	4,436,289	-	-
Corporate finance fees		7,389,500	3,273,600	(4,926)	61500
Foreign exchange gain/(loss)		(4,926)	(1,598)	751,630	(1,598)
Income from CDBL		21,617,332	28,595,710	-	-
Income from research project		1,500,000	-	-	-
Income from unit fund operation		5,764,725	-	-	-
Miscellaneous		3,443,677	1,597,632	2,060,097	778,057
Profit on sale of fixed asset		3,106,988	21,076,500		626,557
Round Table Conference		2,146,000	1,289,370	-	-
Scrap sales		2,537,144	1,392,348	-	-
Settlement fee		43,175,650	34,628,083	-	-
Sponsorship		1,943,043	1,591,220	-	-
		198,594,842	**138,225,109**	**2,806,801**	**1,464,516**
		599,634,180	**450,938,098**	**368,148,389**	**267,527,826**

21.1 Fees and documentations

Corporate finance				
Factoring finance	12,141,985	9,555,231	12,141,985	9,555,231
Late payment charge-factoring	908,022	262,134	908,022	262,134
Lease finance	8,306,257	5,126,295	8,306,257	5,126,295
Revolving credit -secured	3,379,621	22,201	3,379,621	22,201
Short term loan	5,262,537	4,124,375	5,262,537	4,124,375
Term loan	9,722,822	4,960,818	9,722,822	4,960,818
Term loan syndication finance	137,508	120,860	137,508	120,860
Work order finance	187,500	45,000	187,500	45,000
Zero coupon bond	586,957	-	586,957	-
	40,633,208	**24,216,913**	**40,633,208**	**24,216,913**
Retail finance				
Auto loan	17,314,442	13,229,639	17,314,442	13,229,639
Credit card	105,219,449	83,036,892	105,219,449	83,036,892
Home loan	39,177,996	18,798,616	39,177,996	18,798,616
Personal loan	26,453,803	16,409,825	26,453,803	16,409,825
	188,165,691	**131,474,972**	**188,165,691**	**131,474,972**

		LankaBangla Group		LankaBangla Finance Limited	
		2016	2015	2016	2015
		Taka	Taka	Taka	Taka
	SME finance				
	SME finance	24,778,158	17,253,461	24,778,158	17,253,461
		24,778,158	**17,253,461**	**24,778,158**	**17,253,461**
		253,577,056	**172,945,346**	**253,577,056**	**172,945,346**
22.	**Salary and allowances**				
	See accounting policy in note (2.35.1) and (2.36)				
	Salary and allowances	870,360,251	723,692,196	557,914,991	439,796,140
	Provident fund contribution	26,406,706	24,918,691	13,326,002	11,926,060
	Festival bonus	40,809,065	35,603,768	22,794,378	35,603,768
	Gratuity fund	49,772,590	37,363,434	40,809,065	12,019,023
		987,348,613	**821,578,089**	**634,844,436**	**499,344,992**
23.	**Rent, taxes, insurance, electricity etc.**				
	See accounting policy in note (2.35)				
	Electricity	22,422,045	20,210,531	12,630,542	10,268,147
	Insurance premium	22,563,315	19,389,405	15,496,175	12,543,959
	Office rent	142,081,118	120,208,326	96,580,666	74,100,830
		187,066,477	**159,808,261**	**124,707,382**	**96,912,936**
24.	**Legal and professional fees**	**30,013,397**	**19,744,690**	**23,863,346**	**15,941,909**
	See accounting policy in note (2.35)				
25.	**Postage, stamp, telecommunication etc.**				
	See accounting policy in note (2.35)				
	Postage and courier	2,432,624	2,029,473	2,190,920	1,759,175
	Stamp charges	1,840,826	926,349	1,811,836	874,327
	Telephone bill	16,364,702	14,051,086	10,984,604	9,210,524
		20,638,151	**17,006,908**	**14,987,359**	**11,844,026**
26.	**Stationery, printing, advertisement**				
	See accounting policy in note (2.35)				
	Advertisement	22,287,951	15,663,979	20,246,961	14,246,646
	Printing and stationery	25,197,795	24,503,665	17,496,808	14,972,477
		47,485,747	**40,167,644**	**37,743,769**	**29,219,123**
27.	**Managing director's salary and allowance**				
	See accounting policy in note (2.35.1) and (2.36)				
	Salary and allowances	13,000,000	13,000,000	13,000,000	13,000,000
	Provident fund contribution	804,000	804,000	804,000	804,000
	Festival bonus	1,340,000	1,340,000	1,340,000	1,340,000
	Gratuity fund	2,345,000	1,631,264	2,345,000	1,631,264
		17,489,000	**16,775,264**	**17,489,000**	**16,775,264**
28.	**Director fees and expenses**				
	See accounting policy in note (2.35)				
	Board meeting and audit committee attendance fees	2,591,389	1,822,127	736,000	691,500
	Other financial benefits	-	-	-	-
		2,591,389	**1,822,127**	**736,000**	**691,500**

		LankaBangla Group		LankaBangla Finance Limited	
		2016	2015	2016	2015
		Taka	Taka	Taka	Taka
29.	**Audit fees**	1,227,625	667,584	718,750	318,750
	See accounting policy in note (2.35)	**1,227,625**	**667,584**	**718,750**	**318,750**
30.	**Repairs, maintenance and depreciation**				
	See accounting policy in note (2.21.3) and (2.35)				
	Depreciation	97,747,605	92,549,026	64,104,605	45,580,461
	Repairs and maintenance	6,961,749	3,312,188	3,237,081	2,022,106
	Software maintenance	18,769,038	13,682,013	12,313,345	11,336,441
		123,478,392	**109,543,227**	**79,655,031**	**58,939,008**
31.	**Other expenses**				
	See accounting policy in note (2.35)				
	AGM and related expenses	699,174	949,512	659,174	858,108
	Bank charges	2,814,018	2,360,730	1,393,668	1,202,601
	Bkash commission	202,438	65,381	202,438	65,381
	Business promotion	58,037,946	40,977,618	33,422,079	18,143,447
	CDBL fee	26,243,377	32,561,701	912,826	238,345
	CIB Charge	5,145,710	3,661,270	5,145,710	3,661,270
	Commission on bank guarantee	6,566,590	12,767,104	-	-
	Computer accessories	553,029	399,835	517,414	382,085
	Contact point verification fees	6,157,823	5,388,596	6,157,823	5,388,596
	Conveyance	5,993,548	4,994,076	5,919,148	4,780,548
	Cost of Newspaper, P. S Plates & Polyester film	21,900,083	11,813,037	-	-
	Credit card accessories	2,747,108	2,155,252	2,747,108	2,155,252
	Documentation fee	298,660	810,113	177,740	761,750
	Donation and miscellaneous expenses	448,768	7,047,440	307,158	729,953
	Educational expense reimbursements	403,737	96,736	398,358	96,736
	Entertainment	10,425,639	8,983,604	3,940,062	2,574,844
	Excise duty	1,238,027	624,520	1,150,527	609,170
	Factory overhead	71,266,643	4,966,140	-	-
	Fair and conference	1,530,243	1,178,440	-	-
	Fuel expense	2,930,522	2,003,915	1,636,215	543,010
	Hawla charges	847,498	894,994	-	-
	HR event	1,845,981	2,759,410	1,845,981	2,759,410
	Internet and e-mail	18,058,655	15,977,185	5,924,832	4,051,288
	laga charges	38,156,413	34,990,155	-	-
	LB foundation	12,590,284	11,188,409	10,828,830	10,404,177
	Loss on sales of fixed asset	1,131,245	197,568	538,610	121,223
	Marketing expenses	81,753,160	58,097,002	81,753,160	58,097,002
	Master Card-SBLC issuance charge	1,019,197	1,072,281	1,019,197	1,072,281
	MCBS charges	18,720,526	12,568,080	18,720,526	12,568,080
	Meeting expense	2,648,599	1,130,643	2,648,599	1,130,643
	Membership and regulatory fees	16,686,515	4,345,552	13,061,237	2,210,639

		LankaBangla Group		LankaBangla Finance Limited	
		2016	2015	2016	2015
		Taka	Taka	Taka	Taka
	Networking charge	294,357	236,389	-	-
	News paper and periodicals	1,203,819	742,601	157,888	25,931
	Office maintenance	51,510,373	39,946,360	37,621,014	28,780,006
	Other expenses	117,229	366,656	-	-
	Other operational expenses credit card	16,346,240	12,803,858	16,346,240	12,803,858
	Recovery commission	1,214,778	322,869	1,214,778	322,869
	Recruitment expense	782,073	285,271	780,773	285,271
	Selling & distribution expenses	6,338,716	3,472,197	-	-
	SMS service charge	1,329,605	2,352,974	1,329,605	2,352,974
	Staff welfare	956,577	721,114	956,579	721,114
	Subscription	153,478	290,781	-	-
	Third party commission	5,366,598	4,221,082	-	-
	Training	11,425,699	11,737,736	8,956,877	8,909,641
	Travelling	31,036,073	25,205,859	27,040,249	21,067,050
	Vehicle maintenance/registration	38,307,020	33,173,592	17,201,880	15,728,346
	Water and sewerage bill	1,757,387	1,949,546	1,039,821	1,061,629
		587,201,180	**424,855,180**	**313,674,123**	**226,664,527**
32.	**Provisions for loans, investments and other assets**				
	See accounting policy in note (2.27)				
	Provisions for leases and loans	**199,224,797**	**132,649,299**	**199,224,797**	**132,649,299**
	General provision	92,864,546	86,280,043	92,864,546	86,280,043
	Specific provision	106,360,251	46,369,255	106,360,251	46,369,255
	Provision for margin loan	313,531,665	280,292,635	-	-
	Provision for diminution in value of investments	(117,107,133)	(27,138,202)	(123,560,860)	(46,891,672)
	Specific provision for other assets	-	(8,941,000)	-	(8,941,000)
		395,649,328	**376,862,732**	**75,663,937**	**76,816,627**
33.	**Provision for tax made during the year**				
	See accounting policy in note (2.37)				
	Current tax expense	148,304,531	111,998,262	35,281,610	15,897,665
	Deferred tax expense/ (income)	2,714,954	(83,366)	-	-
		151,019,485	**111,914,896**	**35,281,610**	**15,897,665**
34.	**Earnings Per Share (EPS)**				
	See accounting policy in note (2.39)				
	Earning attributable to ordinary shareholders	795,521,340	424,536,041	1,072,054,172	1,030,013,524
	Number of ordinary shares outstanding	276,739,949	276,739,949	276,739,949	276,739,949
	Basic earnings per share (Restated- prior year)	**2.87**	**1.53**	**3.87**	**3.72**
34.1	**Number of ordinary shares outstanding**				
	Balance on 01 January	240,643,434	240,643,434	240,643,434	240,643,434
	Bonus issued	36,096,515	36,096,515	36,096,515	36,096,515
		276,739,949	**276,739,949**	**276,739,949**	**276,739,949**

35 Segment report

35.1 Basis for segmentation

The Group has the following four strategic divisions, which are reportable segments. These divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

Reportable Segments	Operations
Core Financing Business	Fees based services include Credit Card Membership Fees, Loan processing fees etc. Fund based services include Lease Finance, Term Finance, Real Estate Finance, Hire Purchase, Credit Card Operation, SME, Auto loan, Personal Loan, Factoring, Syndication Finance, Revolving Credit, Loan against Deposit, and Staff Loan etc.
Brokerage Business	Act as a member of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited to carry on the business of brokers or dealers in stocks, shares and securities, commercial papers, bonds, debentures, debentures stocks, foreign currencies, treasury bills and/or any financial instruments.
Investment Business	Trading, margin loan and corporate finance activities
Asset Management Business	Fund management activities

The Group's Management Committee reviews internal management reports from each segment at least monthly.

35.2. Information about reportable segments

Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Group's management committee, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to the other entities that operate within the same industries. Inter-segment pricing is determined on an arm's length basis.

Amount in Taka

Particulars	For the year 2016				
	Core Financing Business	Brokerage Business	Investment Business	Asset M anagement Business	Consolidated
Revenue from external customers					
Interest revenue	5,106,697,946	454,317,319	98,711,229	1,817,751	5,661,544,246
Revenue from investment	195,788,600	196,151,360	67,043,121	24,543,515	483,526,596
Commission, exchange and brokerage income	-	561,932,464	4,293,551	-	566,226,015
Other operational income	368,148,389	139,015,893	86,705,174	5,764,725	599,634,180
Total revenue from external customers	**5,670,634,934**	**1,351,417,037**	**256,753,074**	**32,125,991**	**7,310,931,037**
Revenues from transactions with other operating segments of the same entry :					
Interest revenue	325,965,295	-	-	4,216,262	330,181,557
Revenue from investment	-	9,901,875	-	-	9,901,875
Total revenues from transactions with other operating segments of the same entry	**325,965,295**	**9,901,875**	**-**	**4,216,262**	**340,083,432**
Total segment revenue	**5,996,600,229**	**1,361,318,912**	**256,753,074**	**36,342,254**	**7,651,014,469**
Interest expenses					
Segment interest expenses	3,560,965,053	398,395,344	2,340,195	2,378,736	3,964,079,328
Revenues from transactions with other operating segments of the same entry	4,216,262	29,788,215	296,177,080	-	330,181,557
Total segment expenses	**3,565,181,315**	**428,183,560**	**298,517,275**	**2,378,736**	**4,294,260,885**
Operating expenses					
Segment operating expenses	1,174,412,716	636,316,154	69,011,240	27,052,256	1,906,792,366
Revenues from transactions with other operating segments of the same entry	9,901,875	-	-	-	9,901,875
Total segment operating expenses	**1,184,314,591**	**636,316,154**	**69,011,240**	**27,052,256**	**1,916,694,241**
Depreciation and amortization	**64,104,605**	**27,014,891**	**3,614,115**	**3,013,994**	**97,747,605**
Net operating income	**1,182,999,719**	**269,804,307**	**(114,389,556)**	**3,897,268**	**1,342,311,738**
Material non-cash items other than depreciation and amortisation					
Provision for leases, loans and advances/investments	75,663,937	7,490,868	313,531,665	(1,037,141)	395,649,328
Profit before tax and reserve	**1,107,335,782**	**262,313,439**	**(427,921,220)**	**4,934,409**	**946,662,410**
Provision for tax made during the year	35,281,610	110,728,820	-	2,294,102	148,304,531
Deferred tax (expense)/ Income	-	2,738,065	-	(23,111)	2,714,954
	35,281,610	**113,466,885**	**-**	**2,270,991**	**151,019,485**
Net profit after tax	**1,072,054,172**	**148,846,554**	**(427,921,220)**	**2,663,419**	**795,642,925**
Total segment assets	57,622,494,692	9,870,999,395	3,250,767,211	983,064,122	71,727,325,420
Inter segmental assets	2,766,873,714	-	-	-	2,766,873,714
Net segment assets	**54,855,620,978**	**9,870,999,395**	**3,250,767,211**	**983,064,122**	**68,960,451,706**

Amount of addition to non-current fixed assets	186,414,731	32,760,764	9,848,962	15,100,058	244,124,515
Segment capital employed	6,216,729,301	4,140,537,360	436,703,014	963,419,895	11,757,389,571
Segment liability	51,452,676,540	5,488,794,881	283,811,293	19,644,227	57,244,926,941
Inter segmental liabilities	-	241,667,154	2,525,206,559	-	2,766,873,714
Total segmental liability	**57,669,405,842**	**9,870,999,395**	**3,245,720,867**	**983,064,122**	**71,769,190,226**

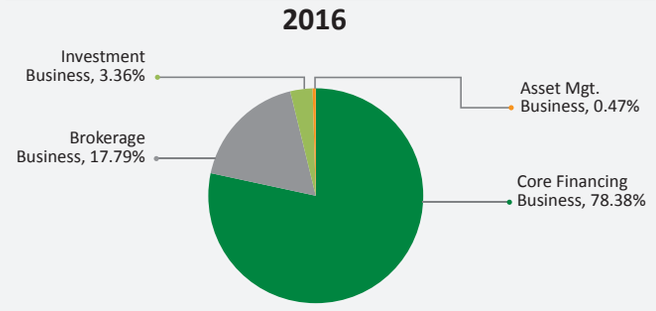
Amount in Taka

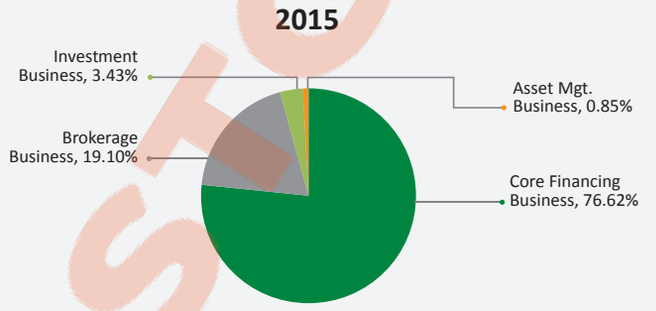
Particulars	For the year 2015				
	Core Financing Business	Brokerage Business	Investment Business	Asset Management Business	Consolidated
Revenue from external customers					
Interest revenue	4,121,792,727	547,742,146	116,796,496	915,930	4,787,247,300
Revenue from investment	241,901,724	107,926,624	34,128,307	52,350,356	436,307,012
Commission, exchange and brokerage income	-	560,594,048	1,473,400	-	562,067,448
Other operational income	267,527,826	98,499,813	84,807,611	102,849	450,938,098
Total revenue from external customers	**4,631,222,278**	**1,314,762,631**	**237,205,815**	**53,369,135**	**6,236,559,858**
Revenues from transactions with other operating segments of the same entry :					
Interest revenue	483,216,124	-	-	5,190,911	488,407,035
Revenue from investment	183,751,459	-	-	-	-
Revenue from operation	-	5,791,000	-	-	5,791,000
Total revenues from transactions with other operating segments of the same entry	**666,967,583**	**5,791,000**	**-**	**5,190,911**	**494,198,035**
Total segment revenue	**5,298,189,860**	**1,320,553,631**	**237,205,815**	**58,560,046**	**6,730,757,893**
Interest expenses					
Segment interest expenses	3,213,619,099	494,244,361	6,686,648	334,632	3,714,884,740
Revenues from transactions with other operating segments of the same entry	5,190,911	41,560,895	441,655,228	-	488,407,035
Total segment expenses	**3,218,810,010**	**535,805,257**	**448,341,876**	**334,632**	**4,203,291,775**
Operating expenses					
Segment operating expenses	911,071,573	538,926,335	66,775,610	8,437,432	1,525,210,950
Inter segment operation expenses	5,791,000	-	-	-	5,791,000
Total segment operation expenses	**916,862,573**	**538,926,335**	**66,775,610**	**8,437,432**	**1,531,001,950**
Depreciation and amortization	**45,580,461**	**41,994,477**	**3,758,523**	**1,215,565**	**92,549,026**
Net operating income	**1,116,936,816**	**203,827,562**	**(281,670,195)**	**48,572,418**	**909,706,142**
Material non-cash items other than depreciation and amortisation					
Provision for leases, loans and advances / investments	76,816,626	62,897,911	236,132,741	1,015,454	376,862,732
Profit before tax and reserve	**1,040,120,190**	**140,929,651**	**(517,802,936)**	**47,556,964**	**532,843,409**
Provision for tax made during the year	15,897,665	90,444,019	711,429	4,945,148	111,998,262
Deferred tax (expense)/ Income	-	(2,044,345)	2,123,088	(162,109)	(83,366)
	15,897,665	**88,399,674**	**2,834,517**	**4,783,039**	**111,914,896**
Net profit after tax	**1,024,222,524**	**52,529,977**	**(520,637,453)**	**42,773,924**	**420,928,514**
Total segment assets	44,614,543,408	9,018,988,067	4,193,676,664	927,855,528	58,755,063,667
Inter segmental assets	3,393,501,095	-	-	89,296,938	3,482,798,033
Net segment assets	**41,221,042,313**	**9,018,988,067**	**4,193,676,664**	**838,558,590**	**55,272,265,634**

Amount of addition to non-current assets	794,860,655	74,392,965	2,723,481	1,361,860	873,338,961
Segment capital employed	5,458,729,131	3,937,919,998	869,670,579	898,256,476	11,164,576,184
Segment liability	39,066,517,339	4,796,675,354	214,897,706	29,599,051	44,107,689,450
Inter segmental liabilities	89,296,938	284,392,715	3,109,108,380	-	3,482,798,033
Total segmental liability	**44,614,543,408**	**9,018,988,067**	**4,193,676,664**	**927,855,528**	**58,755,063,667**

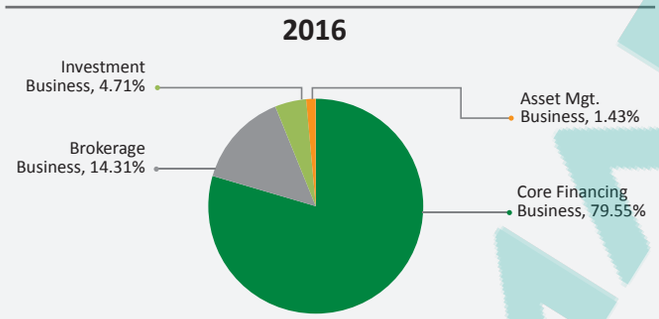
35.2. Information about reportable segments (continued)

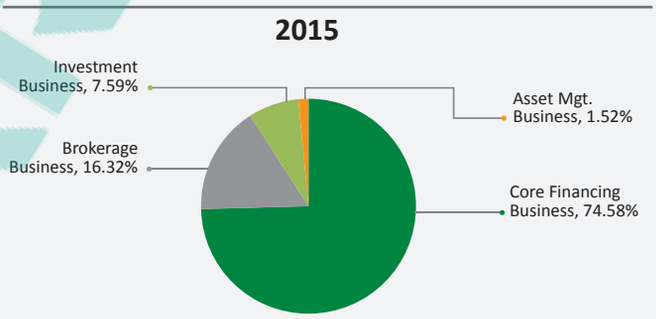
Revenue



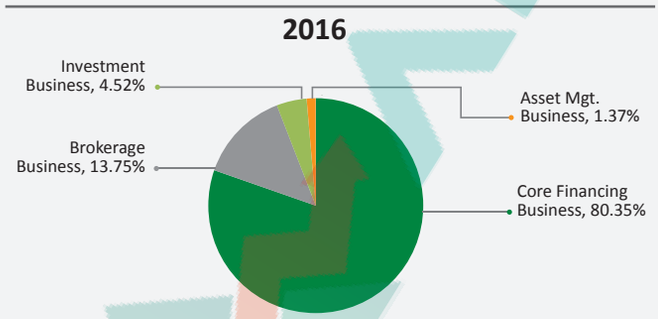


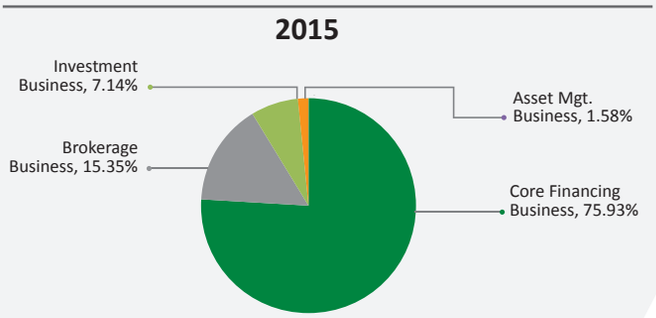
Assets





Liabilities





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36 Group subsidiaries

36.1 List of significant subsidiaries

The table below provides details of the significant subsidiaries of the Group

Sl.	Name	Place of business	Ownership Interest
1	LankaBangla Securities Limited	Bangladesh	96.5067667%
2	LankaBangla Investments Limited	Bangladesh	99.9999964%
3	LankaBangla Asset Management Company Limited	Bangladesh	99.9998000%
4	LankaBangla Information System Limited	Bangladesh	96.3137532%
5	BizBangla Media Limited	Bangladesh	77.2054134%

36.2 Financial support given to structured entities

All the transactions with or among the subsidiaries are arms length transactions and are properly disclosed in the related party disclosure **(Note-36)**. Other than those no other financial support has been given to any of the subsidiaries in the period of 2016.

36.3 Significant restrictions

The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory framework within which financial subsidiaries operate. The regulatory frameworks require financial organizations to keep certain level of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios.

36.4 NCI in subsidiaries

Name	% of NCI	Profit allocated to NCI	
		2016	2015
		Taka	Taka
LankaBangla Securities Limited	3.4932333%	6,091,637	2,089,212
LankaBangla Investments Limited	0.0000036%	(15)	(19)
LankaBangla Asset Management Company Limited	0.0020000%	5	428
LankaBangla Information System Limited	3.6862468%	28,725	(8,828)
BizBangla Media Limited	22.7945866%	(5,998,767)	(5,688,319)
Total		**121,585**	**(3,607,526)**

37.00 Related party disclosure

i) Names of the Directors together with a list of entities in which they have interest Directors' interests in different entities are stated below:

Sl. No.	Name of Directors	Status in the Institution	Name of the firms/companies in which interested as proprietor, partner, director, managing agent, guarantor, employee etc.	
1	Mr. Mohammad A. Moyeen	Chairman	1	Tropica Garments Limited
			2	Airline Cargo Resources Limited
			3	Air & Sea International Logistics Limited
			4	BizBangla Media Limited
			5	Colloid Enterprises Limited
			6	Cross Freight Lines Limited
			7	Expo Express Services Limited
			8	Freight Care Aviation Services Limited
			9	Global Aviation Services Limited
			10	LankaBangla Securities Limited
			11	LankaBangla Investment Limited
			12	LankaBangla Information System Limited
			13	Orchid Air Limited
			14	Pulsar Shipping Agencies Ltd
			15	S.G Logistics (Pvt.) Limited
			16	Standard Paper Products Limited
			17	STS Educational Group Limited
			18	STS Holdings Limited
			19	Swift Logistics Services Limited
			20	The M & M Limited
			21	UCL Logistics Limited
			22	Uniworld Logistics Limited
			23	Voytech Limited
			24	WAC Logistics Limited
			25	Wings Aviation Limited
			26	Wings Spence Aviation Limited
			27	Wings Express Limited
			28	Wings Logistics Limited
			29	Wings Ocean Freight Limited
			30	Wings Classic Tours & Travels Limited
			31	Wings Tours & Travels Limited
			32	Global Ground Services Limited
			33	Information Technology Consultants Limited (ITCL)
2	Mr. I.W. Senanayake (Representing Sampath Bank PLC)	Director	N/A	
3	Mr. M. Y. Aravinda Perera (Representing Sampath Bank PLC)	Director	N/A	

Sl. No.	Name of Directors	Status in the Institution	Name of the firms/companies in which interested as proprietor, partner, director, managing agent, guarantor, employee etc.	
4	Mr. Mahbubul Anam	Director	1	Expo Freight Limited
			2	Airline Cargo Resources Limited
			3	Air & Sea International Logistics Limited
			4	LankaBangla Securities Limited
			5	BizBangla Media Limited
			6	LankaBangla Information System Limited
			7	Colloid Enterprises Limited
			8	Airlines Services Limited
			9	Allied Aviation Bangladesh Limited
			10	Aeroness International
			11	Aramex Dhaka Limited
			12	Cargo Center Limited
			13	Cross Freight Lines Limited
			14	Expo Express Services Limited
			15	Freight Care Aviation Services Limited
			16	Global Aviation Services Limited
			17	Orchid Air Limited
			18	Pulsar Shipping Agencies Ltd
			19	S.G Logistics (Pvt.) Limited
			20	Standard Paper Products Limited
			21	STS Educational Group Limited
			22	STS Holdings Limited
			23	SDV Bangladesh Private Limited
			24	The M & M Limited
			25	Tropica Garments Limited
			26	UCL Logistics Limited
			27	Voyager Airlines Limited
			28	Voytech Limited
			29	WAC Logistics Limited
			30	Wings Aviation Limited
			31	Wings Spence Aviation Limited
			32	Wings Express Limited
			33	Wings Ocean Freight Limited
			34	Wings Classic Tours & Travels Limited
			35	Eastern Cables Limited
5	Mrs. Aneesha Mahial Kundanmal	Director	1	Royal Park Residence
			2	GDS Chemical Bangladesh Limited
6	Mr. Tahsinul Huque	Director	N/A	
7	Mr. M. Fakhrul Alam (Representing ONE Bank Limited)	Director	N/A	

Sl. No.	Name of Directors	Status in the Institution	Name of the firms/companies in which interested as proprietor, partner, director, managing agent, guarantor, employee etc.	
8	Mr. Mirza Ejaz Ahmed (Representing SSC Holdings Limited)	Director	1	Shirt Makers Limited
			2	International Shirt Line Limited
			3	Section Seven Limited
			4	Section Seven Apparels Limited
			5	Section Seven Agro Limited
			6	Section Seven International Limited
			7	Share Knitwear Limited
			8	Excel Apparels Limited
			9	Lumbini Limited
			10	Star Feeds Limited
9	Mr. Al- Mamoon Md. Sanaul Huq	Independent Director	1	LankaBangla Securities Limited
			2	LankaBangla Investments Limited
			3	LankaBangla Asset Management Company Limited
10	Mrs. Zaitun Sayef	Independent Director	N/A	

ii)	Significant contracts where Company is a party and wherein Directors have interest during the period of 31 December 2016	NIL

iii)	Shares issued to Directors and Executives without consideration or exercisable at a discount	NIL

iv) **Related party transactions**

The company in normal course of business has entered into transactions with other individuals/ entities that fall within definition of related party contained in Bangladesh Accounting Standards-24 (Related Party Disclosures) as noted below:

SL No.	Name of Related Party	Relationship	Percentage of Holding	Outstanding 2015	Amount of transaction during the year 2016		Outstanding 2016	Nature of Transaction	Outstanding balance present in note
					Debit	Credit			
1	STS Educational Group Limited	Concern related to Directors	-	52,777,810	54,202,801.5	12,422,988.4	-	TDR	11.1
2	STS Holdings Limited	Concern related to Directors	-	428,566,260	415,356,603.5	92,796,010	106,005,666	TDR	11.1
3	Colloid Enterprises Limited	Concern related to Directors	-	5,000,000	73,953	5,045,475	9,971,522	TDR	11.1
4	Global Aviation Services Limited	Concern related to Directors	-	16,000,000	1,280,000	1,280,000	16,000,000	TDR	11.1
5	WAC Logistics Ltd.	Concern related to Directors	-	-	-	2,300,000	2,300,000	TDR	11.1
6	LankaBangla Securities Limited	Subsidiary Company	96.51	284,392,715	314,196,097	72,528,943	241,667,154	Short term loan	7.1
7	LankaBangla Investment Limited	Subsidiary Company	99.99	3,109,108,380	333,954,293	917,856,113	2,525,206,559	Short term loan	7.1
8	LankaBangla Asset Management Limited	Subsidiary Company	99.998	89,291,469	93,867,859.6	4,576,390.93	-	TDR	7.1

LANKABANGLA STOCK

v)	Disclosure of transaction regarding Directors and their related concerns	Disclosed above (iv)
vi)	Lease agreement made with the Ex-Sponsor Director and Existing Depositor Director	NIL
vii)	Investment in the Securities of Directors and their related concern	NIL

38 Audit committee disclosures

In Compliance with the requirement of Bangladesh Bank Notification No. DFIM-13, dated 26 October, 2011 and Bangladesh Securities & Exchange Commission (BSEC) Notification No. SEC/CMRRCD/2006-158/134/admin/44, dated 07 August 2012-an audit committee of LankaBangla Finance Limited (LBFL) was re-constituted by the 92nd Board of Director's meeting held on February 18, 2015.

Sl. No.	Name of Member	Status in the Organization	Status in the Committee	Educational Qualification
01	Mr. Al- Mamoon Md. Sanaul Huq	Independent Director	Chairman	B. Sc. (Hons) and M.Sc in Applied Chemistry with post graduate Diploma in Management Accounting from Highbury College of Technology, Ports-mouth, UK.
02	Mr. Mohammed A. Moyeen	Director	Member	B.Arch. from BUET
03	Mr. Mahabubul Anam	Director	Member	B. Sc. Engineer from BUET
04	Mr. M. Fakhrul Alam	Director	Member	MBA
05	Mr. Mirza Ejaz Ahmed	Director	Member	MBA from IBA

The Company Secretary is to act as Secretary of the Audit committee of the Board.

During the year 2016, the Audit Committee of the Board conducted 5 (Five) meetings in which among other things, the following issues were reviewed/discussed.

a) The integrity of the financial statements of LBFL and all subsidiaries;
b) The Company's external auditor's qualifications and independence,
c) The performance and effectiveness of the Company's internal and external audits,
d) Internal controls and the measurement of operational risk, and
e) The compliance by the Company with legal and regulatory requirements.
f) Examine any matter relating to the financial and other connected to the Company.
g) Monitor all Internal and External Audit and Bangladesh bank's Inspection Program.
h) Review the efficiency of Internal Control systems and procedures, in place.
i) Review the Quality of Accounting Policies and their adherence to Statutory and Regulatory Compliance.
j) Review the Company's Annual Report and Accounts and Interim Financial Statements prepared for disclosure, before submission to the Board.
k) Ensure that a well-managed sound financial reporting system is in place to provide timely reliable information to the Board of Directors, Regulatory Authorities, Management and all other stakeholders.
l) Ensure Company's policies are firmly committed to the highest standards of good corporate governance practices and operations conform to the highest ethical standards and in the best interests of all stakeholders.

39 Impact of inflation and changing prices

Financial Institutions are affected differently by inflation than those of industrial ventures. While industrial and manufacturing companies generally have significant investments in inventories and fixed assets, financial institutions ordinarily do not have such investment. As a result, financial institutions are generally in a better position than industrial ventures to respond to inflationary trends by monitoring the spread between interest cost and interest income yields through adjustments of maturities and interest rates of assets and liabilities.

Financial statements presented herein have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), which required the measurement of the financial position and operating results in terms of historical costs. However, in some cases, particular BAS/BFRS specifically suggests to measure some assets/liabilities at fair value. Such as, BAS 39 suggests to measure investment in tradable securities at its fair value by crediting shareholders' equity.

40 Others

a) Board meeting and directors' remuneration

Each Director is drawing Taka 8,000.00 for attending five Board Meetings. No remuneration or special payment was paid to the directors for attending board meetings or otherwise during the year 2016. Nothing is due from any Director of the Company as on the date of closing the accounts. During the year under audit five Board of Director's meetings were held. Details are as under:

Sl. No.	Meeting No.	Date of Meeting	Number of presences
01	98th Board meeting	February 22, 2016	7
02	99th Board meeting	May 12, 2016	8
03	100th Board meeting	July 26, 2016	6
04	101st Board meeting	October 25, 2016	6
05	102nd Board meeting	December 08, 2016	8

Notes:

- Director who could not attend meetings were granted leave of absence by the Board.
- Mr. Kazi Abu Muhammad Majedur Rahman has been resigned from the Board of LankaBangla Finance Limited w.e.f. July 1, 2016 and Mrs. Zaitun Sayef has been appointed as Independent Director of LankaBangla Finance Limited w.e.f. July 31, 2016.

b) Executive Committee (EC) meeting and directors' remuneration

Each Director is drawing Taka 8,000 for attending Twelve Executive Committee (EC) Meetings and Taka 8,000 for attending One Executive Committee (EC) Meeting. No remuneration or special payment was paid to the directors for attending board meetings or otherwise during the year 2016. During the year under audit twelve of Executive Committee meetings were held. Details are as under:

Sl. No.	Meeting No.	Date of Meeting	Number of presences
01	51st EC meeting	January 11, 2016	3
02	52nd EC meeting	January 25, 2016	3
03	53rd EC meeting	February 4, 2016	4
04	54th EC meeting	February 29,2016	3
05	55th EC meeting	March 24, 2016	3
06	56th EC meeting	May 4, 2016	4
07	57th EC meeting	June 15, 2016	3
08	58th EC meeting	June 27, 2016	3
09	59th EC meeting	August 16, 2016	3
10	60th EC meeting	September 8, 2016	4
11	61st EC meeting	October 23, 2016	4
12	62nd EC meeting	November 22, 2016	4

Notes:

- The Executive Committee of the Board of LankaBangla Finance Limited was re-constituted by the 99th Board of Director's meeting held on May 12, 2016.
- Director who could not attend meetings were granted leave of absence by the Board.
- Mr. Kazi Abu Muhammad Majedur Rahman has been resigned from the Board of LankaBangla Finance Limited w.e.f. July 1, 2016.

c) Audit Committee meeting and directors' remuneration

Each Director is drawing Taka 8,000 for attending five Audit Committee Meetings. No remuneration or special payment was paid to the directors for attending board meetings or otherwise during the year 2016. During the year under audit five of Audit Committee meetings were held. Details are as under:

Sl. No.	Meeting No.	Date of Meeting	Number of presences
01	42nd Audit Committee meeting	February 18, 2016	3
02	43rd Audit Committee meeting	May 9, 2016	3
03	44th Audit Committee meeting	July 24, 2016	4
04	45th Audit Committee meeting	October 23, 2016	4
05	46th Audit Committee meeting	December 6, 2016	3

Notes:

- Director who could not attend meetings were granted leave of absence by the Board.

d) Employees' details

	Year-2016	Year-2015
No. of employee received TK.3,000 per month	0	0
No. of employee received more than Tk.3,000 per month	673	520
	673	**520**

e) Event after the Reporting Period

Dividend Information

The Board of Director in its 103th Meeting held on 13 February 2017 has recommended to the shareholders @15% of Stock Dividend and @15% of Cash Dividend for the year ended 31 December 2016. This will be considered for approval of shareholders at 20th Annual General Meeting (AGM) of the company scheduled to be held on 30 March 2017.

f) Right Issue

The Company has decided to increase its paid up capital through issuance of right share in order to strengthen its capital base and capital adequacy ratio. Board in its 101st Meeting held on 25 October 2016 has approved 2:1 right issue at par. The Shareholdersduly approved the issue in 9th EGM held on 14 December 2016. Company duly applied for the approval of the same to Bangladesh Securities and Exchange Commission (BSEC).

g) Capital expenditure commitment

There was no capital expenditure contracted but not incurred or provided for at 31 December 2016. There was no material capital expenditure authorized by the Board but not contracted for at 31 December 2016.

h) Foreign remittances

During the period 2016, the company remitted **USD 350,590.15, GBP 5,429.60, SGD 7,049.17** and **RS 362,250.00 (Total in BDT 29,180,756.77)** against Various Technical Service Fees to the Foreign Shareholders and training provider.

Sl #	Purpose	Pay to	USD*	GBP*	SGD*	RS*	BDT
01.	Training Fee -2016	Various Training provider abroad	20,926.97	-	8,399.17	638,250.00	3,075,787.58
02.	Annual Maintenance Fee	TSYS Card Tech	44,797.04	-	-	-	3,530,006.75
03.	Annual Service Fee	TSYS Card Tech	666.00	5,429.60	-	-	676,770.08
04.	Enhancement Fee	TSYS Card Tech	11,100.00	-	-	-	874,184.94
05.	Annual Membership Fee	Asian Financial Services Association	250.00	-	-	-	29,398.00
06.	Dividend Payment	Sampath Bank PLC	334,582.00	-	-	-	281,137,369.0
		Mr. Tahsinul Huque	66,285.32				5,197,432.00
Total			**478,607.33**	**5,429.60**	**8399.17**	**638,250.00**	**294520948.35**

*USD=United States Dollar
*GBP=Great Britain Pound
*SGD=Singapore Dollar
*RS= Indian Rupees

i) Financial highlights

Key financial highlights of the Company are annexed as **"Annexure-D"**.

j) Interim financial statements

LankaBangla Finance Limited published its quarterly interim financial statements as requirement of the Bangladesh Securities and Exchange Commission and as per BAS 34 "Interim Financial Reporting".

Interim Reporting Period	Publication Date
January to March (1st quarter ended)	13 May 2016
January to June (Half Year ended)	27 July 2016
January to September (3rd quarter ended)	26 October 2016

k) Change in and disagreement with Auditors

There were no changes and disagreement with the Auditors on accounting and financial disclosures.

l) Numerical presentation

Figures shown in the accounts have been rounded off to the nearest Taka. Previous year figures have been re-arranged where necessary to conform to current year's presentation

m) General

i) All shares have been fully called up and paid up.

ii) Company Balances shown in the accounts are duly reconciled.

iii) No amount was spent by the Company for compensating any members of the board for special services rendered during the period.

Director **Director** **Managing Director** **Company Secretary**

Dhaka, 13 February 2017

LankaBangla Finance Limited and its Subsidiaries

Annexure -A

Consolidated Fixed Assets Schedule

As at 31 December 2016

Amount in Taka

Particulars	COST				DEPRECIATION					Written down value as at 31.12.2016
	Balance as at 01.01.2016	Addition during the year	Sales/ Adjustment during the year	Balance as at 31.12.2016	Rate %	Balance as at 01.01.2016	Charged during the year	Adjustment during the year	Balance as at 31.12.2016	
I. Freeholds assets										
Land	686,921,231	52,652,479	-	739,573,710		-	-	-	-	739,573,710
Building	106,454,150	-	-	106,454,150	2.5	12,029,697	2,661,354	-	14,691,050	91,763,100
Furniture and Fittings	183,159,339	60,049,048	24,097,751	219,110,635	20	86,103,358	24,926,315	21,849,398	89,180,276	129,930,360
Office Equipment	169,048,653	31,241,492	10,532,034	189,758,111	20	120,169,933	22,385,736	9,856,309	132,699,361	57,058,750
IT Equipment	59,031,158	52,464,042	2,600,394	108,894,806	33.33	22,021,968	17,467,855	2,230,325	37,259,498	71,635,308
Office Renovation	69,395,465	13,533,662	7,378,207	75,550,920	20	47,134,617	5,618,374	7,378,207	45,374,784	30,176,136
Motor Vehicles	36,540,144	10,511,085	7,610,050	39,441,179	20	22,527,167	4,163,435	5,026,215	21,664,387	17,776,792
	1,310,550,139	**220,451,808**	**52,218,436**	**1,478,783,511**		**309,986,739**	**77,223,070**	**46,340,453**	**340,869,356**	**1,137,914,155**
II. Intangible assets										
Goodwill	234,143,286	-	-	234,143,286		-	-	-	-	234,143,286
Systems and Software	143,358,383	23,672,707	-	167,031,089	25	101,096,392	17,782,137	-	118,878,529	48,152,560
	377,501,669	**23,672,707**	**-**	**401,174,375**		**101,096,392**	**17,782,137**	**-**	**118,878,529**	**282,295,846**
III. Lease Hold Assets										
Motor Vehicle	43,605,030	-	1,600,040	42,004,990	20	28,720,419	5,537,753	1,600,040	32,658,132	9,346,858
At 31 December 2016	**1,731,656,838**	**244,124,514**	**53,818,476**	**1,921,962,876**		**439,803,550**	**100,542,959**	**47,940,493**	**492,406,017**	**1,429,556,859**

As at 31 December 2015

Amount in Taka

Particulars	COST				DEPRECIATION					Written down value as at 31.12.2015
	Balance as at 01.01.2015	Addition during the year	Sales/ Adjustment during the year	Balance as at 31.12.2015	Rate %	Balance as at 01.01.2015	Charged during the year	Adjustment during the year	Balance as at 31.12.2015	
I. Freeholds assets										
Land	-	686,921,231	-	686,921,231		-	-	-	-	686,921,231
Building	115,246,150	-	8,792,000	106,454,150	2.5	10,679,543	2,771,254	1,421,100	12,029,697	94,424,453
Furniture and Fittings	165,942,699	17,390,606	173,966	183,159,339	20	68,291,410	17,917,231	105,283	86,103,358	97,055,981
Office Equipment	98,083,947	75,298,658	4,333,951	169,048,653	20	90,697,330	33,428,876	3,956,272	120,169,933	48,878,720
IT Equipment	39,574,903	20,877,235	1,420,980	59,031,158	33.33	15,659,451	7,775,993	1,413,477	22,021,968	37,009,190
Office Renovation	51,589,268	21,006,390	3,200,193	69,395,465	20	39,996,649	10,338,161	3,200,193	47,134,617	22,260,848
Motor Vehicles	24,471,119	15,528,625	3,459,600	36,540,144	20	16,469,910	9,516,856	3,459,600	22,527,167	14,012,977
	494,908,085	**837,022,744**	**21,380,690**	**1,310,550,139**		**241,794,293**	**81,748,371**	**13,555,925**	**309,986,739**	**1,000,563,400**
II. Intangible assets and goodwill										
Goodwill	-	234,143,286	-	234,143,286		-	-	-	-	234,143,286
System Software	113,319,166	30,039,217	-	143,358,383	25	72,282,641	28,813,752	-	101,096,392	42,261,991
	113,319,166	**264,182,503**	**-**	**377,501,669**		**72,282,641**	**28,813,752**	**-**	**101,096,392**	**276,405,277**
III. Lease Hold Assets										
Motor Vehicle	49,297,810	6,277,000	11,969,780	43,605,030	20	32,455,139	7,479,060	11,213,780	28,720,419	14,884,611
At 31 December 2015	**657,525,061**	**1,107,482,247**	**33,350,470**	**1,731,656,838**		**346,532,072**	**118,041,183**	**24,769,705**	**439,803,550**	**1,291,853,287**

LankaBangla Finance Limited

Annexure -B

Schedule of Fixed Assets

As at 31 December 2016

Amount in Taka

Particulars	COST				DEPRECIATION					Written down value as at 31.12.2016
	Balance as at 01.01.2016	Addition during the year	Sales/ Adjustment during the year	Balance as at 31.12.2016	Rate %	Balance as at 01.01.2016	Charged during the year	Adjustment during the year	Balance as at 31.12.2016	
I. Freeholds assets										
Land	686,921,231	52,652,479	-	739,573,710		-	-	-	-	739,573,710
Furniture & Fittings	159,437,491	44,885,873	13,376,685	190,946,678	20	72,226,584	21,211,879	13,082,761	80,355,702	110,590,976
Office Equipment	78,456,216	18,255,716	4,431,875	92,280,057	20	51,966,802	14,186,212	4,186,475	61,966,539	30,313,518
IT Equipment	57,660,750	51,393,798	2,416,054	106,638,494	33.33	21,015,962	16,963,038	2,052,898	35,926,102	70,712,393
Motor Vehicles	16,407,945	146,990	-	16,554,935	20	10,330,703	1,545,702	-	11,876,405	4,678,530
	998,883,632	**167,334,856**	**20,224,614**	**1,145,993,874**		**155,540,050**	**53,906,831**	**19,322,133**	**190,124,748**	**955,869,126**
II. Intangible assets										
Systems and Software	63,135,308	19,079,875	-	82,215,183	25	33,981,026	8,974,025	-	42,955,051	39,260,132
III. Lease Hold Assets										
Motor Vehicle	9,777,000	-	-	9,777,000	20	4,625,494	1,223,749	-	5,849,243	3,927,757
At 31 December 2016	**1,071,795,940**	**186,414,731**	**20,224,614**	**1,237,986,057**		**194,146,570**	**64,104,605**	**19,322,133**	**238,929,041**	**999,057,015**

As at 31 December 2015

Amount in Taka

Particulars	COST				DEPRECIATION					Written down value as at 31.12.2015
	Balance as at 01.01.2015	Addition during the year	Sales/ Adjustment during the year	Balance as at 31.12.2015	Rate %	Balance as at 01.01.2015	Charged during the year	Adjustment during the year	Balance as at 31.12.2015	
I. Freeholds assets										
Land	-	686,921,231	-	686,921,231		-	-	-	-	686,921,231
Furniture & Fittings	143,614,589	15,852,502	29,600	159,437,491	20	57,794,181	14,462,003	29,600	72,226,584	87,210,906
Office Equipment	33,439,033	46,121,372	1,104,189	78,456,216	20	38,428,777	14,287,051	749,026	51,966,802	26,489,414
IT Equipment	38,207,855	20,873,875	1,420,980	57,660,750	33.33	15,104,941	7,324,497	1,413,477	21,015,962	36,644,788
Motor Vehicles	17,336,945	298,000	1,227,000	16,407,945	20	10,064,927	1,492,776	1,227,000	10,330,703	6,077,242
	232,598,422	**770,066,979**	**3,781,769**	**998,883,632**		**121,392,826**	**37,566,327**	**3,419,103**	**155,540,050**	**843,343,582**
II. Intangible assets										
Systems and Software	43,218,632	19,916,676	-	63,135,308	25	26,917,387	7,063,639	-	33,981,026	29,154,282
III. Lease Hold Assets										
Motor Vehicles	4,900,000	4,877,000	-	9,777,000	20	3,674,999	950,495	-	4,625,494	5,151,506
At 31 December 2015	**280,717,053**	**794,860,655**	**3,781,769**	**1,071,795,940**		**151,985,211**	**45,580,461**	**3,419,103**	**194,146,570**	**877,649,370**

LankaBangla Finance Limited

Annexure -C

Classification of leases, loans and advances with provisions and interest suspenses

As on 31 December 2016

Amount in Taka

Products	Total	Balance Outstanding						Base for Provision				Amount of Provision Required	Interest in Suspense		
		Unclassified (UC)			Classified			SMA	Sub Standard (SS)	Doubtful (DF)	Bad/ Loss (BL)		SMA	Classified	Total
		Standard	Standard-SME	SMA	Sub Standard (SS)	Doubtful (DF)	Bad/ Loss (BL)								
Corporate															
Factoring	1,153,867,627	1,152,485,657	-	-	-	-	1,381,970	-	-	-	943,229	12,468,086	-	438,741	438,741
Lease Finance	2,797,564,588	2,417,749,175	-	-	-	28,717,728	351,097,684	-	-	9,222,227	202,246,898	231,035,503	-	77,506,303	77,506,303
Secured Overdraft	69,660,736	64,151,257	-	-	-	5,509,479	-	-	-	-	-	641,513	-	2,040,479	2,040,479
Short Term Loan	6,726,939,929	6,726,938,913	-	-	-	-	1,017	-	-	-	-	67,269,389	-	-	-
Short Term loan to Subsidiaries	2,766,873,714	2,766,873,714	-	-	-	-	-	-	-	-	-	27,668,737	-	-	-
Term Loan	11,456,736,830	10,800,864,248	-	209,349,910	232,033,696	47,977,239	166,511,737	200,002,242	178,667,807	25,424,856	45,002,894	211,457,638	9,347,668	97,175,675	106,523,343
Syndication Finance	513,713,742	513,713,742	-	-	-	-	-	-	-	-	-	5,137,137	-	-	-
Work Order Finance	57,297,810	-	-	-	-	-	57,297,810	-	-	-	28,218,596	28,218,596	-	6,179,214	6,179,214
	25,542,654,976	**24,442,776,705**	**-**	**209,349,910**	**232,033,696**	**82,204,447**	**576,290,218**	**200,002,242**	**178,667,807**	**34,647,083**	**276,411,617**	**583,896,599**	**9,347,668**	**183,340,412**	**192,688,081**
Retail Finance															
Auto Loan	5,026,877,641	4,825,748,115	-	150,525,114	33,278,707	2,775,246	14,550,459	147,773,598	31,989,635	2,391,252	12,682,732	75,922,446	2,751,516	3,540,793	6,292,309
Home Loan	6,517,446,192	6,061,661,530	-	152,722,446	55,379,061	44,473,298	203,209,858	133,249,950	580,235	4,364,187	3,311,909	72,889,163	19,472,495	66,629,806	86,102,301
Credit Cards	2,050,046,922	1,759,392,397	-	109,165,024	22,583,775	14,572,340	144,333,387	96,542,587	17,240,940	12,721,780	138,290,118	170,520,249	12,622,437	13,264,410	25,886,847
Personal Loan	3,402,987,543	3,272,754,908	-	95,400,987	21,049,800	11,330,707	2,451,140	92,869,338	19,950,860	9,578,547	2,159,127	48,309,589	2,531,649	3,143,113	5,674,762
	16,997,358,298	**15,919,556,950**	**-**	**507,813,571**	**132,291,343**	**73,151,590**	**364,544,845**	**470,435,474**	**69,761,670**	**29,055,766**	**156,443,887**	**367,641,447**	**37,378,098**	**86,578,122**	**123,956,219**
SME															
SME	4,209,185,984	-	3,973,450,167	48,605,553	28,497,395	22,224,644	136,408,225	46,749,099	11,573,722	8,774,624	87,741,260	106,714,396	1,858,284	31,409,513	33,267,797
Total	**46,749,199,258**	**40,362,333,654**	**3,973,450,167**	**765,769,034**	**392,822,434**	**177,580,680**	**1,077,243,288**	**717,186,814**	**260,003,199**	**72,477,473**	**520,596,764**	**1,058,252,443**	**48,584,049**	**301,328,047**	**349,912,097**

* Segregation of outstanding (Unclassified and Classified), base for provision, provision and interest suspense have been calculated based on Bangladesh Bank guidelines
* Base for provision for SMA has been calculated according to total outstanding minus interest suspense
* Base for provision for SS, DF and BL have been calculated according to total outstanding minus interest suspense minus eligible securities
* Provision has been calculated according to below rates of Bangladesh Bank guidelines

Particulars	Percentage
Standard except SME Standard (UC)	1.00%
Standard-SME (UC)	0.25%
Special Mention Account (SMA)	5.00%
Sub Standard (SS)	20.00%
Doubtful (DF)	50.00%
Bad/ Loss (BL)	100.00%

Highlights

(As per Bangladesh Bank guidlines)

Annexure-D

Amount in taka (mn)

Sl no.	Key indicators	LankaBangla Group		LankaBangla Finance Limited	
		2016	2015	2016	2015
1	Paid-up capital	2,767.40	2,406.43	2,767.40	2,406.43
2	Total capital	6,686.61	6,261.79	6,169.82	5,458.73
3	Capital surplus	1,374.51	1,646.58	1,613.61	1,712.48
4	Total assets	63,935.16	50,447.88	57,622.49	44,614.54
5	Total deposits	40,148.49	30,106.71	40,148.49	30,196.00
6	Total loans, advances and leases	51,244.30	30,396.39	46,749.20	36,018.82
7	Total contingent liabilities and commitments	6,156.82	6,607.80	6,156.82	6,607.80
8	Credit deposit ratio	1.28	1.01	1.16	1.19
9	Percentage of classified loans against total loans, advances and leases	3.22%	4.41%	3.52%	3.72%
10	Profit after tax and provision	795.64	420.93	1,072.05	1,030.01
11	Amount of classified loans during current period	1,647.65	1,339.18	1,647.65	1,339.18
12	Provisions kept against classified loans	612.14	526.28	612.14	526.28
13	Provision surplus against classified loan	3.30	-	3.30	-
14	Cost of fund	7.80%	9.23%	7.80%	9.23%
15	Interest earnings assets	56,258.47	43,811.93	49,650.15	37,309.81
16	Non-interest earnings assets	7,676.69	6,635.96	7,972.35	7,304.73
17	Return on investment (ROI)	1.31%	0.88%	1.94%	2.42%
18	Return on assets (ROA)	1.24%	0.83%	1.86%	2.31%
19	Income from investment	483.53	436.31	195.79	425.65
20	Earnings Per Share (EPS) (restated :2015)	2.87	1.53	3.87	3.72
21	Net income per share (restated:2015)	2.87	1.53	3.87	3.72
22	Market price per share	34.80	29.00	34.80	29.00
23	Price earnings ratio	12.11	18.90	8.98	7.79

AMARSTOCK


LankaBangla Securities Limited

Ahmed Zaker & Co.
CHARTERED ACCOUNTANTS
A MEMBER FIRM OF KINGSTON DORELL INTERNATIONAL, DEVONSHIRE HOUSE, 60, GOSWELL ROAD, LONDON EC1M 7AD

Independent Auditors' Report

To the Shareholders of

LankaBangla Securities Limited

We have audited the accompanying consolidated Financial Statements of LankaBangla Securities Limited, which comprise the consolidated and the separate Statement of Financial Position as at December 31, 2016 and the Statement of profit or loss and other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Bangladesh Financial Reporting Standards along with Rules & Regulation Issued by the Securities and Exchange Rules 1987, Dhaka Stock Exchange, Chittagong Stock Exchange, the Companies Act 1994 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements of the company based on our audit. The assets and liabilities as at December 31, 2016 and revenue and expenses for the year ended December 31, 2016 of the company's Two subsidiaries namely BizBangla Media Ltd. and LankaBangla Information system Ltd. have been consolidated and accounted for in the consolidated financial statements. The financial statements of the subsidiary LankaBangla Information system Ltd. is audited by other auditor whose report has been furnished to us and our opinion is as so far as it relates to the amounts included in respect of the company's subsidiaries based on the reports. In addition, we have performed our audit procedure for consolidated purpose, based on which the financial statements of the subsidiary have been consolidated. 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 whether the financial statements of the company are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. 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 consolidated Financial Statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) give a true and fair view of the state of the affairs of the Company as of December 31, 2016 and of the results of its operations and its cash flows for the year ended and comply with the Companies Act 1994, Bangladesh Securities and Exchange Commission Rule 1987, and other applicable laws and regulations.

We also report that;

a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;

b. in our opinion proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;

c. the company's Consolidated Statement of Financial Position, Statement of profit or loss and other Comprehensive Income and Statement of Cash Flows dealt with by the report are in agreement with the books of accounts;

Place : Dhaka
Date : February 13, 2017

Ahmed Zaker & Co.
Chartered Accountants

LankaBangla Securities Limited

Consolidated Statement of Financial Position

As at December 31, 2016

Particulars	Notes	Amount In Taka	
		31.12.2016	31.12.2015
ASSETS			
Non-current assets	4	168,614,026	168,876,900
Property, plant and equipment	5	24,083,909	29,393,074
Long term loan to employees'	6	1,495,889,918	1,414,114,645
Long Term Investment in Shares		-	46,154
Deferred tax assets		234,143,286	234,143,286
Intangiable Assets		**1,922,731,139**	**1,846,574,058**
Total non-current assets			
Current assets			
Advances, deposits and prepayments	7	222,270,181	233,686,137
Investments	8	874,333,046	597,855,181
Inventories	9	218,940	400,017
Current portion of loans and advances	10	13,728,962	10,348,984
Accounts receivable	11	4,953,354,354	5,696,096,649
Accrued interest		1,062,553	1,719,650
Cash and cash equivalents	12	1,883,300,219	632,307,391
Total current assets		**7,948,268,256**	**7,172,414,009**
TOTAL ASSETS		**9,870,999,395**	**9,018,988,067**
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity			
Share capital	13	2,445,730,290	2,223,391,170
Share premium	14	1,200,000,000	1,200,000,000
General reserve	15	48,460,890	55,943,075
Retained earnings		446,391,873	507,094,794
Non controlling interest		(53,770,809)	(48,509,041)
Total equity		**4,086,766,551**	**3,937,919,998**
Liabilities			
Non-current liabilities			
Term loan	16	594,301,425	825,150,538
Defined benefit obligations	17	-	56,086,350
Zero cupon bond		398,063,088	-
Finance lease obligation	19	1,911,106	5,683,353
Deferred tax liabilities	18	2,691,911	-
Total non-current liabilities		**996,967,530**	**886,920,241**
Current liabilities			
Accounts payable	20	1,879,941,226	635,477,840
Short term loans	21	1,458,192,316	1,802,869,318
Provision for current tax	22	23,169,471	20,797,427
Current portion of lease obligation	23	5,469,408	3,668,537
Current portion of term loan	24	309,223,456	346,868,458
Provision for negative equity & others	25	260,529,069	424,503,469
Interest Suspense	26	810,164,046	810,164,046
Other liabilities	27	40,576,323	149,798,735
Total current liabilities		**4,787,265,314**	**4,194,147,828**
Total liabilities		**5,784,232,844**	**5,081,068,070**
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**9,870,999,395**	**9,018,988,067**

The accompanying policies and explanatory notes 1-46 form an integral part of the financial statements.

Director | **Director & Acting CEO** | **Company Secretary**

This is the Statement of Financial Position referred to in our separate report of even date.

Place : Dhaka
Date : February 13, 2017

Ahmed Zaker & Co.
Chartered Accountants

LankaBangla Securities Limited

Consolidated Statement of Profit or loss and other Comprehensive Income

For the year ended December 31, 2016

Particulars	Notes	Amount In Taka 2016	2015
Revenue			
Interest Income	28	453,192,265	546,568,342
Income from investment	29	196,151,360	107,926,624
Brokerage income	30	561,932,464	560,594,048
Revenue from advertisement & circulation	31	105,975,710	44,782,245
Other operational income	32	30,648,019	33,280,119
Total Revenue		**1,347,899,818**	**1,293,151,378**
Cost of services		**(582,454,396)**	**(618,496,517)**
Interest expenses	33	428,183,560	535,805,257
Other costs directly attributable to services	34	154,270,836	82,691,260
Gross profit		**765,445,422**	**674,654,861**
Other non-operational income	35	13,419,094	27,402,253
Operating expenses		**(509,055,209)**	**(498,229,552)**
Salary and allowances	36	282,977,130	280,289,492
Rent, taxes, insurance, electricity etc.	37	52,112,720	51,873,551
Legal & professional fees	38	3,598,719	2,721,880
Postage, stamp, telecommunication etc.	39	4,941,061	4,565,206
Stationery, printing, advertisement	40	9,312,572	10,591,884
Director fees and expenses	41	915,839	578,627
Audit fees	42	212,750	164,833
Repairs, maintenance and depreciation	43	28,671,207	43,209,059
Other expenses	44	126,313,211	104,235,019
Operating profit before provisions		**269,804,307**	**203,827,562**
Other Provisions		**(7,490,868)**	**(62,897,911)**
For doubtful loans and advances		-	34,425,386
For diminution in value of investment		7,490,868	28,472,525
Profit before tax (PBT)		**262,313,439**	**140,929,651**
Income tax income/ (expense)		**(113,466,885)**	**(88,251,077)**
Current tax expense		110,728,820	90,295,422
Deferred tax expense		2,738,065	(2,044,345)
Profit after tax (PAT)		**148,846,554**	**52,678,575**
Attributable to			
Shareholders of the company		154,108,321	57,505,502
Non controlling interest		(5,261,768)	(4,975,525)
		148,846,554	52,529,976
Earnings Per Share (EPS)			
Basic	45	**0.63**	**0.24**

The accompanying policies and explanatory notes 1-46 form an integral part of the financial statements.

Director | **Director & Acting CEO** | **Company Secretary**

This is the Statement of Profit or loss and other Comprehensive Income referred to in our separate report of even date.

Place : Dhaka
Date : February 13, 2017

Ahmed Zaker & Co.
Chartered Accountants

LankaBangla Securities Limited

Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

Particulars	Share Capital	Share Premium	General Reserve	Retained Earnings	Total	Non Controlling Interest	Total
Balance at January 01, 2015	2,021,264,700	1,200,000,000	54,835,887	652,822,950	3,928,923,537	2,305	3,928,925,842
Changes in equity for 2015							
Total comprehensive income for the year	-	-	-	57,505,502	57,505,502	(4,975,525)	52,529,976
Stock dividend	202,126,470	-	-	(202,126,470)	-	-	-
Non controlling interest b/f	-	-	-	-	-	(43,535,821)	(43,535,821)
Transfer to general reserve	-	-	1,107,188	(1,107,188)	-		-
Balance at December 31, 2015	**2,223,391,170**	**1,200,000,000**	**55,943,075**	**507,094,794**	**3,986,429,039**	**(48,509,041)**	**3,937,919,998**
Changes in equity for 2016							
Total comprehensive income for the year	-	-	-	154,108,321	154,108,321	(5,261,768)	148,846,554
Stock dividend	222,339,120			(222,339,120)	-	-	-
Transfer to general reserve	-	-	(7,482,185)	7,482,185	-	-	-
Balance at December 31, 2016	**2,445,730,290**	**1,200,000,000**	**48,460,890**	**446,346,180**	**4,140,537,360**	**(53,770,809)**	**4,086,766,551**

Director | **Director & Acting CEO** | **Company Secretary**

Place : Dhaka
Date : February 13, 2017

Ahmed Zaker & Co.
Chartered Accountants

ISLAMI STOCK

LankaBangla Securities Limited

Consolidated Statement of Cash Flows

For the year ended December 31, 2016

Particulars	Amount In Taka 2016	2015
Cash Flows from Operating Activities		
Receipts from clients	22,042,412,755	26,389,821,817
Payment to clients	(17,362,521,286)	(22,989,396,744)
Receipts from DSE & CSE	8,199,678,245	8,845,157,307
Payment to DSE & CSE	(10,115,924,004)	8,845,157,307
Brokerage sharing with clients	(21,123,107)	(25,563,035)
Payment to CDBL	(38,959,056)	(45,509,597)
Gratuity Payment	(79,330,065)	(45,060,519)
Non-operating Income	11,539,448	14,244,113
Operating expenses	(404,636,318)	(376,953,419)
	2,231,136,613	**458,004,071**
Other Operating Activities		
Interest Income	52,207,149	43,879,599
Advance, deposits & prepayments	(16,966,838)	25,979,626
Income Tax paid	(108,356,776)	(149,857,355)
	(73,116,465)	**(79,998,131)**
Net cash used in operating activities	**2,158,020,148**	**378,005,940**
Cash Flows from Investing Activities		
Investment in Shares	(328,253,138)	(34,040,458)
Capital gain from investment in shares	126,525,938	72,469,837
Cash dividend income	69,625,422	35,456,787
Advance Against property, Plant & Equipment	-	(3,000,000)
Leased assets	(3,437,159)	(4,929,379)
Sale of fixed assets	9,561,525	29,280,197
Acquisition of fixed assets	(32,760,764)	(31,751,643)
Net Cash used in Investing Activities	**(158,738,177)**	**63,485,341**
Cash Flows from Financing Activities		
Long Term Loan from Bank & Other Institutions	336,452,715	350,000,000
Zero Cupon Bond	398,063,088	-
Repayment of Loan	(603,481,047)	(355,379,596)
Interest payment	(438,353,610)	(559,390,696)
Cash dividend	(96,293,287)	(610,563)
Short term Loan	(344,677,002)	(48,008,212)
Net Cash flow from Financing Activities	**(748,289,143)**	**(613,389,066)**
Net increase in Cash and Cash Equivalents	1,250,992,828	(171,897,785)
Cash & Cash Equivalent as on January 01,2015 (BizBangla)	-	2,202,154
Cash & Cash Equivalent as on January 01,2016	632,307,391	802,003,022
Cash & Cash Equivalent as on December 31, 2016	**1,883,300,219**	632,307,391

The accompanying policies and explanatory notes 1-46 form an integral part of the financial statements.

Director | **Director & Acting CEO** | **Company Secretary**

Place : Dhaka
Date : February 13, 2017

Ahmed Zaker & Co.
Chartered Accountants

LankaBangla Securities Limited

Statement of Financial Position

As at December 31, 2016

Particulars	Notes	Amount In Taka	
		31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Property, plant and equipment	4	148,315,914	148,503,612
Long term loan to employees'	5	24,083,909	29,393,074
Long Term Investment in Shares	6	1,814,887,918	1,733,112,645
Deferred tax assets		-	46,154
Total non-current assets		**1,987,287,742**	**1,911,055,485**
Current assets			
Advances, deposits and prepayments	7	293,306,972	274,048,570
Investments	8	873,275,957	595,934,024
Current portion of loans and advances	10	13,018,104	10,000,503
Accounts receivable	11	4,880,044,232	5,641,395,877
Accrued interest		**1,062,553**	**1,719,650**
Cash and cash equivalents	12	1,881,289,035	630,429,174
Total current assets		7,941,996,853	7,153,527,798
TOTAL ASSETS		**9,929,284,594**	**9,064,583,283**
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity			
Share capital	13	2,445,730,290	2,223,391,170
Share premium	14	1,200,000,000	1,200,000,000
General reserve	15	48,460,890	55,943,075
Retained earnings		486,603,332	527,076,343
Total equity		**4,180,794,512**	**4,006,410,588**
Liabilities			
Non-current liabilities			
Term loan	16	594,301,425	825,150,538
Defined benefit obligations	17	-	56,086,350
Zero cupon bond		398,063,088	-
Finance lease obligation	19	-	4,728,179
Deferred tax liabilities	18	2,691,911	-
Total non-current liabilities		**995,056,424**	**885,965,067**
Current liabilities			
Accounts payable	20	1,870,096,680	623,508,048
Short term loans	21	1,435,305,874	1,793,700,833
Provision for current tax	22	24,232,355	20,936,859
Current portion of lease obligation	23	4,664,963	3,373,943
Current portion of term loan	24	309,223,456	346,868,458
Provision for negative equity & others	25	260,529,069	424,503,469
Interest Suspense	26	810,164,046	810,164,046
Other liabilities	27	39,217,215	149,151,973
Total current liabilities		**4,753,433,657**	**4,172,207,627**
Total liabilities		**5,748,490,082**	**5,058,172,695**
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**9,929,284,594**	**9,064,583,283**

The accompanying policies and explanatory notes 1-46 form an integral part of the financial statements.

Director | **Director & Acting CEO** | **Company Secretary**

This is the Statement of Financial Position referred to in our separate report of even date.

Place : Dhaka
Date : February 13, 2017

Ahmed Zaker & Co.
Chartered Accountants

LankaBangla Securities Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2016

Particulars	Notes	Amount In Taka	
		2016	2015
Revenue			
Interest Income	28	453,044,894	546,457,258
Income from investment	29	196,151,360	107,926,624
Brokerage income	30	561,932,464	560,594,048
Other operational income	32	21,868,901	28,671,976
Total Revenue		**1,232,997,619**	**1,243,649,906**
Cost of services		**(487,182,588)**	**(600,963,073)**
Interest expenses	33	426,073,478	535,050,990
Other costs directly attributable to services	34	61,109,110	65,912,083
Gross profit		**745,815,031**	**642,686,833**
Other non-operational income	35	12,126,929	27,227,253
Operating expenses		**(463,316,689)**	**(441,126,102)**
Salary and allowances	36	263,678,268	247,137,649
Rent, taxes, insurance, electricity etc.	37	46,679,451	46,059,398
Legal & professional fees	38	3,218,969	1,311,249
Postage, stamp, telecommunication etc.	39	4,565,323	4,334,733
Stationery, printing, advertisement	40	7,950,809	9,597,251
Director fees and expenses	41	915,839	578,627
Audit fees	42	143,750	115,000
Repairs, maintenance and depreciation	43	25,875,852	39,743,883
Other expenses	44	110,282,966	92,248,312
Operating profit before provisions		**294,630,732**	**228,787,984**
Other Provisions		**(7,490,868)**	**(62,897,911)**
For doubtful loans and advances		-	34,425,386
For diminution in value of investment		7,490,868	28,472,525
Profit before tax (PBT)		**287,139,403**	**165,890,073**
Income tax income/ (expense)		**(112,755,940)**	**(88,251,077)**
Current tax expense		110,017,875	90,295,422
Deferred tax expense		2,738,065	(2,044,345)
Profit after tax (PAT)		**174,383,924**	**77,638,997**
Earnings Per Share (EPS)			
Basic	45	**0.71**	**0.32**

The accompanying policies and explanatory notes 1-46 form an integral part of the financial statements.

Director | **Director & Acting CEO** | **Company Secretary**

This is the Statement of Profit or Loss and Other Comprehensive Income referred to in our separate report of even date.

Place : Dhaka
Date : February 13, 2017

Ahmed Zaker & Co.
Chartered Accountants

LankaBangla Securities Limited

Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

Particulars	Share Capital	Share Premium	General Reserve	Retained Earnings	Total
Balance at January 01, 2015	2,021,264,700	1,200,000,000	54,835,887	652,671,004	3,928,771,591
Changes in equity for 2015					
Total comprehensive income for the year	-	-	-	77,638,997	77,638,997
Stock dividend	202,126,470	-	-	(202,126,470)	-
Transfer to general reserve	-	-	1,107,188	(1,107,188)	-
Balance at December 31, 2015	**2,223,391,170**	**1,200,000,000**	**55,943,075**	**527,076,343**	**4,006,410,588**
Changes in equity for 2016			-		
Total comprehensive income for the year	-	-		174,383,924	174,383,924
Stock dividend	222,339,120		(7,482,185)	(222,339,120)	-
Transfer to general reserve	-	-		7,482,185	-
Balance as at December 31, 2016	**2,445,730,290**	**1,200,000,000**	**48,460,890**	**486,603,332**	**4,180,794,512**

Director | **Director & Acting CEO** | **Company Secretary**

Signed as per our separate report of same date.

Ahmed Zaker & Co.
Chartered Accountants

Place : Dhaka
Date : February 13, 2017

LANKAR STOCK

LankaBangla Securities Limited

Statement of Cash Flows

As at December 31, 2016

Particulars	Amount In Taka 2016	2015
Cash Flows from Operating Activities		
Receipts from clients	21,944,507,294	26,330,328,789
Payment to clients	(17,222,977,312)	(22,872,244,697)
Receipts from DSE & CSE	8,199,678,245	8,845,157,307
Payment to DSE & CSE	(10,115,924,004)	(11,308,735,853)
Brokerage sharing with clients	(21,123,107)	(25,563,035)
Payment to CDBL	(38,959,056)	(45,509,597)
Gratuity Payment	(79,330,065)	(45,060,519)
Non-operating Income	11,539,448	6,100,866
Operating expenses	(404,027,480)	(377,399,750)
Other Operating Activities	**2,273,383,964**	**507,073,511**
Interest Income	52,207,149	43,879,599
Advance, deposits & prepayments	(16,966,838)	(18,525,373)
Income Tax paid	(106,722,378)	(149,456,703)
	(71,482,068)	**(124,102,478)**
Net cash used in operating activities	2,201,901,897	382,971,034
Cash Flows from Investing Activities		
Investment in Shares	(359,117,206)	(35,852,508)
Capital gain from investment in shares	126,525,938	72,469,837
Cash dividend income	69,625,422	35,456,787
Advance Against property, Plant & Equipment	-	(3,000,000)
Leased assets	(3,437,159)	(4,929,379)
Sale of fixed assets	1,100,000	28,404,197
Acquisition of fixed assets	(24,376,229)	(25,377,758)
Net Cash used in Investing Activities	**(189,679,235)**	**67,171,177**
Cash Flows from Financing Activities		
Long Term Loan from Bank & Other Institutions	334,392,715	350,000,000
Zero Cupon Bond	398,063,088	-
Repayment of Loan	(602,886,829)	(355,229,364)
Interest payment	(436,243,529)	(558,025,817)
Cash dividend	(96,293,287)	(610,563)
Short term Loan	(358,394,959)	(56,852,064)
Net Cash flow from Financing Activities	**(761,362,801)**	**(620,717,808)**
Net increase in Cash and Cash Equivalents	1,250,859,861	(170,575,598)
Cash & Cash Equivalent as on January 01,2016	630,429,174	801,004,772
Cash & Cash Equivalent as on December 31, 2016	**1,881,289,035**	**630,429,174**

Director **Director & Acting CEO** **Company Secretary**

Signed as per our separate report of same date.

Place : Dhaka
Date : February 13, 2017

Ahmed Zaker & Co.
Chartered Accountants

LankaBangla Securities Limited

Notes to the Financial Statements

For the year ended December 31, 2016

1.00 Company and its activities

1.01 Legal status of the company

LankaBangla Securities Limited (here in after referred to as "LBSL" or "the Company") was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-33276(22)/97 dated July 03, 1997 as a Private Company Limited by Shares namely: Vanik (BD) Securities Limited. Subsequently the company renamed as LankaBangla Securities Limited on April 27, 2005. On March 02, 2010 the Company was emerged as a Public Limited Company with its registered office at Safura Tower, 11th Floor, 20 Kemal Ataturk Avenue, Banani, Dhaka. The Company was entitled to commence its business from July 03, 1997 and the Company is a subsidiary of LankaBangla Finance Limited, a Non Banking Financial Institution incorporated in Bangladesh under the Bangladesh Bank.

1.02 Principal activities of the company

The principal activities of the company are to act as a member of Dhaka Stock Exchanges Ltd. and Chittagong Stock Exchange Ltd. to carry on the business of brokers or dealers in stocks, shares and securities, commercial papers, bonds, debentures, debentures stocks, foreign currencies, treasury bills and/or any financial instruments. The company has ten branches in Bangladesh namely Dhaka-Principal, Banani, Islampur, Uttara, Chittagong-Khatungonj, Nasirabad, Agrabad, Sylhet-Sylhet, Comilla-Comilla and Narayangonj- Narayangonj Branch.

1.03 Information regarding subsidiary companies

As on 31 December 2016 LankaBangla Securities Limited has 02 (Two) subsidiaries company to include for preparation of consolidated financial statements as per Bangladesh Financial Reporting Standard (BFRS) 10, 'Consolidated Financial Statements'. A brief description of the companies is described below:

LankaBangla Information System Limited (Subsidiary Company)

LankaBangla Information System Limited is a private limited company incorporated on 02 May 2013 in Bangladesh under the Companies Act 1994. The main objectives of the company are to restructure and improve the infrastructure to ensure the security, mobility, enhancement and service to all business concerns. LankaBangla Information System Limited holds 99.8 percent shares in its subsidiary.

BizBangla Media Limited (Subsidiary Company)

BizBangla Media Limited is a private limited company incorporated on 18 January 2011 in Bangladesh under the Companies Act 1994. The main objectives of the company are to carry on business of printing publishes of newspaper, Journals, magazines, periodicals, books, pamphlets and other literary and non literary works and undertakings, radio, television broadcastings and any other media to deal with copy right, patent, trade mark, intellectual property and IT related products. BizBangla Media Limited holds 80 percent shares in its subsidiary.

2.00 Basis of preparation and Significant Accounting Policies

2.01 Components of the financial statements

The financial statements referred to here comprise:

a) Statement of Financial Position;

b) Statement of Comprehensive Income;

c) Statement of Changes in Equity;

d) Statement of Cash Flows; and

e) Notes to the Financial Statements.

2.02 Statement of compliance

The financial statements have been prepared on a going concern basis following accrual basis of accounting except for statement of cash flows in accordance with the Companies Act 1994, Bangladesh Securities and Exchange Rules 1987, the Listing Rules of Dhaka and Chittagong Stock Exchanges and International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh as Bangladesh Financial Reporting Standards (BFRS's) including Bangladesh Accounting Standards (BASs) and other applicable laws and regulations.

2.03 Basis of measurement

The financial statements have been prepared based on historical cost convention basis, except Investment for Membership in Dhaka Stock Exchange and Chittagong Stock Exchange which have been re-measured at fair value. No adjustment has been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous year.

2.04 Basis of consolidation

The financial statements of the company and its subsidiary have been consolidated in accordance with Bangladesh Financial Reporting Standard (BFRS) 10: 'Consolidated Financial Statements'. The consolidation of the financial statements has been prepared by using uniform accounting policies and after eliminating all material intra group balances, income and expenses arising from intra-group transactions.

The total profits of the company and its subsidiary are shown in the consolidated profit and loss account with the proportion of profit after taxation pertaining to minority shareholders being deducted as 'Non-controlling Interest'. All assets and liabilities of the company and of its subsidiary are shown in the consolidated Statement of Financial Position. The interest of minority shareholders of the subsidiary are shown separately in the consolidated Statement of Financial Position under the heading 'Non-controlling Interest'.

2.05 Date of authorization

TThe Board of Directors accorded its approval and authorized these financial statements on 13 February, 2017.

2.06 Presentation and functional currency and level of precision

The financial statements have been presented in Bangladesh Taka (BDT) currency, which is the Company's functional currency. All financial information presented in BDT has been rounded off to the nearest integer.

2.07 Use of estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. It also requires disclosures of contingent assets and liabilities at the date of the financial statements.

Provisions and accrued expenses are recognized in the financial statements in line with the Bangladesh Accounting Standard (BAS) 37 "Provisions, Contingent Liabilities and Contingent Assets" when

- The Company has a legal or constructive obligation as a result of past event.
- It is probable that an outflow of economic benefit will be required to settle the obligation.
- A reliable estimate can be made for the amount of the obligation.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognized in the period in which the estimates are revised.

2.08 Going concern

The Company has adequate resources to continue its operation for foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and adequate resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations to continue.

2.09 Materiality and aggregation

Each material item as considered by management significant has been presented separately in financial statements. No amount has been set off unless the Company has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

2.10 Property, Plant and equipment

i) Recognition and measurement

Freehold Assets

The cost of an item of property and equipment is recognized as an asset if, it is probable that the future economic benefits associated with the item will flow to the company and the cost of item can be measured reliably.

Property and Equipment are stated at cost less accumulated depreciation. Cost represents the cost of acquisition includes purchase price and other directly attributable cost of bringing the assets to working conditions for its intended use as per Bangladesh Accounting Standard (BAS) 16 "Property, Plant and Equipment".

Leasehold assets

Leasehold assets of which the Company assumes substantially all the risks and rewards of ownership are accounted for as finance

leases and capitalized at the inception of the lease at fair value of the leased property or at the present value of the minimum lease payment, which ever is lower as per Bangladesh Accounting Standard (BAS) 17 "Leases". The corresponding obligation under the lease is accounted for as liability.

ii) Subsequent expenditure on property and equipment

Subsequent expenditure is capitalized only when it increases the future economic benefit from the assets and that cost can be measured reliably. All other expenditures are recognized as an expense as and when they are incurred.

iii) Depreciation

Depreciation is calculated on the cost of fixed assets in order to write off such amounts over the estimated useful lives of such assets. The rates of depreciation used on a straight-line method are as follows:

Building	2.5%
Office equipment	20%
Furniture and fixtures	10%
Office renovation	20%
Motor Vehicle	20%
Data Center & Dr.	30%
Lease Assets	20%

Half year's depreciation is charged in the year in which the related assets are put into use and disposed off irrespective of the date.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the Comprehensive Income statement.

2.11 Intangible assets and amortization of intangible assets

Intangible assets acquired separately are measured on initial recognition at cost and are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management best estimates. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits in the specifications to which it relates. All other expenditure is treated as expense as incurred.

2.12 Investment in stock exchanges for membership

In accordance with section 8 (Gha) of the Exchanges Demutualization Act. 2013, both stock exchange membership has been converted into shares through the issuance of "Trading Right Entitlement Certificate (TREC)" by the DSE & CSE. Currently Trading Right Entitlement Certificate has no value due to the stock exchanges did not issue any TREC other than existing members.

2.13 Investment in securities

Investment in quoted shares and unquoted shares are initially recognized at cost plus transaction costs that are directly attributable to the acquisition of the shares. After initial recognition, investment in quoted shares has been revalued at cost at reporting date. Net of unrealized gain and loss has not been recognized in profit and loss account.

2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits held with banks and financial institutions and short term liquid investments that are readily convertible to known amount of cash and that are subject to an insignificant risk of change in value.

Cash flow statement has been prepared in accordance with the Bangladesh Accounting Standards (BAS) 7, "Cash flow statement" under direct method.

2.15 Provision for tax

Current tax

Provision for current tax is made in accordance with the provision of Income Tax Ordinance, 1984 and subsequent amendments made thereto from time to time.

Deferred Tax

Deferred Tax is calculated as per Bangladesh Accounting Standard (BAS) 12 "Income Taxes". Deferred Tax is recognized on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred Tax liabilities are recognized for all taxable temporary differences. Deferred Tax assets are generally recognized for all deductible temporary differences.

Deferred Tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date

2.16 Revenue Recognition

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the enterprise the revenue during the year and in accordance with the Bangladesh Accounting Standard (BAS) 18 "Revenue Recognition":

a. Brokerage commission

Brokerage commission is recognized as income when selling or buying order executed.

b. Interest Income from margin loan

Interest Income from margin loan is recognized on accrual basis. Such income is calculated on daily margin loan balance of the respective parties. Income is recognized on monthly basis.

c. Dividend income and profit/ (loss) on sale of marketable securities

Dividend income is recognized when right to receive payment is established whereas profit or loss arising from the sale of securities is accounted for only when shares are sold in the market and profit is realized or loss is incurred.

2.17 Earning per share

The Company calculates earning per share in accordance with Bangladesh Accounting Standard (BAS) 33 "Earning per Share" which has been shown in the face of the Profit and Loss Account.

2.18 General reserve

The Board of LankaBangla Securities has decided to create a general reserve by 1% on outstanding margin loan provided to the client against marketable securities. Add or adjustment with general reserve will depend on size of outstanding margin loan for the respective year.

2.19 LB Foundation

The Board of LankaBangla Securities Limited has decided at 69th Board Meeting to contribute 1% of net profit after tax to LB Foundation for CSR.

2.20 Employee benefit Obligation

a. Defined contribution plan

The Company operates a contributory provident fund for its permanent employees. The fund is approved by the National Board of Revenue (NBR), administered separately by a Board of Trustees and is funded by the equal contribution both by the Company and employees at a predetermined rate. This fund is invested separately from the Company's assets and is audited by an external auditor.

b. Defined benefit plan (Gratuity scheme)

The Company has an unfunded gratuity scheme for all eligible employees who have completed minimum 02 (two) years of confirmed service with the Company. Required amount of gratuity is calculated on the basis of last basic pay depending on the length of service for every completed year as well as proportionate to the fraction period of service as of the respective financial year.

Following benefits are payable on retirement, death or leaving service:

Year of confirmed service	% of entitlement
2 years and above but less than 4 years	50% of last basic salary
4 years and above but less than 5 years	100% of last basic salary
5 years and above	150% of last basic salary

2.21 Related party disclosure

As per Bangladesh Accounting Standards (BAS)-24 "Related Party Disclosures", parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties.

Related party disclosures have been given in Note- 46.

2.22 Proposed Dividend

Proposed dividend has not been recognized as a liability in the Statement of Financial Position in accordance with Bangladesh Accounting Standard (BAS)-10 "Event after the Balance Sheet Date.

2.23 Reclassifications

To facilitate comparison, certain relevant balances pertaining to the previous year has been rearranged/ restated/reclassified whenever considered necessary to conform to current year's presentation.

2.24 Branch accounting

The Company has a total ten number of Branch offices (excluding Head Office), with no overseas branch as on December 31, 2016. Accounts of the branches are maintained at the head offices which are included in the accompanying financial statements.

2.25 Comparative:

Comparative information have been disclosed in respect of the previous year for all numerical information in the financial statements including narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

Previous year's figure has been re-arranged whenever considered necessary to ensure comparability with the current year's presentation as per BAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors". During the year prior year adjustment has been made in the interest income, Provision for negative equity shares & others and provision for doubtful loan & advances.

2.26 Application of Bangladesh Accounting Standards (BASs):

The Financial Statements have been prepared in compliance with requirement of BAS as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and applicable in Bangladesh. The following BASs are applicable for the financial statements for the period under review:

BAS- 1 Presentation of Financial Statements
BAS- 7 Statement of Cash Flows
BAS- 8 Accounting Policies, Changes in Accounting Estimates and Errors
BAS- 10 Events after the Reporting Period
BAS- 12 Income Taxes
BAS- 16 Property, Plant and Equipment
BAS- 17 Leases
BAS- 18 Revenue
BAS- 19 Employees Benefit
BAS- 23 Borrowing Cost
BAS- 24 Related Party Disclosure
BAS- 32 Financial Instruments Presentation
BAS- 37 Provisions, Contingent Liabilities and Contingent Assets
BAS- 39 Financial Instruments : Recognition and Measurement
BFRS- 7 Financial Instruments : Disclosures
BFRS- 10 Consolidated Financial Statements
BFRS- 13 Fair Value Measurement

3.00 Directors' responsibility statement

The Board of Directors takes the responsibility for the preparation and presentation of these financial statements as per section 183 of companies Act 1994.

Amount in Taka

		Consolidated		Separate	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
4.00	**Property, Plant & Equipment**				
	Cost:				
	Opening balance	391,330,257	346,276,493	342,315,050	346,276,493
	Add: Addition during the year	32,760,764	74,392,965	24,376,229	25,377,758
		424,091,021	**420,669,458**	**366,691,279**	**371,654,251**
	Less: Disposal during the year	21,934,440	29,339,201	13,472,915	29,339,201
	Closing balance	**402,156,581**	**391,330,257**	**353,218,364**	**342,315,050**
	Depreciation:				
	Opening balance	222,453,358	176,087,831	193,811,439	176,087,831
	Add: Charged during the year	29,810,246	67,486,634	24,219,536	38,844,715
		252,263,604	**243,574,466**	**218,030,975**	**214,932,547**
	Less: Adjustment made during the year	18,721,048	21,121,108	13,128,524	21,121,108
	Accumulated depreciation	**233,542,555**	**222,453,358**	**204,902,450**	**193,811,439**
	Carrying amount	168,614,026	168,876,900	148,315,914	148,503,612

A schedule of property, Plant & Equipment is given in **Annexure-A**

5.00	**Long term loan to employees'**				
	Staff transport loan	20,397,550	24,015,050	20,397,550	24,015,050
	Loan against salary	3,686,359	5,378,024	3,686,359	5,378,024
		24,083,909	**29,393,074**	**24,083,909**	**29,393,074**
6.00	**Long term Investment in share**				
	Investment in equity of unlisted company (Note-6.01)	101,606,000	19,606,000	420,604,000	338,604,000
	Investment in equity of strategic company (Note-6.02)	1,394,283,918	1,394,508,645	1,394,283,918	1,394,508,645
		1,495,889,918	**1,414,114,645**	**1,814,887,918**	**1,733,112,645**
6.01	**Investment in equity of unlisted company**				
	Financial Excellence Limited	3,000,000	3,000,000	3,000,000	3,000,000
	DSE Membership at Cost (Note-6.01.A)	11,606,000	11,606,000	11,606,000	11,606,000
	CSE Membership at Cost (Note-6.01.A)	5,000,000	5,000,000	5,000,000	5,000,000
	LankaBangla Information Technology Limited	-	-	998,000	998,000
	LankaBangla 1st Balance Unit Fund	52,000,000	-	52,000,000	-
	Pacific Denims Limited	30,000,000	-	30,000,000	-
	BizBangla Media Limited	-	-	318,000,000	318,000,000
		101,606,000	**19,606,000**	**420,604,000**	**338,604,000**

6.01.A DSE and CSE Membership at Cost

LankaBangla Securities Limited has received the following shares from DSE and CSE against the membership under de-mutualization scheme of the stock exchanges:

Stock Exchange	Type of Shares	Number of Shares	Face Value
Dhaka Stock Exchange Limited	Floated (40%)	2,886,042	10
	Blocked (60%)	4,329,064	10
		7,215,106	
Chittagong Stock Exchange Limited		1,714,932	
		2,572,398	
		4,287,330	

Valuation of membership has been shown at cost in the financial statements.

6.02 Investment in equity of strategic company

Engineering	94,683,662	94,683,662	94,683,662	94,683,662
IT	23,565,216	27,100,000	23,565,216	27,100,000
Textiles	319,872,838	319,872,838	319,872,838	319,872,838
NBFI	335,912,204	335,912,204	335,912,204	335,912,204
Pharmaceuticals & Chemical	44,076,462	60,000,000	44,076,462	60,000,000
Mutual Fund	9,139,000	9,139,000	9,139,000	9,139,000
Insurance	341,057,226	321,823,630	341,057,226	321,823,630
Bank	225,977,311	225,977,311	225,977,311	225,977,311
	1,394,283,918	**1,394,508,645**	**1,394,283,918**	**1,394,508,645**

7.00 Advances, Deposits and Prepayments

Advances

Office rent	10,791,248	18,326,591	10,791,248	18,326,591
Advance for Bank guarantee margin	1,058,401	319,611	1,058,401	319,611
Advance against floor purchase	191,968,000	191,968,000	191,968,000	191,968,000
BizBangla Media Limited	-	-	75,000,000	45,000,000
Advance against expenses	1,351,323	5,170,732	40,001	3,894,800
	205,168,972	**215,784,934**	**278,857,650**	**259,509,002**

Deposits

Clearing house	25,000	25,000	25,000	25,000
Lease Deposit	374,702	374,702	374,702	374,702
Loan Deposit	8,752,870	8,752,870	8,752,870	8,752,870
PCS Bangladesh (Pvt.) Ltd.	64,000	64,000	64,000	64,000
Prattashee Traders	-	950,000	-	-
Jai Jai Din Printers	500,000	500,000	-	-
Md. Abdur Roup Hayder	648,510	502,800	-	-
Security deposit with agencies	497,568	403,025	-	-
Security deposit with CDBL	102,500	102,500	102,500	102,500
Security deposit for office space	3,464,160	3,464,160	2,458,350	2,458,350
	14,429,310	**15,139,057**	**11,777,422**	**11,777,422**

Prepayments

Group and health insurance	2,227,261	2,344,327	2,227,261	2,344,327
Insurance for office equipment	293,662	253,312	293,662	253,312
Insurance for motor vehicle	150,977	164,507	150,977	164,507
	2,671,900	**2,762,146**	**2,671,900**	**2,762,146**
	222,270,181	**233,686,137**	**293,306,972**	**274,048,570**

8.00 Investments

Investment in listed securities (Note-8.01)	834,041,599	559,215,512	834,041,599	559,215,512
Fixed deposits receipt (FDR) (Note-8.02)	40,291,447	38,639,669	39,234,358	36,718,512
	874,333,046	**597,855,181**	**873,275,957**	**595,934,024**

8.01 Investment in listed securities

Pharmaceuticals & Chemical	301,769,116	196,872,000	301,769,116	196,872,000
Cement	5,953,962	127,939,748	5,953,962	127,939,748
Fuel & Power	350,928,067	148,987,627	350,928,067	148,986,924
Tannery	113,558,147	69,761,029	113,558,147	69,761,029
NBFI	46,000,000	-	46,000,000	-
Miscellaneous	111,003	19	111,003	19
Food Allied	109,090	-	109,090	-
Insurance	8,866,000	8,866,000	8,866,000	8,866,000
Mutual Fund	6,789,080	6,789,080	6,789,080	6,789,080
Cash form	(42,867)	-	(42,867)	-
	834,041,599	**559,215,512**	**834,041,599**	**559,215,512**

8.02	**Fixed deposit receipts (FDR)**				
	FDR with Standard Chartered Bank	39,234,358	36,718,512	39,234,358	36,718,512
	FDR with One Bank Limited	1,057,089	1,921,157	-	-
		40,291,447	**38,639,669**	**39,234,358**	**36,718,512**
9.00	**Inventories**				
	Newspaper	157,650	335,117	-	-
	P. S plate	38,000	58,000	-	-
	Polyester film	23,290	6,900	-	-
		218,940	**400,017**		
10.00	**Current portion of loans and advances**				
	Staff Transport Loan	9,600,816	1,988,224	9,600,816	8,360,760
	Loan Against Salary	4,128,146	8,360,760	3,417,288	1,639,743
		13,728,962	**10,348,984**	**13,018,104**	**10,000,503**
11.00	**Accounts receivable**				
	Receivable from clients (Note - 11.01)	4,920,226,241	5,649,337,332	4,846,916,119	5,594,636,560
	Receivable from DSE & CSE (Note - 11.02)	33,128,113	46,759,317	33,128,113	46,759,317
		4,953,354,354	**5,696,096,649**	**4,880,044,232**	**5,641,395,877**
11.01	**Receivable from clients**				
	LankaBangla Information Systems Ltd.	-	-	-	329,060
	Chittagong Stock Exchange Limited	836,677	-	836,677	-
	LankaBangla Investments Ltd.	98,014,857	-	98,014,857	-
	Sundry debtors against advertisement	68,116,232	51,560,558	-	-
	Sundry debtors against circulation	5,193,890	3,269,274	-	-
	Swsspro	-	200,000	-	-
	Other clients	4,748,064,585	5,594,307,500	4,748,064,585	5,594,307,500
		4,920,226,241	**5,649,337,332**	**4,846,916,119**	**5,594,636,560**
	Other clients includes receivable from share trading.				
11.02	**Receivable from DSE & CSE**				
	ABG&N	-	-	-	-
	ABG&N	-	34,562,163	-	34,562,163
	ABG&N (Spot)	-	-	-	-
	Z	2,446,440	420,302	2,446,440	420,302
	Z	2,703,830	375,234	2,703,830	375,234
	Z	2,930,042	1,329,067	2,930,042	1,329,067
	Z	769,154	1,051,139	769,154	1,051,139
	Z	2,462,901	3,069,039	2,462,901	3,069,039
	Z	4,077,455	687,686	4,077,455	687,686
	Z	6,500,779	1,111,694	6,500,779	1,111,694
	Z	5,043,933	149,020	5,043,933	149,020
	Z	3,726,102	419,310	3,726,102	419,310
	Total DSE	**30,660,637**	**43,174,654**	**30,660,637**	**43,174,654**
	ABG&N	-	2,926,804	-	2,926,804
	ABG&N (Spot)	-	-	-	-
	Z	281,840	232,875	281,840	232,875
	Z	155,353	2,137	155,353	2,137
	Z	96,266	51,467	96,266	51,467
	Z	101,891	14,361	101,891	14,361
	Z	25,184	168,737	25,184	168,737
	Z	116,034	-	116,034	-
	Z	297,510	9,600	297,510	9,600
	Z	71,557	50,686	71,557	50,686
	Z	1,321,842	127,997	1,321,842	127,997
	Total CSE	**2,467,477**	**3,584,663**	**2,467,477**	**3,584,663**
	Grand Total DSE & CSE	**33,128,113**	**46,759,317**	**33,128,113**	**46,759,317**

12.00 Cash and Cash Equivalents

Cash in hand	460,205	121,973	445,544	92,923
Cash at bank (Notes 12.01)	1,882,840,014	632,185,418	1,880,843,491	630,336,251
	1,883,300,219	**632,307,391**	**1,881,289,035**	**630,429,174**

12.01 Cash at Bank /NBFI

Standard Chartered Bank	33,191,736	2,445,411	33,191,736	2,445,411
BRAC Bank Limited	-	26,312	-	26,312
ONE Bank Limited	1,811,225,945	624,477,568	1,809,383,226	622,786,234
Dutch-Bangla Bank Limited	-	17,671	-	17,671
Hongkong and Shanghai Corporation Ltd.	-	712,090	-	712,090
Commercial Bank of Ceylon	37,689,297	453,983	37,689,297	453,983
National Bank Limited	-	7,470	-	7,470
Shahajalal Islami Bank limited	167,867	373,720	167,867	373,720
South Bangla Agriculture & Commerce Bank	383,542	337,391	383,542	337,391
Standard Bank Limited	100,516	-	-	-
Bangladesh Development Bank Ltd	49,463	154,008	-	-
National Credit and Commerce Bank Ltd	24,976	3,170,184	21,151	3,166,359
Midland Bank Limited	1,419		1,419	-
Meghna Bank Limited	5,252	9,611	5,252	9,611
	1,882,840,014	**632,185,418**	**1,880,843,491**	**630,336,251**

13.00 Share Capital

Authorized Capital				
500,000,000 ordinary shares of Taka 10 each	**5,000,000,000**	**5,000,000,000**	**5,000,000,000**	**5,000,000,000**
Issued, Subscribed and Paid-up Capital	**2,445,730,290**	**2,223,391,170**	**2,445,730,290**	**2,223,391,170**
202,126,470 ordinary shares of Taka 10 each fully paid	**2,445,730,290**	**2,223,391,170**	**2,445,730,290**	**2,223,391,170**

Detail of Shareholding Position of the Company

Name of the Sponsor & Directors Shareholders	**No. of Shares**		
LankaBangla Finance Ltd.	222,339,279	2,223,392,790	2,021,266,170
Mr. Mohammad A. Moyeen	111,174	1,111,740	1,010,670
Mr. Mahbubul Anam	108,947	1,089,470	990,430
Mr. B W Kundanmal	2	20	20
Mr. Mohammed Nasiruddin Chowdhury	2,543	25,430	23,120
	222,561,945	2,225,619,450	2,023,290,410
General Shareholders	22,011,084	220,110,840	200,077,660
	244,573,029	**2,445,730,290**	**2,223,368,070**

14.00 Share Premium

Premium amount received against issue of 5,000,000 shares @ 240 per share in 2010.

1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000
1,200,000,000	**1,200,000,000**	**1,200,000,000**	**1,200,000,000**

15.00 General Reserve

Opening balance	55,943,075	54,835,887	55,943,075	54,835,887
Add: Addition during the year	-	1,107,188	-	1,107,188
	55,943,075	**55,943,075**	**55,943,075**	**55,943,075**
Less: Adjustment during the year	7,482,185	-	7,482,185	-
Closing balance	**48,460,890**	**55,943,075**	**48,460,890**	**55,943,075**

The Board of Directors of LankaBangla Securities has decided to create a general reserve by 1% on outstanding margin loan provided to the client against marketable securities. Add or adjustment with general reserve will depend on size of outstanding margin loan for the respective year.

16.00 Long Term Loan

Opening balance	825,150,538	840,884,017	825,150,538	840,884,017
Add: Drawdown during the year	334,392,715	350,000,000	334,392,715	350,000,000
	1,159,543,253	1,190,884,017	1,159,543,253	1,190,884,017
Less: Conversion to Short term	565,241,828	365,733,479	565,241,828	365,733,479
Closing balance	**594,301,425**	**825,150,538**	**594,301,425**	**825,150,538**

Detail of long term portion of the above balance is presented below:

International Leasing Financial Services Ltd. 4	-	32,623,373	-	32,623,373
Shahjalal Islami Bank Limited 2	41,478,597	110,902,439	41,478,597	110,902,439
LankaBangla Finance Limited	207,989,116	-	207,989,116	-
Hajj Finance Limited	-	17,044,011	-	17,044,011
Hajj Finance Limited 2	-	29,168,652	-	29,168,652
Hajj Finance Limited 3	-	30,326,512	-	30,326,512
Phonix Finance & Investment Ltd	-	137,254,895	-	137,254,895
South Bangla Agriculture & Commerce Bank Ltd	140,846,149	211,560,314	140,846,149	211,560,314
South Bangla Agriculture & Commerce Bank Ltd 2	103,736,757	150,525,389	103,736,757	150,525,389
South Bangla Agriculture & Commerce Bank Ltd 3	60,333,300	82,522,690	60,333,300	82,522,690
Midland Bank Limited	39,917,505	-	39,917,505	-
Meghna Bank Limited	-	23,222,263	-	23,222,263
Sub total	**594,301,425**	**825,150,538**	**594,301,425**	**825,150,538**

17.00 Defined benefit obligations

Opening balance	56,086,350	77,753,296	56,086,350	77,753,296
Add: Addition during the year	23,243,714	23,393,573	23,243,714	23,393,573
	79,330,065	**101,146,869**	**79,330,065**	**101,146,869**
Less: Paid during the year				
Paid to employee	2,972,610	4,632,383	2,972,610	4,632,383
Transfer to gratuity fund	76,357,455	40,428,136	76,357,455	40,428,136
	79,330,065	45,060,519	79,330,065	45,060,519
Closing Balance	**-**	**56,086,350**	**-**	**56,086,350**

18.00 Deferred tax Liabilities

Deferred Tax has been calculated based on deductible/ taxable temporary difference arising due to difference in the carrying amount of the assets / liabilities and its tax base in accordance with the provision of Bangladesh Accounting Standard (BAS) 12 ''Income Taxes''.

Amount In Taka

Particulars	Carrying Amount at Balance Sheet	Tax Base	Taxable /Deductable Temporary Difference
Assets:			
Fixed assets net of depreciation	148,315,914	140,624,739	7,691,175
Total	**148,315,914**	**140,624,739**	**7,691,175**
Applicable Tax Rate		35%	
Deferred Tax Liability/(Asset)		2,691,911	
Deferred Tax Liabilities as on 31st December 2016		**2,691,911**	

19.00 Finance lease obligation

Opening balance	5,683,353	8,102,122	4,728,179	8,102,122
Add: Addition during the year	2,060,000	1,249,768	-	-
	7,743,353	**9,351,890**	**4,728,179**	**8,102,122**
Less: Conversion to Short term	5,832,247	3,668,537	4,728,179	3,373,943
Closing Balance	1,911,106	5,683,353	-	4,728,179

20.00 Accounts payable

Payable to clients (Note-20.01)	1,668,140,870	592,862,839	1,666,041,997	586,209,289
Payable to DSE and CSE (Note - 20.02)	177,154,351	27,396,281	177,154,351	27,396,281
Accrued expenses (Note - 20.03)	34,646,005	15,218,721	26,900,332	9,902,479
	1,879,941,226	**635,477,840**	**1,870,096,680**	**623,508,048**

20.01 Payable to Clients

Payable for IPO clients	690,110,000	-	690,110,000	-
IDLC of Bangladesh Ltd	1,616,650	50,507	1,616,650	50,507
LankaBangla Investments Ltd.	-	6,663,525	-	6,663,525
Prattashee Traders	562,989	3,040,381	-	-
Akiz Group	-	1,500,000	-	-
Jai Jai Din Printers	1,535,884	1,019,775	-	-
Other clients	974,315,347	580,588,651	974,315,347	579,495,257
	1,668,135,870	**592,862,839**	**1,666,036,997**	**586,209,289**

Other Clients
Other clients includes payable from share trading.

20.02 Payable to DSE & CSE

ABG&N	155,372,001	16,403,054	155,372,001	16,403,054
Z	4,964,729	318,544	4,964,729	318,544
Total DSE	160,336,729	16,721,599	160,336,729	16,721,599
ABG&N	15,938,133	10,616,408	15,938,133	10,616,408
Z	879,489	58,273	879,489	58,273
Total CSE	**16,817,622**	**10,674,682**	**16,817,622**	**10,674,682**
Grand Total DSE & CSE	**177,154,351**	**27,396,281**	**177,154,351**	**27,396,281**

20.03 Accrued Expenses

Telephone bill	90,580	98,785	66,717	62,691
Electricity bill	993,491	1,005,105	800,484	784,079
Office rent	2,555,116	1,346,773	1,533,063	1,094,061
Printing & stationeries	609,450	1,326,519	609,450	508,820
News paper and periodicals	58,300	-	-	-
Office maintenance	579,143	792,299	362,351	418,174
Vehicle maintenance	107,185	-	-	-
Water and sewerage bill	99,397	153,368	99,397	80,105
Audit fees	327,750	241,500	258,750	115,000
Legal and professional fees	126,000	-	-	-
News agency service charge	723,413	-	-	-
Incentive	20,016,897	4,700,897	20,016,897	4,700,897
Contribution to provident fund	2,623,715	1,650,178	-	-
Honorarium	2,553,345	1,763,645	-	-
Salaries & Allowances	51,830	25,003	22,830	24,003
CDBL charges	3,130,392	2,114,650	3,130,392	2,114,650
	34,646,005	**15,218,721**	**26,900,332**	**9,902,479**

21.00 Short Term Loan

Opening Balance	1,802,869,318	1,850,552,897	1,793,700,833	1,850,552,897
Loan taken during the year	-	-	-	-
	1,802,869,318	**1,850,552,897**	**1,793,700,833**	**1,850,552,897**
Re-scheduled/repayment during the year	344,677,002	47,683,579	358,394,959	56,852,064
Closing Balance	**1,458,192,316**	**1,802,869,318**	**1,435,305,874**	**1,793,700,833**
Detail of the above balance is presented below:				
Loan taken as a short term				
Lanka Bangla Finance Limited	-	284,392,715	-	284,392,715
One Bank Limited	612,786,442	759,168,485	589,900,000	750,000,000
Standard Chartered Bank	387,266,405	280,506,327	387,266,405	280,506,327
Shahjalal Islami Bank Limited	100,919,167	375,544,445	100,919,167	375,544,445
Midland Bank Limited	102,827,789	-	102,827,789	-
United Finance Limited	254,375,000	-	254,375,000	-
South Bangla Agriculture & Commerce Bank Ltd	17,513	103,257,345	17,513	103,257,345
Sub total	**1,458,192,316**	**1,802,869,318**	**1,435,305,874**	**1,793,700,833**

22.00 Provision for Current Tax

Opening Balance	20,797,427	80,098,140	20,936,859	80,098,140
Add: Provision during the year	110,728,820	90,401,563	110,008,149	90,295,422
	131,526,247	**170,499,703**	**130,945,008**	**170,393,562**
Less: Paid during the year	3,755,210	61,883,815	3,735,025	61,883,815
Advance tax deducted at source	21,150,591	11,870,040	19,536,378	11,624,467
Tax deducted at source on turnover	83,450,975	75,948,422	83,450,975	75,948,422
	108,356,776	**149,702,276**	**106,722,375**	**149,456,703**
	23,169,471	**20,797,427**	**24,232,355**	**20,936,859**

23.00 Current portion of lease obligation

Opening balance	3,668,537	4,929,379	3,373,943	4,929,379
Add: Conversion from Long Term	5,832,247	3,668,537	4,728,179	3,373,943
	9,500,784	**8,597,916**	**8,102,122**	**8,303,322**
Less: Paid during the year	4,031,376	4,929,379	3,437,159	4,929,379
Closing balance	**5,469,408**	**3,668,537**	**4,664,963**	**3,373,943**

24.00 Current portion of term loan

Opening balance	346,868,458	336,364,343	346,868,458	336,364,343
Add: Conversion from Long Term	565,241,828	365,733,479	565,241,828	365,733,479
	912,110,286	**702,097,822**	**912,110,286**	**702,097,822**
Less: Paid during the year	602,886,829	355,229,364	602,886,829	355,229,364
Closing balance	**309,223,456**	**346,868,458**	**309,223,456**	**346,868,458**

25.00 Provision for negative equity & others

Provision for negative equity (Note-25.01)	184,419,523	355,884,791	184,419,523	355,884,791
Diminution value of investment (Note-25.02)	76,109,546	68,618,678	76,109,546	68,618,678
	260,529,069	**424,503,469**	**260,529,069**	**424,503,469**

25.01 Provision for negative equity

Opening balance	355,884,791	321,459,405	355,884,791	321,459,405
Add: Addition during the year*	-	34,425,386	-	34,425,386
	355,884,791	**355,884,791**	**355,884,791**	**355,884,791**
Less: Write off during the year	171,465,268	-	171,465,268	-
Closing balance	**184,419,523**	**355,884,791**	**184,419,523**	**355,884,791**

* As per Directives of Bangladesh Securities and Exchange Commission dated 09 December 2013 (circular # SEC/CMR-RCD/2009-193/155) and dated 08 December 2015 (circular # SEC/CMRRCD/2009-193/181), the required provisions for the year 2015 on unrealized loss of margin loan can be kept 20% on each quarter for the next five quarters starting from December 2015.

25.02 Diminution value of investment

Opening balance	68,618,678	40,146,153	68,618,678	40,146,153
Add: Addition during the year	7,490,868	28,472,525	7,490,868	28,472,525
	76,109,546	**68,618,678**	**76,109,546**	**68,618,678**
Less: Adjustment during the year	**-**	**-**	**-**	**-**
Closing balance	**76,109,546**	**68,618,678**	**76,109,546**	**68,618,678**

* As per Directives of Bangladesh Securities and Exchange Commission dated 09 December 2015 (circular # SEC/CMR-RCD/2009-193/155) and dated 08 December 2015 (circular # SEC/CMRRCD/2009-193/181), the required provisions for the year 2015 on unrealized loss of dealer account can be kept provision @ 20% on each quarter for the next five quarters starting from December 2015.

26.00 Interest Suspense	**810,164,046**	**810,164,046**	**810,164,046**	**810,164,046**

In prior years LankaBangla Securities Limited (LBSL) have recognized interest income on negative equity in the expectation that the Stock Markets' condition will improve and negative equity will reverse. But the stock market is continuing with its bearish trend. Hence, management come into a stand that prior years' interest income on negative equity impact should be reversed to present a fair view of the financial position.

As per present and expected market condition LBSL should not have charge interest income rather should have to charge those to interest suspense account. In the proses to rectify these prior year errors as per BAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" LBSL reduce its Retained Earnings and charge the same to Interest Suspense account.

Year	Interest Applied on	Net profit after Tax	Interest suspense
2011	277.09	747.62	270.88
2012	404.42	259.68	232.76
2013	394.43	484.75	306.52
	1075.94	**1492.06**	**810.16**

27.00 Other Liabilities

Interest on short term loan	18,474,413	28,644,464	18,474,413	28,644,464
Liabilities for other expenses	3,062,163	6,799,006	2,346,250	6,799,006
Brokerage sharing	11,711,172	12,636,624	11,711,172	12,636,624
Liabilities for security deposit	72,608	72,507	-	-
Premium brokerage service	1,801,481	871,915	1,801,481	871,915
LB Foundation	1,761,454	784,232	1,761,454	784,232
Un-claimed cash dividend	3,122,445	3,164,970	3,122,445	3,164,970
Tax and VAT deducted at source	570,587	96,825,017	-	96,250,762
	40,576,323	**149,798,735**	**39,217,215**	**149,151,973**

Amount in Taka

		Consolidated		Separate	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
28.00	**Interest income**				
	Interest on debit balance of clients	401,494,843	505,083,119	401,494,843	505,083,119
	Interest on bank deposit (Note-28.01)	51,697,423	41,485,224	51,550,052	41,374,139
		453,192,265	**546,568,342**	**453,044,894**	**546,457,258**
28.01	**Interest Income**				
	Interest on Bank Deposit				
	One Bank Limited	49,768,925	35,186,010	49,621,554	35,074,926
	Commercial Bank of Ceylon	296,252	171,551	296,252	171,551
	National Credit & Commerce Bank Ltd	25,061	3,688,307	25,061	3,688,307
	South Bangla Agriculture & Commerce Bank	23,690	74,218	23,690	74,218
	Shahajalal Islami Bank limited	208	-	208	-
	Midland	555	-	555	-
	Dutch-Bangla Bank Limited	-	665	-	665
	Hongkong and Shanghai Corporation Ltd.	-	5,299	-	5,299
	BRAC Bank Limited	-	741	-	741
	FRD with Standard Chartered Bank	1,582,732	2,358,432	1,582,732	2,358,432
		51,697,423	**41,485,224**	**51,550,052**	**41,374,139**
29.00	**Income from investment**				
	Capital gain from shares investment (Note-29.01)	126,525,938	72,469,837	126,525,938	72,469,837
	Dividend	69,625,422	35,456,787	69,625,422	35,456,787
		196,151,360	**107,926,624**	**196,151,360**	**107,926,624**
29.01	**Capital gain from shares investment**				
	Sales price of shares	936,566,086	442,079,596	936,566,086	442,079,596
	Less: Cost price of shares	809,932,799	369,560,112	809,932,799	369,560,112
		126,633,287	72,519,485	126,633,287	72,519,485
	Less: CDBL & Other charges	107,348	49,647	107,348	49,647
		126,525,938	**72,469,837**	**126,525,938**	**72,469,837**
30.00	**Brokerage income**				
	DSE	518,185,636	511,032,898	518,185,636	511,032,898
	CSE	43,746,828	49,561,150	43,746,828	49,561,150
		561,932,464	**560,594,048**	**561,932,464**	**560,594,048**
31.00	**Revenue from advertisement & circulation**				
	Revenue from advertisement	95,371,440	40,345,956	-	-
	Revenue from circulation	10,604,270	4,436,289	-	-
		105,975,710	**44,782,245**		
32.00	**Other operational income**				
	Service charge from clients for CDBL	21,356,382	28,362,110	21,356,382	28,362,110
	Income from Research project	1,500,000	-	-	-
	Round table conference income	2,146,000	1,289,370	-	-
	Sponsorship income	1,943,043	1,591,220	-	-
	Old paper sale	1,406,701	-		
	Scrap sales	1,130,443	1,392,348	414,719	64,600
	IT enable and Cloud services	1,067,650	144,000	-	-
	IPO application commission	-	168,916	-	168,916
	Monthly review	97,800	332,156	97,800	76,350
		30,648,019	**33,280,119**	**21,868,901**	**28,671,976**
33.00	Interest expenses				
	Interest on term loan	426,829,902	534,222,887	425,123,796	533,545,952
	Interest on lease finance	1,353,657	1,582,370	949,682	1,505,038
		428,183,560	**535,805,257**	**426,073,478**	**535,050,990**

34.00	**Other costs directly attributable to services**				
	Service charge paid to CDBL	22,105,199	30,026,935	22,105,199	30,026,935
	Cost of goods sold (Newspaper, P. S Plates & Polyester film)	21,900,083	11,813,037	-	-
	Factory overhead	71,266,643	4,966,140	-	-
	Hawla charges	847,498	894,994	847,498	894,994
	Laga charges	38,156,413	34,990,155	38,156,413	34,990,155
		154,275,836	**82,691,260**	**61,109,110**	**65,912,083**
35.00	**Other non-operational income**				
	Income from office space rent	9,901,875	5,791,000	9,901,875	5,791,000
	Interest on loans and advances to employees	1,125,054	20,437,449	1,125,054	20,262,449
	Gain on disposal of fixed assets	2,392,165	1,173,804	1,100,000	1,173,804
		13,419,094	**27,402,253**	**12,126,929**	**27,227,253**
36.00	**Salary and allowances**				
	Salary and allowances	248,271,427	246,476,126	229,566,915	213,930,519
	Provident fund contribution	11,200,204	10,419,794	10,867,639	9,813,557
	Gratuity	23,505,500	23,393,573	23,243,714	23,393,573
		282,977,130	**280,289,492**	**263,678,268**	**247,137,649**
37.00	**Rent, taxes, insurance, electricity etc.**				
	Office rent	37,827,511	37,701,401	34,353,592	33,734,873
	Insurance premium	6,443,538	6,289,507	5,647,411	5,940,994
	Electricity	7,841,670	7,882,644	6,678,448	6,383,531
		52,112,720	**51,873,551**	**46,679,451**	**46,059,398**
38.00	**Legal and professional fees**				
	Legal and professional fees	3,598,719	2,721,880	3,218,969	1,311,249
		3,598,719	**2,721,880**	**3,218,969**	**1,311,249**
39.00	**Postage, stamp, telecommunication etc.**				
	Postage and courier	213,759	241,388	190,672	214,732
	Telephone and mobile bill	4,727,302	4,323,818	4,374,651	4,120,001
		4,941,061	**4,565,206**	**4,565,323**	**4,334,733**
40.00	**Stationery, printing, advertisement**				
	Printing and stationery	7,383,714	9,199,051	6,110,701	8,230,191
	Advertisement	1,928,858	1,392,833	1,840,108	1,367,060
		9,312,572	**10,591,884**	**7,950,809**	**9,597,251**
41.00	**Director fees and expenses**				
	Director fees and expenses	915,839	578,627	915,839	578,627
		915,839	**578,627**	**915,839**	**578,627**
42.00	**Audit fees**				
	Audit fees	212,750	164,833	143,750	115,000
		212,750	**164,833**	**143,750**	**115,000**
43.00	**Repairs, maintenance and depreciation**				
	Repairs and maintenance	1,656,316	1,214,582	1,656,316	899,168
	Depreciation	27,014,891	41,994,477	24,219,536	38,844,715
		28,671,207	**43,209,059**	**25,875,852**	**39,743,883**
44.00	**Other expenses**				
	Training	1,017,762	1,632,073	727,844	1,561,099
	Incentive	15,316,000	4,153,500	15,316,000	4,153,500
	Membership and renewal fees	3,241,892	2,124,913	3,059,556	1,868,388
	Traveling and conveyance	3,010,306	3,640,908	2,809,132	3,458,127
	Internet and e-mail	11,840,701	11,681,307	11,107,752	11,303,560
	News paper and periodicals	935,572	611,806	166,229	164,362
	Fuel expenses	437,687	770,328	437,687	433,587
	Vehicle maintenance/Registration	20,324,473	16,718,746	18,921,405	15,580,625

Water and sewerage bill	717,566	887,917	717,566	742,917
Office maintenance	11,189,589	8,252,405	8,436,615	7,461,392
Entertainment	6,354,913	6,380,163	5,768,685	6,136,354
Business promotion	22,278,062	21,186,500	21,352,504	19,028,373
Bank charges	1,360,598	1,087,645	1,278,566	1,041,738
Loss on sales of fixed asset	580,097	76,345	344,391	76,345
Bad debts written off	-	188,320	-	-
AGM related expenses	40,000	91,404	40,000	91,404
Documentation fees	109,420	48,363	109,420	6,450
LB Foundation	1,761,915	784,232	1,761,915	784,232
Miscellaneous (Note-44.01)	25,797,119	23,918,144	17,928,160	18,355,860
	126,318,672	**104,235,019**	**110,288,428**	**92,248,312**

44.01 Miscellaneous

Software maintenance fee	5,841,494	1,988,542	5,841,494	1,880,129
Commission of bank guarantee	6,566,590	12,767,104	6,566,590	12,767,104
Fair and conference	1,530,243	1,178,440	-	-
Selling & distribution expenses	6,338,716	3,472,197	-	-
Premium brokerage service	5,366,598	4,221,082	5,366,598	3,417,846
Subscriptions	153,478	290,781	153,478	290,781
	25,797,119	**23,918,144**	**17,928,160**	**18,355,860**

45.00 Earnings per Share (EPS):

Net profit after Tax	154,108,321	57,505,502	174,383,924	77,638,997
Number of Ordinary Shares Outstanding	244,573,029	244,573,029	244,573,029	244,573,029
Earnings Per Share (EPS)	**0.63**	**0.24**	**0.71**	**0.32**

Earnings per Share has been calculated in accordance with BAS-33: "Earnings Per Share (EPS)".

***** Previous year's EPS has been restated by the current year's outstanding shares.**

46.00 Related Party Disclosure

During the year the Company carried out a number of transactions with the related parties in the normal course of business on arm's length basis. Name of those related parties, nature of those transaction and their total value have been shown below in accordance with the provisions of BAS-24- "Related Party Disclosure."

Name of the Party	Relationship	Nature of Transaction	Transaction			
			Opening balance	Addition	Adjustment	Closing balance
LankaBangla Finance Ltd.	Sponsor Shareholder	Term Loan	(284,392,715.09)	-	42,725,560.77	(241,667,154.32)
LankaBangla Investment Ltd.	Sponsor Shareholder	IP Accounts	(6,663,524.80)	104,678,381.37	-	98,014,856.57
LankaBangla Information Systems Ltd.	Subsidiary	Expense reimbursement	329,060.00	-	329,060.00	-
BizBangla Media Limited	Subsidiary	Short Term Loan	45,000,000.00	30,000,000.00	-	75,000,000.00

LankaBangla Securities Limited

Consolidated Schedule of Property, Plant & Equipment

For the year ended December 31, 2016

Annexure -A

Amount in Taka

Particulars	COST				"Rate of Depreciation"	DEPRECIATION				Carrying amount as on December 31, 2016
	Opening Balance as on January 01, 2016	Additions during the year	Disposal during the year	Closing Balance on December 31, 2016		Opening Balance as on January 01, 2016	Charged during the year	Disposal during the year	Closing Balance on December 31, 2016	
Building	106,454,150	-	-	106,454,150	2.5%	12,029,697	2,661,354	-	14,691,050	91,763,100
Furniture & Fixtures	10,212,710	2,910,634	845,421	12,277,923	10%	4,472,989	1,119,756	581,390	5,011,355	7,266,568
Office Equipment	82,547,265	6,349,541	4,500,722	84,396,084	20%	61,332,468	6,872,513	4,135,196	64,069,785	20,326,298
Data Center & Dr	69,705,470	3,575,207	-	73,280,677	30%	62,820,409	5,661,104	-	68,481,513	4,799,164
Office Renovation	69,395,465	13,533,662	7,378,207	75,550,920	20%	47,134,617	5,618,374	7,378,207	45,374,784	30,176,136
Motor Vehicle	13,430,625	5,374,095	7,610,050	11,194,670	20%	7,286,562	1,814,065	5,026,215	4,074,412	7,120,258
Software	5,756,543	1,017,625	-	6,774,168	33%	3,281,691	1,749,076	-	5,030,767	1,743,401
Leased Asset	33,828,030	-	1,600,040	32,227,990	20%	24,094,926	4,314,004	1,600,040	26,808,890	5,419,100
Total Assets 2016	**391,330,257**	**32,760,764**	**21,934,440**	**402,156,581**		**222,453,358**	**29,810,246**	**18,721,048**	**233,542,555**	**168,614,026**
Total Assets 2015	**346,276,493**	**74,392,965**	**29,339,201**	**391,330,257**		**176,087,831**	**67,486,634**	**21,121,108**	**222,453,358**	**168,876,900**

LankaBangla Securities Limited

Consolidated Schedule of Property, Plant & Equipment

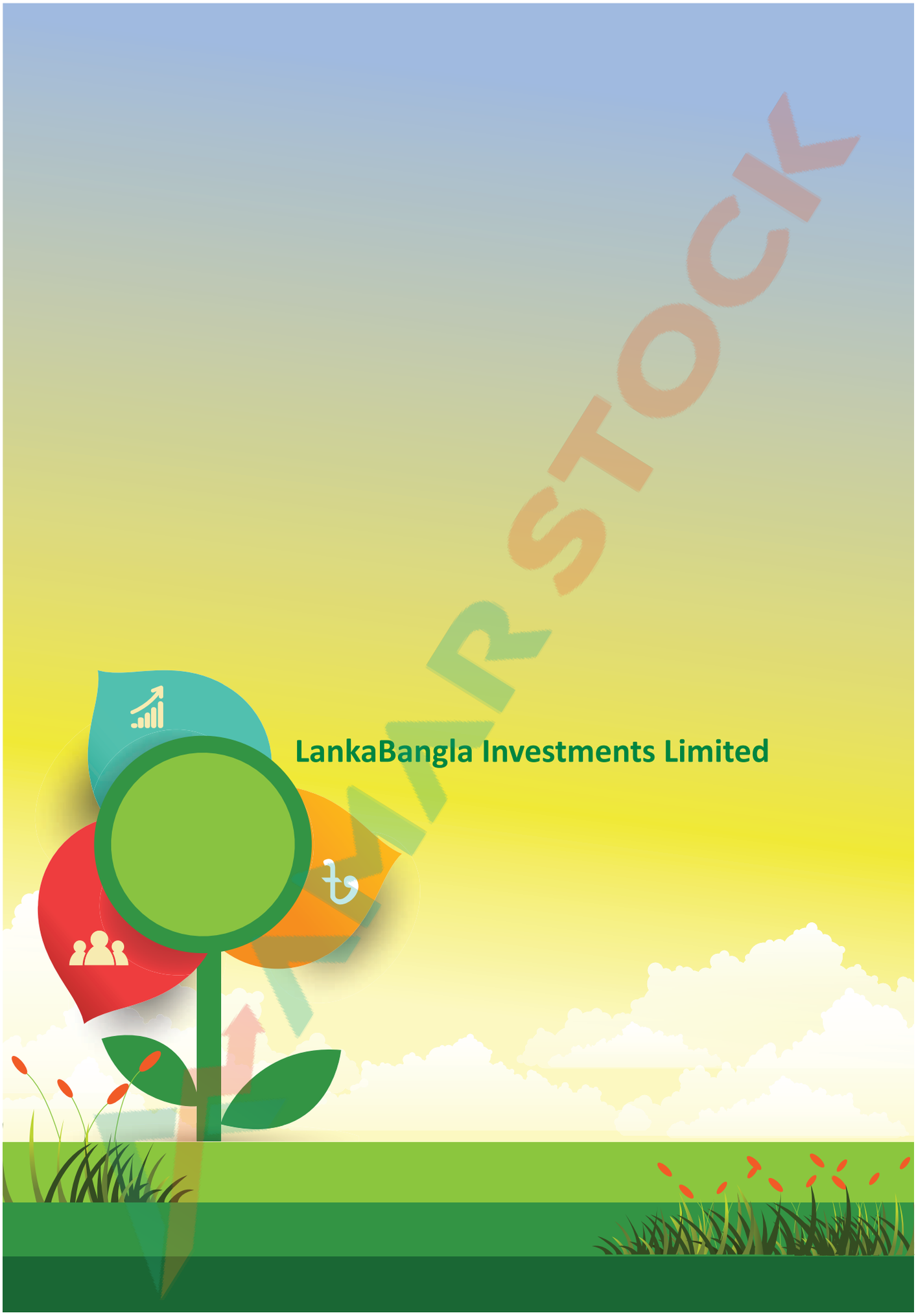
For the year ended December 31, 2016

Annexure -B

Amount in Taka

Particulars	COST				"Rate of Depreciation"	DEPRECIATION				Carrying amount as on December 31, 2016
	Opening Balance as on January 01, 2016	Additions during the year	Disposal during the year	Closing Balance on December 31, 2016		Opening Balance as on January 01, 2016	Charged during the year	Disposal during the year	Closing Balance on December 31, 2016	
Building	106,454,150	-	-	106,454,150	2.5%	12,029,697	2,661,354	-	14,691,050	91,763,100
Furniture & Fixtures	9,706,041	2,728,894	845,421	11,589,514	10%	4,334,375	1,064,777	581,390	4,817,761	6,771,752
Office Equipment	61,453,943	4,982,806	3,649,247	62,787,502	20%	48,887,133	4,926,602	3,568,887	50,244,848	12,542,654
Data Center & Dr	69,705,470	3,575,207	-	73,280,677	30%	62,820,409	5,661,104	-	68,481,513	4,799,164
Office Renovation	58,381,220	12,958,697	7,378,207	63,961,710	20%	40,846,834	4,558,089	7,378,207	38,026,716	25,934,994
Motor Vehicle	1,360,000	-	-	1,360,000	20%	136,000	272,000	-	408,000	952,000
Software	2,826,197	130,625	-	2,956,822	33%	942,066	985,607	-	1,927,673	1,029,149
Leased Asset	32,428,030	-	1,600,040	30,827,990	20%	23,814,926	4,090,004	1,600,040	26,304,889	4,523,101
Total Assets 2016	**342,315,050**	**24,376,229**	**13,472,915**	**353,218,364**		**193,811,439**	**24,219,536**	**13,128,524**	**204,902,450**	**148,315,914**
Total Assets 2015	**346,276,493**	**25,377,758**	**29,339,201**	**342,315,050**		**176,087,831**	**38,844,715**	**21,121,108**	**193,811,439**	**148,503,612**

INVESTOCK


LankaBangla Investments Limited

UHY Syful Shamsul Alam & Co
Chartered Accountants

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Independent Auditors' Report

To the Shareholders of

LankaBangla Investments Limited

We have audited the accompanying financial statements of LankaBangla Investments Limited ("the company"), which comprise the Statement of Financial Position as at 31 December 2016, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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 give a true and fair view of the financial position of the company as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards ("BFRS") and comply with the Companies Act 1994 and other relevant laws & regulations.

Report on Other Legal and Regulatory Requirements We also report that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

ii) In our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;

iii) The Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income dealt with by the report are in agreement with the books of account.

Place : Dhaka
Dated: 13 February, 2017

Syful Shamsul Alam & Co.
Chartered Accountants

LankaBangla Investments Limited

Statement of Financial Position

As at 31 December 2016

Particulars	Notes	Amount In Taka	
		31.12.2016	31.12.2015
Assets			
Non-current assets			
Property, plant and equipment	4	11,490,014	5,159,127
Intangible assets	5	178,334	350,181
Investments	6	286,364,785	342,142,256
Deferred tax asset	20	-	-
Other non-current assets	7	2,431,064	869,862
Total non-current assets		**300,464,197**	**348,521,426**
Current assets			
Advances, deposits and prepayments	8.02	53,720,819	20,019,462
Margin loan	9	2,473,812,503	3,559,650,618
Investments	10	207,084,447	206,700,992
Accounts receivable	11	37,946,133	53,459,525
Cash and cash equivalents	12	177,739,112	5,324,642
Total current assets		**2950,303,014**	**3,845,155,238**
Total assets		**3250,767,211**	**4,193,676,664**
Equity and Liabilities			
Equity			
Share capital	13	1,670,000,000	1,670,000,000
Retained earnings		(1,228,250,642)	(800,329,421)
Total equity		**441,749,358**	**869,670,579**
Liabilities			
Non current liabilities			
Term loan	14.01	-	-
Defined benefit obligations(gratuity)	15	7,097,964	4,178,021
Total non-current liabilities		**7,097,964**	**4,178,021**
Current liabilities			
Accounts payable	16	107,405,706	58,986,199
Short term loans	17	2,525,206,559	3,109,108,380
Current portion of term loan	18	10,789,043	52,121,257
Provision for current tax	19	19,079,642	25,030,683
Provision for margin loan & others	21	138,910,361	74,089,160
Other liabilities	22	528,578	492,387
Total current liabilities		**2,801,919,889**	**3,319,828,065**
Total liabilities		**2,809,017,853**	**3,324,006,086**
Total equity and liabilities		**3,250,767,211**	**4,193,676,664**

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

Director **Director** **Chief Executive Officer** **Company Secretary**

This is the Financial Position referred to in our separate report of even date.

Place : Dhaka
Dated: 13 February, 2017

Syful Shamsul Alam & Co.
Chartered Accountants

LankaBangla Investments Limited

Statement of Profit or Loss and Other Comprehensive Income

For the period ended 31 December 2016

Particulars	Notes	Amount In Taka 2016	2015
Revenue		**256,698,651**	**237,143,127**
Interest income	23	97,960,075	109,479,557
Income from investment	24	67,043,121	34,128,307
Fee based income	25	90,556,451	85,921,914
Other operational income	26	1,139,004	7,613,349
Cost of services		**301,799,703**	**450,710,169**
Interest expenses	27	298,517,275	448,341,876
Other costs directly attributable to services	28	3,282,428	2,368,293
Gross profit/(loss)		**(45,101,051)**	**(213,567,041)**
Other non-operational income	29	54,423	62,687
Operating expenses		**69,342,927**	**63,465,294**
Salary and allowances	30	41,684,680	33,872,363
Rent, insurance, utilities etc.	31	14,134,773	15,535,803
Legal & professional fees	32	469,693	724,402
Postage, stamp, telecommunication etc.	33	756,166	724,547
Stationery, printing, advertisement	34	914,445	799,458
Director fees and expenses	35	672,750	368,000
Audit fees	36	195,500	126,500
Repairs, maintenance and depreciation	37	7,448,606	7,369,510
Other expenses	38	3,066,315	3,944,712
Net Operating income/(loss)		**(114,389,556)**	**(276,969,648)**
Provisions for loans / investments		**313,531,665**	**240,833,288**
Provision for margin loan		313,531,665	250,567,796
Provision for diminution in value of investments		-	(9,734,508)
Profit before tax (PBT)		**(427,921,221)**	**(517,802,936)**
Income tax expense / (income)	19.01	**-**	**2,834,517**
Current tax expense / (income)		-	711,429
Deferred tax expense / (income)		-	2,123,088
Profit after tax (PAT)		**(427,921,221)**	**(520,637,453)**
Other comprehensive income/(expense), net of tax		-	-
Total comprehensive income		**(427,921,221)**	**(520,637,453)**
Earnings Per Share (EPS)	39	**(2.56)**	**(3.12)**

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

Director **Director** **Chief Executive Officer** **Company Secretary**

This is the Statement of Comprehensive Income referred to in our separate report of even date.

Syful Shamsul Alam & Co.
Chartered Accountants

Place : Dhaka
Dated: 13 February, 2017

LankaBangla Investments Limited

Statement of Changes in Equity

For the period ended 31 December 2016

(Amount in Taka)

Particulars	Share Capital	Retained Earnings	Total Equity
Balance at 01 January 2015	1,670,000,000	(279,691,968)	1,390,308,032
Net profit /(loss) for the year	-	(520,637,453)	(520,637,453)
Balance at 31 December 2015	**1,670,000,000**	**(800,329,421)**	**869,670,579**
Balance at 01 January 2016	1,670,000,000	(800,329,421)	869,670,579
Net profit /(loss) for the year	-	(427,921,221)	(427,921,221)
Balance at 31 December 2016	**1,670,000,000**	**(1,228,250,642)**	**441,749,358**

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

Director | Director | Chief Executive Officer | Company Secretary

Place : Dhaka
Dated: 13 February, 2017

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LankaBangla Investments Limited

Statement of Cash Flows

For the year ended December 2016

	Particulars	Amount In Taka 2016	2015
A)	**Cash flows from operating activities**		
	Cash received from:		
	- Fees and other income	27,952,667	32,953,201
	- Repayment of staff loan	5,310	8,860
	Cash paid for:		
	- Rental expenses	(12,344,169)	(13,183,351)
	- Advance for office rent	(2,640,436)	-
	- IT related expenses	(492,902)	(384,839)
	- PF bank account	(3,040,093)	(2,523,578)
	- Employees' salaries and allowances	(35,139,201)	(28,799,084)
	- Staff loan	(1,775,000)	(920,000)
	- Other operating expenses	(13,959,586)	(16,323,314)
	Cash generated from operating activities before changes in operating assets and liabilities	**(41,433,409)**	**(29,172,104)**
	Settlement with LankaBangla Securities Limited	996,160,532	691,825,491
	Client deposits	317,803,871	269,193,643
	Own portfolio investment	(7,155)	(3,450,000)
	Client withdrawals	(210,381,832)	(354,055,095)
		1,103,575,417	**603,514,038**
	Cash generated from operating activities	**1,062,142,007**	**574,341,935**
	Income taxes paid-Corporate	-	-
	Income taxes paid-Others	(55,170)	(724,682)
	Net cash from operating activities	**1,062,086,837**	**573,617,252**
B)	**Cash flows from investing activities**		
	Proceeds from sale of own portfolio securities	54,500,000	20,000,000
	Proceeds from sale of disposed assets	41,500	10,000
	Dividend on own portfolio investment	26,685,078	11,574,724
	Return for Non-allotted securities	258,100	51,098,720
	Advance for Right Shares	(16,460,946)	-
	Advance for share bidding	(21,858,997)	-
	Advance for CWIP	(7,195,350)	-
	Procurement of property, plant and equipment	(1,651,435)	(876,763)
	Net cash used in investing activities	**34,317,949**	**81,806,681**
C)	**Cash flows from financing activities**		
	Repayment of loan from Shahjalal Islami Bank Limited	-	(8,201,361)
	Interest payment on Loan from Shahjalal Islami Bank Limited	-	(619,107)
	Repayment of loan from ICB	(41,332,214)	(39,347,464)
	Interest payment on Loan from ICB	(2,579,202)	(5,348,639)
	Repayment of loan from LankaBangla Finance Limited	(569,941,723)	(222,741,341)
	Interest payment on loan from LankaBangla Finance Limited	(310,137,176)	(430,078,391)
	Net cash used in financing activities	**(923,990,316)**	**(706,336,303)**
D)	**Net increase/(decrease) in cash and cash equivalents (A+B+C)**	**172,414,471**	**(50,912,369)**
E)	**Cash and cash equivalents at beginning of the year**	**5,324,642**	**56,237,011**
F)	**Cash and cash equivalents at the end of the year**	**177,739,112**	**5,324,642**

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

Director | **Director** | **Chief Executive Officer** | **Company Secretary**

Place : Dhaka
Dated: 13 February, 2017

LankaBangla Investments Limited

Notes to the Financial Statements

For the period ended 31 December 2016

1.00 Reporting entity

1.01 Company profile

LankaBangla Investments Limited (hereinafter referred to as "LBIL" or "the Company") was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C 83568/10 dated 29 March 2010 as a private limited company under the Companies Act, 1994. Later on, the company converted itself into a public limited company with effect from 12 June 2013. The Company has obtained Merchant Banking license (registration certificate no. MB-57/2010) from the Bangladesh Securities and Exchange Commission on 2 January 2011. Registered office of the Company is 20, Kemal Ataturk Avenue, Banani, Dhaka-1213; Besides the registered office, corporate address of the company is City Center, Level # 24, 90/1 Motijheel C/A, Dhaka-1000. This Company is a fully owned subsidiary of LankaBangla Finance Limited.

Currently the company has following licenses, Membership and legal approvals :

Sl No.	License/ Membership	Registration/ Membership No.	Date of issue	Issuing Authority	Renewed up to
1	Registration Number	C 83568/10	29 March 2010	Registrar of Joint Stock Companies and Firms (RJSC)	N/A
2	Trade License	0532513	07 July 2010	Dhaka South City Corporation (DSCC)	FY 2016-2017
3	Merchant Banking License	MB-57/2010	2 January 2011	Bangladesh Securities and Exchange Commission (BSEC)	N/A
4	Tax Identification Number	383900505101	30 July 2013	National Board of Revenue (NBR)	N/A
5	VAT Registration Number	19031087563	15 November 2016	National Board of Revenue (NBR)	N/A
6	Membership of Dhaka Chamber of Commerce & Industries	01302	27 April 2013	Dhaka Chamber of Commerce & Industries (DCCI)	N/A
7	Membership of Bangladesh Merchant Bankers' Association (BMBA)	N/A	N/A	Bangladesh Merchant Bankers' Association (BMBA)	December 2017

1.02 Nature of business

The activities of the Company include services broadly classified as interest income and fee based services, such as underwriting of securities, issue management, register to issue, portfolio management, corporate advisory services etc.

2.00 Basis of preparation

2.01 Components of the financial statements

The financial statements comprise of :

a) Statement of Financial Position as at 31 December 2016;

b) Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2016;

c) Statement of Changes in Equity for the period ended 31 December 2016;

d) Statement of Cash Flows for the period ended 31 December 2016; and

e) Notes to the Financial Statements.

2.02 Statement of compliance

"The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), rules and regulations issued by Bangladesh Securities and Exchange Commission and Companies Act 1994. In case of any rules and regulations issued by Bangladesh Securities and Exchange Commission differs from those of other regulatory authorities, the rules and regulations issued by Bangladesh Securities and Exchange Commission shall prevail.

2.03 Disclosure of departure

The departures from BAS and BFRS in the financial statements for 31 December 2016 are stated below:

Sl No.	Nature of Departure	Title of the BAS/BFRS	Treatment of the BAS/BFRS	Treatment adopted as per regulator	Financial or presentation effect of departure
1	Valuation & impairment of Investments in quoted shares	BAS-39 : 'Financial Instruments: Recognition and measurement'	Investment in quoted share falls under the category of either ' at fair value through profit or loss' or 'available for sale' where any change in the fair value at the year end is taken through Income Statement or Statement of Other Comprehensive Income respectively.	As per DFIM circular No. 11 dated 23 December 2009, investment in quoted share is revalued at the year end at market price and provision should be made for any loss arising from diminution in value of investment; however in case of the unrealized gain no such gain can be recognized and investments are presented at cost only. As per circular of Bangladesh Securities and Exchange Commission circular # SEC/CMRRCD/2009 - 193/196) and dated 28 December 2016, the required provisions for the year 2016 on principal portion of margin loan is to be kept at 20% in the five installments starting from December 2016.	If the BAS would be followed value of investments presented would be higher by BDT 341,411,750 and the same figure would be for 'Unrealized Gain'. There is no unrealized loss(portfolio basis) as at 31 December 2016 and no requirement to keep provision as per the stated circular.
2	Provision for Margin Loan (Loans and receivables)	BAS-39 : 'Financial Instruments: Recognition and measurement'	Measurement of loan after initial recognition at amortized cost and recording of changes through profit and loss.	As per circular of Bangladesh Securities and Exchange Commission circular # SEC/ CMRRCD/2009-193/196) and dated 28 December 2016, the required provisions for the year 2016 on principal portion of margin loan is to be kept at 20% in the five installments starting from December 2016.	As per the requirement of the BSEC circular LBIL kept only erosion of principal portion of Margin Loan as provision. As on 31 December 2016 provision on margin loan is amounting BDT 138,910,361.

2.04 Basis of accounting and measurement

The financial statements have been prepared on a going concern: basics following accrual taxes of accounting except for cash follow statement and financial investments at fair value through profit or loss.

2.05 Functional and presentation currency and level of precision

The financial statements are presented in Bangladesh currency Taka (Taka/Tk), that is the Company's functional currency. All financial information presented in Taka has been rounded to the nearest Taka.

2.06 Use of estimates and judgments

The preparation of the financial statements in conformity with BFRS requires management to use judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

2.07 Going concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the accounts. The current credit facilities and resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.08 Materiality and aggregation

Each material item as considered significant by management, has been presented separately in financial statements. No amount has been set off unless the Company has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

2.09 Consistency

In accordance with the BFRS framework for the presentation of financial statements together with BAS 1 and BAS 8, LankaBangla Investments Limited applies the accounting disclosure principles consistently from one period to the next. In case of selecting and applying new accounting policies, changes in accounting policies applied and correction of errors, the amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS-8.

2.10 Contingent asset and contingent liability

The Company does not recognize any Contingent Asset and Contingent Liability; but discloses the existence of contingent liability in the financial statements. A contingent liability is a probable obligation that arises from the past events and whose existence will be confirmed by the occurrence of uncertain future events beyond the control of the Company or a present obligation that is not recognized because of outflow of resources is not likely or obligation cannot be measured reliably.

2.11 Books of account

The Company maintains its books of account for main business in Electronic Form through soft automation.

2.12 Reporting period

The financial period of the Company has been determined to be from 1 January to 31 December each period. These financial statements cover the period from 01 January 2016 to 31 December 2016.

2.13 Events after the Reporting Period

"Where necessary, all the material events after the reporting period is considered and appropriate adjustments/disclosures is made in the financial statements in accordance with BAS 10 - Events After Balance Sheet Date.

2.14 Comparative figures

Comparative information has been disclosed in respect of the period ended 31 December, 2016 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the year 2015 have been rearranged whenever considered necessary to ensure comparability with the current period.

2.15 Directors' responsibility statement

The Board of Directors takes the responsibility for the preparation and presentation of these financial statements.

2.16 Date of authorization

The Board of Directors has authorized these financial statements for public issue on 13 February 2017.

3.00 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.01 Recognition and measurement (PPE)

Items of property, plant and equipment are measured initially at cost and subsequently at cost less accumulated depreciation in compliance with Bangladesh Accounting Standard (BAS) 16 Property, Plant and Equipment. The cost of acquisition of an asset comprises its purchase price and any direct cost for bringing the asset to its working condition for its intended use. Expenditures incurred after the assets have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. Software and all upgradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.02 Subsequent costs of PPE

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

3.03 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. For addition to property, plant and equipment, depreciation is charged from the month of capitalization and no depreciation is charged in the month of disposal. Land is not depreciated.

The rates at which property, plant and equipment are depreciated for current and comparative years are as follows:

Category of assets	Rate of Depreciation
Office equipment	33.33%
Furniture and fixture	15%
Motor vehicle	25%
Interior works movable	15%
Interior works immovable	18%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if propriate.

3.04 Disposal of PPE

Gains and losses on disposal of an item of property, plant and equipment are to be determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment disposed off and are recognized net with "other non-operational income" in profit or loss.

3.05 Impairment of PPE

The carrying amounts of PPE are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognized in profit or loss if the carrying amount of an asset exceeds its estimated recoverable amount. However, no such condition that might be suggestive of a heightened risk of impairment of assets existed at the reporting date.

3.06 Margin Loan

Margin loan represents outstanding loan balance provided to portfolio clients. Margin loan is provided as per the guidelines of Bangladesh Securities and Exchange Commission (BSEC). Margin loan is provided only against the purchase of marginable shares. Margin loan is created if a client purchases shares in excess of his own fund. Margin loan is presented in the financial statements as net of suspense (if any) created against the loan.

3.07 Intangible assets

Intangible assets are to be initially recognized at cost including any directly attributable cost. Intangible assets that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Intangible assets include software, integrated systems along with related hardware. Amortization is to be provided on a straight-line basis at 20% to write off the cost of intangible assets. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.08 Financial instruments

Non-derivative financial instruments comprise investments in shares and FDR, trade receivables, cash and cash equivalents, margin loans, share capital and interest - bearing borrowings.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred indicating a negative effect on the estimated future cash flows from that asset. All impairment losses are recognized in profit or loss.

3.09 Investment in FDR (Fixed Deposit Receipt)

If the Company has the positive intent and ability to hold FDR to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to- maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

3.10 Advances, deposits and prepayments

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to other account heads such as property, plant and equipment or expenses.

Deposits are measured at payment value.

Prepayments are initially measured at cost. After initial recognition, prepayments are carried at cost less charges to statement of comprehensive income.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and all call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.12 Other assets

Other assets include all balance sheet accounts not covered specifically in other areas of the supervisory activity and such accounts may be quite insignificant in the overall financial condition of the Company.

3.13 Share capital

Only ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary share are recognized as a deduction from equity, net of any tax effects.

3.14 Borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method.

3.15 Employee benefits

The Company operates an unrecognized gratuity scheme, provision in respect of which is made periodically covering all its permanent eligible employees. This scheme is qualified as defined benefit plan. There is also a recognized provident fund for all permanent employees of the Company. This qualifies as defined contribution plan.

3.15.1 Defined contribution plans (provident fund)

Defined contribution plan is a post employment benefit plan under which the Company provides benefits to one or more employees. The recognized Employees Provident Fund is being considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10% of their basic salary to the provident fund and the Company also makes equal contribution.

The Company recognizes contribution to defined contribution plan as an expense when an employee has rendered services in exchange for those contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

3.15.2 Defined benefit plans (gratuity)

Defined benefit plan is a retirement benefit plan under which amounts to be paid as retirement benefits are determined by reference to employees' earnings and/or year of services. The Company's obligation is to provide the agreed benefits to current employees as per condition of the fund.

The Company operates an unfunded gratuity scheme. Employees are entitled to gratuity benefit at the following rates:

Year of Confirmed Services	% of entitlement
3 years and above but less than 4 years	50% of Last Monthly Basic Salary for each year
4 years and above but less than 5 years	100% of Last Monthly Basic Salary for each year
5 years and above	150% of Last Monthly Basic Salary for each year

The actuarial valuation has not yet been made to assess the adequacy of the liabilities provided for the scheme.

3.15.3 Group life insurance scheme and health insurance

The Company has a group life insurance scheme for all of its permanent employees. It has also a health insurance scheme for all of its permanent employees including their spouse and children.

3.16 Corporate Tax

3.16.1 Current tax

Income tax expense is recognized in profit or loss. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company qualifies as a "Merchant Bank"; hence the applicable corporate tax rate is 37.50% as per the Finance Act 2016.

3.16.2 Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the 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 are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if 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 temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is probable that the related tax benefit will be realized.

3.16.3 Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.17 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.18 Contingencies

Contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

3.19 Revenue recognition

As per Bangladesh Accounting Standard (BAS) 18 Revenue, revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be measured reliably.

3.19.01 Interest on Margin Loan

Interest is charged on client's balance (due to LBIL) on daily basis at the applicable rate. Interest charged to margin loan that results to negative equity is not probable that the economic benefit associated with that portion will not flow to the company. So, as per paragraph 29 of "BAS-18 : Revenue" this is not recognized in income. Whenever the probability arises that the benefit will flow to the company this is recognized in income.

3.19.02 Management fee

Management fee is charged on client's portfolio value (at market price) on daily basis at the applicable rate. Management fee charged to a client that results to negative equity is not probable that the economic benefit associated with that portion will not flow to the company. So, as per paragraph 20 of "BAS-18 : Revenue" this is not recognized in income. Whenever the probability arises that the benefit will flow to the company this is recognized to income.

3.19.03 Fee based income

Fee based income is recognized when a service is rendered in line with the related agreement.

3.19.04 Investment income

Interest income on investments is recognized on accrual basis. Capital gain on investments in shares is also included in investment income. Capital gain is recognized when it is realized.

3.19.05 Dividend income on shares

Dividend income on shares is recognized during the year in which it is declared and ascertained.

3.19.06 Earnings Per Share (EPS)

Earnings Per Share (EPS) is calculated by dividing total earnings available for ordinary share holders by weighted average number of shares outstanding for the year.

3.20 Statement of cash flows

The net cash flow from operating activities is determined for the year under direct method as per Bangladesh Accounting Standard (BAS)- 7 Statement of Cash Flows.

3.21 Financial risk management

The company has provided in separate notes the information about the company's exposure to each of the following risks, the company's objectives, policies and processes for measuring and managing risks and the company's management of capital.

- Credit risk
- Liquidity risk
- Market risk

		Amount In Taka	
		31.12.2016	31.12.2015
4.00	**Property,plant & equipment**		
	Cost		
	Opening balance	24,623,653	22,389,672
	Add: Addition during the year	9,848,962	2,463,481
		34,472,615	**24,853,153**
	Less: Disposal during the year	8,511,582	229,500
	Closing balance	**25,961,033**	**24,623,653**
	Less: Accumulated depreciation	19,464,526	16,122,961
	Opening balance	3,442,268	3,571,059
	Add: Charged during the year	**22,906,794**	**19,694,020**
	Less: Adjustment on disposal	8,435,775	229,494
	Closing balance	**14,471,019**	**19,464,526**
	Carrying amount	**11,490,014**	**5,159,127**
	A schedule of property, plant & equipment is given in Annexure-A		
5.00	**Intangible assets**		
	Cost		
	Opening balance	1,045,654	785,654
	Add: Addition during the year	-	260,000
		1,045,654	**1,045,654**
	Less: Disposal during the year	-	-
	Closing balance	**1,045,654**	**1,045,654**
	Less: Accumulated amortization		
	Opening balance	695,473	508,009
	Add: Charged during the year	171,847	187,464
		867,320	**695,473**
	Less: Adjustment on disposal	-	-
	Closing balance	**867,320**	**695,473**
	Carrying amount	178,334	350,181
6.00	**Investments**		
	Non-Current portion:		
	Investment in equity of non-listed company	-	40,284,485
	Investment in equity of strategic company (Note-6.01)	286,364,785	301,857,771
		286,364,785	**342,142,256**

6.01 Investment in equity of strategic company

Particulars	Cost Price	Market Price as on 31 December 2016	Unrealized Gain/(Loss)
Bank	3,152,380	3,580,000	427,620
Engineering	1,168,950	2,065,500	896,550
Financial Institutions	160,160,000	448,000,000	287,840,000
IT Sector	35,034,157	97,627,200	62,593,043
Insurance	7,343,713	6,980,000	(363,713)
Mutual Funds	79,505,585	80,940,000	1,434,415
	286,364,785	**639,192,700**	**352,827,915**

7.00	**Other non-current assets**		
	Non current portion:		
	Advances (Note- 8.01)	1,699,544	624,862
	Deposits (Note- 8.01)	731,520	200,000
	Prepayments (Note-8.01)	-	45,000
		2,431,064	**869,862**
8.00	**Advances, deposits and prepayments**		
	Advances (Note-8.01 and 8.02)	55,195,654	19,898,075
	Deposits (Note- 8.01)	731,520	200,000
	Prepayments (Note- 8.01 and 8.02)	224,709	791,249
		56,151,883	**20,889,324**

		Amount In Taka	
		31.12.2016	31.12.2015
8.01	**Non current portion**		
	Advances		
	Advance to employees	1,699,544	624,862
		1,699,544	**624,862**
	Deposits		
	Security deposit	731,520	200,000
		731,520	**200,000**
	Prepayments		
	Office rent	-	45,000
		-	**45,000**
		2,431,064	**869,862**
8.02	**Current portion**		
	Advances		
	Advance to employees	584,735	331,990
	Advance against expenses	154,064	7,000
	Advance for capital expenditure	100,000	-
	Advance for investment in shares	30,000,000	-
	Advance income tax (Note-8.02.01)	22,657,311	18,934,223
		53,496,110	**19,273,213**
	Prepayments		
	Prepayment against expenses	224,709	206,249
	Office rent	-	540,000
		224,709	746,249
		53,720,819	**20,019,462**
8.02.01	**Advance income tax**		
	Opening balance	18,934,223	12,738,243
	Add: Addition during the year	9,674,129	6,195,980
		28,608,352	18,934,223
	Less: Adjustment for prior year:		
	Correction for assessment year 2013-2014	(2,530,355)	
	Assessment year 2014-2015	3,803,831	-
	Assessment year 2015-2016	3,254,706	-
	Assessment year 2016-2017	1,422,859	-
		5,951,041	**-**
		22,657,311	**18,934,223**

***As assessment year 2014-15, 2015-2016 and 2016-2017 have been completed, so respective assessed amount has been reflected in the accounts in accordance with BAS 10.**

9.00	**Margin loan**		
	Revolving margin loan to clients	2,473,812,503	3,559,650,618
		2,473,812,503	**3,559,650,618**
10.00	**Investments**		
	Current portion :		
	Investments in listed securities (Note-10.01)	207,084,447	206,700,992
		207,084,447	**206,700,992**

10.01 Investments in listed securities

Particulars	Cost Price	Market Price as at 31 Dec 2016	Unrealized Gain/(Loss)
Bank	2,956,373	3,011,000	54,627
Cement	47,241,148	49,707,000	2,465,852
Engineering	18,873,039	19,125,686	252,647
Food & Allied	9,062,012	9,237,000	174,988
Fuel & Power	46,270,715	40,053,100	(6,217,615)
Miscellaneous	100,630	511,200	410,570
Mutual Funds	188,470	184,000	(4,470)
Pharmaceuticals & Chemicals	61,474,767	53,709,895	(7,764,872)
Tannery Industries	3,153,121	3,083,400	(69,721)
Telecommunication	17,764,172	17,046,000	(718,172)
	207,084,447	**195,668,282**	**(11,416,165)**

		Amount In Taka	
		31.12.2016	31.12.2015
11.00	**Accounts receivable**		
	Receivable from group entities (Note - 11.01)	-	8,669,046
	Other receivables (Note - 11.02)	37,946,133	44,790,479
		37,946,133	**53,459,525**
11.01	**Receivable from group entities**		
	LankaBangla Securities Limited	-	8,669,046
	LankaBangla Finance Limited	-	-
		-	**8,669,046**
11.02	**Other receivables**		
	Issue management fees receivable	3,772,500	5,040,000
	Corporate advisory fees receivable	1,112,150	3,720,000
	Accounts receivables-portfolio operation department	30,663,233	16,886,433
	Dividend Receivable-own portfolio	2,375,750	19,139,921
	Receivables for reimbursable expenses	22,500	-
	Accounts receivables	-	4,125
		37,946,133	**44,790,479**
12.00	**Cash and cash equivalents**		
	Cash in hand	11,512	5,540
	Cash at bank (Note- 12.01)	177,727,600	5,319,102
		177,739,112	**5,324,642**
12.01	**Cash at bank**		
	One Bank Limited	177,171,325	4,828,862
	Dhaka Bank Limited	200,618	196,438
	Shahjalal Islami Bank Limited	146,644	148,294
	The City Bank Limited	80,435	81,275
	Standard Chartered Bank	128,578	64,233
		177,727,600	**5,319,102**
13.00	**Share capital**		
	Authorized:		
	300,000,000 Ordinary shares of Tk 10 each	3,000,000,000	3,000,000,000
	Issued, subscribed and paid-up:		
	167,000,000 Ordinary shares of Tk 10 each	1,670,000,000	1,670,000,000

13.01 Particulars of shareholdings

The shareholding position at the date of statement of financial position was as follows:

Name of shareholders	December 2016			December 2015		
	Number of shares	Value of shares Taka	% of share holding	Number of shares	Value of sharesTaka	% of share holding
LankaBangla Finance Limited	166,999,994	1,669,999,940	99.99999618%	166,999,994	1,669,999,940	99.9999962%
Mr. Mohammad A. Moyeen	1	10	0.00000064%	1	10	0.0000006%
Mr. Md. Abdullah Al Karim	1	10	0.00000064%	1	10	0.0000006%
Mr. Al-Mamoon Md. Sanaul Huq	1	10	0.00000064%	1	10	0.0000006%
Mr. Mahbubul Anam	1	10	0.00000064%	1	10	0.0000006%
Mr. Khwaja Shahriar	1	10	0.00000064%	1	10	0.0000006%
Mr. Mohammad Amir Hossain	1	10	0.00000064%	1	10	0.0000006%
	167,000,000	**1,670,000,000**	**100%**	**167,000,000**	**1,670,000,000**	**100%**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and entitled to vote per share at meetings of the Company.

		Amount In Taka	
		31.12.2016	31.12.2015
14.00	**Term loan**		
	Opening balance	52,121,257	98,703,483
	Add: Drawdown during the year	-	965,062
		52,121,257	**99,668,545**
	Less: Repayment during the year	41,332,214	47,547,288
	Closing balance	**10,789,043**	**52,121,257**

A loan (Principal amount Tk.108,982,553) has been taken under Pronodona Package from Investment Corporation of Bangladesh (ICB) in June 2014. Amount due within next 12 months has been shown as a current liability.

Segregation between Current & Non-current portion

Non current portion of Term loan	-	-
Current portion of Term loan (Note-18)	10,789,043	52,121,257
	10,789,043	**52,121,257**

15.00	**Defined benefit obligations (gratuity)**		
	Opening balance	4,178,021	2,752,092
	Add: Addition during the year	3,025,823	1,637,375
		7,203,844	**4,389,467**
	Less: Paid during the year	105,880	211,446
	Closing balance	**7,097,964**	**4,178,021**
16.00	**Accounts payable**		
	Payable to clients (Note-16.01)	69,238,819	56,829,033
	Payable to group entities (Note - 16.02)	36,520,322	-
	Accrued expenses (Note - 16.03)	1,224,315	2,157,166
	Liabilities for Fixed Assets	422,250	-
		107,405,706	**58,986,199**
16.01	**Payable to clients**		
	Client positive balance (IPA)	65,991,503	56,191,560
	Client positive balance (BDA)	2,365,599	637,473
	Client positive balance (Nischinto)	881,717	-
		69,238,819	**56,829,033**
16.02	**Payable to group entities**		
	LankaBangla Securities Limited	36,520,322	-
		36,520,322	**-**
16.03	**Accrued expenses**		
	Audit fee	195,500	126,500
	CDBL charges	418,686	284,800
	Rent payable	-	1,060,650
	Security service payable	51,750	37,125
	Office maintenance	23,000	28,000
	Electricity bill	63,798	120,113
	Fuel costs	37,823	56,563
	Water charges	-	14,250
	Telephone and mobile payable	13,500	44,000
	Internet expenses payable	-	5,630
	Accrued interest payable	65,034	304,041
	Vehicle maintenance payable	2,505	-
	Payable for other expenses	352,719	75,494
		1,224,315	**2,157,166**
17.00	**Short term loan**		
	LankaBangla Finance Limited	2,525,206,559	3,109,108,380
		2,525,206,559	**3,109,108,380**

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		Amount In Taka	
		31.12.2016	31.12.2015
18.00	**Current portion of term loan**		
	Investment Corporation of Bangladesh (ICB) (Note-14)	10,789,043	52,121,257
		10,789,043	52,121,257
19.00	**Provision for current tax**		
	Opening balance	25,030,683	24,319,254
	Add: Provision made during the year	-	711,429
		25,030,683	**25,030,683**
	Less: Adjustment for prior year:		
	Correction for assessment year 2013-2014	(2,530,355)	-
	Assessment year 2014-2015	3,803,831	-
	Assessment year 2015-2016	3,254,706	-
	Assessment year 2016-2017	1,422,859	-
		5,951,041	-
	Closing balance	**19,079,642**	**25,030,683**

LBIL has kept Tk. 19,079,642 as excess provision which resulted from the previous financial years. As in 2016, assessment of 2014-2015, 2015-2016 and 2016-2017 has been completed, required provision of income tax has been adjusted. As a result no provision has been kept for current year' income tax.

The company adjusts its provision for tax upon receiving income tax clearance certificate from the National Board of Revenue (NBR).

19.01 Tax expense

Current tax	-	711,429
Deferred tax expense/(income)	-	2,123,088
		2,834,517

20.00 Deferred tax asset/liability

Deferred tax assets are arrived at as follows:

	Carrying amount on the date of statement of financial position Taka	Tax base Taka	(Taxable)/ deductible temporary difference Taka
Year: 2016			
Property, plant and equipment (Note: 4)	11,490,014	15,104,972	3,614,958
Gratuity provision	7203,844	105,880	7,097,964
Temporary difference			10,712,922
Income tax rate			37.50%
Deferred tax asset (B)			**4,017,346**
Year: 2015			
Property, plant and equipment (Note: 4)	5,159,127	13,028,057	7,868,930
Gratuity provision	4,389,476	-	4,389,467
Temporary difference			12,258,397
Income tax rate			37.50%
Deferred tax Assets (A)			**4,596,899**
Deferred tax income for 2016 (A-B)			**579,553**

As LBIL has a recent trend of business loss, existing deferred tax asset is not recognized in 2016 but in 2015 due to excess deferred tax asset it was derecognized and charged to expense, in compliance with paragraph 34 & 35 of BAS 12.

		Amount In Taka	
		31.12.2016	31.12.2015
21.00	**Provision for margin loan & others**		
	Provision for margin loan (Note-21.01)	138,910,361	74,089,160
	Provision for Diminution in value of investments (Note-21.02)	-	-
		138,910,361	**74,089,160**
21.01	**Provision/suspense for negative equity**		
	Opening balance	74,089,160	68,107,799
	Add: Provision during the period *	313,531,665	250,567,796
		387,620,825	**318,675,595**
	Less: Adjusted /Write off during the period	248,710,463	244,586,435
	Closing balance	**138,910,361**	**74,089,160**

* As per circular of Bangladesh Securities and Exchange Commission circular # SEC/CMRRCD/2009-193/196) and dated 28 December 2016, the required provisions for the year 2016 on principal portion of margin loan is to be kept at 20% in the five installments starting from December 2016.

21.02	**Diminution in value of investment**		
	Opening balance	-	9,734,508
	Add: Provision during the period*	-	9,734,508
		-	**19,469,016**
	Less: Reversal of provision during the period	-	19,469,016
	Closing balance	-	-
22.00	**Other liabilities**		
	Deposit suspense account		
	Withholding tax payable (Note-22.01)	473,103	447,148
		55,475	45,239
		528,578	**492,387**
22.01	**Withholding tax payable**		
	TDS from suppliers	4,325	1,844
	TDS on professional fees	-	1,889
	TDS payable on director fees	12,000	6,000
	VAT payable on suppliers	8,430	10,249
	VAT payable on professional fees	-	2,833
	VAT Payable on Others	12,720	13,424
	VAT payable on director fees	18,000	9,000
		55,475	**45,239**

		Amount In Taka	
		2016	2015
23.00	**Interest income**		
	Interest on margin loan	97,960,075	109,479,557
		97,960,075	**109,479,557**
24.00	**Income from investment**		
	Dividend income	16,579,676	33,608,291
	Realized gain/loss on listed secueities (Note: 24.01)	50,463,445	520,016
		67,043,121	**34,128,307**
24.01	**Realized gains on listed share**		
	Sales price of securities	300,856,544	316,677,096
	Less: Cost price of securities	250,393,099	316,157,080
		50,463,445	**520,016**
25.00	**Fee based income**		
	Management fees	20,849,618	23,116,831
	Settlement fees	43,175,650	34,628,083
	Underwriting commission	4,293,551	1,473,400
	Issue management fees	13,548,132	23,430,000
	Registrar to the Issue fees	1,300,000	-
	Corporate advisory fees	7,389,500	3,273,600
		90,556,451	**85,921,914**

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		Amount In Taka	
		2016	2015
26.00	**Other operational income**		
	Documentation charges	62,500	26,000
	Gain on CDBL annual fees payment	260,950	233,600
	Gain on IP client dividend collection	64,401	36,810
	Interest income on STD balances	551,703	7,246,823
	Interest income on staff loan	199,450	70,117
		1,139,004	**7,613,349**
27.00	**Interest expenses**		
	Interest on term loan	2,340,195	6,686,648
	Interest on short term loan (Note-27.01)	296,177,080	441,655,228
		298,517,275	**448,341,876**
27.01	**Interest on short term loan**		
	Interest on short term loan (group entities)	296,177,080	441,655,228
		296,177,080	**441,655,228**
28.00	**Other costs directly attributable to services**		
	CDBL settlement trarnsfer fee	3,218,053	2,289,922
	CDBL CDS connection fee	6,000	6,000
	Corporate action	58,375	72,371
		3,282,428	**2,368,293**
29.00	**Other non-operational income**		
	Gain/(loss) on disposal of fixed assets	(36,807)	12,494
	Miscellaneous earnings	91,229	50,193
		54,423	**62,687**
30.00	**Salary and allowances**		
	Salary and allowances	37,138,810	31,011,322
	Provident fund contribution	1,520,046	1,223,666
	Gratuity fund	3,025,823	1,637,375
		41,684,680	**33,872,363**
31.00	**Rent, insurance, utilities etc.**		
	Office rent	11,971,626	13,104,595
	Insurance premium	499,779	477,897
	Utilities	1,663,368	1,953,311
		14,134,773	**15,535,803**
32.00	**Legal and professional fees**	469,693	724,402
		469,693	**724,402**
33.00	**Postage, stamp, telecommunication etc.**		
	Postage and courier	27,670	28,835
	Stamp charges	19,570	47,837
	Telephone and mobile bill	465,254	444,685
	Internet expense	243,672	203,190
		756,166	**724,547**
34.00	**Stationery, printing, advertisement**		
	Printing	117,340	140,198
	Stationery	84,932	94,589
	Advertisement	58,938	24,500
	Promotional expense	653,235	540,171
		914,445	**799,458**
35.00	**Director fees and expenses**	672,750	368,000
		672,750	**368,000**
36.00	**Audit fees**	195,500	126,500
		195,500	**126,500**
37.00	**Repairs, maintenance and depreciation**		
	Repairs and maintenance (Note-37.01)	3,834,491	3,610,986
	Depreciation (Note-4 & Annexure-A)	3,442,268	3,571,059
	Amortization (Note-5 & Annexure-B)	171,847	187,464
		7,448,606	**7,369,510**

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		Amount In Taka	
		2016	2015
37.01	**Repairs and maintenance**		
	Office maintenance	1,561,320	1,378,644
	Office maintenance-supplier	507,032	449,276
	Software maintenance fees	183,136	189,467
	Vehicle maintenance	643,054	616,394
	Repairs	-	75,500
	Cleaning	248,400	247,230
	Fuel costs	691,549	654,475
		3,834,491	**3,610,986**
38.00	**Other expenses**		
	Travel and accommodation (Note- 38.01)	985,518	696,148
	Training and business development (Note- 38.02)	951,060	653,271
	Irrecoverable receivables (Note- 38.03)	80,000	1,522,550
	Bank Charges	47,575	63,468
	Security expenses	566,664	512,328
	Newspapers and journals	95,140	104,864
	Other IT and telecommunication	294,357	236,389
	Client portfolio maintenance	139	102,149
	Other expenses - own portfolio	29,562	38,544
	Staff recruitment expense	1,300	-
	Other fees and charges	15,000	15,000
		3,066,315	**3,944,712**
38.01	**Travel and accomodation**		
	Conveyance	174,943	198,248
	Traveling	515,646	16,720
	Airfare	176,229	333,100
	Per diem	57,200	79,590
	Accommodation	61,500	68,490
		985,518	**696,148**
38.02	**Training and business development**		
	Meeting		
	Corporate conference	53,627	77,017
	Training and development	585,053	222,788
	Welfare	274,880	303,466
		37,500	50,000
		951,060	**653,271**
38.03	**Irrecoverable receivables**		
	Writeoff of loans & receivables	80,000	1,522,550
		80,000	**1,522,550**
39.00	**Earnings Per Share (EPS)**		
	Earnings attributable to ordinary shareholders outstanding	(427,921,221)	(520,637,453)
	Weighted average number of ordinary shares	167,000,000	167,000,000
		(2.56)	**(3.12)**

40 Events after reporting period

Income tax assessment of LBIL for the AY 2014-15, 2015-2016 and 2016-2017 have been completed. As per BAS 10- Events after reporting balance sheet date, Tk. 3,803,831, Tk. 3,254,706 and Tk.1,422,859 respectively have been reflected in the financial statements as adjusting events.

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40.01 Related parties

40.01.01 Parent company

LankaBangla Finance Limited has 99.9999618% shareholdings of the company. As a result, the controlling party of the company is LankaBangla Finance Limited.

40.01.02 Related party disclosures

During the period, the Company carried out a number of transactions with related parties in the normal course of business. The names of the related parties and nature of these transactions have been set out in accordance with the provisions of BAS 24: Related Party Disclosures.

Name of the party	Relation-ship with the entity	Nature of transaction	2016	2015
LankaBangla Finance Limited	Parent	Funding	1,558,926,771	988,547,564
		Interest expense	296,177,080	441,655,228
LankaBangla Securities Limited	Subsidiary of parent	Share trading settlement	1,665,508,811	2,282,363,607
		LBIL Portfolio	61,494,535	2,005,528
		LBSL Portfolio	(18,424)	(11)
LankaBangla Asset Management Company Limited	Subsidiary of parent	LBAML Portfolio	10	47,969,373

41 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The company has exposure to the following risks from its use of financial instruments:

* Credit risk

* Liquidity risk

* Market risk

41.01 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

41.01.01 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Amount In Taka	
	31.12.2016	31.12.2015
Margin loan	2,473,812,503	3,559,650,618
Investments	493,449,231	548,843,248
Receivable from group entities(LBSL)	-	8,669,046
Other receivables	37,946,133	44,790,479
Cash and cash equivalents	177,739,112	5,324,642
	3,182,946,980	**4,167,278,033**

41.02 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity (cash and cash equivalents) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically, the Company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date.

41.03 Market risk

Market risk is the risk that any change in market prices, such as interest rates and capital market condition will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

42 Contingencies and commitments

There are no contingent assets or liabilities and unrecognized contractual commitments at the date of statement of financial position.

43 Number of employees

	Year 2016	Year 2015
No. of employees received Tk. 3,000 per month	-	-
No. of employees received more than Tk. 3,000 per month(including contractual)	44	40
	44	**40**

44 Capital expenditure commitment

There was no capital expenditure commitment as at 31 December 2016.

LankaBangla Investments Limited

Annexure-A

Schedule of Property, Plant & Equipment

As at 31 December 2016

Amount in Taka

	Office equipment	Furniture and fittings	Motor vehicles	Interior work (movable)	Interior work (immovable)	CWIP	Total
Cost							
Balance at 01 January 2015	7,345,353	1,077,430	4,901,574	2,220,801	6,844,514	-	22,389,672
Acquisition/addition during the period	612,268	51,213	1,800,000	-	-	-	2,463,481
Transferred from CWIP		-	-	-	-	-	-
Disposal/adjustment	229,500	-	-	-	-	-	229,500
Balance at 31 December 2015	**7,728,121**	**1,128,643**	**6,701,574**	**2,220,801**	**6,844,514**	**-**	**24,623,653**
Balance at 01 January 2016	7,728,121	1,128,643	6,701,574	2,220,801	6,844,514	-	24,623,653
Acquisition/addition during the period	4,867,268	291,480	-	-	4,690,214	-	9,848,962
Transferred from CWIP		-	-	-	-	-	-
Disposal/adjustment	1,443,937	1,975	-	250,640	6,815,030	-	8,511,582
Balance at 31 December 2016	**11,151,452**	**1,418,148**	**6,701,574**	**1,970,161**	**4,719,698**	**-**	**25,961,033**
Accumulated depreciation							
Balance at 01 January 2015	6,072,189	640,324	4,172,383	971,667	4,266,397	-	16,122,961
Depreciation for the year/period	867,212	159,396	737,518	333,154	1,473,779	-	3,571,059
Disposal/adjustment	229,494	-	-	-	-	-	229,494
Balance at 31 December 2015	**6,709,907**	**799,720**	**4,909,902**	**1,304,821**	**5,740,177**	**-**	**19,464,526**
Balance at 01 January 2016	6,709,907	799,720	4,909,902	1,304,821	5,740,177	-	19,464,526
Depreciation for the year/period	1,093,193	155,987	554,169	323,754	1,315,165	-	3,442,268
Disposal/adjustment	1,443,929	1,358	-	175,466	6,815,023	-	8,435,775
Balance at 31 December 2016	**6,359,171**	**954,349**	**5,464,071**	**1,453,109**	**240,319**		**14,471,019**
Carrying amount							
At 01 January 2015	1,273,164	437,106	729,191	1,249,134	2,578,117	-	6,266,711
At 01 January 2016	1,018,214	328,923	1,791,672	915,980	1,104,337	-	5,159,127
At 31 December 2016	**4,792,280**	**463,799**	**1,237,504**	**517,052**	**4,479,379**	**-**	**11,490,014**

LANKABANGLA STOCK

LankaBangla Investments Limited

Annexure-B

Schedule of Intangibles

As at 31 December 2016

Particulars	Amount In Taka	
	Software	Total
Cost		
Balance at 01 January 2015	785,654	785,654
Acquisition/addition during the period	260,000	260,000
Disposal/adjustment	-	-
Balance at 31 December 2015	**1,045,654**	**1,045,654**
Balance at 01 January 2016	1,045,654	1,045,654
Acquisition/addition during the period	-	-
Disposal/adjustment	-	-
Balance at 31 December 2016	**1,045,654**	**1,045,654**
Accumulated amortisation		
Balance at 01 January 2015	508,009	508,009
Amortisation for the period	187,464	187,464
Disposal/adjustment	-	-
Balance at 31 December 2015	**695,473**	**695,473**
Balance at 01 January 2016	695,473	695,473
Amortisation for the period	171,847	171,847
Disposal/adjustment	-	-
Balance at 31 December 2016	**867,320**	**867,320**
Carrying amount		
At 01 January 2015	277,645	277,645
At 01 January 2016	350,181	350,181
At 31 December 2016	**178,334**	**178,334**

AMARSTOCK


LankaBangla Asset Management
Company Limited

UHY Syful Shamsul Alam & Co
Chartered Accountants

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Independent Auditors' Report

To the Shareholders of

LankaBangla Asset Management Company Limited

We have audited the accompanying Statement of Financial Position of LankaBangla Asset Management Company Limited ("the company") as at 31 December 2016 and the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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), the Companies Act 1994 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2016 and of its financial performance and its cash flows for the period then ended in accordance with Bangladesh Financial Reporting Standards ("BFRSs") and comply with the Companies Act 1994 and other relevant laws & regulations.

Report on Other Legal and Regulatory Requirements We also report that:

(i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

(ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appeared from our examination of those books;

(iii) The statement of financial position and the statement of comprehensive income dealt with by the report are in agreement with the books of account.

Place: Dhaka
Dated: 13 February, 2017

Syful Shamsul Alam & Co.
Chartered Accountants

LankaBangla Asset Management Company Limited

Statement of Financial Position

As at 31 December 2016

	Notes	Amount In Taka	
		31-Dec-2016	31-Dec-2015
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	13,902,655	2,276,810
Intangible assets	5	2,171,529	3,397,614
Capital Work in Progress (CWIP)	6	-	-
Investments (Long Term)	7	794,386,283	781,886,283
Deferred tax assets	8	462,180	439,069
Total Non-Current Assets		**810,922,647**	**787,999,776**
Current Assets			
Advances, deposits and prepayments	9	42,258,979	9,174,293
Investments (Current Term)	10	113,165,182	128,694,079
Accounts receivable	11	4,349,961	1,208,552
Cash and cash equivalents	12	12,367,353	778,828
Total Current Assets		**172,141,475**	**139,855,752**
TOTAL ASSETS		**983,064,122**	**927,855,528**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	500,000,000	100,000,000
Share money deposit	14	379,701,000	717,201,000
Retained earnings	15	83,718,895	81,055,476
Total Equity		**963,419,895**	**898,256,476**
Liabilities			
Non-Current Liabilities			
Finance lease obligation	16	4,053,250	-
Total Non-Current Liabilities		**4,053,250**	**-**
Current Liabilities			
Accounts payable	17	496,534	129,080
Short term loan	18	-	18,930,613
Provision for current tax	19	10,369,883	8,686,607
Finance lease obligation (current portion)	20	810,246	-
Payable to gratuity fund	21	1,082,590	111,063
Other liabilities	22	2,831,724	1,741,688
Total Current Liabilities		**15,590,977**	**29,599,051**
Total Liabilities		**19,644,227**	**29,599,051**
TOTAL EQUITY AND LIABILITIES		**983,064,122**	**927,855,528**

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

Director **Director** **Chief Executive Officer** **Company Secretary**

Signed as per our report of the same date

Syful Shamsul Alam & Co.
Chartered Accountants

Place : Dhaka
Dated: February 13, 2017

LankaBangla Asset Management Company Limited

Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	Amount In Taka	
		Jan - Dec'16	Jan - Dec'15
Revenue			
Income from unit fund operation	23	5,764,725	102,849
Interest income	24	6,034,014	6,106,841
Income from investment	25	24,543,515	52,350,356
Total Revenue		**36,342,254**	**58,560,046**
Cost of Services			
Interest expenses	26	2,378,736	334,632
		2,378,736	**334,632**
Gross Profit/(Loss)		**33,963,518**	**58,225,414**
Operating Expenses			
Salary and allowances	27	12,526,367	3,917,742
Rent, taxes, insurance, electricity etc.	28	6,013,478	1,276,971
Legal and professional fees	29	2,081,639	356,500
Postage, stamp, telecommunication etc.	30	197,237	76,319
Stationery, printing, advertisement	31	168,196	97,351
Director fees & expenses	32	266,800	184,000
Audit fees	33	100,625	57,500
Repairs, maintenance and depreciation	34	3,445,057	1,383,128
Other expenses	35	5,266,851	2,303,486
Total Operating Expenses		**30,066,250**	**9,652,996**
Net Operating Income/(Loss)		**3,897,268**	**48,572,418**
Provision for Investment			
Provision for diminution in value of investments		(1,037,141)	1,015,454
Profit Before Tax (PBT)		**4,934,409**	**47,556,964**
Income Tax Expense/(Income)		**2,270,991**	**4,783,039**
Current tax expense/(income)		2,294,102	4,945,148
Deferred tax expense/(income)		(23,111)	(162,109)
Profit after tax (PAT)		**2,663,418**	**42,773,924**
Other comprehensive income, net of tax		-	-
Total Comprehensive Income		**2,663,418**	**42,773,924**
Earnings Per Share	36	**0.20**	**4.28**

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

Director **Director** **Chief Executive Officer** **Company Secretary**

Signed as per our report of the same date

Syful Shamsul Alam & Co.
Chartered Accountants

Place : Dhaka
Dated: February 13, 2017

LankaBangla Asset Management Company Limited

Statement of Changes in Equity

For the year ended 31 December 2016

Particulars	Share Capital	Share Money Deposit	Retained Earnings	Total Equity
	Taka	Taka	Taka	Taka
Balance as at 01 January 2015	**50,000,000**	**734,951,000**	**38,281,552**	**823,232,552**
Share Money Deposit	-	32,250,000	-	32,250,000
Issue of share capital	50,000,000	(50,000,000)	-	-
Total comprehensive income	-	-	42,773,924	42,773,924
Adjustment in Retained Earnings	-	-	-	-
Balance as at 31 December 2015	**100,000,000**	**717,201,000**	**81,055,476**	**898,256,476**
Changes in Equity for 2016				
Share money deposit	-	62,500,000	-	62,500,000
Issue of share capital	400,000,000	(400,000,000)	-	-
Total comprehensive income	-	-	2,663,418	2,663,418
Adjustment in Retained Earnings	-	-	-	-
Balance as at 31 December 2016	**500,000,000**	**379,701,000**	**83,718,895**	**963,419,895**

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

Director **Director** **Chief Executive Officer** **Company Secretary**

Place : Dhaka
Dated: February 13, 2017

LankaBangla Asset Management Company Limited

Statement of Cash Flows

For the year ended 31 December 2016

	Amount In Taka	
	31-Dec-2016	31-Dec-2015
Cash Flows from Operating Activities		
Interest received	6,284,306	4,802,587
Dividend received	1,186,000	2,335,154
Received from unit fund operation	4,572,361	-
Paid to employees	(9,063,703)	(3,603,760)
Bank charges paid	(12,002)	(6,814)
Withholding Tax and VAT payment	(2,280,741)	(374,631)
Income taxes paid	-	(1,866,567)
Paid for other operating expenses	(12,811,084)	(4,516,722)
Cash Generated from Operating Activities before changes in operating assets and liabilities	**(12,124,862)**	**(3,230,752)**
Increase/(decrease) in Operating Assets & Liabilities		
Settlement with LankaBangla Securities Ltd.	(103,737,997)	68,230,000
Settlement with LankaBangla Investments Ltd.	(1,470)	(3,000)
Settlement with LankaBangla 1st Balanced Unit Fund	81,724	(78,369)
Settlement with Vision Capital Management Ltd.	(5,000,000)	-
Advance & Prepayment	(2,965,341)	(5,000,000)
Total Increase/(Decrease) in Operating Assets & Liabilities	**(111,623,084)**	**63,148,631**
Net Cash used in Operating Activities	**(123,747,947)**	**59,917,879**
Cash Flows from Investing Activities		
Investments in securities	(12,500,000)	(54,745,896)
Changes in investment in FDR	114,281,938	(80,000,000)
Acquisition of fixed assets	(9,279,042)	(3,360)
Proceeds from sale of fixed assets	1,673,766	-
Acquisition of Intangible assets	-	(52,250)
Acquisition of assets-CWIP	-	(1,800,000)
Net Cash from Investing Activities	**94,176,662**	**(136,601,506)**
Cash Flows from Financing Activities		
Proceed from share money deposit	62,500,000	32,250,000
Proceed from short term loan	(21,213,687)	18,930,613
Repayment of lease finance	(126,504)	-
Net Cash from Financing Activities	**41,159,809**	**51,180,613**
Net increase in Cash and Cash Equivalents	11,588,525	(25,503,014)
Opening Cash & Cash Equivalents	778,828	26,281,843
Closing Cash & Cash Equivalents	**12,367,353**	**778,828**
Closing Cash & Cash Equivalents include:		
Cash in hand	4,943	6,734
Cash at Dhaka Bank Limited (A/C No: 206.150.1590)	12,339,241	761,533
Cash at Standard Chartered Bank (A/C No: 01-1184160-01)	19,376	4,004
Cash at One Bank Limited (A/C No: 018 1020001469)	3,793	6,558
	12,367,353	**778,828**

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

Director **Director** **Chief Executive Officer** **Company Secretary**

Place : Dhaka
Dated: February 13, 2017

LankaBangla Asset Management Company Limited

Notes to the Financial Statements

For the year ended 31 December 2016

1 Company and its activities

1.1 Legal status of the company

LankaBangla Asset Management Company Limited (herein after referred to as "LBAMCL" or "the company") was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration # C-67738(289)/2007 dated July 16, 2007 under the Companies Act, 1994. It got license from Bangladesh Securities and Exchange Commission (BSEC) on June 24, 2012 vide registration code: SEC/Asset Manager/2012/17 to operate as a full-fledged asset management company. The address of the company's registered office at Safura Tower (11th Floor), 20, Kemal Ataturk Avenue, Banani, Dhaka - 1213. The company is a subsidiary of LankaBangla Finance Limited.

1.2 Principal activities of the company

The principal activities of the company include the following:

a. To manage the assets of any trusts or fund of any type and/or character and hold, acquire, sell or deal with such assets of any trust as relevant rules.

b. To float, administer and manage any mutual fund, growth fund or any other allotted scheme approved by the Government for the time being as relevant rules. To float, administer and manage any mutual fund, growth fund or any other allotted scheme approved by the Government for the time being as relevant rules.

c. To manage and administer mutual fund, provident fund, pension fund for purpose of investment and carry on the busi ness or undertaking and execute trusts and also to act as executor, trustee, custodian and/or otherwise relevant rules and regulation permit. To manage and administer mutual fund, provident fund, pension fund for purpose of investment and carry on the business or undertaking and execute trusts and also to act as executor, trustee, custodian and/or otherwise relevant rules and regulation permit.

1.3 Asset management

LBAMCL has launched an open ended fund in the capital market of Bangladesh named 'LankaBangla 1st Balanced Unit Fund'. The initial size of the fund is BDT 25 Crore with face value per unit of BDT 10. LankaBangla Finance Limited is the 'Sponsor' of the fund whereas Bangladesh General Insurance Company Limited is the 'Trustee' of the fund. The fund was registered with Bangladesh Securities and Exchange Commission on 12th January (Mutual Fund) Rules 2001. LBAMCL expects to launch more mutual funds in the capital market of Bangladesh within a short period of time.

LBAMCL has also received registration certificate from BSEC as 'Alternative Fund Manager' on 14th July, 2016.

2 Basis of preparation of financial statements

2.1 Statement of compliance

The financial statements have been prepared in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, and therefore, do not take into consideration the effect of inflation. The accounting policies, unless otherwise stated, have been consistently applied by the company and are consistent with those of the previous year.

2.3 Functional currency

The financial statements are presented in Bangladesh Taka (BDT/Taka/Tk.) currency, which is the Company's functional currency. All financial information presented in Taka has been rounded off to the nearest Taka.

2.4 Use of estimates and judgments

The preparation of these financial statements in conformity with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected thereby.

2.5 Reporting period

The financial period of the companies covers one year from 01 January to 31 December and is followed consistently. However, quarterly reporting is required as prescribed by Bangladesh Securities & Exchange Commission (BSEC).

2.6 Cash flow statement

Statement of cash flows is prepared principally in accordance with "BAS 7: Cash Flow Statement" and the cash flow from operating activities have been presented under Direct Method as required by the Securities and Exchange Rules 1987 and considering the provisions that "Enterprises are Encouraged to Report Cash Flow from Operating Activities using the Direct Method".

2.7 Corporate Accounting Standards Practiced

The following BAS's are applicable to the financial statement under review:

BAS	1	Presentation of Financial Statements
BAS	7	Cash Flow Statements
BAS	8	Accounting policies, Changes in Accounting Estimates and Errors
BAS	10	Events after the Balance Sheet date
BAS	12	Income Taxes
BAS	16	Property, Plant and Equipment
BAS	17	Leases
BAS	18	Revenue
BAS	19	Employee Benefit
BAS	23	Borrowing Costs
BAS	24	Related Party Disclosures
BAS	32	Financial Instrument: Presentation
BAS	33	Earnings per Share
BAS	37	Provisions, Contingent Liabilities and Contingent Assets
BAS	38	Intangible Assets
BAS	39	Financial Instrument: Recognition and Measurement

3 Significant accounting policies

3.1 Property, plant & equipment

3.1.1 Recognition and measurement

Freehold Assets

Tangible fixed assets are accounted for according to "BAS 16: Property, plant and equipment". Items of property, plant and equipment are measured at cost or revaluation less accumulated depreciation. The cost of acquisition of an asset comprises its purchase price and any direct attributable cost of bringing the assets to its working condition for its intended use. Expenditure incurred after the assets have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the year in which it incurs. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the assets, the expenditure is capitalized as an additional cost of the assets.

Leasehold Assets

Assets acuired under finance lease are accounted for by the recording the assets at the lower of present value of minimum lease payments under the lease agreement and the fair value of the asset. The corresponding obligation under the lease is accounted for as liability.

3.1.2 Depreciation

Depreciation is calculated using 'Straight Line Method' at the following rate so as to write off the assets over their expected useful life. Depreciation is charged in month in the year of acquisition while no depreciation is charged in the month of disposal.

Rates of depreciation of assets considering their useful lives are as follows:

Category of assets	Rate of Depreciation
Furniture & Fixtures	15%
Office equipment	20%
Computer Equipments	33%
Electric Equipments	20%
IT Equipments	33%
Motor Vehicle	20%

3.2 Intangible Assets

Intangible assets that are measured at cost less accumulated amortization and accumulated impairment loss, if any. Intangible assets are recognized when all the conditions for recognition as per BAS 38: Intangible Assets are met. The cost of an intangible asset comprises its purchase price, import duties and non-refundable taxes and any directly attributable cost of preparing the asset for its intended use.

3.2.1 Amortization

Amortization is calculated using straight line basis over the estimated useful lives of intangible assets, from the month that they are available for use. The estimated amortization rate is as follows:

Category of assets	Rate of Depreciation
Computer Programs (Software)	33%

3.2.2 Capital Work in Progress (CWIP)

These expenditures have been capitalized and recognized as operating assets after completion of the development process.

3.3 Investment

Investment in securities is measured at cost.

3.4 Revenue recognition

a. Income from management fee is recognised on accrual basis. Such income is calculated considering average weekly Net Asset Value of the fund.

b. Interest income is calculated on a time proportion basis.

c. Dividend income is recognized on the declaration of dividend and subsequently approved in the Annual General Meeting.

d. Gain/losses arising on sale of investment are included in the statement of comprehensive income on the day at which transaction takes place.

3.5 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and with banks on current and deposit accounts and short term investments which are held and available for use by the company without any restriction. There is insignificant risk of change in value of the same.

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3.6 Taxation

3.6.1 Current Tax

The Company has made income tax provision for quarter concerned as per Finance Act 2016 and also in compliance with Bangladesh Accounting Standards -12 (BAS-12: Income Taxes).

3.6.2 Deferred Tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the 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 are reversed, based on the laws that have been enacted or substantively enacted by the reporting date.

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

3.7 Provisions

As per "BAS 37: Provisions, Contingent Liabilities and Contingent Assets" a provision is recognized on the date of statement of financial position if, as a result of past events, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.8 Employee benefits

a. Provident fund

The company operates a contributory provident fund for its permanent employees. All permanent employees contribute 10% of their basic salary to the provident fund and the company also makes equal contribution.

b. Gratuity

The company has an unfunded gratuity scheme for all eligible employees who have completed minimum 03 (three) years of confirmed service with the company. Employees are entitled to gratuity benefit at the following rates:

Year of confirmed services	% of entitlement
3 years and above but less than 4 years	50% of last one month basic salary for each completed year
4 years and above but less than 5 years	100% of last one month basic salary for each completed year
5 years and above	150% of last one month basic salary for each completed year

3.9 Contingencies

Contingencies arising from claim, litigation assessment, fines, penalties etc are recorded when it is probable that a liability has been incurred and the amount can be measured reliably in accordance with "BAS 37: Provisions, Contingent Liabilities and Contingent Assets".

3.10 Earnings Per Share

This has been calculated in compliance with the requirements of "BAS 33: Earnings Per Share" by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

3.11 Basic earnings

This represents earnings for the period attributable to the ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit for the period has been considered as fully attributable to ordinary shareholders. Basic earnings per share have been calculated by dividing the net profit or loss by the number of ordinary shares outstanding during the period.

3.12 Comparative figures

Comparative figures and account titles in the financial statements have been rearranged/reclassified where necessary to conform with changes in presentation in the current year.

		Amount In Taka	
		31-Dec-2016	31-Dec-2015
4.00	**Property, plant and equipment**		
	Cost		
	Opening balance	5,002,640	4,999,280
	Addition during the year	15,100,058	3,360
		20,102,698	**5,002,640**
	Adjustment / (Disposal) during the year	(3,147,840)	-
	Closing balance	**16,954,858**	**5,002,640**
	Less: Accumulated depreciation		
	Opening balance	2,725,830	1,789,456
	Charged during the year	1,787,909	936,374
		4,513,739	**2,725,830**
	Adjustment / (Disposal) during the year	(1,461,536)	-
	Closing balance	**3,052,203**	**2,725,830**
	Carrying amount	**13,902,655**	**2,276,810**
	A schedule of property, plant and equipments are given in **Annexure-A**		
5.00	**Intangible assets**		
	Cost		
	Opening balance	3,715,408	219,908
	Addition during the year	-	3,495,500
		3,715,408	**3,715,408**
	Adjustment / (Disposal) during the year	-	-
	Closing balance	**3,715,408**	**3,715,408**
	Less: Accumulated amortization		
	Opening balance	317,794	38,604
	Charged during the year	1,226,085	279,190
		1,543,879	**317,794**
	Adjustment / (Disposal) during the year	-	-
	Closing balance	**1,543,879**	**317,794**
	Carrying amount	**2,171,529**	**3,397,614**
	A schedule of intangible assets are given in **Annexure-B**		
6.00	**Capital Work in Progress (CWIP)**		
	Opening balance	-	2,137,000
	Add: Addition during the year	-	1,358,500
	Sage Accpac Software	-	-
	X-Asset Management Software	-	1,358,500
	Less: Transfer to Intangible Assets	-	3,495,500
		-	**-**
7.00	**Investments (Long Term)**		
	Strategic equity investment in non-listed company (Note:7.01)	794,386,283	781,886,283
	Strategic equity investment in listed company	-	-
		794,386,283	**781,886,283**

7.01 Strategic equity investment in non-listed company

Particulars	No. of Shares	Cost Price	Market Price
LankaBangla Securities Limited	13,690,271	794,386,283	N/A
	13,690,271	**794,386,283**	**-**

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		Amount In Taka	
		31-Dec-2016	31-Dec-2015

8.00 Deferred tax assets

Deferred tax has been calculated based on deductible / taxable temporary difference arising due to difference in the carrying amount of the assets / liabilities and its tax base in accordance with the provision of Bangladesh Accounting Standards (BAS)-12 : Income Taxes.

Particulars	Carrying Amount at December 31, 2016	Tax Base	(Taxable)/ Deductible temporary difference
Property, plant and equipment	13,902,655	11,892,206	(2,010,449)
Gratuity payable	1,082,590	-	1,082,590
Payable to provident fund	2,248,372	-	2,248,372
Total	**17,233,617**	**11,892,206**	**1,320,513**
Applicable Tax Rate			35%
Deferred tax asset as on December 31, 2016			462,180
Deferred tax asset as on December 31, 2015			439,069
Deferred tax income accounted for during the year			**23,111**

9.00	**Advances, Deposits and Prepayments**		
	Advances (Note-9.01)	39,249,056	8,724,293
	Deposits (Note-9.02)	2,772,000	-
	Prepayment for office rent	124,500	450,000
	Prepayment for insurance	113,423	-
		42,258,979	**9,174,293**
9.01	**Advances**	9,112,723	8,724,293
	Advance income tax	30,000,000	-
	Advance for investment in securities (Note - 9.01.01)	136,333	-
	Advance for expenses	**39,249,056**	**8,724,293**

9.01.01 Advance for Investment in Securities

Particulars	Nature	No. of Shares	Advance
Pacific Denims Limited	EII under IPO quota	3,000,000	30,000,000

9.02	**Deposits**		
	Security deposit - Office Rent	2,664,000	-
	Security deposit - Lease Finance	108,000	-
		2,772,000	**-**
10.00	**Investments (Current Term)**		
	Fixed Deposits Receipts in LankaBangla Finance	-	89,296,938
	Fixed Deposits Receipts in Mutual Trust Bank Ltd.	-	25,000,000
	Investments held for trading (Note : 10.01)	113,165,182	14,397,141
		113,165,182	**128,694,079**

10.01 Investments held for trading

Particulars	Cost Price	Cost Price
Bank	26,910,226	-
Financial Institutions	19,835,153	-
Insurance	4,183,020	-
Pharmaceuticals & Chemicals	26,762,613	-
Fuel & Power	9,596,334	-
Telecommunication	12,442,614	-
Engineering	6,842,038	-
Cement	5,388,673	-
Ceramics	1,103,881	1,103,881
Tannery Industries	100,630	-
Mutual Fund	-	13,293,260
	113,165,182	**14,397,141**

		Amount In Taka	
		31-Dec-2016	31-Dec-2015
11.00	**Accounts receivable**		
	Interest receivable (Note:11.01)	-	993,549
	Dividend receivable	120,000	-
	Receivable from LankaBangla Investments Ltd.	10	64
	Receivable from LankaBangla Securities Ltd.	2,627,702	33,721
	Receivable from LankaBangla 1st Balanced Unit fund	1,295,212	181,218
	Receivable from Vision Capital Management Ltd.	307,036	-
		4,349,961	**1,208,552**
11.01	**Interest receivable**		
	Interest receivable from FDRs in LankaBangla Finance	-	354,660
	Interest receivable from FDRs in Mutual Trust Bank	-	638,889
		-	**993,549**
12.00	**Cash and cash equivalent**		
	Cash in hand	4,943	6,734
	Cash at Bank (Note: 12.01)	12,362,410	772,094
		12,367,353	**778,828**
12.01	**Cash at bank**		
	Dhaka Bank Limited (A/C No: 206.150.1590)	12,339,241	761,533
	Standard Chartered Bank (A/C No: 01-1184160-01)	19,376	4,004
	One Bank Limited (A/C No: 018 1020001469)	3,793	6,558
		12,362,410	**772,094**
13.00	**Share Capital**		
	Authorized Capital		
	100,000,000 Ordinary Shares of Taka 10 each	**1,000,000,000**	**1,000,000,000**
	Issued, subscribed and paid up capital		
	50,000,000 Ordinary Shares of Taka 10 each fully paid up	**500,000,000**	**100,000,000**

Detail of Shareholding Position of the Company

Name of the Sponsor & Directors Shareholders	No. of Shares	% of share holding		
LankaBangla Finance Limited	49,999,900	99.99980	499,999,000	99,999,000
Mr. Mahbubul Anam	90	0.00018	900	900
Mr. A. Malek Shamsher	10	0.00002	100	100
	50,000,000	**100.00**	**500,000,000**	**100,000,000**

14.00	**Share money deposit**		
	Opening balance	717,201,000	734,951,000
	Add: Addition during the year	62,500,000	32,250,000
		779,701,000	**767,201,000**
	Less: Issue of share capital	(400,000,000)	(50,000,000)
	Closing balance	**379,701,000**	**717,201,000**
15.00	**Retained earnings**		
	Opening balance	81,055,476	38,281,552
	Add: Profit during the year	2,663,418	42,773,924
		83,718,895	**81,055,476**
	Less: Adjustment during the year	-	-
	Closing balance	**83,718,895**	**81,055,476**

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		Amount In Taka	
		31-Dec-2016	31-Dec-2015
16.00	**Finance lease obligation**		
	Opening balance	-	-
	Add: Addition during the year	4,990,000	-
		4,990,000	**-**
	Less: Paid during the year	(126,504)	-
		4,863,496	**-**
	Less: Conversion to short term	(810,246)	-
	Closing balance	**4,053,250**	**-**
17.00	**Accounts payable**		
	Provision for audit fees	105,225	85,100
	Professional fee payable	247,250	-
	Accrued expenses	144,059	43,980
		496,534	**129,080**
18.00	**Short term loan**		
	Mutual Trust Bank Ltd.,A/C # 0002-0133019793	-	18,930,613
		-	**18,930,613**
19.00	**Provision for current tax**		
	Opening balance	8,686,607	5,608,026
	Add: Provision made during the year	2,294,102	4,945,148
		10,980,709	**10,553,174**
	Less: Adjustment during the year	(610,826)	(1,866,567)
	Closing balance	**10,369,883**	**8,686,607**
20.00	**Finance lease obligation (current portion)**		
	Opening balance	-	-
	Add: Conversion from long term	810,246	-
		810,246	**-**
	Less: Paid during the year	-	-
	Closing balance	**810,246**	**-**
21.00	**Payable to gratuity fund**		
	Opening balance	111,063	-
	Add: Provision made during the year	971,527	313,463
		1,082,590	**313,463**
	Less: Payment during the year	-	(202,400)
	Closing balance	**1,082,590**	**111,063**
22.00	**Other liabilities**		
	Withholding Tax Payable	78,483	23,207
	Withholding VAT payable	75,790	23,243
	Payable to employees' provident fund	2,248,372	564,451
	Salary & related expenses payable	429,079	-
	Payable to employee	-	93,646
	Provision for diminution in value of investments	-	1,037,141
		2,831,724	**1,741,688**

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		Amount In Taka	
		Jan-Dec'16	Jan-Dec'15
23.00	**Income from unit fund operation**		
	Management fee - Unit Fund	3,264,725	102,849
	Formation fee - Unit Fund	2,500,000	-
		5,764,725	**102,849**
24.00	**Interest income**		
	Interest on Fixed Deposit Receipt (FDR) (Note: 24.01)	5,577,373	5,829,800
	Interest on Short Term Teposit (STD) account	456,640	277,041
		6,034,014	**6,106,841**
24.01	**Interest on fixed deposit receipt**		
	Interest on FDRs in LankaBangla Finance	4,216,262	5,190,911
	Interest on FDRs in Mutual Trust Bank	1,361,111	638,889
		5,577,373	**5,829,800**
25.00	**Income from investment**		
	Net income on sale of securities	22,941,015	49,451,476
	Dividend income	1,602,500	2,898,880
		24,543,515	**52,350,356**
26.00	**Interest expenses**		
	Interest on loan	2,289,240	334,632
	Interest on lease finance	89,496	-
		2,378,736	**334,632**
27.00	**Salary and allowances**		
	Salary and allowances	11,719,023	3,478,774
	Provident fund contribution	360,454	125,505
	Gratuity fund	446,890	313,463
		12,526,367	**3,917,742**
28.00	**Rent, taxes, insurance, electricity etc.**		
	Office rent	5,603,190	1,092,500
	Insurance premium	123,823	78,042
	Utility expenses	286,465	106,429
		6,013,478	**1,276,971**
29.00	**Legal and professional fees**		
	Legal and professional fees	2,081,639	356,500
		2,081,639	**356,500**
30.00	**Postage, stamp, telecommunication etc.**		
	Postage and courier	275	75
	Stamp charges	9,420	4,185
	Telephone and mobile bill	187,542	72,059
		197,237	**76,319**
31.00	**Stationery, printing & advertisement**		
	Printing and stationery	115,002	97,351
	Advertisement	53,194	-
		168,196	**97,351**
32.00	**Director fees & expenses**		
	Director fees & expenses	266,800	184,000
		266,800	**184,000**
33.00	**Audit fees**		
	Audit fees	100,625	57,500
		100,625	**57,500**
34.00	**Repairs, maintenance and depreciation**		
	Repairs and maintenance	-	-
	Software maintenance	431,063	167,563
	Depreciation	1,787,909	936,374
	Amortization	1,226,085	279,190
		3,445,057	**1,383,128**

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		Amount In Taka	
		Jan-Dec'16	Jan-Dec'15
35.00	**Other expenses**		
	Training, Seminar and Meeting	500,000	542,750
	Regulatory fees and charges	194,928	10,000
	Registration Fee	188,458	47,550
	Conveyance	74,400	15,280
	Travelling expenses	-	-
	Data connectivity charge	49,450	41,400
	Computer accessories	35,615	17,750
	Fuel expenses	165,071	36,102
	Vehicle maintenance / registration	137,613	62,557
	Office Cleaning and maintenance	645,173	126,633
	Business promotion expenses	1,684,570	1,107,500
	Entertainment expense	130,664	28,597
	Bank charges and others	12,177	7,016
	CDBL fee	1,300	500
	Share Bidding Fee	5,000	-
	Office Plantation maintenance	7,200	28,800
	Newspaper & periodicals	15,219	-
	Educational expenses reimbursement	5,379	-
	Documentation fee	11,500	-
	Office relocation expenses	1,029,783	-
	Loss on sale of assets	12,538	
	Security Services	182,850	168,188
	Overtime allowance	19,700	2,850
	Excise duty	87,500	15,350
	Share trading service charge	9,153	22,645
	Miscellaneous	61,610	22,019
		5,266,851	**2,303,486**
36.00	**Earnings per Share (EPS)**		
	Earning attributable to ordinary shareholders	2,663,418	42,773,924
	Weighted average number of ordinary shares outstanding	13,333,333	10,000,000
	Earnings Per Share (EPS)	**0.20**	**4.28**

37.00 Related party disclosure

During the period, the company carried out a number of transactions with related parties in the normal course of business. The names of the related parties and nature of these transactions have been set out in accordance with the provisions of **BAS 24 : Related Party Disclosures.**

Name of the Party	Relationship	Nature of transaction	31-Dec-2016	31-Dec-2015
LankaBangla Finance Limited	Parent	TDR	-	89,296,938
LankaBangla Investments Ltd.	Subsidiary of Parent	Strategic Investment & Others	10	64
LankaBangla Securities Ltd.	Subsidiary of Parent	Investment in Securities	2,627,702	33,721

38.00 Events after reporting period

There are no events after reporting period

LankaBangla Asset Management Company Limited

Annexure-A

Schedule of Property, plant and equipment

As at 31 December 2016

Amount in Taka

Particulars	COST				Rate (%)	DEPRECIATION				Written down value as at 31.12.2016
	Balance as at 01.01.2016	Addition during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2016		Balance as at 01.01.2016	Charged during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2016	
Furniture & Fittings	3,315,180	7,270,847	(2,808,000)	7,778,027	15	1,559,068	785,271	(1,193,400)	1,150,938	6,627,089
Office Equipment	95,496	1,745,117	-	1,840,613	20	45,335	222,696	-	268,031	1,572,582
Computer Equipments	431,928	610,593	-	1,042,521	33	325,672	183,666	-	509,338	533,183
Electric Equipments	221,556	23,850	(155,500)	89,906	20	115,421	25,625	(90,709)	50,337	39,569
IT Equipments	938,480	459,651	(184,340)	1,213,791	33	680,334	321,151	(177,427)	824,058	389,733
Motor Vehicle	-	4,990,000	-	4,990,000	20	-	249,500	-	249,500	4,740,500
Total:	**5,002,640**	**15,100,058**	**(3,147,840)**	**16,954,858**		**2,725,830**	**1,787,909**	**(1,461,536)**	**3,052,203**	**13,902,655**

As at 31 December 2015

Amount in Taka

Particulars	COST				Rate (%)	DEPRECIATION				Written down value as at 31.12.2015
	Balance as at 01.01.2015	Addition during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2015		Balance as at 01.01.2015	Charged during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2015	
Furniture & Fittings	3,315,180	-	-	3,315,180	15	1,137,601	421,467	-	1,559,068	1,756,113
Office Equipment	95,496	-	-	95,496	20	26,235	19,100	-	45,335	50,161
Computer Equipments	428,568	3,360	-	431,928	33	183,874	141,798	-	325,672	106,256
Electric Equipments	221,556	-	-	221,556	20	71,109	44,312	-	115,421	106,135
IT Equipments	938,480	-	-	938,480	33	370,636	309,698	-	680,334	258,146
Total:	**4,999,280**	**3,360**	**-**	**5,002,640**		**1,789,456**	**936,374**	**-**	**2,725,830**	**2,276,810**

LankaBangla Asset Management Company Limited

Annexure-B

Schedule of Intangible Assets

As at 31 December 2016

Amount in Taka

Particulars	COST				Rate (%)	AMORTIZATION				Written down value as at 31.12.2016
	Balance as at 01.01.2016	Addition during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2016		Balance as at 01.01.2016	Charged during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2016	
Computer Programs (Software)	3,715,408	-	-	3,715,408	33	317,794	1,226,085	-	1,543,879	2,171,529
Total:	**3,715,408**	**-**	**-**	**3,715,408**	**-**	**317,794**	**1,226,085**	**-**	**1,543,879**	**2,171,529**

As at 31 December 2015

Amount in Taka

Particulars	COST				Rate (%)	AMORTIZATION				Written down value as at 31.12.2015
	Balance as at 01.01.2015	Addition during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2015		Balance as at 01.01.2015	Charged during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2015	
Computer Programs (Software)	219,908	3,495,500	-	3,715,408	33	38,604	279,190	-	317,794	3,397,614
Total:	**219,908**	**3,495,500**	**-**	**3,715,408**	**-**	**38,604**	**279,190**	**-**	**317,794**	**3,397,614**

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Integrated Annual Report Review Checklists



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SAFA BEST PRESENTED ACCOUNTS CHECKLIST

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Profile of the Company	12, 16
Directors' profiles and their representation on Board of other companies & Organization Chart	45-48, 58, 267
Management Report/ Commentary and analysis including Director's Report / Chairman's Review/CEO's Review etc.	
A general review of the performance of the company	10
Description of the performance of the various activities / products / segments of the company and its group companies during the period under review. (Weightage to be given for pictorial / graphical / tabular presentations used for this purpose)	64-65, 129-136
A brief summary of the Business and other Risks facing the organization and steps taken to effectively manage such risks	108-115
A general review of the future prospects/outlook	15, 63, 166-169
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Signature of the Evaluator

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CORPORATE GOVERNANCE DISCLOSURE CHECKLIST

Particulars	Pg Ref
1. BOARD OF DIRECTORS, CHAIRMAN AND CEO	
1.1 Company's policy on appointment of directors disclosed.	73
1.2 Adequate representation of non executive directors i.e. one third of the board, subject to a minimum of two	
1.3 At least one independent director on the board and disclosure / affirmation of the board on such director's independence.	
1.4 Chairman to be independent of CEO	75
1.5 Responsibilities of the Chairman of the Board appropriately defined and disclosed. Disclosure of independence of Non Executive Directors	75, 76
1.6 Existence of a scheme for annual appraisal of the boards performance and disclosure of the same.	74
1.7 Disclosure of policy on annual evaluation of the CEO by the Board.	
1.8 Disclosure of policy on training (including details of the continuing training program) of directors and type and nature of training courses organized for directors during the year Existence of a scheme for annual appraisal of the boards performance	
1.9 At least one director having thorough knowledge and expertise in finance and accounting to provide guidance in the matters applicable to accounting and auditing standards to ensure reliable financial reporting.	
1.10 Disclosure of number of meetings of the board and participation of each director (at least 4 meetings are required to be held)	76
1.11 Directors issue a report on compliance with best practices on Corporate Governance that is reviewed by the external auditors	72-86
2. VISION / MISSION AND STRATEGY	
2.1 Company's vision / mission statements are approved by the board and disclosed in the annual report.	14
2.2 Identification of business objectives and areas of business focus disclosed	176-181
2.3 General description of strategies to achieve the company's business objectives	
3. AUDIT COMMITTEES	
3.1 Appointment and Composition	
3.1.1 Whether the Audit Committee Chairman is an independent Non – Executive Director and Professionally Qualified	97
3.1.2 Whether it has specific terms of reference and whether it is empowered to investigate / question employees and retain external counsel	
3.1.3 More than two thirds of the members are to be Non Executive Directors	
3.1.4 All members of the audit committee to be suitably qualified and at least one member to have expert knowledge of finance and accounting.	
3.1.5 Head of internal audit to have direct access to audit committee	58, 98
3.1.6 The committee to meet at least four times a year and the number of meetings and attendance by individual members disclosed in the annual report.	98
3.2 Objectives & Activities	
3.2.2 Statement on Audit Committee's review to ensure that internal controls are well conceived properly administered and satisfactorily monitored	103
3.2.3 Statement to indicate audit committees role in ensuring compliance with Laws, Regulations and timely settlements of Statutory dues	97
3.2.4 Statement of Audit committee involvement in the review of the external audit function ▸ Ensure effective coordination of external audit function ▸ Ensure independence of external auditors ▸ To review the external auditors findings in order to be satisfied that appropriate action is being taken ▸ Review and approve any non-audit work assigned to the external auditor and ensure that such such work does not compromise the independence of the external auditors. ▸ Recommend external auditor for appointment / re-appointment	98
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4. INTERNAL CONTROL & RISK MANAGEMENT	
4.1 Statement of Director's responsibility to establish appropriate system of internal control	94
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4.4 Disclosure of the identification of risks the company is exposed to both internally & externally	108-115
4.5 Disclosure of the strategies adopted to manage and mitigate the risks	
5. Ethics and Compliance	
5.1 Disclosure of statement of ethics and values, covering basic principles such as integrity, conflict of interest, compliance with laws and regulations etc.	106
5.2 Dissemination / communication of the statement of ethics & business practices to all directors and employees and their acknowledgement of the same	
5.3 Board's statement on its commitment to establishing high level of ethics and compliance within the organization	
5.4 Establishing effective anti-fraud programs and controls, including effective protection of whistle blowers, establishing a hot line reporting of irregularities etc.	
6. REMUNERATION COMMITTEE	
6.1 Disclosure of the charter (role and responsibilities) of the committee	101
6.2 Disclosure of the composition of the committee	
6.3 Disclosure of key policies with regard to remuneration of directors, senior management and employees	
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7. HUMAN CAPITAL	
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8.2 Ensuring participation of shareholders in the Annual General Meeting and providing reasonable opportunity for the shareholder participation in the AGM.	5
9. Environmental and Social Obligatoins	
9.1 Disclosure of general description of the company's policies and practices relating to social and environmental responsibility of the entity	194-198
9.2 Disclosure of specific activities undertaken by the entity in pursuance of these policies and practices	198-199

INTEGRATED REPORTING CHECKLIST

SL. No	Particulars	Page reference	Chapter/ Section reference
1. Elements of an Integrated Report			
1.1	**Organizational overview and external environment**		
	An integrated report should disclose the main activities of the organization and the environment of which it operates. An integrated report should identify the organization's mission and vision, and provides essential context by identifying matters such as:		
	The organization's:		
	▸ Culture, ethics and values	13 14	Code of Conduct Guiding Principles Core Values
	▸ Ownership and operating structure including size of the organization, location of its operations)	44 12 16-20	Shareholding Structure Organizational Overview Corporate Information
	▸ Principal activities and markets	21-24 25-31	Business Divisions of LBFL Subsidiaries of LBFL
	▸ competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, and the intensity of competitive rivalry)	175	Industry Forces Analysis
	▸ Key quantitative information	7-8	Triple Bottom Line Highlights
	▸ Significant factors affecting the external environment and the rganization's response(include aspects of the legal, commercial, social, environmental and political context that affect the organization's ability to create value in the short, medium or long term)	170-173 173-174	SWOT Analysis for LBFL PESTEL Analysis
	▸ The legitimate needs and interests of key stakeholders	157-165	Stakeholders Analysis
	▸ Macro and micro economic conditions, such as economic stability, globalization, and industry trends	166-169	Economic Outlook
	▸ Market forces, such as the relative strengths and weaknesses of competitors and customer demand	175	Industry Forces Analysis
	▸ Environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached	173-174	PESTEL Analysis
	▸ The legislative and regulatory environment in which the organization operates		
	▸ The political environment in countries where the organization operates and other countries that may affect the ability of the organization to implement its strategy		
1.2	**Governance**		
	An integrated report should how does the organization's governance structure support its ability to create value in the short, medium and long term. An integrated report needs to provide an insight about how such matters as the following are linked to its ability to create value:		
	▸ The organization's leadership structure, including the skills and diversity (e.g., range of backgrounds, gender, competence and experience) of those charged with governance and whether regulatory requirements influence the design of the governance structure	50 58	Profiles of the Management Team Corporate Organogram of LankaBangla Finance Limited
	▸ Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues	79 106	Risk Management Forum Statement on Ethics and Compliance
	▸ Particular actions those charged with governance have taken to influence and monitor the strategic direction of the organization and its approach to risk management	108-115	Statement on Risk Management
	▸ How the organization's culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders	106	Statement on Ethics and Compliance
	▸ The legislative and regulatory environment in which the organization operates	104	Statement on Internal Control

	▸ The responsibility those charged with governance take for promoting and enabling innovation	101-102	Human Resources & Remuneration Committee Report
	▸ How remuneration and incentives are linked to value creation in the short, medium and long term, including how they are linked to the organization's use of and effects on the capitals.		
1.3	**Stakeholder Identification/ relationships** *An integrated report should identify its key stakeholders and provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.*	157-165	Stakeholders Analysis
	Capitals *An integrated report needs to provide insight about the resources and the relationships used and affected by the organization, which are referred to collectively as the capitals and how the organization interacts with the capitals to create value over the short, medium and long term.* An integrated report need to identify the various forms of capitals which are essential for the success of its business operations. Eg: financial, manufactured, intellectual , human, social and relationship, and natural,However an entity can do its own classification of capitals based on its business activities. An entity needs to ensure that it does not overlook a capital that it uses or affects.	152-156	Key Resources of LankaBangla Finance Limited
1.4	**Business model** *An integrated report should describe the organization's business model*	147	Our Value Driving Business Model
	An integrated report need to describe the business model, including key:		
	▸ Inputs	152-156	Key Resources of LBFL
	▸ Business activities	12 21-24 25-31	Organizational Overview Business Divisions of LBFL Subsidiaries of LBFL
	▸ Outputs	32-33	Product Portfolio of LBFL
	▸ Outcomes	137-142 148-149 150-151 188-191	Financial Highlights How We Create Value Delivering Value Value Added Statements
1.5	**Performance**		
	An integrated report needs to explain the extent to which the organization has achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals? An integrated report should contain qualitative and quantitative information about performance that may include matters such as: ▸ Quantitative indicators with respect to targets and risks and opportunities, explaining their significance, their implications, and the methods and assumptions used in compiling them ▸ The organization's effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain ▸ The state of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests ▸ The linkages between past and current performance, and between	7 59-60 126-128 129-136 137-142	Triple Bottom Line Highlights Message from the Chairman Review from the MD CFO's Statement on Performance Financial Highlights
1.6	**Risks and opportunities**		
	An integrated report should explain what are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them? This can include identifying: ▸ The specific source of risks and opportunities, which can be internal, external or, commonly, a mix of the two. ▸ The organization's assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does. ▸ The specific steps being taken to mitigate or manage key risks or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets and KPIs.	108-115 170-173	Statement on Risk Management Business Environment Analysis

1.7	**Strategy and resource allocation**		
	An integrated report should describe it strategic direction (Where does the organization want to go and how does it intend to get there) An integrated report need to identify: ▸ The organization's short, medium and long term strategic objectives ▸ The strategies it has in place, or intends to implement, to achieve those strategic objectives ▸ The resource allocation plans it has to implement its strategy ▸ How it will measure achievements and target outcomes for the short, medium and long term.	176 177-178 179-181	Drivers Guiding Our Strategy Material Matters that Affect Our Strategies Strategic Focus Areas
1.8	**Outlook**		
	An integrated report should explain what challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance? An integrated report should highlight anticipated changes over time and provides information on: ▸ The organization's expectations about the external environment the organization is likely to face in the short, medium and long term ▸ How that will affect the organization ▸ How the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise.	166-169 173-174	Economic Outlook Business Environment Analysis
1.9	**Basis of preparation and presentation**		
	An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated? An integrated report describes its basis of preparation and presentation, including: ▸ A summary of the organization's materiality determination process ▸ Brief description of the process used to identify relevant matters, evaluatetheir importance and narrow them down to material matters ▸ Identification of the role of those charged with governance and key personnel in the identification and prioritization of material matters. ▸ A description of the reporting boundary and how it has been determined ▸ A summary of the significant frameworks and methods used to quantify or evaluate material matters	6 177-178	Brief about Integrated Reporting Material Matters that Affect Our Strategies
2.	**Responsibility for an integrated report**		
	An integrated report should include a statement from those charged with governance that includes: ▸ An acknowledgement of their responsibility to ensure the integrity of the integrated report ▸ An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report ▸ Their opinion or conclusion about whether the integrated report is presented in accordance with the Framework	6 63 97 103 104 105	Brief about Integrated Reporting Directors' Report Board Audit Committee Report Statement on Directors' Responsibilities Directors' Statement on Internal Control Responsibility Statement of MD and CFO

COMMUNICATION TO SHAREHOLDERS

LankaBangla Finance Limited is listed in both the bourses of the country. Investors can monitor the ticker in the name of LANKABAFIN in both DSE and CSE. Any price sensitive information is disseminated timely. Annual Report of the company summarizes the company's financial performance and provides an overview of the company's major activities. The annual report is duly submitted to Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange & Chittagong Stock Exchange in timely manner. Each stockholder is sent copy of the report before AGM. Annual Report, Quarterly Reports and Supplements to the reports are available on the company's website, **www.lankabangla.com** or copies are available with the Board Secretariat at LankaBangla Finance Limited.

On top of the above information, the company makes available each material information or achievement to the shareholders through the company's web portal. For additional information about the subsidiary companies and the financials, the investors can visit our web portals, **www.lankabangla.com.**

Redressal of Investors' complaint

Investor Relations Department of LankaBangla Finance Limited always gives extreme priority in mitigating investors' complaints (if any) regarding any inconvenience. Investors can approach to Investor Relations Department with a complaint or can make an email at company's designated e-mail id for investor relations at ir@lankabangla.com. An Investor can make a written complaint to LankaBangla Finance Limited also. Upon receipt of the compliant, designated cell at LankaBangla takes immediate steps to resolve the complaint.

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ADDITIONAL INFORMATION ONLINE

- Financial Hilights
- Financial Reports
- Price Sensitive Information
- Notice For Shareholder
- Share Trading Information

Notes:

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LankaBangla FINANCE

Safura Tower (Level-11), 20, Kemal Ataturk Avenue
Banani, Dhaka-1213. Phone: +88 02 988 3701-10
Fax: +881 0998, E-mail: info@lankabangla.com

Proxy Form

I/ We .....

of .....

being a shareholders of LankaBangla Finance Limited do hereby appointment Mr./Mrs.....

of .....

(or failing) Mr./ Mrs. .....

of .....

and vote on my/our behalf at the 20th Annual General Meeting of the Shareholders of LankaBangla Finance limited to be held on March 30, 2017, Wednesday at 11:00 a.m. at MIDAS Centre (12th Floor), House # 05, Road # 16 (New), 27 Old Dhanmondi, Dhaka-1209 or at any adjournment thereof or any ballot to be taken in consequence thereof.

Signed this ..... day of March, 2017

(Signature of the proxy)

Revenue Stamp Tk. 20/-

Signature of shareholder (s)

BO ID No. .....

No. of shares being held .....

Note

- This form of proxy, duly completed, must be deposited at least 48:00 hours before the meeting at the company's registered office. Proxy is invalid if not signed and stumped as indicated above.
- Signature of the Shareholders should agree with the Specimen signature registered with the Company.

LankaBangla FINANCE

Safura Tower (Level-11), 20, Kemal Ataturk Avenue
Banani, Dhaka-1213. Phone: +88 02 988 3701-10
Fax: +881 0998, E-mail: info@lankabangla.com

Attendance Slip

I/We hereby record my/our attendance at the 20th Annual General Meeting of the Shareholders of LankaBangla Finance limited to be held on March 30, 2017, Wednesday at 11:00 a.m. at MIDAS Centre (12th Floor), House # 05, Road # 16 (New), 27 Old Dhanmondi, Dhaka-1209.

Name of the Shareholder(s)/Proxy (in Block Letters)

(Signature of the Proxy)

Signature of the shareholder(s)/Proxy

BO ID No. .....

No. of shares being held .....

N. B.: Shareholders attending the Meeting in person or by Proxy are requested to complete Attendance Slip and deposit the same at the entrance of the Meeting Hall.

AMARSTOCK

AMAR STOCK

Corporate Head Office
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Paper Rhyme