MAKING A DIFFERENCE, DIFFERENTLY

Annual Integrated Report 2017



Growing Together...

LankaBangla™ FINANCE

lankabangla.com

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

MAKING A DIFFERENCE, DIFFERENTLY

LankaBangla Finance has been paving the way to bring in newness, innovation and difference for more than a decade to empower lives and inspire changes. In doing so it has enhanced its capacity with required changes. These changes are also necessary to bring about a stable, financially sound structure that exercises due care when providing financial services to customers. Technology has become a powerful disrupting factor and it will increasingly shape FI's competitive position. Customer experience, efficiency and security are the key challenges. LankaBangla finance being a forward thinking company has been adopting these advanced innovation solution with enhanced adaptability. These changes are related to the mission of the company and inline with supervisory authority. These also include adjustment to strategy, core values, resolution plans and specific products, services and partnering stakeholders. These are far reaching measures that benefit customers and also bring in difference. We at LankaBangla Finance, at all levels are highly motivated to bring about difference successfully.

Scan the QR Code by following these simple steps:

Get it

Download the "QR Code Reader" app from Google Play (Android Market), BlackBerry AppWorld, App Store (iOS/iPhone) or Windows Phone Store

Run it

Run the QR Code Reader app and point your camera at the QR Code

Access it

Get access to LankaBangla's website

Feedback

We need your feedback to make sure we are covering the things that matter to you. For the feedback form, scan the QR Code with your smartphone.
You can also email info@lankabangla.com



Message from the Chairman Pg **55**



Message from the Managing Director & CEO Pg **128**



CFO's Statement on Performance Pg **131**

CONTENTS

01

Notice of 21st Annual General Meeting 05

Brief about Integrated Reporting 06

Brief about LankaBangla

LankaBangla in 2017 08
Organizational Overview 10
Code of Conduct Guiding Principles 10
Forward Looking Statement 11
Success Stories 12
Corporate Information 13
Branches and Subsidiaries 14
Group Structure 18
Business Divisions of LankaBangla Finance 19
Subsidiaries of LankaBangla Finance 23
Product Portfolio of LankaBangla Finance 30
Projects Financed by LankaBangla 31
An Eventful Year for LankaBangla 32
Awards and Recognitions 35
Milestones of LankaBangla 36

02

Corporate Governance

Shareholding Structure 39
Profiles of the Directors of the Board 40
Board Committees and MANCOM 45
Profiles of the Management Team 46
Organogram of LankaBangla Finance 54
Message from the Chairman 55
Directors' Report 57
Statement on Corporate Governance 70
Certification on Corporate Governance 84
Board Audit Committee Report 95
Statement on Directors' Responsibilities 98
Directors' Statement on Internal Control 99
Management Credit Committee Report 100
Human Resources & Remuneration Committee Report 101
Responsibility Statement of MD and CFO 103
Statement on Ethics and Compliance 104
Corporate Governance Disclosure Checklist 106

03

Risk Management

Statement on Risk Management 110
Capital Adequacy and Market Discipline 118
Statement on NPL Management 123
Report on Going Concern 126

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04 Management Discussion and Analysis

Review from the Managing Director & CEO 128
CFO's Statement on Performance 131
Financial Highlights 140
Horizontal & Vertical Analysis 146
Value Creation Structure 150
Business Model 152
How We Create Value 154
Delivering Value through Our Business 156
Key Resources of LankaBangla 158
Stakeholders Analysis 163
Economic Outlook 171
Business Environment Analysis 174
Drivers Guiding Our Strategies 180
Material Matters that Affect Our Strategies 181
Strategic Focus Areas 183
Human Resource Accounting 186
Human Capital Report 192

05 Sustainability

Sustainability Report 194
Statement on Green Banking 200
Corporate Social Responsibility of LankaBangla 203
Value Added Statements 207
Statement on Contribution to Government Exchequer 211

06 Audited Financial Statements

Independent Auditors' Report 213

Consolidated Financial Statements-LankaBangla Group

Consolidated Balance Sheet 215
Consolidated Profit and Loss Account 217
Consolidated Statement of Cash Flows 218
Consolidated Statement of Changes in Equity 219

Financial Statements-LankaBangla Finance Limited

Balance Sheet 220
Profit and Loss Account 222
Statement of Cash Flows 223
Statement of Changes in Equity 224
Consolidated and Separate Statement of Liquidity 225
Notes to the Consolidated and Separate Financial Statements 227

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06 **Audited Financial Statements**

Financial Statements of Subsidiaries

LankaBangla Securities Limited

Independent Auditors' Report 293
Consolidated Statement of Financial Position 294
Consolidated Statement of Profit and Loss and Other Comprehensive Income 295
Consolidated Statement of Changes in Equity 296
Consolidated Statement of Cash Flows 297
Statement of Financial Position 298
Statement of Profit and Loss and Other Comprehensive Income 299
Statement of Changes in Equity 300
Statement of Cash Flows 301
Notes to the Financial Statements 302

LankaBangla Investments Limited

Independent Auditors' Report 322
Statement of Financial Position 323
Statement of Profit and Loss and Other Comprehensive Income 324
Statement of Changes in Equity 325
Statement of Cash Flows 326
Notes to the Financial Statements 327

LankaBangla Asset Management Company Limited

Independent Auditors' Report 346
Statement of Financial Position 347
Statement of Profit and Loss and Other Comprehensive Income 348
Statement of Changes in Equity 349
Statement of Cash Flows 350
Notes to the Financial Statements 351

07 **Reporting Checklists**

SAFA Best Presented Accounts Checklist 364
Integrated Reporting Checklist 367

08 **Communication to Shareholders** 370

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LankaBangla™
FINANCE

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

Notice is hereby given that the 21st Annual General Meeting of the Shareholders of LankaBangla Finance Limited will be held on March 29, 2018 at 10:00 a.m. at MIDAS Centre (12th Floor), House No. 05, Road No. 16 (New), 27 (Old) Dhanmondi, Dhaka-1209, Bangladesh to transact the following businesses:

AGMA-01-21-18	To receive and adopt the Directors' Report, Auditors' Report and Audited Financial Statements for the year ended December 31, 2017
AGMA-02-21-18	To declare dividend for the year 2017
AGMA-03-21-18	To elect Directors in place of those who shall retire by rotation in accordance with the provision of Articles of Association of the Company
AGMA-04-21-18	To appoint Auditors of the Company for the year 2018 until conclusion of 22nd AGM and to fix their remuneration
AGMA-05-21-18	To transact any other business with the permission of the Chair

Dated, Dhaka
March 08, 2018

By Order of the Board

Mostafa Kamal FCA
Company Secretary

Notes:

- The record date is fixed on March 08, 2018. The Shareholders, whose names will appear in the Share Register of the Company at the close of business on the record date, will be eligible to attend the meeting and get dividend.
- The Board of Directors has recommended 15.00% Dividend out of which 7.50% Cash Dividend (i.e. BDT 0.75 per share of BDT 10.00 each) and 7.50% Stock Dividend (i.e. 75 shares per 1,000 shares held)
- A shareholder eligible to attend and vote in the AGM may appoint a Proxy to attend and vote in 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.

BRIEF ABOUT INTEGRATED REPORTING

Annual Integrated Report

Annual Report for the year 2017 of LankaBangla Finance has been presented as an 'Integrated Report' with the aim to utter how LankaBangla, as a growing organization, has effectively managed its business to deliver consistent value to its stakeholders. It incorporates 'efforts' the company has undertaken on the way to contributing towards economic prosperity, environmental sustainability and social well-being for a brighter future.

Scope and boundary

Our 2017 annual integrated report covers the period between 1st January 2017 and 31 December 2017. All materials that matters, up to group board of directors (Board) approval on 13 Feb 2018, 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 2017 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 Integrated 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 2017 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 180 to 182 of this report.

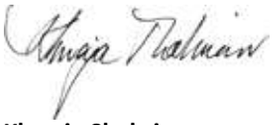
Based on our leadership engagement, governance processes and our formal and informal stakeholder engagement initiatives, particularly with investors, we are confident that all material matters have been identified and disclosed in this report. Management of group functions and the business units approved 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	Corporate Governance	Howlader Maria & Co.
6	Provident Fund	Syful Shamsul Alam& Co. Chartered Accountants A member of UHY International Limited
7	Gratuity Fund	
8	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.



Khwaja Shahriar
Managing Director & CEO

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.

LankaBangla in 2017	08
Organizational Overview	10
Code of Conduct Guiding Principles	10
Forward Looking Statement	11
Success Stories	12
Corporate Information	13
Branches and Subsidiaries	14
Group Structure	18
Business Divisions of LankaBangla Finance	19
Subsidiaries of LankaBangla Finance	23
Product Portfolio of LankaBangla Finance	30
Projects Financed by LankaBangla	31
An Eventful Year for LankaBangla	32
Awards and Recognitions	35
Milestones of LankaBangla	36



LANKABANGLA IN 2017

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.

LankaBangla Finance Limited (LBFL)

As one of the leading Financial Institutes in Bangladesh, LBFL's asset base was BDT 78 billion as at the end of 2017. Fund Under Management crossed BDT 146 billion by the end of 2017 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 80 billion by the end of 2017 which was possible only after registering yearly asset disbursement of nearly BDT 58 billion.

Net profit after Tax of LBFL crossed the landmark of BDT 1,000 million for the third consecutive years and for the year 2017 LBFL's Net profit after Tax was BDT 1,353 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 2017 and reached to a total tally of 25 Branches within the jurisdiction of the country and is planning to open 5 more branches in the year 2018.

LBFL has always been very passionate about Human Capital Management within the organization. It is the employees who are fuelling the performance of LBFL bring it to the position where it is now. Total employees of LBFL as at 31 December 2017 was 1,828, which consists of 584 Full Time Employees (FTE), 241 Business Support Officer (BSO) and 1,003 Product Marketing Officers (PMO).

In order to facilitate the continuous Asset growth, LBFL executed a 2:1 right issue of shares at the end of this year. Thus the capital base of LBFL has been further strengthened targeting the facilitation of the above average growth of assets compared to the industry.

As an alternate source of funding, LBFL, being the pioneer in NBFI industry, issued Commercial Paper amounted to BDT 1,150 million in the year 2017.

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 on 31 July 2017.

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 2017 LBFL has been awarded with the following recognitions

- SAFA Best Presented Annual Report Awards 2016
- 17th ICAB National Award for Best Presented Annual Report, 2016
- 17th ICAB National Award for Corporate Governance, 2016
- ICMAB Best Corporate Award, 2016

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

Increase its Paid-up Capital through issuance of 2:1 right shares

Issued Commercial Paper of BDT 1,150 million as the pioneer in the NBFI Industry

LBFL has been rated "AA3" for long term and "ST-2" for short term as at 31 July 2017

LankaBangla Securities Limited (LBSL)

LBSL's business performance was remarkable in the year 2017 which was pretty much in line with the glittering Capital market throughout the year. Daily turnover in both the stock exchanges increased significantly during that time. LBSL was able to register 7.64% market share in DSE and 10.88% in CSE which is so far the highest market share retention in LBSL's history.

Shareholders equity is gradually increasing year on year which shows the company's commitment to protect the interest of its shareholders as well as increase the wealth of its shareholders.

In the year 2017 the main source of income of the company was revenue from brokerage which contributed 53% of the total income of the company. The other two sources of income of the company were Interest Income and Capital Gain from Investment on the stock market which were 28% and 17% of the total income of the company respectively.

In 2017 Earnings per Share (EPS) was also increased significantly.

EPS reached to BDT 3.07 per share in 2017 which was BDT 0.71 per share in previous year.

There's a significant improvement in revenue from brokerage in the year 2017. It has touched a billion mark in 2017 which is the highest in last five years.
LBSL saw a significant surge in Net profit after tax (NPAT) in the year 2017. NPAT was BDT 826.15 million which was BDT 174.43 million in 2016.
For the year 2017, Return on Asset (ROA) was 7.63% which was 1.74% in 2016. Return on equity (ROE) of LBSL was 17.44% in 2017 which was 4.17% in 2016.

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

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

LankaBangla Investments Limited (LBIL)

The Primary Market Services Department of LankaBangla Investments Limited specializes in providing one stop equity financing solutions for corporate clients that includes expert corporate advisory services, innovative financial solutions for arranging funds through structuring of financial strategies, detailed execution and making use of comprehensive access to capital markets that LBIL possesses. Year 2017 has been yet another glorious year for LBIL PMS Team. Four deals have been signed during the year and in the process heavily enhanced its presence. In addition of that two local conglomerate appointed LBIL as Issue Manager for their prospective IPO. LBIL is in the advanced stage of signing on board as the issue manager for IPO of a prominent market player in the engineering sector.

In its continuous effort to satisfy its stakeholder's interest and for the development of Capital Market of Bangladesh, LBIL actively participate as change maker and set the market standard. In continuation of the legacy, LBIL acted as the Issue Manager of aamra networks limited (ANL), the first IPO under book-building method under reformed Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015. The issue size was BDT 562.50 Million and the trading started on October 2017. LBIL also acted as the Issue Manager for Energypac Power Generation Limited under book-building method and successfully completed the roadshow. The issue size is BDT 1,500 Million. In 2017, LBIL signed Issue Management Agreement with Baraka Patenga Power Limited and KYCR Coil Industries Limited for their prospective IPO. LBIL shall act as Registrar to the Issue Modern Steel Mills Limited. PMS department also provide advisory services for the valuation of investee companies of BD venture Limited-the first venture capitalist in Bangladesh, where a comprehensive valuation model was developed that suit the business strategies, financial dynamics and growth opportunities of the promising ventures.

Investment Banking Services (IBS) of LBIL has increase its portfolio in Arrangement Business as well as diversified the Advisory Business. IBS has arranged BDT 2,770 Million for its clients through Preference Share Issuance, Equity Arrangement and Commercial Paper Issuance.

Issue Manager of Energypac Power Generation Limited (Issue size BDT 1,500 million under book building matter)

In Advisory Business we have worked as Transaction Advisor in divestment of a Foreign Investment and provided Valuation advisory services for repatriation of a foreign investment. We also engaged in Demerger, Merger and Corporate Restructuring of local conglomerates.

Arranged BDT 2,770 Million for its clients through Preference Share Issuance, Equity Arrangement and Commercial Paper Issuance

LankaBangla Asset Management Company Limited (LBAMCL)

2017 was first full year for LankaBangla Asset Management Company Limited (LBAMCL) for Fund Management. As the wealth management wing of LankaBangla Finance Limited, LBAMCL kept signature mark of the LankaBangla brand in capital market operations and generated impressive return in its first fund namely LankaBangla 1st Balanced Unit Fund (LB1stBUF) and declared 15% dividend for the year 2017. Looking forward in 2018, two new mutual funds namely LankaBangla Al-Arafah Shariah Unit Fund and LankaBangla Popular Life Growth Fund are expected to be launched. In Alternative Fund Management side, we are hopeful to launch our First Private Equity Fund in 2018. We expect capital market in Bangladesh to enter in another era that will shaped with technology and new product proliferation i.e. ETF, Derivatives. We are building capacity along with these developments to facilitate the market with right kind of technology and skill set that would be required in foreseeable future.

LBAMCL launched an open ended mutual fund named "LankaBangla 2nd Balanced Unit Fund" for investors with an initial size of BDT 500 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 "Best Presented Annual Report" for consecutive three years (2014, 2015 & 2016) 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

FORWARD LOOKING STATEMENT

LankaBangla Finance being a forward thinker, has been adopting advanced innovation solution with enhanced adaptability. It has enhanced its capacity with required changes to bring about a stable, financially sound structure that exercises due care when providing financial services to customers. As near future, the world is likely to have changed drastically from what we know now, and the planet's economic and financial landscape will be no exception. What would be that next big leap in the financial landscape of Bangladesh, is well deemed and happening NOW in our territory.

- LankaBangla Finance group will look for success by combining business domain, analytics, and artificial intelligence(AI) experts who understand algorithms and new techniques, as well as data engineers/scientists who can work with cloud technology and machine learning systems.
- In 2018, 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 2018 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 2018, 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 2018. 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.

SUCCESS STORIES

The tale behind Nipun Traders

"I always wanted to be self sufficient" – these words of Jahanara Akhter can be seen as inspiration by women all over the country. What started as a dream turned to reality with a little help from LankaBangla. Jahanara Akhter's career started as any other, initially working for UNICEF on different projects. She also acquired some experience helping with her father's business, which mass produced ball bearings and other such mechanical products. Then, as time passed, Jahanara looked around and saw that the scope of work for women was increasing in the country. The daughter of an established businessman, Jahanara naturally wanted to start her own business.

Jahanara initially contacted LankaBangla's SME department, not being sure of what their response would be. LankaBangla believes in the empowerment of women in the country and has been striving to provide the necessary support to women all along. The SME department looked into Jahanara's business proposition. She wanted to start her own company in the same mechanism of her father's company.

Jahanara's dreams saw the path to success when her loan for 25 lakh taka was approved. And her dream world of Nipun Traders began on the path to reality. Slowly, step by step, the wheels of Nipun Traders began to turn towards a positive future. Today five years later, Nipun Traders is a business worth 4-5 crore taka, a dazzling example of woman empowerment, and a name in the industry as a dependable business, mass producer of ball bearings and other mechanical products.

Creating the Legendary Legend Batteries Limited

When Mr. Mobarak Hossain was an employee at a renowned battery company in the country he had only one goal-to learn as much about the industry as possible. Because underneath the 9 to 5 job was the mentality of a latent entrepreneur. In 2013, with some personal goals in mind that many people just termed as "stubborn", Mr. Hossain quit his job, and thus began his journey on his own.

A business is often easy to perceive on pen and paper, but the most difficult of feats to conceive in reality. With nobody to back him up, Mr Hossain looked up every possible source of finance. At last, at the suggestion of a well-wisher, he visited LankaBangla. LankaBangla has always been a name that has believed in the small but promising aspects of the small enterprises in the country. Mr. Hossain's case was no different, and soon, equipped with his very first SME Loan, Mr. Hossain set the course of his voyage towards a business he had learned the ins and outs of, but this time as the captain of his own ship.

Legend Battery Limited started its journey in 2014. Armed with the backing of LankaBangla, within the first three months, Mr. Hossain made sure that he was sailing towards the right goal. A start up with three employees, Legend Battery Limited soon grew up to become a family of six, then outgrew every other competitor in its business realms. Today, with a business worth several crores in volume, Mr. Hossain has one suggestion for everyone- "Stay motivated, stay committed, and find a partner like LankaBangla. Success will be yours"

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 Email: info@lankabangla.com
Card Centre	Assurance Nazir Tower, (Level-6), 65/B Kemal Ataturk Avenue, Banani, Phone: (880-2) 55035243-55 E-mail: 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 E-mail: myrequest@lankabangla.com
Operations Division	SMC Tower (Level 17) 33 Banani Comercial Area, Banani, Dhaka-1213, Bangladesh Phone: (880-2) 9883701-10 Fax: (880-2) 58810998
Tax Consultant	Adil & Associates 50, Purana Paltan 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

Banani Branch	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	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
Faridpur Branch	Rangolal Plaza (Level - 3), 103 Goalchamot Mouza, Holding No. 30, North Faridpur, Faridpur-7800, Bangladesh
Board Bazar, Gazipur	Omar Ali Plaza (Level - 3),Holding No. 309, Ward No. 30, Mymensingh Road, Kolomeshor, National University, Board Bazar, Gazipur, Dhaka - 1704, Bangladesh
Savar	MK Tower (Level - 4), B16/1, Jaleshwar, Shimultola, Savar, Dhaka 1340, Bangladesh
Dinajpur	Northen Plaza (Level - 4), Goneshtola, Dinajpur-5200, Bangladesh
Keraniganj	Hazi alimullah complex (level -3), aganagar, south keraniganj, keraniganj, Dhaka – 1310, Bangladesh

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

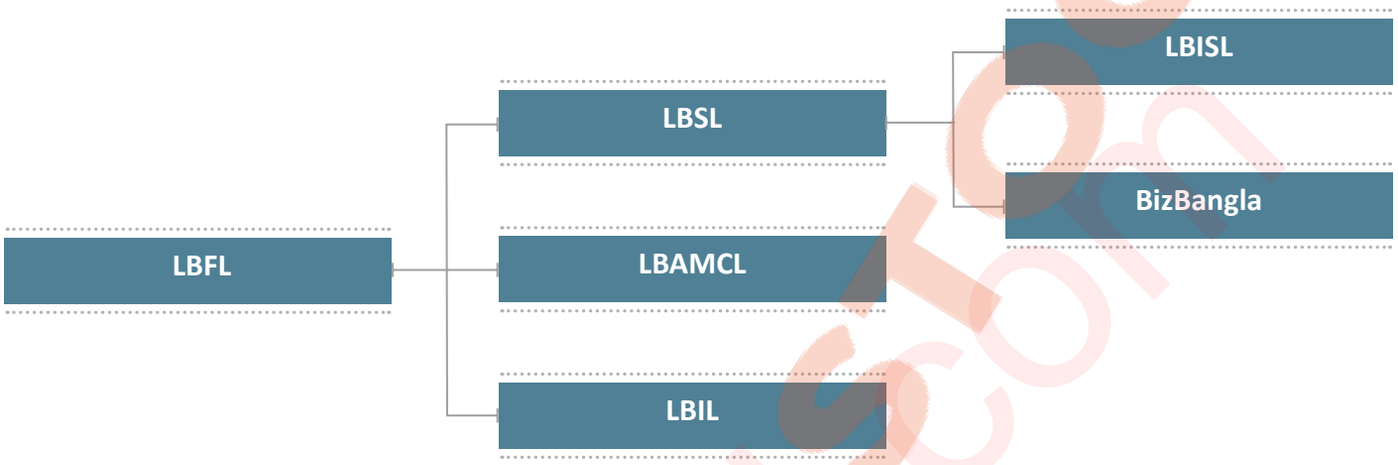
LankaBangla Information Systems Limited (Subsidiary of LankaBanglaSecurities Limited)	20, Kemal Ataturk Avenue, Level-11, Banani, Dhaka-1213

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	90.9091767%	5.6339838%	96.5431606%
2	LankaBangla Investments Limited	Bangladesh	99.9999964%	-	99.9999964%
3	LankaBangla Asset Management Company Limited	Bangladesh	99.9999980%	-	99.9999980%
4	LankaBangla Information System Limited	Bangladesh	-	96.3500742%	96.3500742%
5	BizBangla Media Limited	Bangladesh	-	77.2345285%	77.2345285%

BUSINESS DIVISIONS OF LANKABANGLA FINANCE

Corporate Financial Services Division

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 4 (four) units, namely Corporate & Institutions , Project & Structured Finance, Emerging & Commercial Business and Corporate liability.

Corporate and Institutional 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

Corporate Liability Unit

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.

Personal Financial Services Division

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 6 (Six) units namely Auto Loan, Home and Mortgage Loan, Personal Loan, Credit Card, Retail Liability 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 Loan 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 25 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 25 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 10,00,000
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

Retail Liability Unit

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.

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 Division

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 Unit

- Ahona (Unsecured loan)
- Biswas (Partial Secured Loan)

- Anonnya (Women Entrepreneur)
- Abash (Loan for Construction Mess)
- Durbar (Commercial Vehicle Finance)
- Somporko (Startup Finance)

Medium Business Unit

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

Treasury & FI Division

In a financial institution, fund management function is traditionally known as treasury activities. Treasury is a financial hub which operates as a financial clearing house for all other parts of the organization. Funding and transaction processing are the key activities of treasury department and therefore, it is known as the heart of the company and equally important for both internal and external stakeholders. Treasury ensures the availability of funds as required at the minimum cost possible. Managing maturity schedules of deposits and credit lines coincide with the demand for loans while ensuring the adequate liquidity of the funds is the most crucial aspect of treasury division. In LankaBangla, 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 & Treasury mid office. The core functions of Treasury & FI's are as follows:

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 Market 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

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 25 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

PRODUCT PORTFOLIO

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
- Reverse Factoring
- Distributor Finance

Project and Structured Finance
- Syndication Finance
- Project/Structured Finance
- Private Placement of Equity
- Preferred Stock
- Fixed Income Securities
- Loan Against TDR

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

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

LankaBoi.com

PROJECTS FINANCED BY LANKABANGLA



Power Generation Plant



Ship Building



Steel Manufacturing Plant



Spinning Mill



Textile Mill



Washing Plant



Ready-Made Garment



Oil Refinery Plant

AN EVENTFUL YEAR FOR LANKABANGLA



20th AGM of LankaBangla



The Directors of LankaBangla Finance on Audit Committee Meeting



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 Audit Committee Meeting



The Directors of LankaBangla Finance on Board Meeting



The Directors of Securities on Board Meeting



The Directors of Asset Management Company on Board Meeting

AN EVENTFUL YEAR FOR LANKABANGLA



The Directors of LankaBangla Investment on Board Meeting



LankaBangla Finance Corporate Office Ground Breaking



ICAB National Award



SAFA Best Presented Annual Report Awards



Business RM Meeting



Womens Day 2017



SME Night 2017



Football Fest 2017

AN EVENTFUL YEAR FOR LANKABANGLA



Sales Night Dhaka 2017



Pohela Baishakh Art Compitition 2017 Dhaka



Branch Launching Program Gazipur



LankaBangla Seedstar 2017 Program



Town Hall 2017



Branch Launching Program Keraniganj



Branch Launching Program Savar



REHAB Winter Fair 2017

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.



SAFA Best Presented Annual Report Awards 2016



ICMAB Best Corporate Award 2016

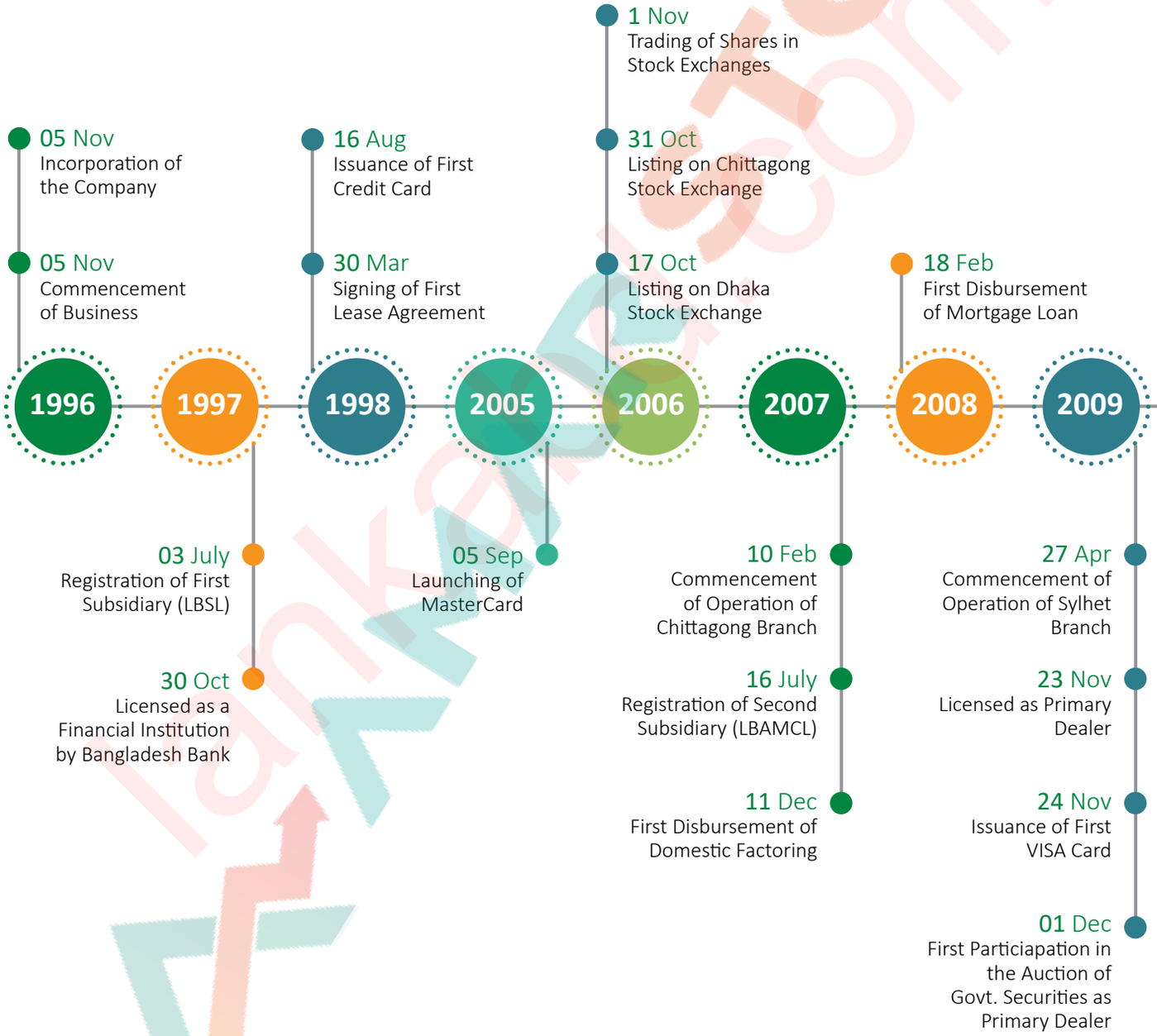


ICAB National Award for Best Presented Annual Reports 2016

MILESTONES

Our Journey so far

21 years of achieving and sustaining excellence



2010

29 Mar
LankaBangla Investments Ltd.

2012

31 Jan
Approval of Right Issuance by BSEC

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

2013

11 Dec
Commercial Launching of Dhanmondi Branch

12 Nov
Commercial Launching of Banani Principal Branch

13 Feb
Commercial Launching of Jessore Branch

03 Feb
Commercial Launching of Comilla Branch

28 Jan
Commercial Launching of Narsingdi Branch

2014

21 Jan
Launching of Contact Center

03 Mar
Commercial Launching of Uttara Branch

25 May
Commercial Launching of CDA Branch, Chittagong

15 Dec
Issuance of Zero Coupon Bond

23 Dec
Commercial Launching of Motijheel Branch

23 Dec
Commercial Launching of Motijheel Branch

2015

29 Jan
Commercial Launching of Mirpur Branch

24 May
Commercial Launching of Bogra Branch

24 June
Commercial launch of Barisal Branch

2016

09 Mar
Commercial launching of Mymensingh Branch

14 Mar
Commercial launching of Khulna Branch

21 Mar
Commercial launching of Rashahi Branch

31 July
Commercial launching of Narayanganj Branch

31 July
Commercial launching of Chowmuhani Branch

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

2017

26 Dec
Issuance of Zero Coupon Bond

31 Oct
Approval of Right Issuance by BSEC

31 Mar
Commercial Launching of Keraniganj

27 Apr
Commercial Launching of Board Bazar-Gazipur Branch

04 May
Commercial Launching of Dinajpur Branch

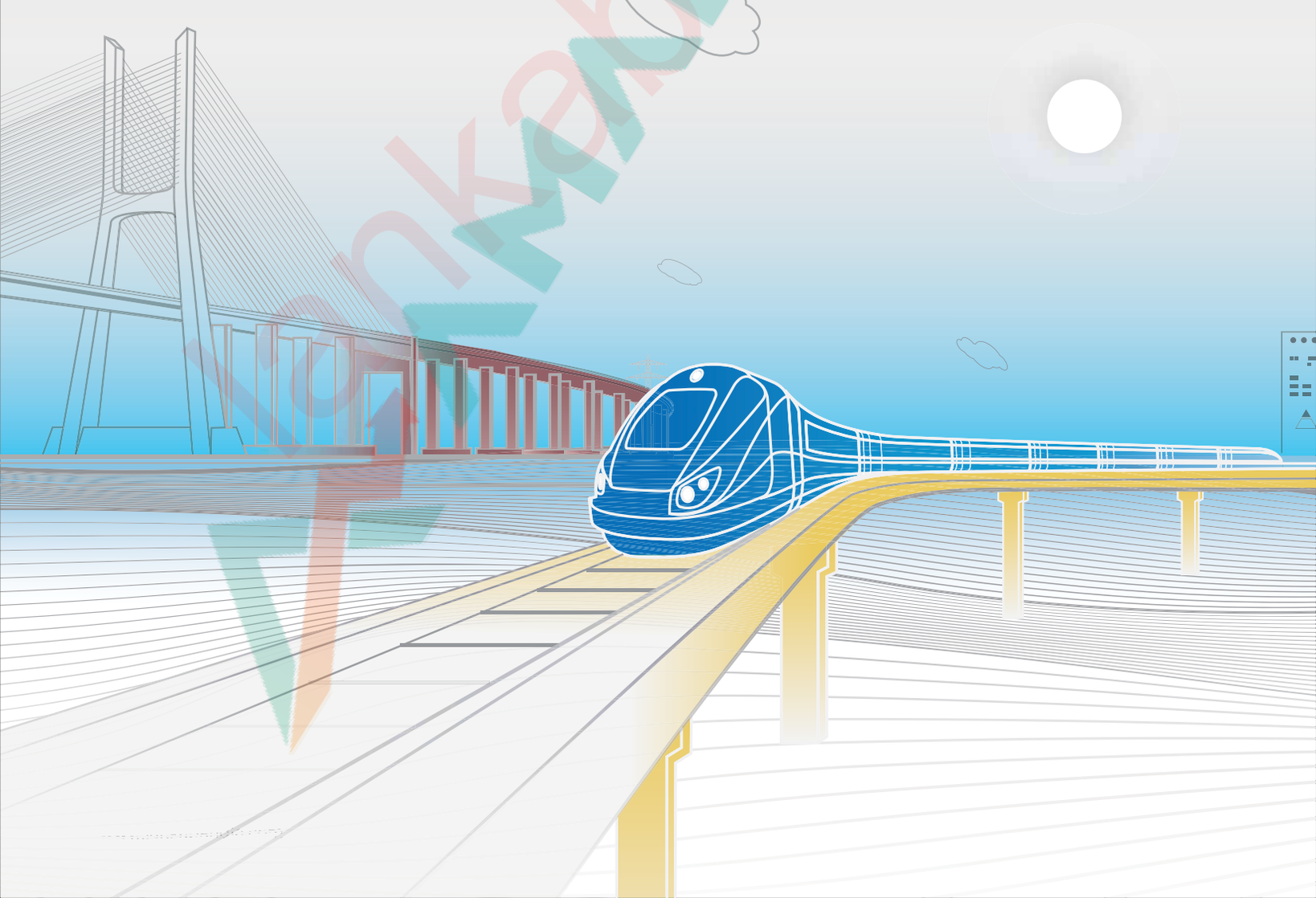
18 May
Commercial Launching of Faridpur Branch

25 May
Commercial Launching of Savar Branch

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.

Shareholding Structure	39
Profiles of the Directors of the Board	40
Board Committees and MANCOM	45
Profiles of the Management Team	46
Organogram of LankaBangla Finance	54
Message from the Chairman	55
Directors' Report	57
Statement on Corporate Governance	70
Certification on Corporate Governance	84
Board Audit Committee Report	95
Statement on Directors' Responsibilities	98
Directors' Statement on Internal Control	99
Management Credit Committee Report	100
Human Resources & Remuneration Committee Report	101
Responsibility Statement of MD and CFO	103
Statement on Ethics and Compliance	105
Corporate Governance Disclosure Checklist	106



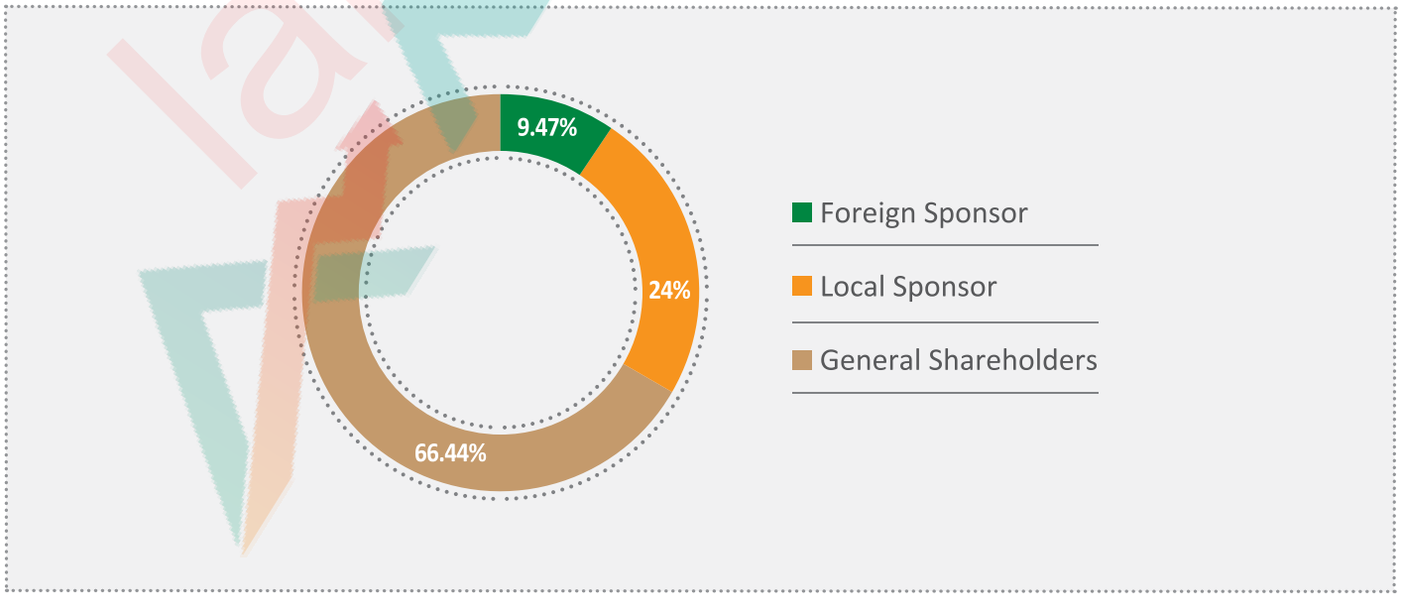
SHAREHOLDING STRUCTURE

As on December 31, 2017

Authorised Capital:	No. of Share	Taka
(Ordinary Shares of TK. 10.00 each)	1,000,000,000	10,000,000,000
Paid up Capital:	**No. of Share**	**Taka**
(Ordinary Shares of TK. 10.00 each)	318,250,941	3,182,509,410

Details of shareholding structure is as under:

Sponsor	Total Holding (No. of Share)	% of Shareholding
a) Foreign Institution:		
Sampath Bank PLC (Sri Lanka)	30,143,437	9.47%
Sub-Total	**30,143,437**	**9.47%**
b) Local Institution:		
ONE Bank Limited	12,026,719	3.78%
Sub-Total	**12,026,719**	**3.78%**
c) Individuals:		
Mr. Mohammad A Moyeen	13,491,355	4.24%
Mrs. Aneesha Mahial Kundanmal	24,513,161	7.70%
Mr. Mahbubul Anam	14,174,230	4.45%
Mr. Tahsinul Huque	12,399,383	3.90%
Mrs. Jasmine Sultana	46,000	0.01%
Sub-Total	**64,624,129**	**20.31%**
Sponsor Local	**76,650,848**	**24.09%**
Sponsor Total	**106,794,285**	**33.56%**
General Shareholders	**211,456,656**	**66.44%**
Grand Total	**318,250,941**	**100.00%**



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PROFILES OF THE DIRECTORS OF THE BOARD



MR. MOHAMMAD A. MOYEEN
Chairman

Nationality:	Bangladeshi
Board Committee(s):	Chairman of Board Executive Committee & Member of Board Audit Committee
Academic / Professional Qualification(s):	Bachelor of Architecture degree from Bangladesh University of Engineering and Technology
Present Directorship(s):	Air Line Cargo Resources Limited, Arrow Aviation Limited, Anyeshan Limited, AVS Cargo Management Services Limited, APS Logistics International Limited, BizBangla Media Limited, Bengal Meat Processing Industries Limited, Colloid Enterprises Limited, Cross Freight Lines Limited, Cross Freight Limited, Datafort Limited, Expo Express Services Limited, Expo Holdings (BD) Limited, Freight Care Aviation Services Limited, First Forwarding Limited, Freight Options Limited, Global Aviation Services Limited, Interairsea Limited, Innoweb Limited, Infosapex Limited, LankaBangla Investments Limited, LankaBangla Information System Limited, LankaBangla Securities Limited, S.G Logistics (Pvt.) Limited, Standard Paper Products Limited, STS Educational Group Limited, STS Holdings Limited, Swift Logistics Services Limited, The M & M Limited, Tropica Garments Limited, UCL Logistics Limited, Uniworld Logistics Limited, Voytech Limited, WAC Logistics Limited, Wings Express Limited, Wings Logistics Limited, Wings Ocean Freight Limited, Wings Aviation Limited, Wings Spence Aviation Limited, Wings Tours & Travels Limited, Wings Classic Tours & Travels Limited.



MR. I. W. SENANAYAKE
Director (Representing Sampath Bank PLC)

Nationality:	Sri Lankan
Board Committee(s):	N/A
Academic / Professional Qualification(s):	Graduated in Technical Engineering
Present Directorship(s):	American President Lines Lanka (Pvt.) Limited, I.W.S. Holdings (Pvt.) Limited.



MR. NANDA FERNANDO

Director (Representing Sampath Bank PLC)

Nationality:	Sri Lankan
Board Committee(s):	N/A
Academic / Professional Qualification(s):	He is an Associate member and a Senior Fellow member of Institute of Bankers of Sri Lanka and holds Masters of Business Administration degree specializing in Marketing from Sikkim Manipal University, India.
Present Directorship(s):	Managing Director of Sampath Bank PLC, Director of Lanka Financial Services Bureau Limited, a Governing Board Director of the Institute of Bankers of Sri Lanka and a Director of Lanka Clear (Pvt.) Limited.



MR. MAHBUBUL ANAM

Director

Nationality:	Bangladeshi
Board Committee(s):	Member of Board Executive Committee & Board Audit Committee
Academic / Professional Qualification(s):	Bachelor of Architecture degree from Bangladesh University of Engineering and Technology
Present Directorship(s):	Allied Aviation Bangladesh Limited, Air Line Cargo Resources Limited, Airlines Services Limited, Aramex Dhaka Limited, Aeroness International, Anyeshan Limited, Aristeus Agriculture Limited, BizBangla Media Limited, Bengal Meat Processing Industries Limited, Bollore Logistics Bangladesh Limited, Cargo Centre Limited, Colloid Enterprises Limited, Datafort Limited, Expo Freight Limited, Expo Express Services Limited, Eastern Cables Limited, Expo Holdings (BD) Limited, Freight Care Aviation Services Limited, First Forwarding Limited, Global Aviation Services Limited, Interairsea Limited, Innoweb Limited, Infosapex Limited, LankaBangla Securities Limited, LankaBangla Information System Limited, Orchid Air Limited, Masco International Limited, S.G Logistics (Pvt.) Limited,Standard Paper Products Limited, STS Educational Group Limited, STS Holdings Limited, The M & M Limited, Tropica Garments Limited, UCL Logistics Limited, Voyager Airlines Limited, Voytech Limited,WAC Logistics Limited, Wings Spence Aviation Limited,Wings Classic Tours & Travels Limited, Wings Express Limited, Wings Ocean Freight Limited.



MR. M. FAKHRUL ALAM

Director (Representing ONE Bank Limited)

Nationality:	Bangladeshi
Board Committee(s):	Member of Board Executive Committee & Board Audit Committee
Academic / Professional Qualification(s):	MBA from the Institute of Business Administration (IBA), University of Dhaka
Present Directorship(s):	N/A



MR.TAHSINUL HUQUE

Director

Nationality:	British (Original Nationality-Bangladeshi)
Board Committee(s):	N/A
Academic / Professional Qualification(s):	Mr. Huque graduated from Williams College, Massachusetts, USA with major in Economics and Political Science
Present Directorship(s):	N/A



MRS. ANEESHA MAHIAL KUNDANMAL
Director

Nationality:	Bangladeshi
Board Committee(s):	N/A
Academic / Professional Qualification(s):	Mrs. Kundanmal has completed B.A. (Honors) in Public Administration from University of Dhaka
Present Directorship(s):	Royal Park Residence, GDS Chemical Bangladesh



MR. AL MAMOON MD. SANAUL HUQ
Independent Director

Nationality:	Bangladeshi
Board Committee(s):	Chairman of Board Audit Committee & Member of Board Executive Committee
Academic / Professional Qualification(s):	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.
Present Directorship(s):	Independent Director of LankaBangla Securities Limited, LankaBangla Investments Limited , LankaBangla Asset Management Company Limited.



MRS. ZAITUN SAYEF
Independent Director

Nationality:	Bangladeshi
Board Committee(s):	Member of Board Audit Committee
Academic / Professional Qualification(s):	MBA from Institute of Business Administration (IBA) of Dhaka University
Present Directorship(s):	N/A



MR. KHWAJA SHAHRIAR
Managing Director & CEO

Nationality:	Bangladeshi
Board Committee(s):	N/A
Academic / Professional Qualification(s):	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.
Present Directorship(s):	N/A

BOARD COMMITTEES

Executive Committee

Sl. No.	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 (Representing ONE Bank Limited)	Director	Member
4	Mr. Mahbubul Anam	Director	Member

Audit Committee

Sl. No.	Name	Status in the Organization	Status in the Committee
1	Mr. Al Mamoon Md. Sanaul Huq	Independent Director	Chairman
2	Mr. Mohammad A. Moyeen	Director	Member
3	Mr. Mahbubul Anam	Director	Member
4	Mr. M. Fakhrul Alam (Representing ONE Bank Limited)	Director	Member
5	Mrs. Zaitun Sayef	Independent Director	Member

MANAGEMENT COMMITTEE (MANCOM)

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Quamrul Islam	Head of Treasury & FIs	Member
5	Mohammed Kamrul Hasan	Chief Risk Officer	Member
6	Mostafa Kamal	Group Company Secretary	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	Sheik Mohammad Fuad	Head of ICT	Member
11	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
12	Md. Kamruzzaman Khan	Head of SME Financial Services	Member
13	Md. Shariful Islam Mridha	Head of Human Resources	Member
14	Ummay Habiba Sharmin	Head of Legal	Member
15	Muhammad Habib Haider	Head of GIS	Member

PROFILES OF THE MANAGEMENT TEAM





01.
Khwaja Shahriar

Managing Director & CEO

Mr. Khwaja Shahriar joined LankaBangla Finance as Managing Director on May 21, 2017. Prior to that he was the Deputy Managing Director and Head of Business of LankaBangla Finance since June 2012. Before joining LankaBangla Mr. Shahriar worked in various Banks and Financial Institutions for almost two decades. 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 good number of trainings, workshops and seminars at home and abroad including USA, UK, Dubai, Hong Kong, India during his long professional career.

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

MC RMF MCC ALCO CCU ITDC HRC BIC ICCC CMFC IC

02.
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, Treasury Operations, Asset Accounts Maintenance, Closing & Clearance and MIS & Regulatory Reporting. During his long fifteen 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 nominated 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 the Chairman of Dhaka Branch Council (DBC) of ICMAB.

MC RMF MCC ALCO CCU ITDC HRC BIC PC 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
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.
Khurshed Alam
Head of Personal Financial Services

Khurshed Alam, Senior Executive Vice President joined the then 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 good number of training, workshop and seminar in home and abroad.

MC RMF MCC ALCO CCU ITDC BIC ICCC IC

04.
Quamrul Islam
Head of Treasury & FI

Quamrul Islam, Senior 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

05.
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

Management Committees

MC	Management Committee (MANCOM)	ITDC	IT Development Committee	ICCC	Internal Control and Compliance Committee
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ALCO	Asset Liability Committee (ALCO)	PC	Purchase Committee	IC	Integrity Committee
CCU	Central Compliance Unit (Anti Money Laundering Committee)				



06.
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 of ICAB for the year 2010-2011. He has been elected Council Member of ICAB for the term 2016-2018. He was elected Vice President (Education & Training) of ICAB for the year 2017. 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. Currently, Mr. Kamal is Government nominated Board Member in two state owned organizations namely Bangladesh Cable Shilpa Limited and Telephone Shilpa Sangstha Limited.

MC PC ICCC

07.
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 and Foreign Trade.

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

08.
Mohammad Shoaib
Head of Corporate Financial Services

Mohammad Shoaib, Executive 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 & Liability Portfolio. Mr. Shoaib has around 15 years of financial services experience and held various senior management positions in credit & investment, corporate finance, retail finance, SME finance, credit administration and corporate liability. 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 Master's in Business Administration in Accounting & Information Systems from the University of Dhaka. He has attended a good number of trainings, seminars and workshops both in home and abroad.

MC RMF MCC ALCO
CCU BIC ICCC IC

Management Committees

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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)				



09.
Shamim Al Mamun, FCA
Chief Financial Officer

Shamim Al Mamun, FCA brings 10 years of professional experience in various institution. He is working as Chief Financial Officer of Lankabangla Finance since April 2013. Before joining this Company, he was the CFO & Company Secretary of Fareast Stocks & Bonds Limited. He is a Fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB).

He obtained his Bachelor degree in Computer Science from American International University of Bangladesh (AIUB). He is also an ex-cadet and completed his secondary education from Sylhet Cadet College. Mr. Shamim possesses extensive competencies and experiences in Strategic Planning & Forecasting, Process design and Productivity improvement, Financial Governance & Modelling, Financial Reporting 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

10.
Md. Kamruzzaman Khan
Head of SME

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

Mr. Khan has over 14 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 advance training programme on Financing SMEs in NIBM, Pune (India) organized jointly by Frankfurt School of Finance and Management, Germany. Currently Mr. Khan also participated in strategic Planning & Thinking programme on SME financing in SIM (Singapore). Mr. Khan also attended a good number of trainings, seminars and workshops both in home and abroad.

MC RMF MCC ALCO
CCU BIC ICCC IC

11.
S. M. Abu Washib
Head of Corporate Liability Management

S. M. Abu Washib Joined LankaBangla Finance Limited as Head of Corporate 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

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)				



12.
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

13.
Sheik Mohammad Fuad
Head of IT

Sheik Mohammad Fuad, Head of Information & Communication 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 the Head of ICT, Mr. Fuad is responsible for enabling various business requirements through development and successful deployment Information Technology features. He also contribute 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 & Communication Technology such as Infrastructure & Network, ICT Security & Risk, Application & Database Management, Project Management.

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

MC RMF ITDC PC ICCC

14.
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

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)				





15.
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 & Partners. As a practicing lawyer, she worked with numerous local and multinational banks, financial institutions, corporate bodies of the country regarding various legal matters like acquisition, due diligence, loan and security transactions, trust-agency transactions, commercial issues, labour law issues, litigation etc. She 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 13 years of experience in the legal profession.

MC

16.
Muhammad Habib Haider

Head of GIS

Muhammad Habib Haider, Head of GIS, is responsible for General & Infrastructure Services Division of LankaBangla Finance Limited. He has joined LankaBangla Finance in February 2015. Prior to joining LankaBangla Finance Limited, he served in BRAC Bank Limited under GIS Division in different roles. He has over 10 years' experiences in Banking and Financial Institution sector with exposer in supply chain, logistics, and projects. He obtained his Honors degree from University of Dhaka and MBA from Southeast University. He has attended a number of trainings and workshops both in home and abroad.

MC PC RMF

Management Committees

MC	Management Committee (MANCOM)	ITDC	IT Development Committee	ICCC	Internal Control and Compliance Committee
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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.



Sitting

Ummay Habiba Sharmin
Head of Legal Affairs

Standing from the left

Mohammad Faruk Ahmed Bhuya
Head of Asset Operations

Md. Shariful Islam Mridha
Head of Human Resources

Muhammad Habib Haider
Head of GIS

Standing from the left

Mohammad Shoaib
Head of Corporate Financial Services

Quamrul Islam
Head of Treasury & FI

S. M. Abu Washib
Head of Corporate Liability

Khurshed Alam
Head of Personal Financial Services



Sitting

Khwaja Shahriar
Managing Director & CEO

Standing from the left

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

Shamim Al Mamun, FCA
Chief Financial Officer

Mostafa Kamal, FCA
Group Company Secretary

Standing from the left

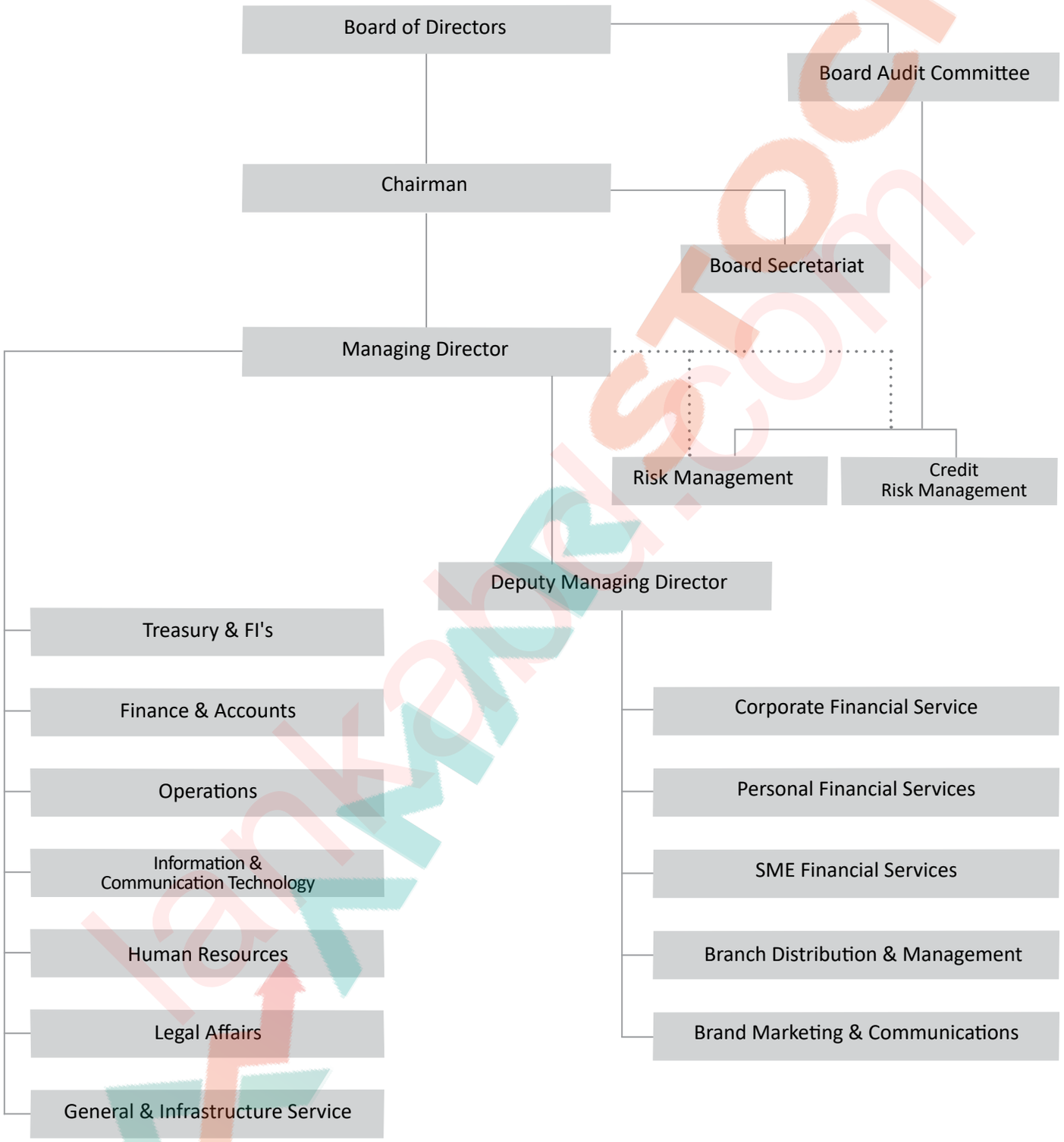
Mohammed Kamrul Hasan, FCA
Chief Risk Office

Sheik Mohammad Fuad
Head of Information & Communication Technology

Kazi Masum Rashed
Chief Credit Officer

Kamruzzaman Khan
Head of SME Financial Services

ORGANOGRAM OF LANKABANGLA FINANCE



MESSAGE FROM THE CHAIRMAN



Dear Stakeholders,

I begin my message with a sense of gratitude and pride about LankaBangla Finance Limited that has grown stronger over the course of time. It is indeed a proud moment for me to present to you the audited financial statements of LankaBangla Finance Limited for the year 2017. On behalf of the Board of Directors and everyone from LankaBangla, I welcome you all to the 21st Annual General Meeting.

Bangladesh economy continued to show a solid performance in 2017. One of the major achievements of the economy has been 7.28% economic growth in FY 2016-17 breaking the six percent cycle that continued for a decade. Major boost of growth has come from the industrial sector followed by the services sector. Though interest rate remained considerably low during most part of the year, in the later part of 2017 interest rates were on an upward trajectory led by scarcity of liquidity in the market. Bangladesh Bank initially continued its accommodative monetary stance for H1FY18, but eventually has adopted a somewhat contractionary monetary policy for H2FY18.

You will be happy to know that LankaBangla Finance Limited reported strong results for the year 2017 with consolidated profit after tax of BDT 1,926 million i.e. BDT 5.97 per share. The Company reported ROA of 2.58% and ROE of 25.66%. Net profit after tax increased 142% compared to the previous year. The standalone net profit after tax increased by 26.19% from the prior year and amounted to BDT 1,353 million. Consolidated total asset has reached to BDT 85,443 million at the end of 2017 from BDT 64,044 million at the end of 2016 showing 33.41% growth year-on-year basis. Our consolidated investment portfolio grew 27.95% and stood at BDT 72,014 million at the end of the year.

In addition to keeping a clear focus on customers and clients, our growth strategy includes growing within a clear risk framework so that we can maintain our balanced, stable and financially strong platform. It means we proactively and thoroughly assess risk and reward so that we can provide sustainable returns to our shareholders over time. During 2017 loans, leases, and advances increased by 29.86%; whereas NPL declined to 2.85% from 3.22% in 2016, which demonstrates our focus on growing the right way.

Capital Adequacy Ratio (CAR) stood at 11.95% on consolidated basis against regulatory requirement of minimum 10.00%. At the beginning of 2018 we have issued Rights share which will have a positive impact on the capital base of the Company. We have taken necessary measures to remain compliant, in line with the regulatory requirements, with regard to forecasted future growth.

To grow our business and to reach out to more customers and cater our services we have expanded our distribution network and opened five new branches in 2017. We will continue to widen our reach through extended branch network by launching five more branches in 2018 at major townships and industrial hubs of the country.

We strongly believe that our most important long-term competitive advantage is our people. Our commitment to attract and retain the most talented people in our industry and beyond is of vital importance to the company and the perennial foundation of our success. I am pleased to report that LankaBangla Finance Limited remains a highly attractive place to work. We work hard to make LankaBangla a place where our people can have long and successful careers. We have a history of investing in our people at every level, in number of training sessions and leadership development programs to our continuous work on talent mobility.

We understand that the success of our company is directly linked to the success of our communities. For us, corporate responsibility is a strategic imperative. We see corporate responsibility as an opportunity to work to advance societal needs. We have continued our support to underprivileged people of the community to ensure their health, shelter and education through LankaBangla Foundation. Through conscience corporate governance and effective business model we have contributed towards a sustainable society.

Taking into account our current capital structure and future business plan, the Board has recommended 7.50% cash dividend and 7.50% stock dividend for the year 2017. We realize that our dividend pay-out ratio is slightly low compared to previous years, but we will reap the benefit of ploughing back more resources in growing the business in the coming days.

ICT division is constantly working towards the development and implementation of new technologies to enable the organization to meet future market demand. The year 2017 was special year for the Company in the arena of technological advancement. Our operational activities were upgraded with integration of advanced IT based solutions namely payment collection through mobile banking, development of automated backup procedure for Mastercard, upgrading virtual environment for enhancing services and completed partial Disaster Recovery Infrastructure.

LankaBangla, through LankaBangla Foundation has extended its support for underprivileged people of the community. In 2017, we have extended support to unprivileged brilliant student to pursue their education, provided financial assistance for education for children of deceased ex-officio of LankaBangla, promoted creativity and cultural development of children through arranging art competition, distributed relief among poor flood victims at Kurigram district, distributed bicycle among female students of Birol Upazila, Dinajpur, organized tree planataion program for protecting environmental and ecological degradation, distributed blankets among the poor people to protect them from cold wave. Also LankaBangla and OCAS jointly distributed relief and arranged medical camp among flood victims of South Sunamganj, Sunamganj.

I take immense pride in informing you that in 2017 LankaBangla Finance Limited received SAFA Best Presented Annual Report 2016, ICAB Best Presented Annual Report Award 2016, ICAB Corporate Governance Award 2016, and ICMAB Best Corporate Award 2016. These awards and recognitions are testament to our continuous effort towards reaching excellence in terms of adoption of best practices and transparency. Our subsidiary company, LankaBangla Securities Limited, has secured 1st position in terms of turnover for 12 consecutive years in Dhaka Stock Exchange and for 13 consecutive years in Chittagong Stock Exchange depicting our consistent strong presence in Bangladesh Capital Market.

We duly acknowledge the contribution of our human resources who have delivered the results by working tirelessly to meet customers' expectations. On behalf of the Board, as well as personally, I would like to thank them all for their dedication and commitment. I 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 cooperation.

I am proud of the progress that we have made during the year 2017 and excited about the opportunity for even more progress in the year ahead. We anticipate new challenges in 2018 from political developments, tightened money supply and regulatory matters. Nevertheless, we firmly believe that the diverse challenge of tomorrow opens up new opportunities for further growth and progress. On behalf of the Board of Directors, I pledge that we will continue to add value for the stakeholders through formulation and execution of prudent business strategies and practices whilst ensuring that we contribute towards the achievement of national priorities.

I would like to thank all our shareholders and customers whose commitment is a sign of appreciation and trust. We will do everything within our capacity to ensure that LankaBangla Finance Limited remains an attractive investment and a reliable and future-oriented company that justifies your trust.

Yours sincerely,



Mohammad A. Moyeen
Chairman

TOTAL ASSETS
increased by
33%

OPERATING REVENUE
increased by
37%

NET PROFIT AFTER TAX
increased by
142%

DIRECTORS' REPORT

Dear Stakeholders,

On behalf of the Board of Directors of LankaBangla Finance Limited, I am very happy to welcome you in 21st Annual General Meeting of the Company.

The Board of Directors of LankaBangla Finance have pleasure in presenting their Annual Report for the year ended 31st December 2017 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 2018.

In the year 2017, LankaBangla Finance recorded remarkable growth on its core business. With a good penetration in loan products, LankaBangla made good profit growth in 2017. We are pleased to report that during the year 2017, LankaBangla Finance Limited earned consolidated after tax net profit of BDT 1,926.29 million, meeting or exceeding all financial and operational objectives.

In each quarter of 2017, 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 have been 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 01 & 10 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:

- Fee 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.

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 2017

4.1 World Economy

The global cyclical upswing that began midway through 2017 continues to gather strength. Only a year and a half ago, the world economy faced stalling growth and financial market turbulence. The picture now is very different. Global growth, which in 2016 was the weakest since the global financial crisis at 3.2 percent, have grown by 3.7 percent in 2017. The growth forecasts for 2018 is 0.2 percentage point stronger compared with the 2017 which is supported by higher investment, trade and industrial production coupled with increasing business and consumer confidence. Financial conditions remain buoyant across the world, and financial markets seem to be expecting little turbulence going forward, even as the Federal Reserve continues its monetary normalization process and the European Central Bank inches up to its own.

These positive developments give good cause for greater confidence, but neither policymakers nor markets should be lulled into complacency. A closer look suggests that the global recovery may not be sustainable—not all countries are participating, inflation often remains below target with weak wage growth, and the medium-term outlook still disappoints in many parts of the world. Global inflation rose in 2017, reflecting the continued cyclical recovery in demand and higher commodity prices. The US consumer price inflation was 2.1% in 2017, up from 1.3% in 2016, and the euro area inflation reached 1.4% in 2017, up from 1.1% in 2016.The recovery is also vulnerable to serious risks. The global unemployment rate has risen modestly from 5.7% to 5.8 % in 2017 representing an increase of 3.4 million in the number of jobless people.

However, advanced-economy growth was 1.8% in 2017. In the United States, manufacturing activity will likely rebound, contributing to a mild pickup in growth. In the Euro Area and Japan, supportive monetary and, to a lesser extent, fiscal policies should help support activity this year.

In emerging and developing economies, growth was 4.2% in 2017 compared to 3.4% in 2016. With the recovery in commodity prices, particularly oil, the divergence in growth outlooks between commodity exporters and importers is set to narrow. In China, growth was 6.5% in 2017. This outlook reflects soft external demand, heightened uncertainty about global trade and slower private investment.

Hence, Global growth is expected to be sustained over the next couple of years—and even accelerate somewhat in emerging market and developing economies (EMDEs) due to a rebound in commodity exporters. Although near-term growth could surprise on the upside, the global outlook is still subject to substantial downside risks, including the possibility of financial stress, increased protectionism, and rising geopolitical tensions. With output gaps closing or closed in many countries, supporting aggregate demand with the use of cyclical policies is becoming less of a priority.

The financial markets have also seen strong growth both in developed and emerging markets. The US equity markets continued their growth momentum, shaking off political uncertainties in the wake of the 2016 Presidential Elections. The new tax reform package passed by the US Congress in 2017 boosted the equity markets due to lowered corporate tax rates and measures which encourage investment.

The tax reform package is expected to boost short term growth, but the increased fiscal deficit resulting from the tax reforms is expected to reduce long-term sustainability of the growth boost. The strong performance of US equity markets has, however, led to historically high valuations for US equities, with the S&P 500 trading at a CAPE ratio of over 30.

Downside risks to global economic recovery also exist to balance out growth momentum. Political uncertainty has increased acutely in the US under the Trump administration. Any potential adoption of trade restrictions or protective tariffs are likely to lead to a widening cycle of more protectionist measures potentially resulting in a trade war with major trade partners in Asia and elsewhere. At the same time, political fallout continues from the conduct of the 2016 Presidential Elections, with the various investigations and inquiries and associated protests likely to pose a threat to stability of the Trump administration. With the US government already having shut down once and major midterm elections scheduled for 2018, the political climate in the US unlikely to stabilize anytime soon. Any major political shock in the US could cause a major correction to the US equity markets, which are trading at historically high valuations, which could in turn precipitate a financial crisis. Aside from the political instability in the US, the ever-continuing geopolitical tensions in the Middle East and Korean Peninsula could pose threats to commodity prices and international trade.

4.2 Regional Economy

After leading global growth for two years, South Asia has fallen to second place, after East Asia and the Pacific. The region's slowdown is due to both temporary shocks and longer-term challenges. Regional economic growth was moderately slow to 6.9% in 2017

from 7.5% in 2016, but growth could rebound to 7.1% in 2018 with the right mix of policies and reforms.

Given its weight in the region, India sets the pace for South Asia. Its Gross Domestic Product (GDP) growth reached 7.0% in 2017, due to surging imports and declining private investment along with the effects from withdrawing large amounts of banknotes and the introduction of the Goods and Services Tax (GST). However, India's growth is expected to rebound to 7.3% in 2018.

In Pakistan, major economic reforms are working in tandem with an improved security situation to push growth to an estimated 5.5% in 2018—the highest rates the country has seen in recent years.

Sri Lanka's economic growth has reached 4.6% in 2017 and is estimated to achieve 5% growth in the years ahead. Public finances and reserves have improved despite a high budget deficit and public debt. Frequent natural disasters continue to weaken economic performance and are likely to increase poverty. Accelerating reforms to promote competitiveness, better governance, and a more balanced budget are critical to ensure sustained growth and development.

In South Asia's smaller economies—Maldives and Afghanistan—modest growth was maintained despite significant challenges. With tourism weak for a third straight year, Maldives is nevertheless forecasted to register growth of 4.1% for 2018. In Afghanistan, agriculture is expected to help spur growth 3% in 2018. This will build on a gradual upward trend in growth over recent years.

4.3 World Commodity Price

Prices of industrial commodities continued to strengthen, while most agricultural prices remained broadly stable in 2017. In the oil market, inventories continue to fall amid strong demand, OPEC production restraint, and stabilizing U.S. shale oil production. Crude oil prices are expected to rise $56/bbl in 2018, a small downward revision from the April 2017 forecast. Metals & rice are expected to surge 22 percent in 2018 due to strong demand and supply constraints. With the exception of iron ore, metals prices are expected to increase moderately in 2018. Agricultural prices are anticipated to gain marginally in 2018. Most food markets are well-supplied and the stocks-to-use ratios of some grains are forecast to reach multi-year highs.

4.4 Bangladesh Economy

The year 2017 saw Bangladesh achieve its highest ever GDP growth in recent years, with revised GDP growth hitting 7.28% as against the target of 7.2%. This was the highest growth achieved in South Asia for 2017, and one of the highest GDP growth rates among major economies in the world. The average GDP growth now stands at 6.26% over the past 10 years, and at 6.6% over the last 5 years, showing an increasing trend in GDP growth. The political situation also remains stable, with the internal security situation greatly improving after the 2016 Dhaka terrorist attack as a result of sustained police operations dismantling terrorist cells throughout the country. The government has set a GDP growth target of 7.40% for the 2018 fiscal year, which is achievable given the stable political climate, investments in power and transport infrastructure and the high private sector credit growth rates. Given current trends, GDP growth is likely to cross 8% in a few years.

Bangladesh Macro Indicators	In Percentage				Rebased			
	FY15	FY16	FY17	FY18F	FY15	FY16	FY17	FY18F
GDP Growth	6.6	7.1	7.28	7.4	100	108	110	112
Headline Inflation (point-to point)	6.3	5.5	5.35	6.0	100	87	85	95
Current Account Balance (% of GDP)	1.5	1.7	-0.6	-1.7	100	113	-40	-113
Private Credit Growth	13.2	16.8	15.7	16.8	100	127	119	127
Interest Rate (Avg. Lending)	11.7	10.4	9.6	xx	100	89	82	xx

4.4.1 Fiscal Management

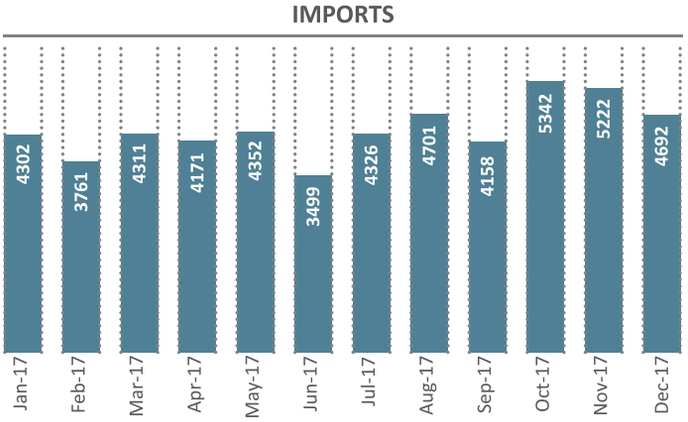
Budget for FY'18 has been marked high ambition with a vision of attaining the middle income goal. The country's biggest ever budget size is BDT 4002.66 billion which is 17.52% higher compared to FY'17's budget. It has revenue target of BDT 2879.91 billion which is 18.66% higher than that of the FY17's budget. Gross Domestic Product (GDP) has been estimated to grow at a rate of 7.4% in FY'18, a slight increase from the previous year's target of 7.2%. Budget deficit is projected to be BDT 1,122.76 billion which is 5% of the GDP. Of this deficit, BDT 603.52 billion will be collected from savings certificates and other non-banking sources and remaining BDT 519.24 billion will be raised from external sources. The new budget also emphasized on power and energy sector, ICT sector, education, and industrialization in the country.

4.4.2 Current Account Balance

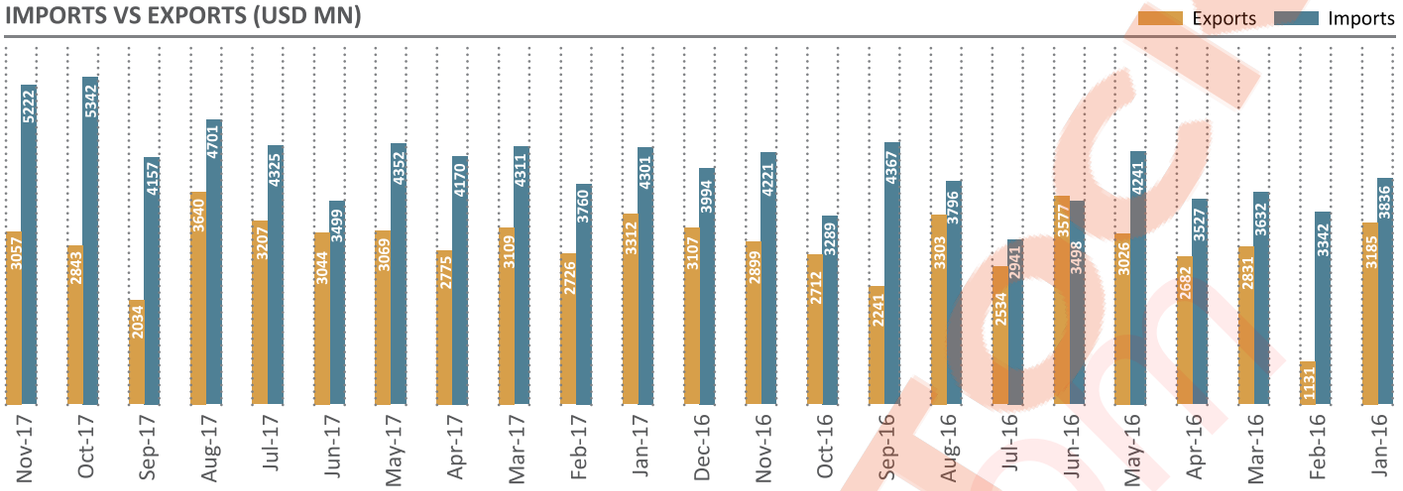
The current account balance went into negative territory in FY17 for the first time in 5 years, dragged down by negative trade balance and decline in remittance inflows. The current account balance continued to deteriorate throughout the first half of FY18, reaching a record deficit of USD -4.4bn in November 2017. The current account deficit is forecast to recover to USD -4.34 in June 2018, on back of stronger export growth and remittances on one hand, and restrained import growth on the other, all riding on the depreciation of the BDT.

4.4.3 Import

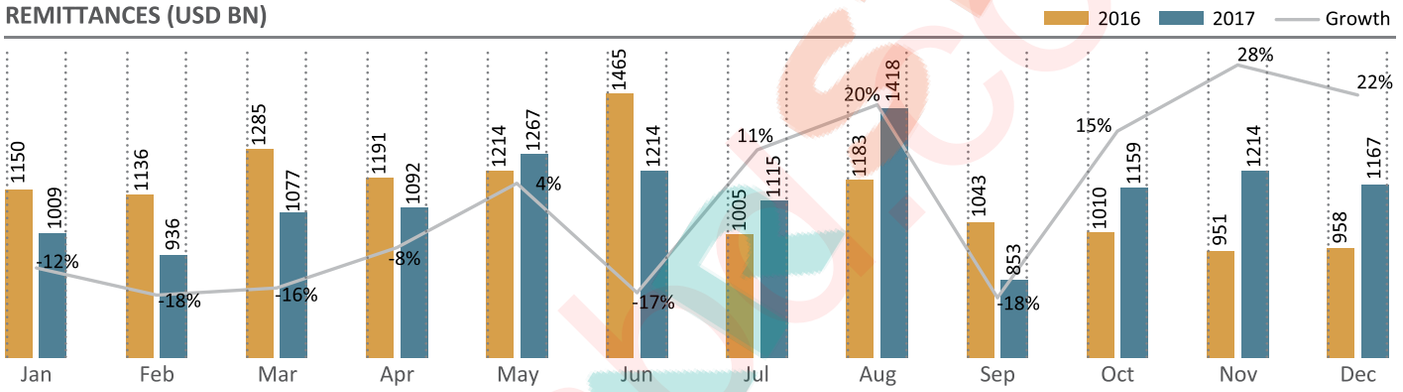
Imports amounted to USD 43.5 billion for FY17, an 8.7% growth over the previous fiscal year. Import of Capital Machinery registered the highest year on year growth, of 37.4%, reflecting the increased investment from both the public and private sectors especially in the power sector. These imports are expected to have a lagged positive effect on export growth as the machineries are brought into production.



IMPORTS VS EXPORTS (USD MN)



REMITTANCES (USD BN)



4.4.4 Remittance Inflow

Remittances declined 14% in FY17, due to a combination of poor economic conditions in the Middle East and usage of informal channels (hundi) by workers to send back remittances due to stringent AML/CFT compliance by financial institutions. New overseas employment, however, has continued to grow, with the 2017 growth standing at 10% over the previous fiscal year. Over 1 million workers went abroad in 2017, the highest level achieved to date. Remittances have started to show signs of reversal, with remittance levels in January 2018 registering a 37% growth year-on-year. The depreciation of the BDT against the USD is likely to lead to an uptick in remittances as workers move towards official channels to send remittances rather than use informal channels.

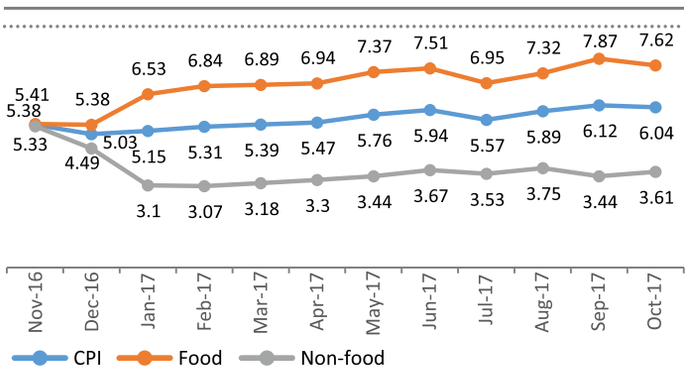
4.4.5 Foreign Exchange Reserve

Foreign exchange reserves reached a new record high of USD 33.5 billion in FY17, buoyed by strong financial account surplus to overcome a growing current account deficit. The foreign exchange reserves are set to decrease in the future as Bangladesh Bank intervenes in the currency exchange market to stem the slide of the BDT. Until the current account deficit stabilizes, the foreign exchange reserves are expected to decrease.

4.4.6 Inflation

Inflation was kept largely under control until the end of 2016, reaching a low of 5.04% in December 2016, before massive floods caused a loss of the import Boro rice crop in the fertile northern regions. This caused food inflation to spike up sharply from the start of 2017, which was countered by the government repealing import duties on rice and undertaking efforts to import rice from abroad. These steps managed to stem the spike in inflation, stabilizing it around the 6% level. Inflation stood at 5.83% in December 2017 on a point-to-point basis. Oil prices have increased in the international market due to strong global economic growth, and this could lead to higher non-food inflation.

INFLATION



However, once subsequent rice crops are harvested, food inflation is expected to come back down. With a contractionary monetary policy statement for the second half of FY18, and resultant cut in the advance to deposit ratio, inflation is likely to be contained below the 6% level.

4.4.7 Money Market

The money market comprising banks and financial institutions demonstrated steadiness in FY17. Overall interest rates received significant fall. Interest rate in call money market rate ranging from 3.68 percent to 3.93 percent during this year. The average volume of money transaction in the call money market decreased to BDT 1152.75 billion in the year 2017 which was 4.67 percent lower than the year 2016. Repo rate and Reverse Repo rate remained unchanged from the year 2016 for achieving broad objective of monetary policy. Whereas Private sector credit growth hit 18.1 percent at the end of December, up from the central bank's target of 16.2 percent for the July-December period. 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 2017 are contained in the Chairman's Message (pages 55 - 56), the Managing Director's Review (pages 128 - 130), and the CFO's Reviews (pages 131 - 139). 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 2017 and further few branches are set to be open in the year 2018. Further an overview of the future development of LBFL and the Group is given in the Chairman's Message (pages 55 - 56), the Managing Director's Review (pages 128 -130), and the CFO's Reviews (pages 131 - 139). 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 2017 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 215 - 362 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 215 - 362 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 98 and forms an integral part of the report of the Board of Directors.

9. Auditors Report

The Auditors of LBFL are M/s. ACNABIN Chartered Accountants carried out the audit on the Financial Statements of LBFL and the Group for the year ended 31st December 2017 and their report on those Financial Statements, as required by the Companies Act 1994 is given on 13 February, 2018.

10. Significant Accounting Policies

Significant Accounting policies adopted in the preparation of the Financial Statements are given on pages from 227 to 243 which comply with provisions of BFRSs and the Companies Act 1994.

11. Financial Review

In line with overall economic growth, LankaBangla also exhibited a substantial progress in many of the business lines during 2017. Total asset of the group grew by 33.41% from BDT 64.04 billion in 2016 to BDT 85.44 billion in 2017. Significant amounts 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 slightly increased in 2017 compared to 2016 due to liquidity crisis in the 2nd half of the year.

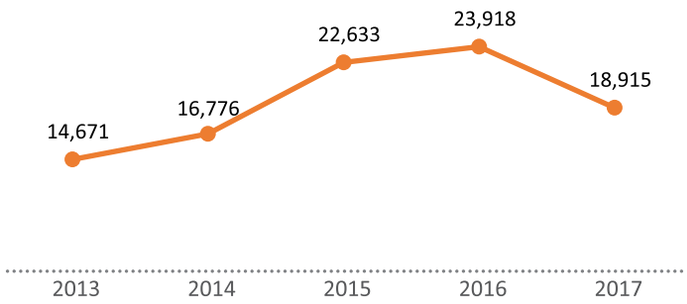
Total Asset disbursement of LankaBangla Finance for the year 2017 grew by 24.57% compared to 2016, largely on the back of stronger performance across all our business divisions and through increased concentration on due diligence in credit approval. Total disbursed amount in 2017 was BDT 56,726 million compared to BDT 45,539 million in 2016. On the deposit side, our term deposits grew by 28.78% from BDT 40,033 million in 2016 to BDT 51,553 million in 2017, largely driven by our strong liability sales team who has provided uncompromised service. The company's investment portfolio reached BDT 74,966 million in 2017 compared to BDT 55,176 million in 2016. NPL showed a positive picture as the percentage of classified loans for the company decreased to 3.07% in 2017 compared to 3.52% in 2016. Groups NPL is well placed at 2.85% at the end of 2017.

12. Core Business Review

12.1 Corporate Financial Services

LankaBangla's focus on extending its Corporate Business portfolio has continued throughout 2017. A total of BDT 26,211 million of corporate lending has been disbursed for the year 2017 compared to BDT 28,544 million of 2016. Of the total, BDT 12,384 million was disbursed as Short Term Loan in 2017. Disbursement in Corporate Business has decreased due to the less emphasis on Corporate Business because of low margin. Disbursement in 2017 was driven mostly by Factoring and Short Term Loan.

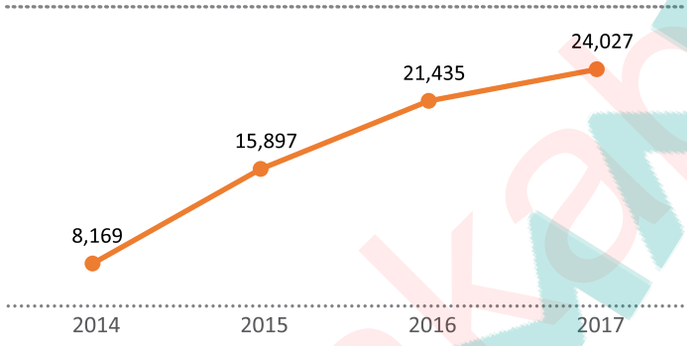
CORPORATE FINANCIAL SERVICES



12.1.1 Corporate Liability Management

Corporate Liability portfolio consists of a diverse deposit portfolio of corporate clients. The value of the portfolio stands at BDT 24,027 million at the end of 2017 achieving a growth of 12.09% from 2016 portfolio and having a budget achievement of 89.14%. Corporate liability mobilization for the year was BDT 14,782 million compared to BDT 14,211 million in 2016. Contribution to such achievement is made possible with the team of qualified relationship officers within the Corporate Liability team.

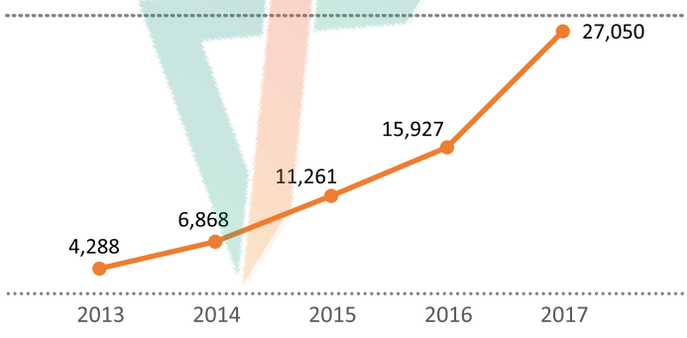
CORPORATE LIABILITY



12.2 Personal Financial Services

During the year 2017, the Company has continued to concentrate more on this segment by expanding several branches and increasing manpower in retail financial activities. Total BDT 23,442 million was disbursed during 2017 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 78.54% growth in this segment and exceeded the budgeted disbursement by 37.66%.

PERSONAL FINANCIAL SERVICES



12.2.1 Home Loan

Total Home Loan disbursement in 2017 was BDT 7,564 million comprising of Mortgage Loan of 7,542 million and Staff Home Loan of BDT 22 million. Home Loan portfolio grew by 92% in 2017, greater than the growth that was achieved in 2016. At the end of 2017, Home Loan portfolio stood at BDT 12,250 million which was BDT 6,393 million in 2016.

12.2.2 Auto Loan

In 2017, BDT 5,269 million has been disbursed as auto loan compared to 3,090 million in 2016 resulting an 70.55% growth in disbursement. Also the auto loan portfolio grew by 50% in 2017 from BDT 4,080 million in 2016 to BDT 6,128 million at the end of 2017.

12.2.3 Personal Loan

Disbursement of Personal Loan has been strong in 2017 with a total figure of BDT 4,439 million. The Personal Loan portfolio is comprised of Loan against Deposit, Term Loan and Staff Loan. Portfolio for the Personal Loan in 2017 was BDT 5,794 million, which grew by 70% from BDT 3,403 million in 2016.

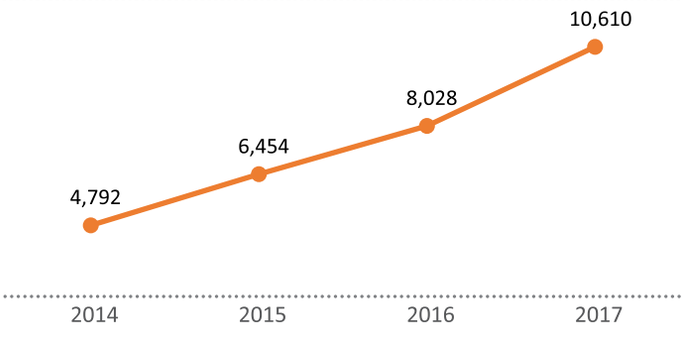
12.2.4 Credit Card

During 2017, a total of 36,788 new credit cards were issued by LankaBangla. The card portfolio grew by 40% in 2017 to BDT 2,878 million from BDT 2,050 million in 2016. Number of active credit card users has increased from 54,988 in 2016 to 79,272 in 2017 resulting in a growth of 44.16%. This was the highest number of active card users in the industry. Monthly average spending by all credit card users has significantly increased in 2017 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 2017 has increased to BDT 514 million from BDT 344 million in 2016 resulting in a growth of 49.27%.

12.2.5 Retail Liability Management

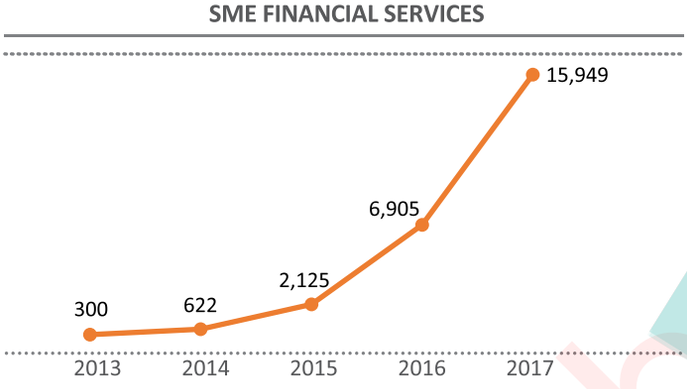
Retail Liability's core focus on retail deposits has resulted in a portfolio of BDT 10,610 million at the end of 2017 which shows a growth of 32.17% from 2016 portfolio and having a budget achievement of 103.24%. Retail liability mobilization for the year was BDT 5,947 million compared to 2016 figure of BDT 4,184 million. This is made possible due to strong personnel of product marketing officers.

RETAIL LIABILITY



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 2017, SME loan disbursement of BDT 7,074 million has been made compared to BDT 3,865 million in 2016, thereby resulting in an 83.01% growth. At the end of 2017, SME portfolio stood at BDT 15,949 million compared to BDT 6,905 million in 2016 resulting in 131% 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.



12.3.1 SME Liability Management

SME Liability Division started its operation in December 2017 and has achieved the portfolio of BDT 75 million at the end of the year. With plenty of expertise on hand, It is expected that the portfolio of SME Liability would increase tenfold within the next year.

12.4 Treasury Operations

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.

Treasury Department of LankaBangla Finance 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 2017, and thereby ensuring strong dominance in the market. Treasury investment portfolio at the end of 2017 was BDT 8,433 million which grew by 95% during the period.

Treasury relentlessly catered to the demands of business despite high volatility in deposit mobilization. Cash management has played a very pivotal role in channelling 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 2017, 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 2017.

There was a strategic shift in borrowing mix during 2017 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 2017, public deposit contributed to 52.11%, followed by money market exposure of 25.28%, while bank borrowing, zero-coupon bond, and commercial paper made up for the remainder of the funding mix.

13. Credit Rating

Credit Rating Agency of Bangladesh Ltd. (CRAB) has rated the Company on 13 July 2017 with "AA3" (Pronounced as AA Three) in the long term and ST-2 for the Short Term based on audited financial of FY2016 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 2017 was BDT 9,981 million registering a 36.62% growth over 7,306 million of 2016. Total revenue of LBFL for the year 2017 was BDT 7,819 million which was 30.39% higher than the previous year's BDT 5,997 million. An analysis of the revenue is given in pages from 134 to 137 of the annual report.

14.2 Profitability

The Group has recorded a growth in operating profit and profit after tax of 84.07% and 142.10% respectively in 2017. LBFL's operating profit and profit after tax grew by 38.88% and 26.19% respectively in 2017. Consolidated net profit after tax for the year 2017 was BDT 1,926.29 million which was BDT 795.64 million in previous year. LBFL's net profit after tax for the year 2017 was BDT 1,352.79 compared to BDT 1,072.05 million in 2016.

Particulars	Consolidated		LBFL	
	2017	2016	2017	2016
Total Revenue	9,980.78	7,310.93	7,818.98	5,996.60
Total Expenses	7,510.02	5,968.62	6,176.06	4,813.60
Operating Profit	2,470.76	1,342.31	1,642.92	1,183.00
Provisions	206.95	395.65	245.53	75.66
Profit before Tax	2,263.81	948.66	1,397.39	1,107.34
Tax	337.52	151.02	44.60	35.28
Profit after Tax	1,926.29	795.64	1,352.79	1,072.05

14.3 Appropriation

Particulars	BDT
Net Profit After Tax for the year 2017	1,352.79
Retained Earnings brought forward	1,370.15
Profit available for appropriation	2,722.95
Less: Statutory Reserve	270.56
Amount available for declaration of dividend	2,452.39
Less: Dividend(Proposed 7.5% Stock & 7.5% Cash)	716.06
Retained Earnings carried forward	1,736.32

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 1.50 per share in comparison to BDT 3.00 per share of the year 2016 is to be paid for the year ended 31 December 2017. This will be paid by BDT 0.75 per share as stock dividend and remaining 0.75 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 2016.

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 225 of this report.

15. Reserves

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

Particulars	Consolidated		LBFL	
	2017	2016	2017	2016
Share premium	1,090.9	1,090.9	-	-
Share money deposit	160.3	-	160.3	-
Statutory reserve	1,472.6	1,202.0	1,472.6	1,202.0
General reserve	50.9	46.8	-	
Retained earnings	2,369.8	1,579.5	2,452.4	2,200.4
Total reserves	**5,144.5**	**3,919.2**	**4,085.3**	**3,402.4**

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 140 to 145.

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 for the year ended 31 December 2017 amounted to BDT 495.74 million and BDT 190.67 million respectively which were BDT 186.41 million and BDT 244.12 million respectively for the year 2016. 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 2017 amounted to BDT 3,182.51 million consisting of 318,250,941 ordinary shares as against BDT 2,767.40 million consisting of 276,739,949 Ordinary shares as at 31 December 2016.

The increase in number of share is the result of payment of stock dividend at a rate of 15% for 2016. Details about share in issue are given in note number 13 of the financial statements.

21.2 Debt Capital

On 15 December 2014, the Company issued Zero Coupon Bond with face value of BDT 3,000 million. After discounting the Bond at 11.5%, the Company received BDT 2,478,093,342. The mode of payment of the Bond was 6 equal instalments (2 instalments in a year, BDT 500 million each instalment). Total transaction costs incurred for issuance of the Bond was BDT 39,031,137. Subsequently, the Zero Coupon Bond was 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 was measured at fair value (BDT 2,478,093,342) less transaction costs (BDT 39,031,137),

i.e., as per para 43 of BAS 39. The Zero Coupon Bond, on arriving maturity on 15 December 2017, was completely amortized and repaid in full.

On 26 December 2017, the Company issued the first tranche of the second Zero Coupon Bond with face value of BDT 742,998,000 (with approved face value of BDT 3,000 million). The Company received BDT 654,466,856 after discounting the Bond at 7.5%. The bond will be repaid in 6 equal instalments (semi-annually). Total transaction costs incurred for issuance of the Bond was BDT 12,195,023. Subsequently, the Zero Coupon Bond was measured at amortized cost using the effective interest method. The effective interest rate for this bond stands at 8.66% as per Para 9 of BAS 39. Initially the Zero Coupon Bond was measured at fair value (BDT 654,464,856) less transaction costs (BDT 12,195,023).

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 140 to 145. Information on trading of the shares and movement in the number of shares of LankaBangla is given in the Investor Information section on page 265.

23. Shareholding

There were 15,325 nos. of registered ordinary shareholders as at 31st December 2017 (2016: 12,314). Information on distribution of shareholding and the respective percentages are given on page 39 of the Annual Report.

Details of shareholder's composition and percentage holding of the public are given in the Investor Information section on page 265.

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 94.

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 nine Directors with wide commercial knowledge and experience. The names of the Directors of LankaBangla during the period 1st January 2017 to 31st December 2017 are mentioned in Report on Corporate Governance (page 93) and their brief profiles are given on pages 40 to 44 of the Annual Report.

26. Changes in the Board

Mr. Mirza Ejaz Ahmed has resigned from the Board of LankaBangla Finance Limited w.e.f. August 5, 2017.

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. Khandoker Saffat Reza (Nominated by LankaBangla Finance 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 2017 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 was re-constituted in 107th Board of Director's meeting held on October 23, 2017.

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 93 to 94 of the Annual Integrated Report.

30. Related Party Transactions

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. No.	Name of Director	Number of shares as on 31 December 2017	Number of shares as at 31 December 2016
1	Mr. Mohammad A. Moyeen	13,491,355	11,731,614
2	Mr. I.W. Senanayake (Representing Sampath Bank PLC)	30,143,437	26,211,685
3	Mr. Nanda Fernando (Representing Sampath Bank PLC)		
4	Mr. M. Fakhrul Alam (Representing ONE Bank Limited)	12,026,719	10,458,017
5	Mrs. Aneesha Mahial Kundanmal (Mr. B. W. Kundanmal- Alternate Director)	24,513,161	21,315,793
6	Mr. Mahbubul Anam	14,174,230	12,325,418
7	Mr. Tahsinul Huque (Dr. M. Mahbubul Huque- Alternate Director)	12,399,383	10,782,073
8	Mr. Al Mamoon Md. Sanaul Huq	Nil	Nil
9	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, 2017 is given in page 94 of this report.

33. Directors' Interest in Ordinary Shares of Subsidiaries as on December 31, 2017

LankaBangla Securities Limited				
Sl. No.	**Name of Director**	**Position**	**Shares held on 31-Dec.-2017**	**Shares held on 31-Dec.-2016**
1	Mr. Mohammad A. Moyeen (Representing LankaBangla Finance Limited)	Chairman	122,290	111,173
2	Mr. I.W. Senanayake (Representing LankaBangla Finance Limited)	Director	Nil	Nil
3	Mr. Mahbubul Anam	Director	119,841	108,947
4	Mr. Al-Mamoon Md. Sanaul Huq (Representing LankaBangla Finance Limited)	Director	Nil	Nil

LankaBangla Information System Limited				
Sl. No.	**Name of Director**	**Position**	**Shares held on 31-Dec.-2017**	**Shares held on 31-Dec.-2016**
1	Mr. Mohammad A. Moyeen	Chairman	100	100
2	Mr. Mahbubul Anam	Director	100	100

BizBangla Media Limited				
Sl. No.	**Name of Director**	**Position**	**Shares held on 31-Dec.-2017**	**Shares held on 31-Dec.-2016**
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 2017, the number of employees on the payroll of LankaBangla was 832 which was 672 in previous year. Details discloser related to human resource are given pages 186 to 192 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 confirm 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 211 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 concern assessment of LankaBangla is presented in Statement of Going Concern in page no. 126 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 110 to 117. 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 managing 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 analyse 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
- Operational Risk

The Company has provided in a separate note to the financial statements regarding 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 110 to 117 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 70 to 83.

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 85 - 89.

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 Directors 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 109th meeting held on February 13, 2018 recommended the shareholders to appoint M/s. S. F. Ahmed & Co. 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. S. F. Ahmed & Co., Chartered Accountants, until conclusion of 22nd AGM.

Based on the declaration provided by M/s. S. F. Ahmed & Co. 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.

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 is being recognized by South Asian Federation of Accountants (SAFA), Institute of Chartered Accountants of Bangladesh (ICAB) and Institute of Cost and Management Accountant of Bangladesh (ICMAB) on a continuous basis. Some of the awards we achieved are:

- SAFA Best Presented Annual Report 2014
- SAFA Best Presented Annual Report 2015
- SAFA Best Presented Annual Report 2016
- ICAB Best Presented Annual Report 2016
- ICAB Best Presented Annual Report 2015
- ICAB Best Presented Annual Report 2014
- ICAB Corporate Governance Award 2016
- ICMAB Best Corporate Award 2016

LankaBangla Securities has achieved certificate for outstanding performance for being ranked 1st in terms of turnover for consecutive twelve years from 2006 to 2017 by Dhaka Stock Exchange (DSE) & for consecutive thirteen years from 2005 to 2017 by the Chittagong Stock Exchange (CSE).

48. Notice of Meeting

The 21st Annual General Meeting of LankaBangla Finance will be held at 10:00 am on 29th March 2018. 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 (BSEC), 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 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 2017 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 spirit 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 ON 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 (BSEC), Bangladesh and the Bangladesh Bank on Corporate Governance for Financial Institutions in Bangladesh.

The following Acts, Regulations and Circulars have been used:

Sl. No.	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 and Chittagong Stock Exchange

The following internal principles and guidelines have been followed;

Sl. No.	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 2017

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.

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 judgement on

issues of conformance and performance.

6.4 Role and Responsibilities of the Board

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

Statement on Directors' responsibilities is presented on page no. 98 of this Report.

6.5 Chairman of the Board of Directors

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

6.6 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.

6.7 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.

6.7.1 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.

6.7.2 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.

6.8 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:



6.9 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 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.

6.11 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.

6.12 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.

6.13 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 each Director of LankaBangla Finance Limited is entitled to receive BDT 8,000 for attending each meeting 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.

6.14 Directors' Report on Preparation and Presentation of Financial Statements and Corporate Governance

The Companies Act, 1994, requires the Directors to prepare financial statements for each accounting year. The Board of Directors accepts the responsibility for the preparation of the financial statements, maintaining adequate records for safeguarding the assets of the Company, preventing and detecting fraud and/ or other irregularities, selecting suitable accounting policies and applying those policies consistently and making reasonable and prudent judgments and estimates where necessary.

The Board of Directors are also responsible for the implementation of the best and the most suitable corporate governance practices. A separate statement of the Directors' responsibility for financial reporting and corporate governance is given on page no. 98 of this Annual Report.

6.15 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.

6.16 Ethics and Compliance

LankaBangla has adopted more stringent policies than the prescribed guidelines issued by BSEC 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. The Board is committed to ensure highest level of Ethics and Compliance by itself and by the employees of LankaBangla. Statement on Ethics and Compliance is provided on page no. 104 of this Annual Integrated Report.

6.17 Human Capital

LankaBangla has always been very passionate about human capital management. Description about Human Resource plolicies and procedures are provided as Human Resource and Remuneration Committee Report from page no. 101 to 102. Quantifiable information about Human resource and Human Capital is portrayed in details on page 186 to 191 *Human Resource Accounting* and page 192 *Human Capital*.

Organizational Chart is given on page no. 54.

6.18 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.

6.19 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 imely disclosure policy and practices. All price-sensitive information or data are publicly released, prior to individual sessions held with investors or analysts.

6.19.1 Communication through Quarterly Reports

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

6.19.2 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.

6.19.3 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.

6.20 Environment and Social Obligation

At LankaBangla, we believe in concept of sustainable business, one that integrates good governance, environmental issues and social awareness with our business strategies to maximize value for stakeholders.

Accordingly, we has aligned our CSR initiatives to deliver on this

commitment and aid community empowerment and sustainable environment management is a suitable manner.

Details about Environmental and Social Obligation and Performance in portrayed on Sustainability Report (Page 194 -199) Green Banking (Page 200 - 202) and statement on Corporate Social Responsibility (Page 203 - 206)

7. LBFL's Vision, Mission and Strategies

7.1 Board approved Vision and Mission statements of the Company

The Board of Directors clearly set the Vision, Mission and the Core Values of the Company, which is periodically reviewed by the Board.

LBFL's vision, mission and Core values are portrayed on page 01 of this Annual Integrated report

7.2 Strategies to achieve Company's Business Objectives

Aligned with our vision of maximising stakeholders' value and thus Growing Together our Strategic Focus areas are described on Page 183 to 185 of this Report.

8. Board and Board Committees

8.1 Board

8.1.1 Members and 2017 Meeting Attendances

8.1.2 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.

Members and 2017 Meeting Attendances

Sl. No.	Name	Position	Appointment Date	Attendance
1	Mr. Mohammad A. Moyeen	Chairman	Since November 5, 1996	5/6
2	Mr. I. W. Senanayake (Representing Sampath Bank PLC)	Director	Since November 27, 2008	5/6
3	Mr. M. Y. Aravinda Perera (Representing Sampath Bank PLC)	Director	Since March 28, 2012	3/6
4	Mr. M. Fakhrul Alam (Representing ONE Bank Limited)	Director	Since July 30, 2013	4/6
5	Mr. Mirza Ejaz Ahmed (Representing SSC Holdings Limited)	Director	Since March 8, 2005	3/6
6	Mrs. Aneesha Mahial Kundanmal (Alternate Director - Mr. B. W. Kundanmal)	Director	Since November 5, 1996	3/6
7	Mr. Tahsinul Huque (Alternate Director - Dr. M. Mahbubul Huque)	Director	Since November 5, 1996	6/6
8	Mr. Mahbubul Anam	Director	Since November 5, 1996	3/6
9	Mr. Al Mamoon Md. Sanaul Huq	Independent Director	Since March 28, 2012	6/6
10	Mrs. Zaitun Sayef	Independent Director	Since July 31, 2016	6/6

- Director who could not attend meetings were granted leave of absence by the Board.
- Mr. Mirza Ejaz Ahmed has resigned from the Board of LankaBangla Finance Limited w. e. f. August 5, 2017.

8.2 Audit Committee

8.2.1 Appointment of members and composition of the Audit Committee

LBFL's Audit Committee is a sub-committee of the Board formed in compliance with the requirements of DFIM Circular No. 13, dated 26 October 2011 of the Bangladesh Bank and relevant BSEC notification(s) and international best practices on corporate governance.

Composition of the Audit Committee consisting of an Independent Director and Non-Executive Directors

In compliance with the DFIM Circular No. 13, dated 26 October 2011 of the Bangladesh Bank and Corporate Governance guidelines of BSEC, the Committee consists of five (5) non-executive members of the Board including an Independent Director who is the Chairman of the Committee. The quorum of the meeting shall not be filled until and unless the Independent Director attends the meeting. The Company Secretary acts as the secretary of the Audit Committee.

Head of Internal Audit has direct access to the Audit Committee which can be ensured by our Corporate Organogram portrayed on page 54 Of this Report.

8.2.2 Members and 2017 Meeting Attendances

Sl. No.	Name	Status	Position	Attendance
1	Mr. Al Mamoon Md. Sanaul Huq	Independent Director	Chairman	4/4
2	Mr. Mohammad A. Moyeen	Director	Member	3/4
3	Mr. M. Fakhrul Alam	Director	Member	1/4
4	Mr. Mirza Ejaz Ahmed	Director	Member	4/4
5	Mr. Mahbubul Anam	Director	Member	1/4
6	Mrs. Zaitun Sayef	Independent Director	Member	-

- Mr. Mirza Ejaz Ahmed has resigned from the Board of LankaBangla Finance Limited w. e. f. August 5, 2017.
- Mrs. Zaitun Sayef has been appointed as a member in the Board of Audit Committee of LankaBangla Finance Limited w.e.f. October 23, 2017.

8.2.3 Qualification of the members including the Chairman:

All the members of the Audit Committee including the Chairman vastly experienced with strong professional background. Details profile of Audit Committee members are provided on note 38 of the financial statements on page 284.

8.2.4 Summary of key terms of reference:

8.2.4.1 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.

8.2.4.2 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.

8.2.4.3 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.

8.2.4.4 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

8.2.4.5 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.

8.2.4.6 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.

8.2.5 Summary of Key Focus Areas in 2017

- 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

8.2.6 Board Audit Committee Report

Board Audit Committee Report is given in page no. 95 to 97

8.3 Executive Committee

8.3.1 Members and 2017 Meeting Attendances

Sl. No.	Name	Status	Position	Attendance
1	Mr. Mohammad A. Moyeen	Chairman	Chairman	11/11
2	Mr. Al Mamoon Md. Sanaul Huq	Independent Director	Member	11/11
3	Mr. M. Fakhrul Alam (Representing ONE Bank Limited)	Director	Member	9/11
4	Mr. Mahbubul Anam	Director	Member	6/11

8.3.2 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.

8.3.3 Summary of Key Focus Areas in 2017

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

9. Management Committees

9.1 Management Committee (MANCOM)

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Quamrul Islam	Head of Treasury & FIs	Member
5	Mohammed Kamrul Hasan	Chief Risk Officer	Member
6.	Mostafa Kamal	Group Company Secretary	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	Sheik Mohammad Fuad	Head of ICT	Member
11	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
12	Md. Kamruzzaman Khan	Head of SME Financial Services	Member
13	Md. Shariful Islam Mridha	Head of Human Resources	Member
14	Ummay Habiba Sharmin	Head of Legal	Member
15	Muhammad Habib Haider	Head of GIS	Member

9.2 Risk Management Committee

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Quamrul Islam	Head of Treasury & FIs	Member
5	Mohammed Kamrul Hasan	Chief Risk Officer	Member Secretary
6	Kazi Masum Rashed	Chief Credit Officer	Member
7	Mohammad Shoaib	Head of Corporate Financial Services	Member
8	Shamim Al Mamun	Chief Financial Officer	Member
9	Sheik Mohammad Fuad	Head of ICT	Member
10	Md. Kamruzzaman Khan	Head of SME Financial Services	Member
11	Muhammad Habib Haider	Head of GIS	Member

9.3 Management Credit Committee

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Kazi Masum Rashed	Chief Credit Officer	Member Secretary
5	Mohammad Shoaib	Head of Corporate Financial Services	Member
6	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
7	Md. Kamruzzaman Khan	Head of SME Financial Services	Member

9.4 Asset Liability Committee (ALCO)

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Quamrul Islam	Head of Treasury & FIs	Member Secretary
5	Mohammed Kamrul Hasan	Chief Risk Officer	Member
6	Kazi Masum Rashed	Chief Credit Officer	Member
7	Mohammad Shoaib	Head of Corporate Financial Services	Member
8	Shamim Al Mamun	Chief Financial Officer	Member
9	Md. Kamruzzaman Khan	Head of SME Financial Services	Member
10	S.M. Abu Washib	Head of Corporate Liability	Member
11	Nazimuddin Ahmed	SAVP- Treasury, FI & Central Bank dealing	Member
12	Syed Mohammed Shamsul Arifeen	Manager -Asset Liability Management	Member

9.5 Central Compliance Unit (Anti Money Laundering Committee)

Sl. No.	Name	Designation	Status in the Committee
1	Mohammed Kamrul Hasan	Chief Risk Officer & CAMLCO	Chairman
2	A.K.M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Retail Finance	Member
4	Quamrul Islam	Head of Treasury	Member
5	Kazi Masum Rashed	Chief Credit Officer	Member
6	Shamim Al Mamun	Chief Financial Officer	Member
7	Rajib Roy	Deputy CAMLCO	Member Secretary

9.6 IT Development Committee

ICT Steering Committee

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Quamrul Islam	Head of Treasury & FIs	Member
5	Mohammed Kamrul Hasan	Chief Risk Officer	Member
6	Kazi Masum Rashed	Chief Credit Officer	Member
7	Shamim Al Mamun	Chief Financial Officer	Member
8	Sheikh Mohammad Fuad	Head of ICT	Member Secretary
9	Md. Shariful Islam Mridha	Head of Human Resources	Member
10	Ummay Habiba Sharmin	Head of Legal	Member

ICT Security Committee

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	Khurshed Alam	Head of Personal Financial Services	Member
3	Mohammed Kamrul Hasan	Chief Risk Officer	Member
4	Sheik Mohammad Fuad	Head of ICT	Member Secretary
5	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
6	A.B.M. Ahasan Ullah	Head of ICT Security & Risk	Member

9.7 Human Resource Committee

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	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	Md. Shariful Islam Mridha	Head of Human Resources	Member Secretary

9.8 Purchase Committee

Sl. No.	Name	Designation	Status in the Committee
1	A.K.M. Kamruzzaman	Head of Operations	Chairman
2	Khurshed Alam	Head of Personal Financial Services	Member
3	Shamim Al Mamun	Chief Financial Officer	Member
4	Sheik Mohammad Fuad	Head of ICT	Member
5	Muhammad Habib Haider	Head of GIS	Member Secretary

9.9 Internal Control and Compliance Committee

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Quamrul Islam	Head of Treasury & FIs	Member
5	Mohammed Kamrul Hasan	Chief Risk Officer	Member Secretary
6	Kazi Masum Rashed	Chief Credit Officer	Member
7	Shamim Al Mamun	Chief Financial Officer	Member
8	Sheik Mohammad Fuad	Head of ICT	Member

9.10 Capital Market Operations Committee

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	Quamrul Islam	Head of Treasury & FIs	Member
3	Shamim Al Mamun	Chief Financial Officer	Member
4	Mohammad Nazmul Hasan Tipu	Unit Head Corporate Credit	Member
5	A M Margub Ahmed	Manager-Capital Markets	Member Secretary

9.11 Sustainable Finance Committee

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	Khurshed Alam	Head of Retail Financial Services	Member
3	Mohammed Kamrul Hasan	Chief Risk Officer	Member
4	Kazi Masum Rashed	Chief Credit Officer	Member
5	Mohammad Shoaib	Head of Corporate Financial Services	Member
6	Shamim Al Mamun	Chief Financial Officer	Member
7	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
8	Md. Kamruzzaman Khan	Head of Personal Financial Services	Member
9	Ujjal Kumar	Manager-Risk Management	Member Secretary

9.12 Integrity Committee

Sl. No.	Name	Designation	Status in the Committee
1	A. K. M. Kamruzzaman	Head of Operations	Chairman
2	Mohammed Shoaib	Head of Corporate Financial Services	Member
3	S.M. Abu Washib	Head of Corporate Liability	Member
4	Md. Moniruzzaman	Head of Emerging & Commercial Business Unit	Member
5	Md. Minhaz Uddin	Head of Personal Loan	Member
6	Md. Shariful Islam Mridha	Head of Human Resources	Member
7	Mohd. Shafiqul Islam	Audit & Inspection	Member
8	Arif Hasan	Head of Retail Credit	Member
9	Muhammad Azharul Islam	Head of Retail Liability	Member
10	Md. Nurul Islam	Head of Small Business	Member
11	Md. Moshiur Rahman	Unit Head–Admin and Logistics	Member
12	Abdullah Al Rajib	Unit Head-Contact Center	Member
13	Syed Mohammed Shamsul Arifeen	Manager-Asset Liability Management	Member
14	Md. Farhad Ul Alam	Manager-Human Resources Divisioin	Member Secretary

9.13 Innovation Committee

Sl. No.	Name	Designation	Status in the Committee
1	Mohammad Nazmul Hasan Tipu	Unit Head Corporate Credit	Chairman
2	Mohammad Hasan Hafizur Rahman	Head of Gulshan Branch	Member Secretary
3	Afzal Ahmed	Head of Accounts	Member
4	Md. Shahinur Rahman	Head of Project & Structured Finance	Member
5	Kazi Mohtasim Bellah Alom	Head of Application & Database Services	Member
6	Khandakar Zakaria	Head of Auto Loan	Member
7	Md. Nurul Islam	Head of Small Business	Member
8	Muhammad Habibur Rahman	Head of Retail Asset Operations	Member
9	Sharmin Sultana	Senior Manager -Liability Operations	Member
10	Reazul Haque	FAVP-Human Resources Division	Member
11	Md. Raziuddin	Head of Brand Marketing & Communications	Member
12	Tahmina Tawhid	Senior Manager -Corporate Liability	Member
13	Syed Mohammed Shamsul Arifeen	Manager -Asset Liability Management	Member
14	Md. Rubel Ahmed	CSM-Banani Branch	Member
15	Md. Jahangir Hossain	Manager-ADC	Member

9.14 Business Review Management Committee (BRM)

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Quamrul Islam	Head of Treasury & FIs	Member
5	Kazi Masum Rashed	Chief Credit Officer	Member
6	Mohammad Shoaib	Head of Corporate Financial Services	Member
7	Shamim Al Mamun	Chief Financial Officer	Member Secretary
8	Md. Kamruzzaman Khan	Head of SME Financial Services	Member

9.15 Loan Monitoring & Recovery Committee

Sl. No.	Name	Designation	Status in the Committee
1	A. K. M. Kamruzzaman	Head of Operations	Chairman
2	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member Secretary
3	Khurshed Alam	Head of Personal Financial Services	Member
4	Kazi Masum Rashed	Chief Credit Officer	Member
5	Mohammad Shoaib	Head of Corporate Financial Services	Member
6	A. K. M. Rezaul Karim	Head of Special Asset Management	Member
7	Md. Kamruzzaman Khan	Head of SME Financial Services	Member
8	Abu Md. Hasan Masud	Head of Monitoring & Collections	Member
9	Ummay Habiba Sharmin	Head of Legal	Member

Howlader Maria & Co.
Chartered Accountants

Certificate on Compliance of Conditions of Corporate Governance Guidelines to the Shareholders of LankaBangla Finance Limited

We have examined the compliance of conditions of corporate governance guidelines of the Bangladesh Securities and Exchange Commission ("BSEC") by LankaBangla Finance Limited (the "Non-Banking Financial Institution") as stipulated in the BSEC notification no SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 and subsequent modification SEC/CMRRCD/2006158/147/Admin/48 dated 21 July as 2013 as at 31st December 2017.

Management's Responsibilities

Those charged with governance and management of LankaBangla Finance Limited are responsible for complying with the conditions of corporate governance guidelines as stated in the aforesaid notification and reporting of the status of compliance in the annual report.

Our Responsibilities

Our examination for the purpose of issuing this certification was limited to the checking of procedures and implementations thereof, adopted by LankaBangla Finance Limited for ensuring the compliance of conditions of corporate governance and correct reporting of compliance status on the attached statement on the basis of evidence gathered and representation received.

Conclusion

To the best of our information and according to the explanations given to us, we certify that LankaBangla Finance Limited has complied with the conditions of corporate governance stipulated in the above mentioned BSEC notification and reported thereon.

Howlader Maria & Co.,
Chartered Accountants

Dhaka, 28 February 2018

BSEC guidelines for Corporate Governance: Compliance Status

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Annexure-i

Status of Compliance with the conditions imposed by Bangladesh Securities and Exchange Commission (BSEC)'s notification No. SEC/CMRRCD/2006-158/134/Admin/44, dated August 07, 2012 and subsequent modification SEC/CMRRCD/2006158/147/Admin/48 dated 21 July as 2013 issued under section 2CC of the Securities and Exchange Ordinance, 1969, is presented below:

(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**			

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	✓		
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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Chartered Accountants

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	✓		

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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Chartered Accountants

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	✓		

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

Howlader Maria & Co.
Chartered Accountants

Annexure -III

Compliance Report on BSEC's Notification

Compliance of Section 1.5(xx)

Board of Directors meeting held during the year 2017 and attendance by each Director:

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

Notes:

- Director who could not attend meetings were granted leave of absence by the Board.
- Mr. Mirza Ejaz Ahmed has resigned from the Board of LankaBangla Finance Limited w. e. f. August 5, 2017.

Board of Executive Committee meeting held during the year 2017 and attendance by each Director:

Sl. No.	Composition of the Committee	Meeting held	Attended
1	Mr. Mohammad A. Moyeen	11	11
2	Mr. Mahbubul Anam	11	6
3	Mr. M. Fakhrul Alam (Representing ONE Bank Limited)	11	9
4	Mr. Al Mamoon Md. Sanaul Huq - Independent Director	11	11

Notes:

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

Board of Audit Committee meeting held during the year 2017 and attendance by each Director:

Sl. No.	Composition of the Committee	Meeting held	Attended
1	Mr. Al Mamoon Md. Sanaul Huq	4	4
2	Mr. Mohammad A. Moyeen	4	3
3	Mr. M. Fakhrul Alam (Representing ONE Bank Limited)	4	2
4	Mr. Mirza Ejaz Ahmed (Representing SSC Holdings Limited)	4	1
5	Mr. Mahbubul Anam	4	1

Notes:

- Directors who could not attend meetings were granted leave of absence by the Board.
- Mr. Mirza Ejaz Ahmed has resigned from the Board of LankaBangla Finance Limited w. e. f. August 5, 2017

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, Sri Lanka	Related Party	30,143,437

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. Mohammad A. Moyeen	Chairman	13,491,355
Mr. I.W. Senanayake	Representative of Sampath Bank PLC	30,143,437
Mr. M.Y. Aravinda Perera		
Mr. M. Fakhrul Alam	Representative of ONE Bank Limited	12,026,719
Mrs. Aneesha Mahial Kundanmal	Director	24,513,161
Mr. Tahsinul Huque	Director	12,399,383
Mr. Mahbubul Anam	Director	14,174,230
Mr. Al Mamoon Md. Sanaul Huq	Independent Director	Nil
Mrs. Zaitun Sayef	Independent Director	Nil
Mr. Khwaja Shahriar	Managing Director	Nil
Mr. Mostafa Kamal FCA	Company Secretary	Nil
Mr. Mohammed Kamrul Hasan FCA	Head of Internal Audit	Nil
Mr. Shamim Al Mamun FCA	Chief Financial Officer	Nil

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

Name	Designation	Shares Held
Mr. A K M Kamruzzaman FCMA	Senior Executive Vice President	None
Mr. Quamrul Islam	Senior Executive Vice President	None
Mr. Khurshed Alam	Senior Executive Vice President	None
Mr. Kazi Masum Rashed	Executive Vice President	None
Mr. Mohammad Shoaib	Executive Vice President	8,100

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 40 to 44.

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 four (4) meetings during the year under review. The attendance of Committee members at meetings is stated in the table on page 76 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 2017:

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 2017 is provided on pages 70 to 83. 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 84 to 94.

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. S. F. Ahmed Chartered Accountants, may be appointed for the financial year ending 31 December 2018, 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, 2018

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 213.

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 2017, 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 2017; and
- The financial performance of the Company and the Group for the financial year then ended.

Compliance Report

The Board of Directors also confirms that:

- Appropriate Accounting Policies have been selected and applied in preparing the Financial Statements exhibited on pages 227 to 243 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 2017, 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 95 to 97. 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 99 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 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 its 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 two Directors, the Managing Director and the Company Secretary of the Company on 13 February, 2018 as required by Section 189(1) of the Companies Act, 1994 and other regulatory requirements ;
- The Company's External Auditors, ACNABIN who were appointed in terms of 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 on page 213.

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 2018

DIRECTORS' STATEMENT ON INTERNAL CONTROL

Responsibility

As per the Bangladesh Bank's 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 internal controls of LankaBangla Finance Limited (LBFL). 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 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 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 to 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 95 to 97.
- 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 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 those.

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

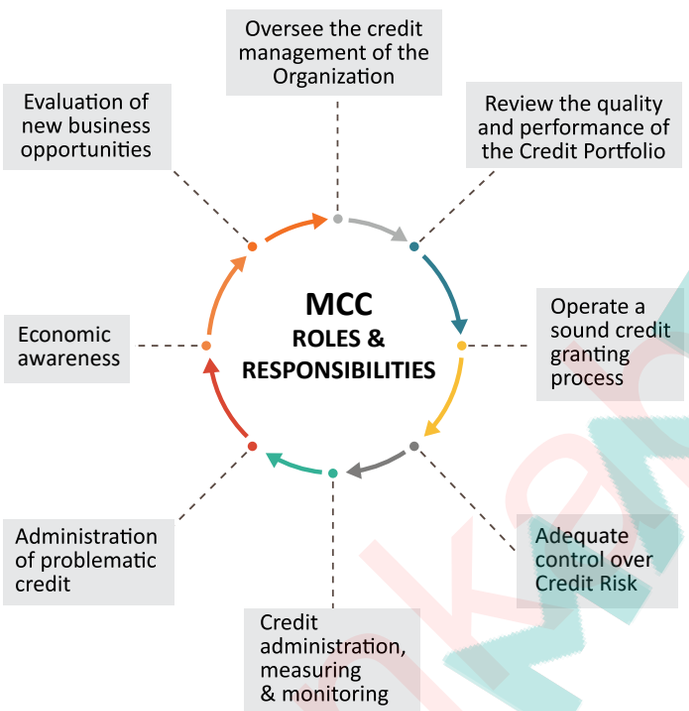
Dhaka, 13 February 2018

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	Khwaja Shahriar	Managing Director	Member
2	A. K. M. Kamruzzaman	Head of Operations	Member
3	Khurshed Alam	Head of Personal Financial Service	Member
4	Kazi Masum Rashed	Chief Credit Officer	Member Secretary
5	Mohammad Shoaib	Head of Corporate Financial Service	Member
6	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
7	Md. Kamruzzaman Khan	Head of SME Financial Services	Member



Duties 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/PPGs, Delegation of Credit Approval authority and establishing portfolio limits.

(ii) Recommending credit related proposals to the Board Executive Committee/Board for approval.

(iii) 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 including Delegation of Credit Approval Authority initiated by the management of the FI and recommend them to the Board of Directors for its approval.
- Ensure compliance by the FI'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 FI'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	Khwaja Shahriar	Managing Director
2	A. K. M. Kamruzzaman	Head of Operations
3	Khurshed Alam	Head of Personal Financial Services
4	Quamrul Islam	Head of Treasury
5	Kazi Masum Rashed	Chief Credit Officer
6	Shamim Al Mamun	Chief Financial Officer
7	Md. Shariful Islam Mridha	Head of Human Resources

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 2017. 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 2017, we have provided 129 numbers of 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 honourable Chairman and Managing Director. Crest, gift hampers, cash incentive and certificates are awarded in this program. All these 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. We have also introduced parent's insurance coverage facility for our employees. This is one of a mile stone achievement in the industry. The premium of parents' insurance is borne by the employee itself but parents can avail similar facility as the employee is getting from the insurance company.

- **Participation in Career Fairs:** HR team has participated in 3 career fairs such at Shahjalal University of Science & Technology (SUST), Southeast University (SEU) and American International University of Bangladesh (AIUB). 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. A major achievement was creating online recruitment portal. Through this we have done our MTO recruitment without any manual intervention within shortest possible time.

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 2017, LankaBangla continued to strengthen its internal career mobility activities to drive greater career development and retention of employees. Total 33 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 2017 saw more than 298 graduates hired, 19% 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 behaviour 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.

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 2017 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 230 to 231). 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 57 report on Internal Control over Financial Reporting. In addition, report on Directors' Responsibility on Financial Reporting and Internal Control is provided on pages 98 & 99. 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 213 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 95 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.



Khwaja Shahriar
Managing Director & CEO



Shamim Al Mamun, FCA
Chief Financial Officer

STATEMENT ON ETHICS AND COMPLIANCE

Acknowledgement

The Board of Directors (the 'Board') is committed to the LBFL's values of dependability, openness to different ideas and cultures, and connection with customers, communities, regulators and each other. The Board ensures that each employee is aware of the obligation to ensure that his or her conduct consistently matches LBFL's values so as to serve positively the customers who entrust their financial needs to LBFL. The Board is proud of the fact that LBFL and its subsidiaries (the 'group') has a solid corporate governance framework and code of conduct for employees and directors that is built around the principles of control and accountability. This culture stems from a philosophy that puts the protection of investors and the interest of customers at the forefront.

The Chairman exercises independent judgement even though he is appointed by the majority shareholder. He leads the Board, sets the agenda and ensures that the Directors receive precise, timely and objective information and at the same time ensures effective communication with shareholders. The Chief Executive Officer/MD develops, drives and delivers performance within strategic goals, commercial objectives and business plans agreed by the Board. He effectively leads the senior management in the day-to-day running of the Company, ensures compliance with appropriate policies and procedures and maintains an effective framework of internal controls over risk in relation to the business. He is also responsible for the recruitment and appointment of senior management, after consultation with the Board. The Board develops the bank's strategy, policies and business plans. The Board of Directors monitors effectively the implementation of strategy and policy by management within the parameters of all relevant laws, regulations and codes of best practice. The Board ensures that a balance is maintained between enterprise and control. The Board ensures that the bank has appropriate policies and procedures in place that guarantee that the bank and its employees adhere to the highest standards of corporate conduct and comply with the applicable laws, regulations, business and ethical standards

Approach

We believe that the integrity with which we conduct ourselves and our business is key to our ability to running a successful, innovative business and maintaining our reputation. We expect our directors, executives and employees to conduct themselves with the highest degree of integrity, ethics and honesty.

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.

Our codes do not permit engaging in transactions or activities that are a conflict of interest. When entering purchase requisitions, employees must certify that they don't have a conflict of interest. To better protect the company and our shareholders, we regularly review our codes and related policies to ensure that they provide clear guidance to our directors, executives and employees.

We have established a corporate hotline and dedicated email to allow any employee or other stakeholders to confidentially and anonymously lodge a complaint about any accounting, internal control, auditing or other matter of concern. Employees are encouraged to report suspected conflicts of interest to their manager or human resources representative or through the hotline. We have a strict "no retaliation" policy regarding reports of activities that run counter to our ethical expectations. If an employee is found to have violated either the Code of Conduct or any policy, rules and regulations applicable to the Company, we take appropriate actions up to and including termination of employment.

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 regularly 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 behaviours, 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.

CORPORATE GOVERNANCE DISCLOSURE CHECKLIST

Particulars	Pg. & Seg. Ref.
1. BOARD OF DIRECTORS, CHAIRMAN AND CEO	
1.1 Company's policy on appointment of directors disclosed.	71(6.2)
1.2 Adequate representation of non executive directors i.e. one third of the board, subject to a minimum of two	71(6.3)
1.3 At least one independent director on the board and disclosure / affirmation of the board on such director's independence.	71(6.3)
1.4 Chairman to be independent of CEO	72(6.7)
1.5 Responsibilities of the Chairman of the Board appropriately defined and disclosed. Disclosure of independence of Non Executive Directors	72(6.7.1), 71(6.3)
1.6 Existence of a scheme for annual appraisal of the boards performance and disclosure of the same.	73(6.8)
1.7 Disclosure of policy on annual evaluation of the CEO by the Board.	73(6.9)
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	73(6.10)
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.	73(6.11)
1.10 Disclosure of number of meetings of the board and participation of each director (at least 4 meetings are required to be held)	75(8.1.1)
1.11 Directors issue a report on compliance with best practices on Corporate Governance that is reviewed by the external auditors	84-94
2. VISION / MISSION AND STRATEGY	
2.1 Company's vision / mission statements are approved by the board and disclosed in the annual report.	01, 75(7.1)
2.2 Identification of business objectives and areas of business focus disclosed	75(7.2)
2.3 General description of strategies to achieve the company's business objectives	183-185

Particulars	Pg. & Seg. Ref.
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	76 (8.2.1)
3.1.2 Whether it has specific terms of reference and whether it is empowered to investigate / question employees and retain external counsel	76 (8.2.4)
3.1.3 More than two thirds of the members are to be Non Executive Directors	76 (8.2)
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.	77 (8.2.3)
3.1.5 Head of internal audit to have direct access to audit committee	76 (8.2.1)
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.	76 (8.2.2)
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	95
3.2.3 Statement to indicate audit committees role in ensuring compliance with Laws, Regulations and timely settlements of Statutory dues	104
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	76(8.2.4.1)
3.2.5 Statement on Audit Committee involvement in selection of appropriate accounting policies that are in line will applicable accounting standards and annual review.	76(8.2.4.4)
3.2.6 Statement of Audit Committee involvement in the review and recommend to the board of directors, annual and interim financial releases	
3.2.7 Reliability of the management information used for such computation	

Particulars	Pg. & Seg. Ref.
4. INTERNAL CONTROL & RISK MANAGEMENT	
4.1 Statement of Director's responsibility to establish appropriate system of internal control	99
4.2 Narrative description of key features of the internal control system and the manner in which the system is monitored by the Board, Audit Committee or Senior Management.	
4.3 Statement that the Director's have reviewed the adequacy of the system of internal controls	
4.4 Disclosure of the identification of risks the company is exposed to both internally & externally	113-117
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.	104-105
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(4)
6.2 Disclosure of the composition of the committee	101(2)
6.3 Disclosure of key policies with regard to remuneration of directors, senior management and employees	101(3)
6.4 Disclosure of number of meetings and work performed	101(5,6), 102
6.5 Disclosure of Remuneration of directors, chairman, chief executive and senior executives.	94, 272, 285
7. HUMAN CAPITAL	
7.1 Disclosure of general description of the policies and practices codified and adopted by the company with respect to Human Resource Development and Management, including succession planning, merit based recruitment, performance appraisal system, promotion and reward and motivation, training and development, grievance management and counciling.	186-192
7.2 Organizational Chart	54
8. Communication to Shareholders & Stakeholders	
8.1 Disclosure of the Company's policy / strategy to facilitate effective communication with shareholders and other stake holders	169-170, 371
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	194-206
9.2 Disclosure of specific activities undertaken by the entity in pursuance of these policies and practices	203-206

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.

Statement on Risk Management	110
Capital Adequacy and Market Discipline	118
Statement on NPL Management	123
Report on Going Concern	126



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

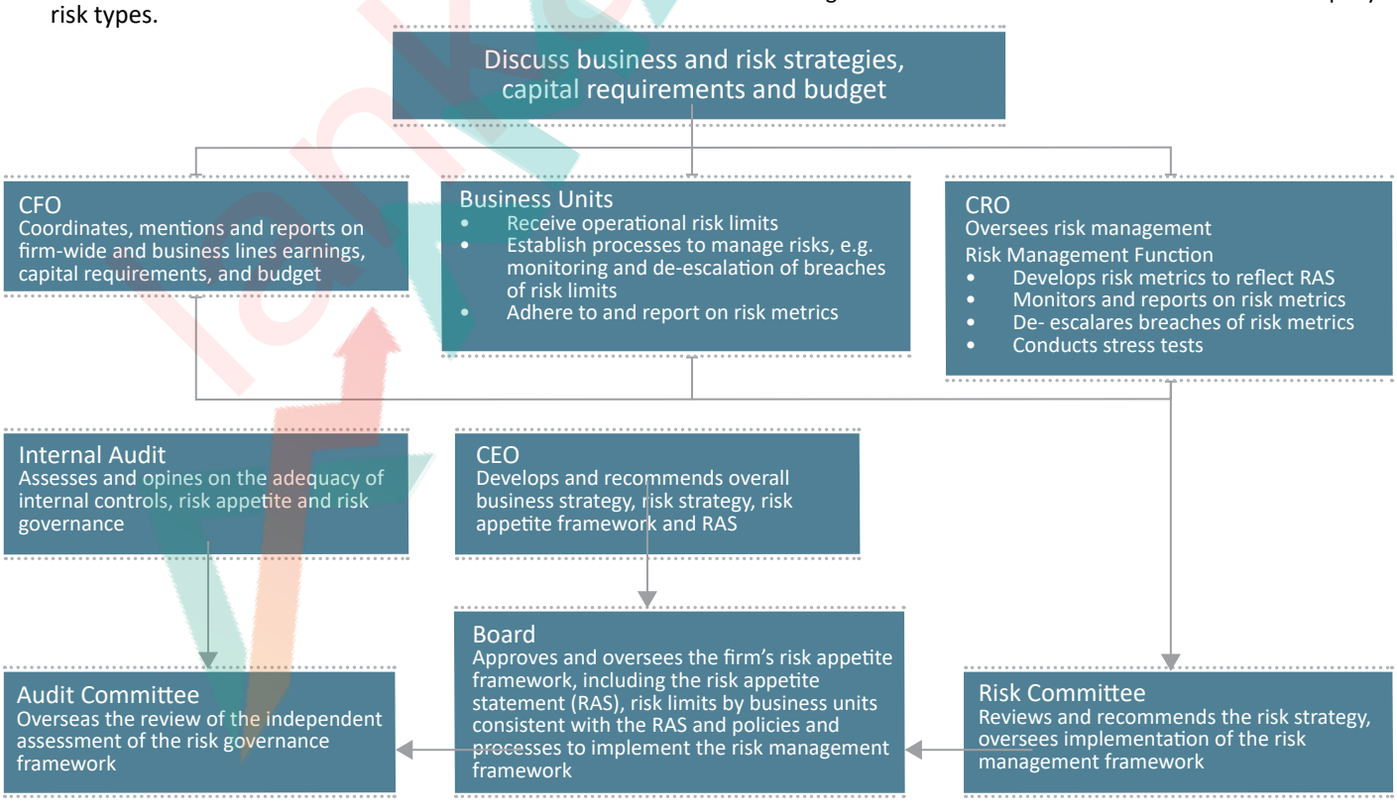
We believe that sound risk management is essential to ensuring success in our risk-taking activities. Our philosophy is to ensure risks and returns remain consistent with our established risk appetite. To achieve this, we regularly refine our risk management approaches to ensure we thoroughly understand 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 riskmanagement 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 on 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 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 ofCapital 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.

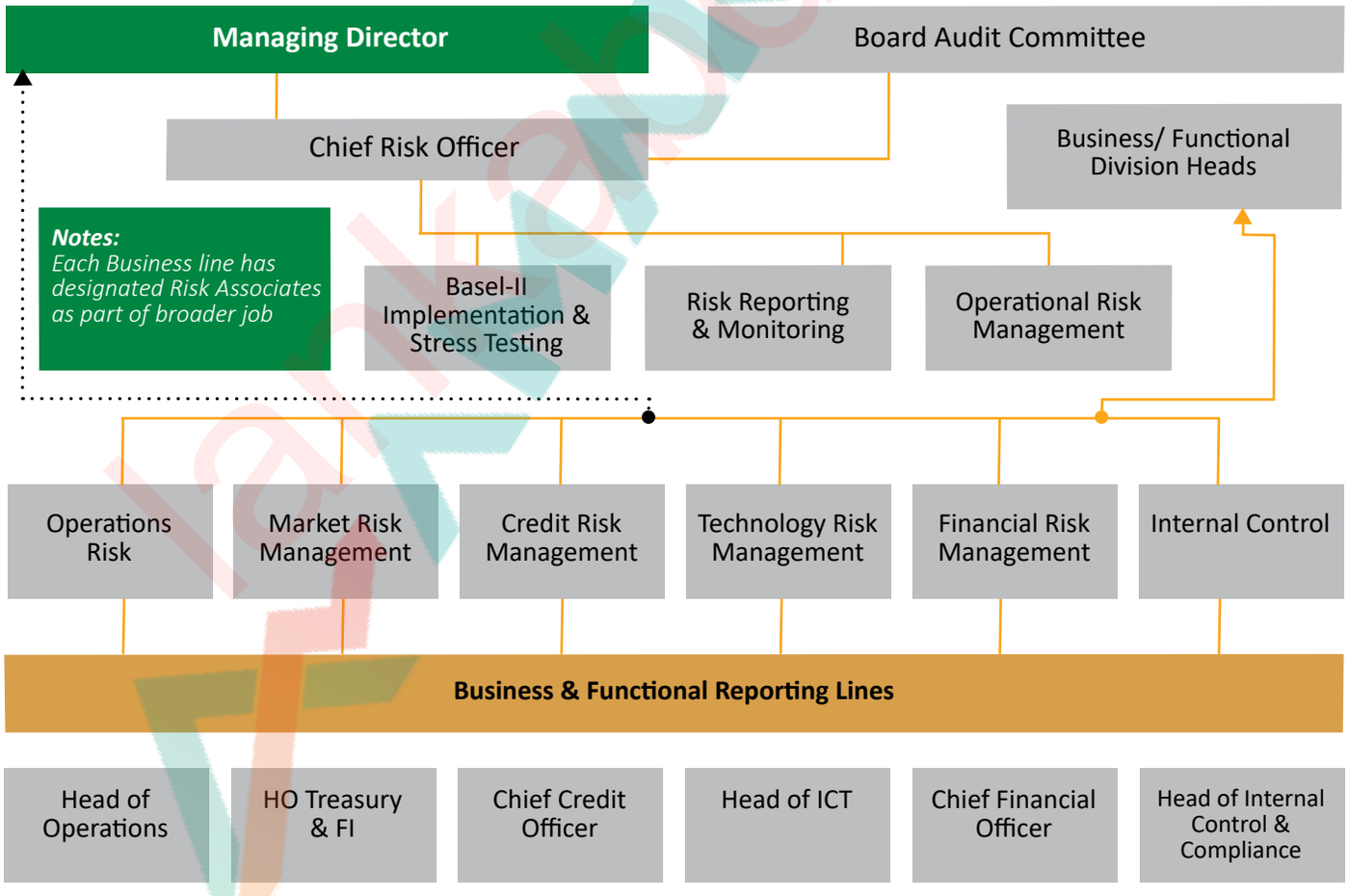
7. Stress Testing

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 Credit Committee (MCC), the Board Executive Committee and to the Board of Directors.

The Management Credit 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

Figures in BDT Million

Sector	2017			2016		
	Total Outstanding Amount	NPL Amount	Sectoral NPL %	Total Outstanding Amount	NPL Amount	Sectoral NPL %
Garments and Knitwear	2338.24	167.01	7.14%	1894.19	252.38	13.32%
Textile	1161.73	88.66	7.63%	2209.53	12.95	0.59%
Food Production and Processing Industries	4326.35	22.96	0.53%	4722.68	22.96	0.49%
Jute and Jute-Products	347.76	0.00	0.00%	301.83	0.00	0.00%
Leather and Leather-Goods	533.11	0.00	0.00%	63.79	0.00	0.00%
Iron, Steel and Engineering	1933.14	91.63	4.74%	3300.47	91.63	2.78%
Pharmaceuticals and Chemicals	891.62	0.00	0.00%	929.40	0.00	0.00%
Cement and Allied Industry	1113.59	8.30	0.75%	358.56	8.30	2.31%
Telecommunication and IT	842.46	0.81	0.10%	726.11	25.79	3.55%
Paper, Printing and Packaging	540.91	11.30	2.09%	581.37	11.30	1.94%
Ship Manufacturing Industry	0.00	0.00	-	0.00	0.00	-
Glass, Glassware and Ceramic Industries	18.62	18.62	100.00%	537.59	19.62	3.65%
Power, Gas, Water & Sanitary Service	710.18	25.34	3.57%	639.18	8.82	1.38%
Transport and Aviation	1249.06	145.83	11.67%	641.42	150.61	23.48%
Trade and Commerce	10201.34	276.29	2.71%	6031.68	288.60	4.78%
Agriculture	860.01	34.92	4.06%	255.53	34.40	13.46%

Figures in BDT Million

Sector	2017			2016		
	Total Outstanding Amount	NPL Amount	Sectoral NPL %	Total Outstanding Amount	NPL Amount	Sectoral NPL %
Housing	12284.33	314.53	2.56%	6543.90	303.06	4.63%
Brokerage & Securities	3537.03	-	0.00%	3128.67	-	0.00%
Others Loan	19024.10	693.16	3.64%	13883.31	362.31	2.61%
Total	61913.59	1899.36	3.07%	46749.20	1592.73	3.41%

9.4.2 Ten Large Credit as a % of Total Exposure

	2017	2016
Ten large credit as a % of exposure	10.24%	15.90%
Ten large credit	6,342	7,433
Total exposure	61,914	46,749

9.4.3 Classification Status of Loans and Advances

	2017	2016
Performing Loans	**60,014**	**45,102**
Unclassified	58,717	44,336
SMA	1297	766
Non-Performing Loans	**1,899**	**1,339**
SS	480	271
DF	231	312
BL	1188	756
Total Outstanding	**61,914**	**46,749**

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.

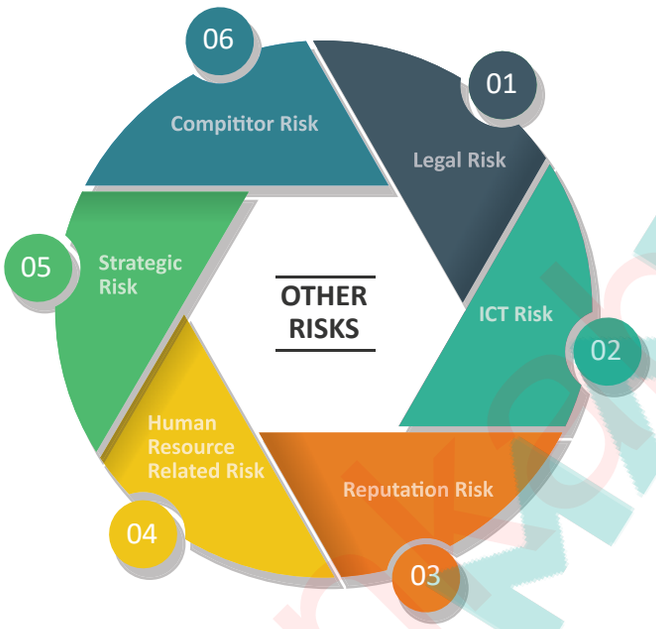
12. Liquidity Risk

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 attractingand 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.

As one of the leading financial institutions in Bangladesh, managing risk is integral to our everyday activities. In 2017, the risk function played a vital role in working with the Group's businesses to navigate an extremely complex environment and manage the associated risks. This was done in a manner that balanced the interests of clients and other key stakeholders with protecting the safety and soundness of the Group. Key to LBFL's long-term sustainable growth and profitability is to manage risk on a consistent basis across the Group, and to ensure our risk appetite is clear and aligned to our strategy.

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 two tiers of regulatory capital are as follows: Tier 1 Capital and Tier 2 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.

The computation of the two capital grades are subject to the following conditions (according to Bangladesh Bank's Guideline for NBFI):

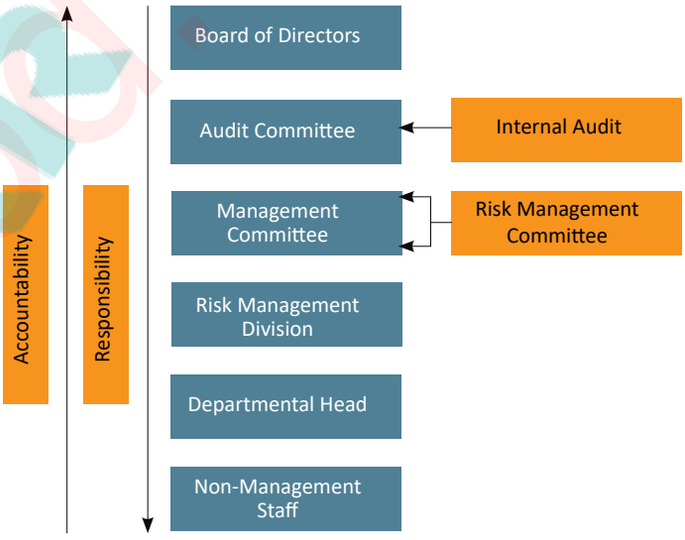
- Tier 2 Capital amount will be limited to 100% of the amount of Tier 1 Capital.
- 50% of revaluation reserves for fixed assets and 45% for securities, and 10% of revaluation reserves for equity instruments are eligible for Tier 2 Capital.
- General provision in the Tier 2 Capital can be up to a limit of 1.25% of Risk Weighted Asset for Credit Risk

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

Capital Adequacy

At LankaBangla, 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 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	
	2017	2016	2017	2016
Fully paid-up capital/capital lien with BB	3,183	2,767	3,183	2,767
Statutory reserve	1,473	1,202	1,473	1,202
Non-repayable share premium account	-	-	1,091	1,091
General reserve	-	-	51	54
Retained earnings	2,452	2,200	2,369	1,572
Minority interest in subsidiaries		-	101	85
Non-cumulative irredeemable preferences share		-	-	-
Dividend equalization account	-	-	-	-
Other (if any item approved by Bangladesh Bank)- Share money deposit	160	-	160	-
Less Shortfall in provisions required against investment in shares	-	-	-	-
Less: Book value of goodwill	-	-	234	234
Total	**7,268**	**6,170**	**8,194**	**6,537**

- **Supplementary Capital** of is as follows:

Figures in BDT Million

Particulars	Solo		Consolidated	
	2017	2016	2017	2016
General provision (unclassified loans up to specified limit + SMA + off Balance Sheet exposure)	534	449	534	449
50% of Asset Revaluation Reserve	-	-	-	-
10% of Securities Revaluation Reserve	-	-	-	
All other preference shares	-	-	-	-
Other (if any item approved by Bangladesh Bank)	-	-	-	-
Total	**534**	**449**	**534**	**449**

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 remainswithin 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 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.

The table below gives details of Credit Risk:

Figures in BDT Million

Distribution of risk exposure by claims	Solo		Consolidated	
	2017	2016	2017	2016
Cash and Cash Equivalents	-	-	-	-
Claims on Bangladesh Govt. & Bangladesh Bank	-	-	-	-
Claims on NBFI and Banks	1,450	448	1,851	870
Claims on Corporate	15,545	19,179	15,545	19,179
Claims categorized as retail portfolio & Small Enterprise	10,781	2,391	10,781	2,391
Consumer Finance	12,711	7,696	12,711	7,696
Claims fully secured by residential & comercial property	5,846	3,041	5,846	3,041
Past Due Claims	1,968	1,175	1,968	1,175
All other assets (restated)	11,273	11,157	9,476	9,700
Total	**59,574**	**45,087**	**58,178**	**44,053**

- 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	
	2017	2016	2017	2016
Interest Rate Risk	-	-	-	-
Equity Position Risk	354	283	1,113	903
Foreign Exchange Risk	-	-	-	-
Commodity Risk	-	-	-	-
Total	**354**	**283**	**1,113**	**903**

- 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
- Liquidity 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	
	2017	2016	2017	2016
Credit Risk				
1. On- Balance Sheet	59,574	45,087	58,178	44,053
2. Off - Balance Sheet	-	-	-	-
Market Risk	3,537	2,826	11,134	9,029
Operational Risk	2,932	2,143	3,713	3,040
Total RWA	**66,043**	**50,056**	**73,026**	**56,122**

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	
	2017	2016	2017	2016
Core Capital	7,268	6,170	8,194	6,537
Supplementary Capital	534	449	534	449
Total Eligible Capital	7,802	6,619	8,728	6,987
Risk Weighted Assets (RWA)	66,043	50,056	73,026	56,122
Capital Adequacy Ratio	11.81%	13.22%	11.95%	12.45%
Core Capital to RWA	11.00%	12.33%	11.22%	11.65%
Supplementary Capital to RWA	0.81%	0.90%	0.73%	0.80%
Minimum Capital Requirement (10% of RWA)	6,604	5,005	7,302	5,612
Excess Capital Over Regulatory Requirement	1,198	1,614	1,426	1,375

CAR of LankaBangla can be seen to be comfortably above the Bangladesh Bank's CAR requirement of 10%. This is in line with the LBFL'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 the lender in the form of principal and interest payments. Therefore, managing NPL to keep it at the lowest possible level is at the core of our business priorities. We have embedded the essence of asset quality in our business values, therefore, instituted the best local as well as international industry practices throughout our 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 payees
- One monthly installment overdue
- Two monthly installment overdue
- Three monthly installment overdue
- Four monthly installment overdue
- Five monthly installment overdue
- Six monthly installment overdue
- Suspended account (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.

3.2 Trend Analysis of the Overdue Loans

The data of the outstanding 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. The details are given below. External data are utilized to do the analysis:

3.2.1 Sector-wise Age Analysis

This report provides information on the sectorial default levelof 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.

3.2.1.1 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.

3.2.1.2 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).

3.2.1.3 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.

3.2.1.4 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.

3.2.2 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, 2017:

During the year 2017, the NPL ratio of the Company slightly decreased to 3.07% from previous year's 3.52%. The absolute figures show the increase in classified portfolio from BDT 1,647.65 million in 2016 to BDT 1,899.36 million in 2017. 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 2017 has been depicted in following table:

Particulars	BDT Million
Opening Balance as on January 1, 2017	1,647.65
Add: Addition During the Year	605.22
Less: Collection During the Year	261.13
Less: Write-offs	92.38
Closing Balance as on December 31, 2017	1,899.36

6. Write offs

During the year 2017, the movement in write-offs accounts is as under:

Particulars	No of Accounts	BDT million
Opening Balance as on January 1, 2017	11	502.96
Add: Addition During the Year	3	92.38
Less: Collection During the Year	-	6.89
Closing Balance as on December 31, 2017	13	588.45

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**	**10,201.34**	**16.48%**	**276.29**	**2.71%**
2.	**Industry**	**-**		**-**	**-**
a)	Garments and knitwear	2,338.24	3.78%	167.01	7.14%
b)	Textile	1,161.73	1.88%	88.66	7.63%
c)	Jute and jute -products	347.76	0.56%	-	0.00%
d)	Food production and processing industry	4,326.35	6.99%	22.96	0.53%
e)	Plastic industry	841.05	1.36%	-	0.00%
f)	Leather and leather goods	533.11	0.86%	-	0.00%
g)	Iron, steel and engineering	1,933.14	3.12%	91.63	4.74%
h)	Pharmaceuticals and chemicals	891.62	1.44%	-	0.00%
i)	Cement and allied industry	1,113.59	1.80%	8.30	0.75%
J)	Telecommunication and IT	842.46	1.36%	0.81	0.10%
k)	Paper, printing and packaging	540.91	0.87%	11.30	2.09%
l)	Glass, glassware and ceramic industry	18.62	0.03%	18.62	100.00%
m)	Ship manufacturing industry	-	0.00%	-	-
n)	Electronics and electrical products	394.85	0.64%	-	0.00%
o)	Power, gas, water and sanitary service	710.18	1.15%	25.34	3.57%
p)	Transport and aviation	1,249.06	2.02%	145.83	11.67%
	Industry Total	17,242.67	27.85%	580.45	3.37%
3.	Agriculture	860.01	1.39%	34.92	4.06%
4.	Housing	12,601.60	20.35%	571.89	4.54%
5.	Others	-	-	-	-
a)	Merchant Banking (Loan to LankaBangla Investments Limited)	2,390.75	3.86%	-	0.00%
b)	Margin Loan	1,146.28	1.85%	-	0.00%
C)	Others	17,470.94	28.22%	435.80	2.49%
	Others Total	21,007.97	33.93%	-	0.00%
	Grand Total	**61,913.59**	**100.00%**	**1,899.36**	**3.07%**

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 2017 like-wise 2016. We hope further improvement in year 2018 in recovery of NPL accounts.On the other hand, in order to check any further significant NPL, we have extensively reorganized our Organogram, separated business division, CRM division, Operations division, strengthened pool of qualified human resources in the departments, enhanced lawyers' panel incorporating leading law firms, strengthened Risk management division, reengineered business and operational processes putting into a strong risk management framework in place which is expected to result in significant improvement in year 2018.

REPORT ON GOING CONCERN

Every company requires assessing its ability to continue as a going concern. The Board of Directors of Lanka Bangla 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's performance growth indicates the excellence it has shown in its operating performance over the last year. The Company's Consolidated Total Asset grew by 34% in 2017, from BDT 63,935 Million in 2016 to BDT 85,443 Million in 2017. Consolidated Earning Assets of LankaBangla reached BDT 80,889 Million in 2017 which grew by 33% from BDT 60,624 in 2016. Consolidated Operating Revenue shows a growth of 37% from last year; it amounted to BDT 9,981 Million in 2017 from BDT 7,311 Million in 2016. Consolidated Net Interest, which is one of the major performance indicators, amounted to BDT 2,237 Million for the year 2017 compared to BDT 1,697 Million of 2016. The Consolidated Net Interest grew by 32% over the last year, even though the industry has continued to show downward trend in interest rates in 2017.

Credibility in Payment Obligations

LankaBangla has strong credibility in terms of payment of its obligations to the lenders and suppliers. The Company 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

Financial ratios are indicative of a company's financial strengths and prospects. The key financial ratios of LankaBangla for the year 2017 indicate a very positive picture as evident from financial highlights and graphical presentation of financial position given separately in this annual report.

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 90% in 2017 compared to 2016; BDT 2,817 Million as against BDT 1,479 Million of previous year. However, Net Operating Cash Flow after changes in operating assets and liabilities shows net outflow of BDT 1,550 Million, whereas there was an inflow of BDT 2,496 million in the previous year.

Expansion of Business

LankaBangla continues to expand its segment geographically by opening new branches in different places considering the economic significance. In 2017 LankaBangla opened 5 new branches and initiatives have been taken to open 5 more new branches in 2018 at different places across Bangladesh. As on 31 December 2017 LankaBangla has 25 Branches.

LankaBangla gives due importance on product diversification, a key strategy to achieve customer satisfaction by tailoring the need of customers. In 2017 Lease, Loans and Advances has increased by 32% and Term Deposit has increased by 29% compared to that of 2016. This is indicative of the impact of our sound organizational structure, skilled and dedicated work force and business strategies through which we were able to achieve such results. Fund under Management grows by 36% and reaches to BDT 152,283 Million in 2017 compared to BDT 112,348 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

LankaBangla is an excellent work place with a friendly working environment. Communication among the employees is admirable. The organization endeavours 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 are 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 (RWA). LankaBangla maintains its capital well above the required level consistently even though growth of RWA is significant. As on 31 December 2017 Consolidated Capital Adequacy Ratio (CAR) of Lanka Bangla is 11.95%.

Other Indications

Satisfactory Credit Rating

Credit Rating Agency of Bangladesh Ltd. (CRAB) has rated the Company on 31 July 2017 with "AA3" (Pronounced as AA Three) in the long term and ST-2 for the Short Term based on audited financial of FY2016 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

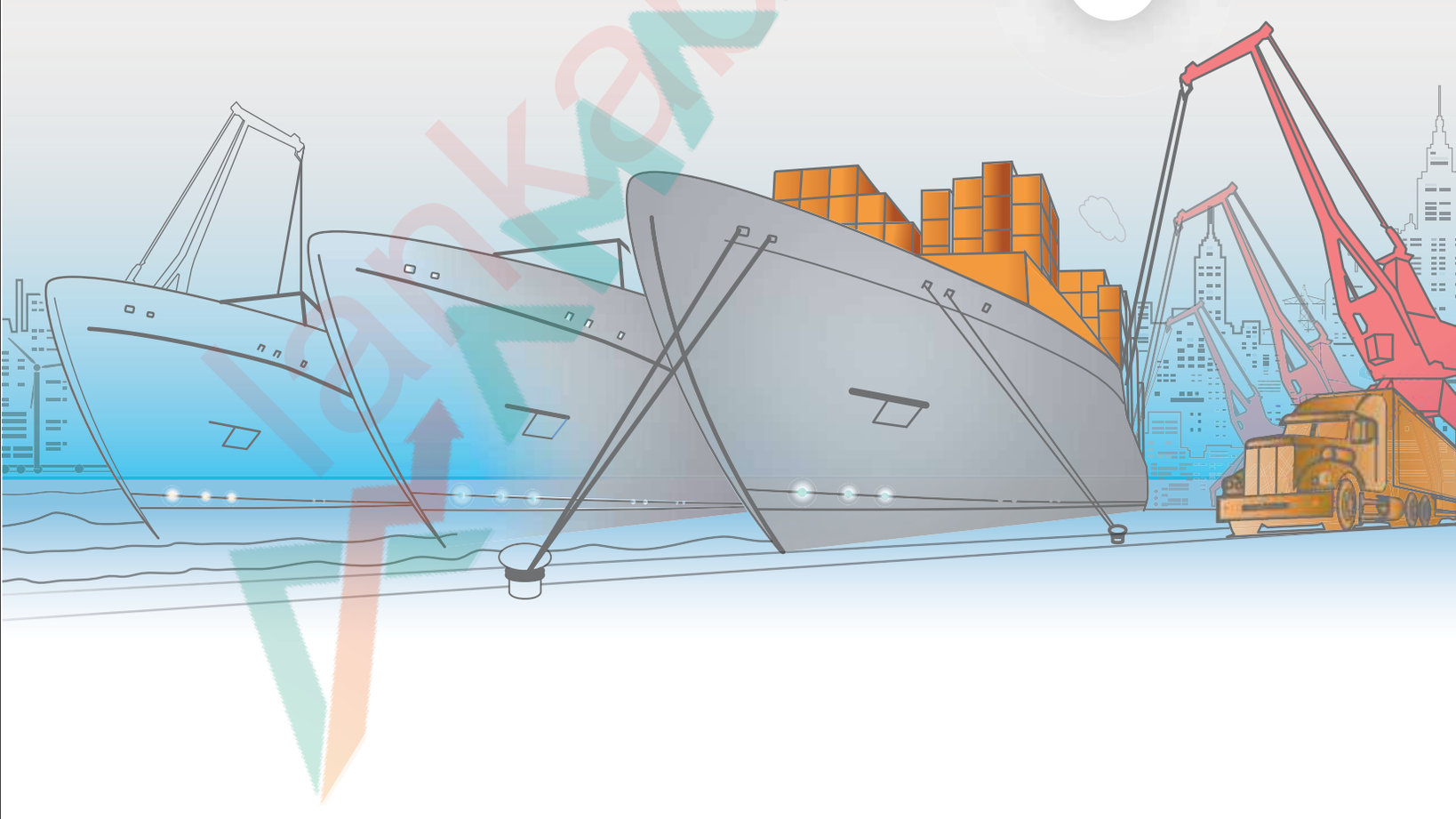
LankaBangla Management anticipates no significant change in legislation or government policy, which may materially affect the business of LankaBangla.

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.

Review from the Managing Director & CEO	128
CFO's Statement on Performance	131
Financial Highlights	140
Horizontal & Vertical Analysis	146
Value Creation Structure	150
Business Model	152
How We Create Value	154
Delivering Value through Our Business	156
Key Resources of LankaBangla	158
Stakeholders Analysis	163
Economic Outlook	171
Business Environment Analysis	174
Drivers Guiding Our Strategies	180
Material Matters that Affect Our Strategies	181
Strategic Focus Areas	183
Human Resource Accounting	186
Human Capital Report	192



REVIEW FROM THE MANAGING DIRECTOR & CEO



Dear Stakeholders,

Pursuing a clear strategic vision and rising to a variety of growth challenges, we have been consistently achieving impressive results over the past few years. We have also upgraded and strengthened our internal systems and processes to ensure that we serve our customers better and through that added value to all our stakeholders. Our strong work force spread across the country have embraced this vision as one and working with commitment, professionalism and an excellent team spirit has taken us along the path to high growth prospect.

The year 2017 saw Bangladesh achieve its highest ever GDP growth in recent years, with revised GDP growth hitting 7.28%. This was the highest growth achieved in South Asia for 2017, and one of the highest GDP growth rates among major economies in the world. The political environment also remained stable. The government has set a GDP growth target of 7.40% for the 2018 fiscal year with higher gear in investments in power and transport infrastructure and higher private sector credit growth rates. Given current trends, Bangladesh is clearly entering to yet another higher growth trajectory.

For us 2017 is the culmination of the first stage of a journey undertaken along the path defined by our last Strategic Plan. We believe that the Government's ambitious infrastructure development programme supported by a fast-track implementation will help our nation to achieve higher growth in the near future. In this backdrop we as a financier will enjoy higher credit growth to support private sector activities linked with these developments. Armed with sense of collective achievement we look forward to the next phase of our journey towards growth and prosperity which will consolidate and build on the good work done so far.

Year-end Highlights-2017

As on December 2017, our SME portfolio stood at BDT 15,949 million, showing a growth of 131% during the year. In order to exploit the huge opportunities in SME sector, we deployed different strategies aimed to grow and achieve a diversified portfolio. 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.

In 2017, we focused heavily on personal financial services and SME financial services. Our credit card department has shown significant growth and client base is growing sharply. Our Home Loan portfolio has grown 92% from last year; BDT 12,250 million in 2017 from BDT 6,393 million in 2016. The Personal Loan division also achieved commendable success with the

achievement of portfolio growth of 70% from last year. Our prime vision for 2018 is to ensure that branches play a bigger role in promoting retail and SME lending and driving medium term business goals.

Our term deposit has grown by 29% in 2017. This is in line of reducing dependency on bank borrowing which is a major prerequisite for a NBFI to have sustainable future.

Financial Highlights

As on 31st December 2017, our asset portfolio has reached at 61,914 million which indicates a growth of 32%. Overall disbursement was 56,726 million showing a growth of 25%. Other major highlights are shown below.

Revenue

Consolidated revenue for 2017 has been BDT 9,981 million which shows a growth rate of 37% from the previous year, of which 71% was from interest earning products, 9% from investment income, 11% from commission & brokerage income and rest 9% from other income sources.

Profitability

Consolidated Pre-tax profit was recorded at BDT 2,263.81 million for the year 2017, which was BDT 946.66 million in the previous year, resulting in a growth of 139%. Consolidated Post-tax profit also shows an impressive growth of 142% from the previous year.

Portfolio

Lease, Loans & Advances Portfolio of LBFL shows a growth of 32% from 46,749 million in 2016 to 61,914 million in 2017. Retail portfolio grew 70% and now stands at BDT 27,050 million, whereas corporate portfolio has gone down from 23,918 to 18,915 million. SME financial services division shows a huge growth of 131% from 6,905 million in 2016 to 15,949 million in 2017.

Credit Quality and NPL

We have been successful in reducing our stand alone NPL ratio from 3.52% in 2016 to 3.07% in 2017. Overall NPL ratio of the Group was well placed at 2.85%. This shows that we have displayed growth without sacrificing our credit quality.

Liquidity and Capital Adequacy Ratio

Capital Adequacy Ratio (CAR) for 2017 stood at 11.81% on separate basis and 11.95% 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 35.9 and BDT 69.3 and finally settled at BDT 47.8 at the end of 2017, which is up by 37% than 2016-year end.

ROA

For the year 2017, our Consolidated Return on Assets (ROA) was 2.58% compared to 1.39% of 2016. Efficient Asset Management of the group plays a significant role in increasing the ROA in 2017.

ROE

Consolidated Return on Equity (ROE) for the year 2017 was 25.66% which was 12.29% in 2016. The outcome has been the result of increased profitability.

EPS

Consolidated Earnings per Share (EPS) for 2017 stood at BDT 5.97 compared to BDT 2.50 in 2016. This indicates increased profitability and stable asset base despite fierce competition amongst the players within the market.

Activities of Subsidiaries

With the launching of fund management service through LankaBangla Asset Management Company Limited, now LankaBangla is the pioneer financial institution in Bangladesh to operate full scale in capital market of Bangladesh. LankaBangla Securities Limited (LBSL) maintained its leadership in both of the exchanges (DSE & CSE) in terms of turnover for the last 12 years and 13 years respectively. Daily turnover in both the bourses increased significantly in 2017 and LBSL was able to register 7.64% market share in DSE and 10.88% in CSE which is so far the highest market share retention in LBSL's history. In 2017, brokerage revenue from LBSL touched a billion mark, highest in last five years. LankaBangla Securities Limited has won the "Dream Company to Work for-Best Workplace Practices" award at the Global CSR Excellence and Leadership Awards-2018. This is a testament that we could set an exemplary leadership in the industry.

LankaBangla Investments Limited (LBIL) worked on quite a few deals in merger & acquisition and corporate advisory maintaining its leading position in primary market operations. Gradually this merchant banking wing of LankaBangla Finance Limited is shifting from fund based earning sources to non-funded earning sources. LBIL has arranged BDT 2,770 million for its clients through Preference Share Issuance, Equity Arrangement and Commercial Paper Issuance. Advisory Service from LBIL has been strengthened and LBIL has worked as Transaction Advisor in divestment of a Foreign entity and provided valuation advisory services in several mandates.

2017 was the first full year for LankaBangla Asset Management Company Limited (LBAMCL) in Fund Management. As the wealth management wing of LankaBangla, LBAMCL kept signature mark of LankaBangla brand in capital market operations and generated impressive return in its first fund namely LankaBangla 1st Balanced Unit Fund (LB1stBUF) and declared 15% dividend for the year 2017. Looking forward in 2018, two new mutual funds namely LankaBangla Al-Arafah Shariah Unit Fund and LankaBangla Popular Life Growth Fund are expected to be launched. In Alternative Fund Management side, we are hopeful to launch our First Private Equity Fund in 2018.

We are building capacity along with these developments to facilitate the market with right kind of technology and skill set that would be required in foreseeable future.

Economic Outlook and Competitive Challenges for 2018

The monetary policy for H2 FY 2018 has set the private sector credit growth target at 16.8%, tighter than 18.13% growth achieved in December 2017. Bangladesh Bank mulls to tighten credit supply and curb excessive lending due to prospective inflationary pressure on economy. The ADR of all banks has been re-fixed at 83.50% for conventional banks and at 89% for Shariah-based Islamic banks from the existing 85% and 90% respectively. The revised limit will come into effect from December 2018. This directive put pressure on banks to attract more deposits. In the backdrop of decreasing liquidity in the banking system due to higher lending and lower deposit growth, this measure will pop up interest rates in 2018. NIM would be under pressure throughout the year as we see it. Political risk is also heightening ahead of national election in late 2018. We would remain cautious in lending and will rebalance our portfolio to higher yield segments as measure to keep our desired margin.

While we are investing more on technology to ensure seamless operations and customer service, innovation would remain a top priority in 2018. With few other new branches, we will reach to customer doorsteps with higher concentration in personal financial services and SME financial services.

Our Footprint

In expanding our footprint our desire is to project our presence selectively in strategically important places for SME & Personal Financial Services. We envisage that all our branches will be advanced in state-of-the-art technology and client service. We are conscious of the immense potential in the new growth areas of the Bangladesh economy, and will invest in preparing our human resources to cater to these specific market segments. Our branch network already comprises 25 locations country-wide. As we grow in geographical presence and strength, we are committed to be most preferred financial service provider of the country.

Appreciations

Our achievements have always been made possible through a team effort where everyone – from the members of the Board to the newest recruits manning our counters – have contributed wholeheartedly towards achieving our goals and I sincerely thank the Board of Directors, members of Management Committee and all members of our staff for their contribution.

Finally, none of this would have been possible without our investors, loyal customers and all other stakeholders who have reposed their confidence, unwaveringly in LankaBangla. We look forward to continue our journey towards mutual growth and prosperity.

Thank you!



Khwaja Shahriar
Managing Director & CEO

FUND UNDER MANAGEMENT
reached to
BDT **152** bn

TOTAL GROSS LOANS AND FINANCING ASSETS
increased by
30%

TOTAL DISBURSEMENT
increased by
25%

OPERATING REVENUE
increased by
37%

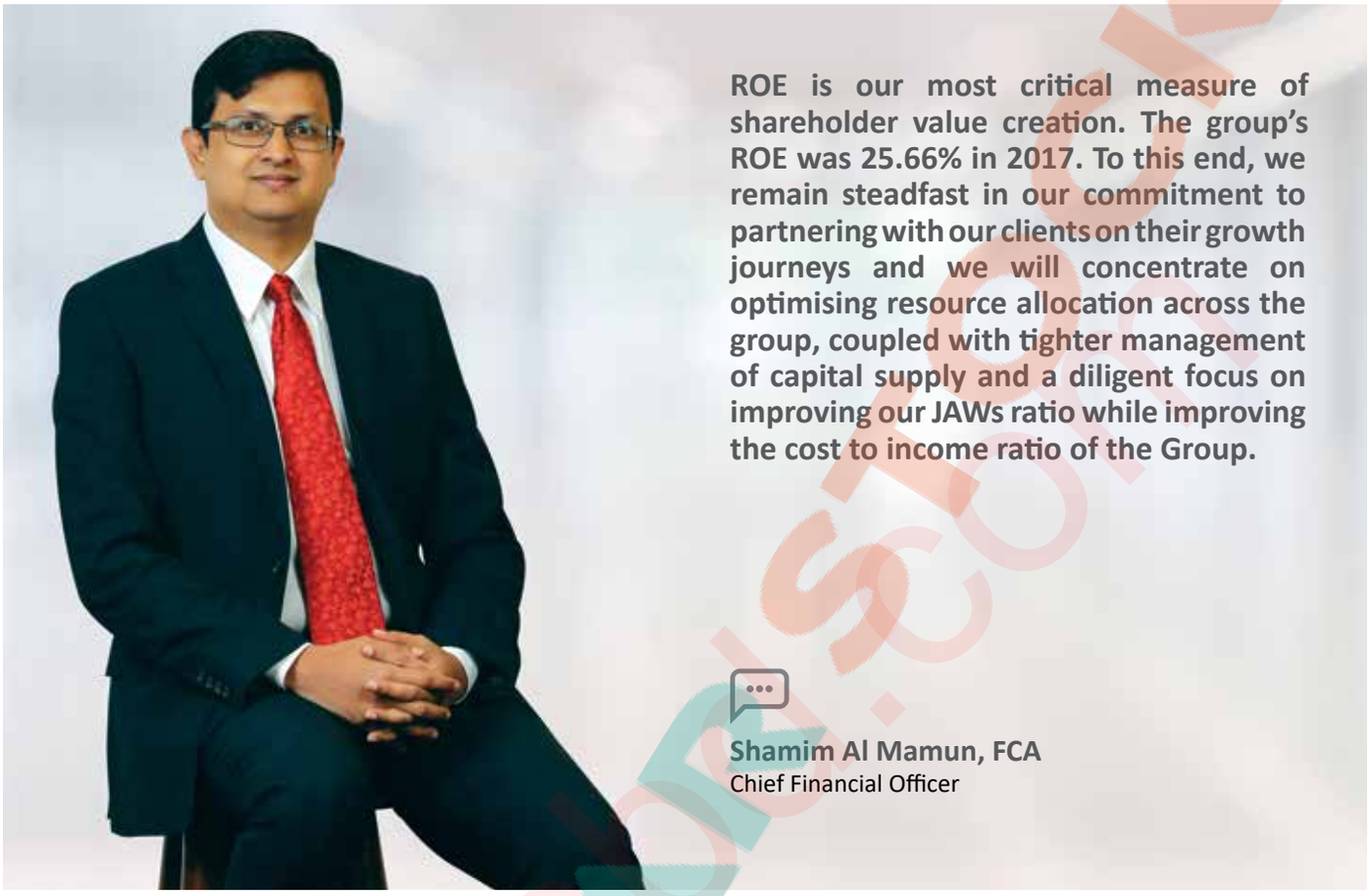
RETURN ON ASSETS
2.58%

RETURN ON EQUITY
25.66%

EARNING PER SHARE
BDT **5.97**

NET ASSET VALUE
per share
BDT **26.16**

CFO's STATEMENT ON PERFORMANCE



ROE is our most critical measure of shareholder value creation. The group's ROE was 25.66% in 2017. To this end, we remain steadfast in our commitment to partnering with our clients on their growth journeys and we will concentrate on optimising resource allocation across the group, coupled with tighter management of capital supply and a diligent focus on improving our JAWs ratio while improving the cost to income ratio of the Group.

Shamim Al Mamun, FCA
Chief Financial Officer

Review of 2017 Financial Results

LankaBangla Finance Limited (LBFL) continued to produce robust results in 2017, supported by good performance across the segments. This was evident in increase of Net Interest Income (NII), growth in non-interest revenue (NIR) and improvement in Non-performing Loans (NPL) resulted in reduction of Loan loss provisions. All three subsidiaries set the momentous to contribute to Group profit.

Consolidated Gross Revenue
grew by
36.62% to **BDT 9,981 million**

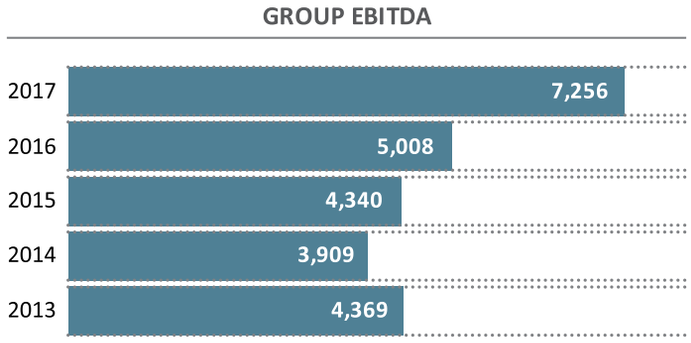
Consolidated Return on Equity (ROE)
of
25.66% which was **20.13%** considering LBFL as a separate entity

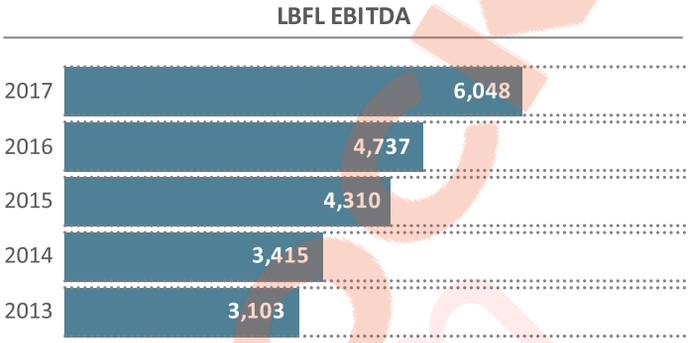
Consolidated Cost to Income Ratio
reduced to
51.95% in 2017 from **59.83%** of 2016

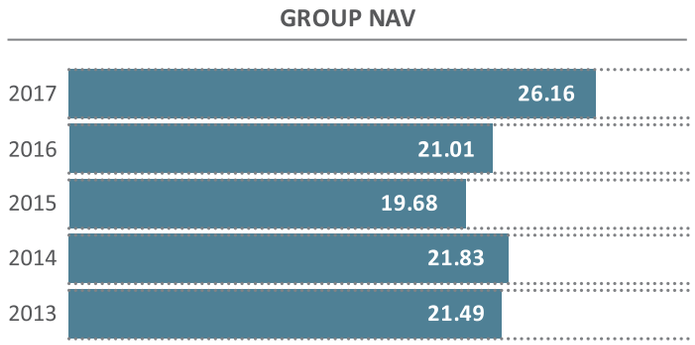
Consolidated EBITDA
grew by
44.86% to **BDT 7,255.51 million**

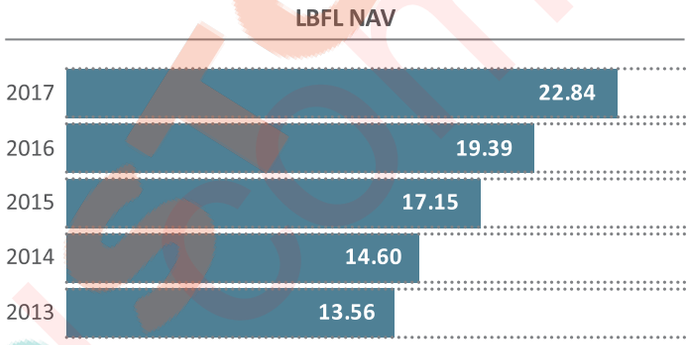
LBFL's Net Asset Value
increased by
17.80% to **BDT 22.84** per share

Consolidated Net Asset Value
increased to
BDT 26.16 per share in 2017 which was **BDT 21.01** per share in 2016

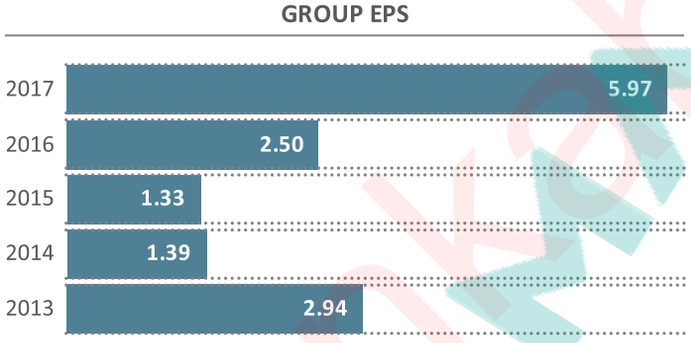


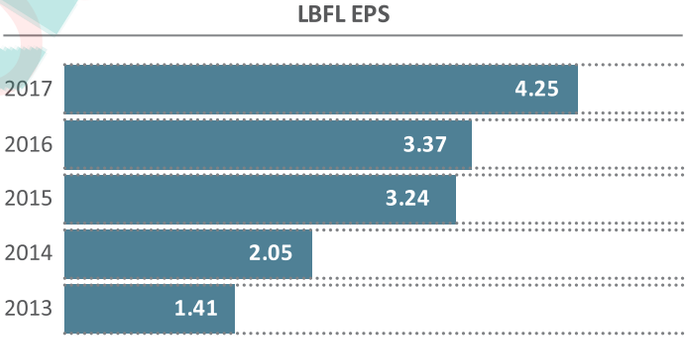






Consolidated Earnings per Share (EPS) have been increased by 138.69% to BDT 5.97 per share in 2017 compared to BDT 2.50 per share in previous year. LBFL's Earning per Share stood at BDT 4.25 per share for the year 2017 compared to BDT 3.37 per share of previous year. As LanglaBangla along with its all subsidiaries is growing sustainably future seems more promising.





The Group's balance sheet is well positioned with our Basel II Capital Adequacy Ratio (CAR) at 11.95%. CAR is well above regulatory requirement of 10% even after 29.86% growth of investment portfolio. Increase in Tier 1 eligible capital was possible because of profitability. Funding and liquidity level remain sound, with increasing statutory liquid asset and cash reserve resulting in positive liquidity coverage ratio which was well above the regulatory requirement.

LBFL's Performance against the Industry

LankaBangla continued keeping pace outperforming the industry in 2017 in terms of growth of different performance and financial position measures. The impetus of growth could be accentuated comparing financial data of LBFL with annualized industry's financial data sourced from Bangladesh Bank Report.

Total Asset

In terms of Asset Growth, LankaBangla is growing faster than the Industry. From the year 2013 to 2017 Asset base of NBFI Industry grew at a Cumulative Average Growth Rate (CAGR) of 16.33%. At the same time LBFL's asset base grew at a CAGR of 30.93%. LanakaBangla is sustainably maintaining its asset growth. Market share in terms of Asset is also growing. As at the end of 2017 LBFL holds 9.79% of the total Assets of NBFI Industry which was 6.10% way back in 2013.

BDT Billion

Year	Industry	LBFL	Market Share	Industry Growth	LBFL's Growth
2013	436.3	26.63	6.10%	30.67%	36.56%
2014	520.05	32.35	6.22%	19.20%	21.48%
2015	611	44.61	7.30%	17.49%	37.90%
2016	713.9	57.62	8.07%	16.84%	29.16%
2017	799.10	78.25	9.79%	11.93%	35.80%

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 47.54% against industry CAGR of 23.34% over the last five years describes the depositors' confidence on LBFL. In 2013 LBFL's market share in terms of Total Deposit was only 5.49% and as at the end of 2017 it reached to a commendable position holding 11.24% of the Total Deposit of the Industry.

BDT Billion

Year	Industry	LBFL	Market Share	Industry Growth	LBFL's Growth
2013	198.3	10.88	5.49%	36.38%	41.67%
2014	238.5	16.72	7.01%	20.27%	53.68%
2015	318.1	30.08	9.46%	33.38%	79.90%
2016	382.43	40.03	10.47%	20.22%	33.08%
2017	458.85	51.55	11.24%	19.98%	28.79%

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 in the last five years. From 2013 to 2017 NBFI Industry grew at a CAGR of 23.63% and in comparison LBFL's CAGR was 33.90% for the same duration. In the year 2017 LBFL's Loans portfolio increased by 32.44% compared to Industry growth of 20.45%. LBFL's market share for leases, loans and advances grew to 9.69% by the end of 2017 which was 7.04% in the year 2013.

BDT Billion

Year	Industry	LBFL	Market Share	Industry Growth	LBFL's Growth
2013	273.6	19.26	7.04%	8.53%	39.87%
2014	372.8	24.27	6.51%	36.26%	26.01%
2015	448.5	36.02	8.03%	20.31%	48.41%
2016	530.7	46.75	8.81%	18.33%	29.79%
2017	639.20	61.91	9.69%	20.45%	32.44%

Asset Quality

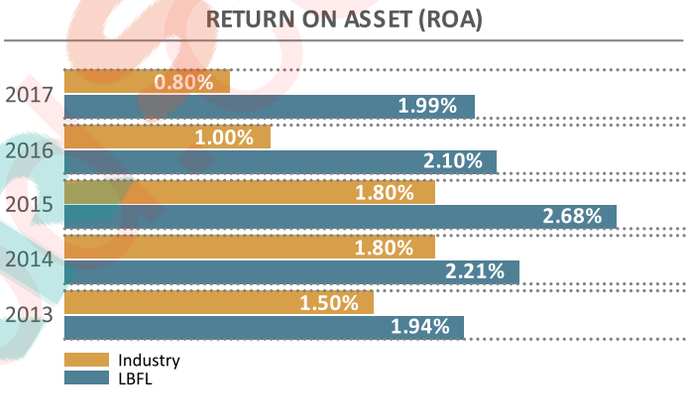
Maintaining the soundness of the asset quality is one of the major strategic focus areas of LBFL. As at the end of 2017 LBFL's stand-alone NPL ratio well placed at 3.07% against the Industry figure of 8.87%. By the end of 2017 LBFL holds only 3.35% of the total non-performing assets, even if it holds 9.69% of the total loan portfolio of the Industry. Despite maintaining a sustainable growth in Loan portfolio LBFL'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%
2013	16.8	0.93	5.54%	6.14%	4.83%
2014	19.7	1.23	6.24%	5.28%	5.07%
2015	40.0	1.34	3.35%	8.92%	3.72%
2016	38.7	1.65	4.26%	7.29%	3.53%
2017	56.68	1.90	3.35%	8.87%	3.07%

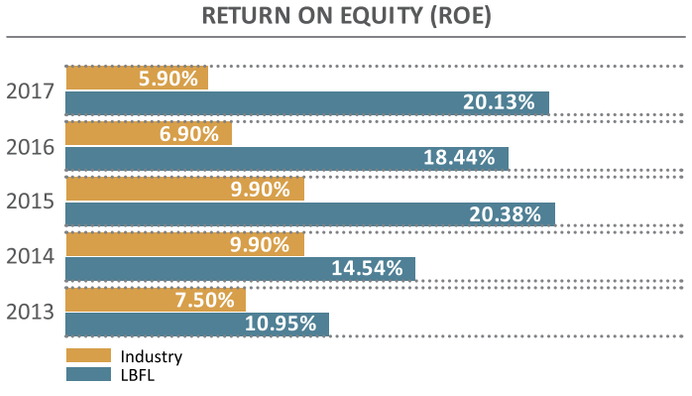
Return on Asset (ROA)

LBFL's ROA for the year 2017 was 1.99% compared to .80% Industry's ROA. Despite of a modest growth of its asset base LBFL maintained average ROA above the industry ROA for the last five years. LankaBangla's consolidated ROA for the year 2017 was 2.58%



Return on Equity (ROE)

LBFL's ROE for 2017 was 20.13% against the Industry ROE of 5.9%. LBFL has been maintaining an above average ROE compared to the Industry for each of the last five years along with maintaining a stable equity growth. LankaBangla's consolidated ROE for 2017 was 25.66%.



Key Developments in 2017

Our 2017's financial results reflect both the benefits of strategic actions taken over the past few years and the impact of strategic actions and restructuring which were continued this year.

Corporate loans and advances were our strength for a number of previous years. Considering current business trends, risks and profitability, we tend to focus more on Retail and SME sector. Like 2016 we continued to cash the benefit of our strategic tilt as Retail and SME disbursement grew by 78.54% and 83.01% respectively and respective portfolio grew by 70% and 131% correspondingly.

Total Loan portfolio increased by 29.86% in the year 2017 supported by a modest 24.57% growth in Lease & Loan disbursement. LankaBangla is growing with its subsidiaries and branches. In 2017, 5 new branches have been opened and another 05 new branches will start operation in 2018.

We focused meticulously on human resource as one of our major strategies. Recruitment of quality resources continued in 2017. We invested a lot to improve the quality of the existing employees in form of both local and foreign training which is supported by 40% rise of group training cost over that of 2016. 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 have 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:

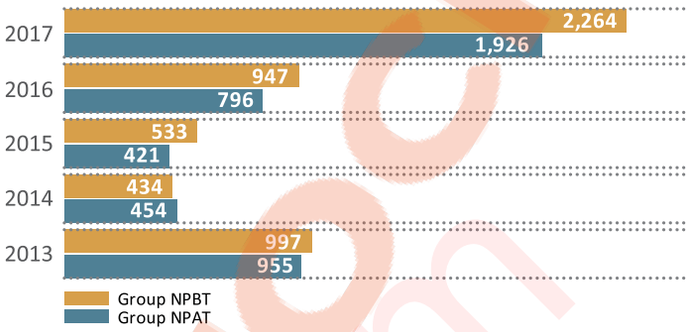
For the financial year ended 2017, the profitability indicators showed significant improvements posting a consolidate net profit before tax of BDT 2,264 million compared to BDT 947 million achieved in the previous year reflecting a y-o-y growth of 139%. Consolidated net profit after tax for the year 2017 was BDT 1,926 million which was 142% higher than BDT 796 million of 2016. LBFL's net profit before and after tax was BDT 1,397 million and BDT 1,353 million respectively.

We were focusing more on our primary line of business and 2017's financial result is the evidence of the outcome. We kept focusing on keeping overall average cost of funding at idyllic levels and tackled overhead cost escalation through concise means of cost management to reach current level of profitability.

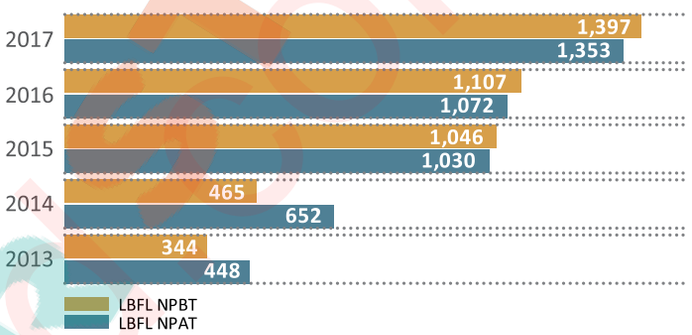
Group	BDT in million		Y-O-Y Growth	
Years	2017	2016	Amount	%
Net profit before tax	2,263.81	946.66	1,317.15	139%
Net profit after tax	1,926.29	795.64	1,130.65	142%

LBFL	BDT in million		Y-O-Y Growth	
Years	2017	2016	Amount	%
Net profit before tax	1,397.39	1,107.34	290.05	26%
Net profit after tax	1,352.79	1,072.05	280.74	26%

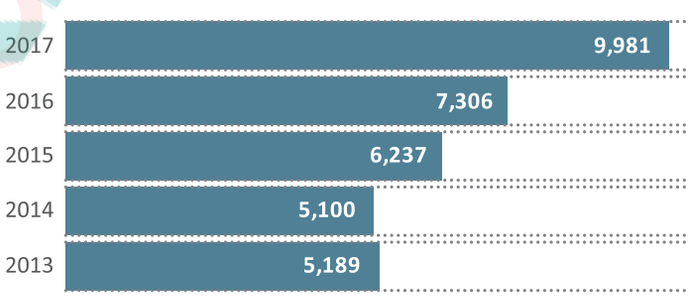
GROUP'S PROFITABILITY



LBFL'S PROFITABILITY



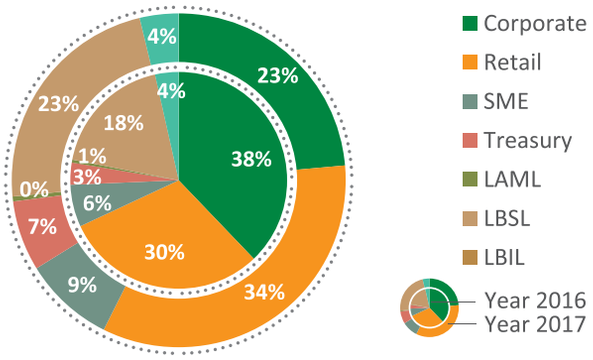
CONSOLIDATED GROSS REVENUE



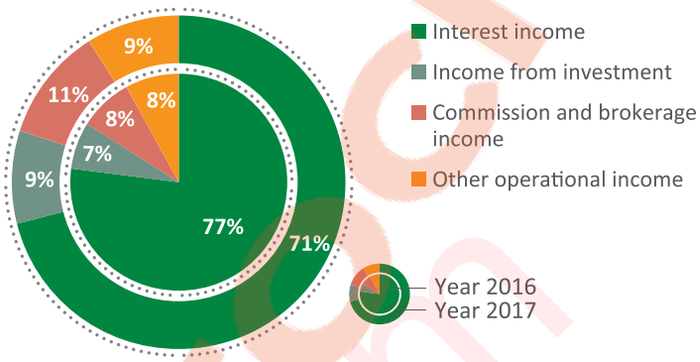
Where the industry is facing numerous challenges in growing up revenue lines we have succeeded in reaching BDT 9,981 million of group revenue achieving 37% growth over last year's BDT 7,306 million. Keeping pace with our strategic plan, management was able to maintain a strong momentum in revenue growth.

Gross Revenue	BDT in million		Y-O-Y Growth	
Segments	2017	2016	Amount	%
Corporate	2,353.44	2,764.85	(411.41)	-15%
Retail	3,376.45	2,206.94	1,169.51	53%
SME	874.49	458.88	415.61	91%
Treasury	677.61	239.97	437.64	182%
LankaBangla Securities	2,273.46	1,346.04	927.41	69%
LankaBangla Investments	375.56	256.75	118.81	46%
LankaBangla Asset management	49.78	32.13	17.65	55%
Total Group Revenue	**9,980.78**	**7,305.56**	**2,675.22**	**37%**

GROSS REVENUE CONTRIBUTORS 2016-17



GROSS REVENUE COMPOSITION 2016-17



Retail segment is the highest contributor to the LBFL Group's revenue in 2017 which was Corporate in 2016. In 2017, 34% of the Gross revenue came from retail. In this segment LBFL is the aspiring market leader in the industry. Even in the extreme competitive and reducing interest rate regime retail segment nearly earn BDT 3.4 billion of revenue in the year 2017 which is 53% higher than that of previous year. These signify the strategic focus of LBFL and rapid growth in this segment.

Despite we are focusing more on Retail and SME 24% of the gross revenue came from Corporate segment. Although its revenue growth shows negative trends still corporate is second big contributor of revenue after Retail.

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 2017 SME revenue grows by 91% compared to last year. Revenue contribution by SME segment increased to 9% which was only 6% 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 69% and 46% which entails good impact of the Share Market in Bangladesh. LBIL started to contribute to profit and LBSL is moving towards achieving its old momentum. Being the Market Leader for many years LBSL is expecting a modest growth in revenue and profit in coming years as the Bearish trend of share market is reversing.

LBAMCL responded positively to its restructuring project of 2016 and contributed BDT 6.91 M to group profit in 2017. In coming years we are expecting more volume growth as the market is very responsive towards the new products and services of LBAMCL.

BDT Million

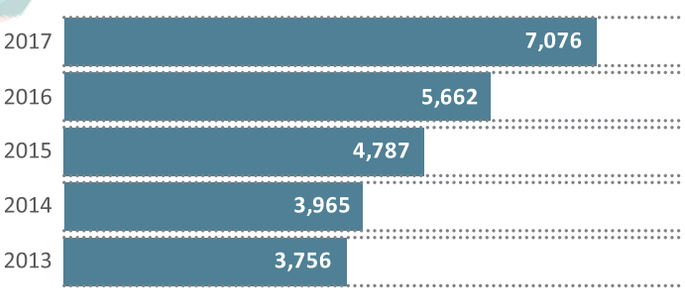
Gross Revenue			Y-O-Y Growth	
Elements	**2017**	**2016**	**Amount**	**%**
Interest income	7,076.09	5,661.54	1,414.55	25%
Income from investment	914.22	483.53	430.70	89%
Commission and brokerage income	1,136.00	560.86	575.14	103%
Other operational income	854.47	599.63	254.83	42%
Total Revenue	**9,980.78**	**7,305.56**	**2,675.22**	**37%**

In boosting revenue core contributor was interest income. Interest income contributed 71% in the total revenue where investment income, commission & brokerage income and other income contributed 9%, 11% and 9% respectively. Commission and brokerage income got 103% growth in 2017 which was only 1% in 2016. It implies nice market impact.

Interest Income

Interest income is the core component of revenue for LBFL group. With loan portfolio sustaining a resilient 30% growth, interest income grew by 25% to BDT 7,076 million in 2017 which was BDT 5,662 million for the year 2016. 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 2017.

CONSOLIDATED INTEREST INCOME

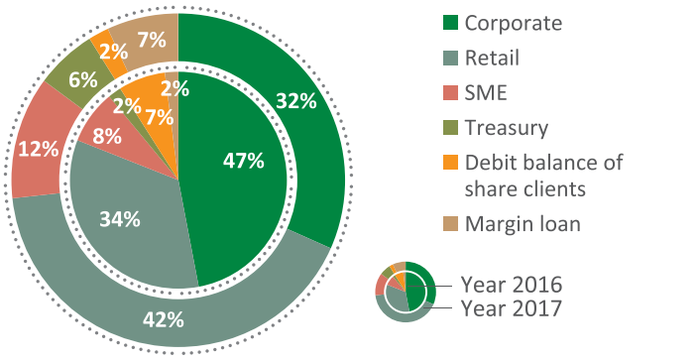


In 2017 LBFL experienced 76% negative growth in interest suspense account. World class client service with rigorous monitoring of asset clients make this possible. We are looking forward to keep the same trend for the upcoming years.

BDT Million

Interest income	2017	2016	Y-O-Y Growth	
			Amount	%
Corporate	2,281.41	2,676.27	(394.86)	-15%
Retail	2,937.63	1,919.26	1,018.37	53%
SME	832.68	434.11	398.57	92%
Treasury	401.54	132.46	269.08	203%
Debit balane of share clients	126.94	401.49	(274.56)	-68%
Margin loan	495.89	97.96	397.93	406%
Total Interest Income	**7,076.09**	**5,661.54**	**1,414.55**	**25%**

INTEREST INCOME COMPOSITION 2016-17



Giving more emphasis on Retail/Personal finance division was one of the major strategies following from the year 2016. Our planned strategy resulted in 53% growth in interest income from Retail segment to BDT 2.94 billion in 2017 which is 29% of the total consolidated revenue earned by LBFL group for that year. 42% of the total interest income came from Retail finance segment which held 41% 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 92% to BDT 832.68 million in 2017 from BDT 434.11 million of 2016.

Interest Expenses

In the year 2017 consolidated interest expenses increased by 22% to BDT 4,838.84 million from BDT 3,964 million of 2016. During this time total deposit and borrowings experienced a growth of 38%. Despite growth of interest expenses is higher than last year, liquid market scenario and efficient liability and treasury management keep control the growth of interest expense by means of reduced in average funding cost.

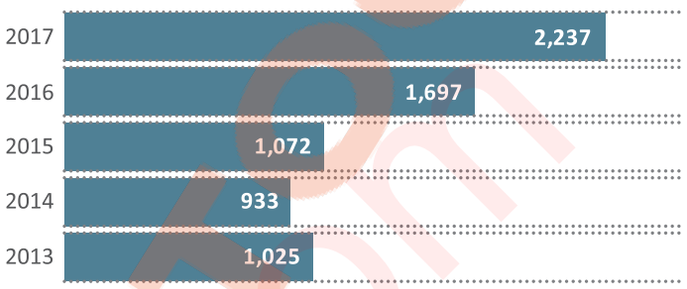
BDT Million

Interest Expenses	2017	2016	Y-O-Y Growth	
			Amount	%
Term deposits	3,662.13	2,966.47	695.67	23%
Term loan-commercial bank	309.70	428.52	(118.82)	-28%
Zero Coupon Bond	82.31	187.94	(105.63)	-56%
Short term loan	503.64	193.07	310.57	161%
Bank overdraft	106.08	79.17	26.91	34%
Call loan	58.80	60.89	(2.09)	-3%
Term loan-Bangladesh Bank	54.31	48.03	6.28	13%
Commercial paper	61.87	-	61.87	-
Bangladesh Bank REPO	-	-	-	-
Total Interest Expenses	**4,838.84**	**3,964.08**	**874.76**	**22%**

Net Interest Income (NII)

LankaBangla was able to achieve 32% growth in NII in 2017. Even in 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.

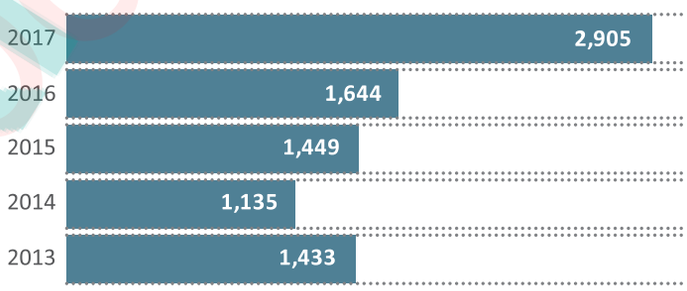
CONSOLIDATED NET INTEREST INCOME



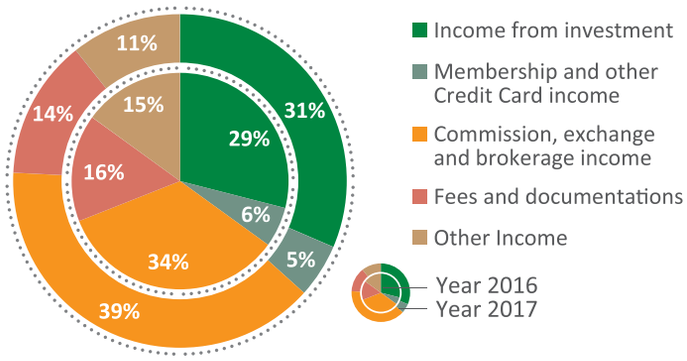
Non-Interest Revenue (NIR)

NIR grew at an average compound rate of 19.32% from 2013 to 2017 supported by continuous progress in number of asset clients, credit card operation and impact of conscious investment decisions. In 2017, as a result of efficient strategic actions NIR increased by 76.68% to BDT 2,905 million.

CONSOLIDATED NON-INTEREST REVENUE (NIR)



CONSOLIDATED NIR COMPOSITION 2016-17



The underlying drivers of NIR growth included:

- Investment income increased by 89.07% from BDT 484 million in 2016 to BDT 914 million in 2017. It includes BDT 771 million from investment in shares, BDT 107 million of income from dividends earned from strategic investment portfolio and 36 million incomes from commercial paper.
- Fees and documentation income increased by 55% in 2017 to BDT 392 million from BDT 253 million in 2016. Retail segment continued to contribute a massive 73% of this revenue and the

major contributors were Credit card, Home loan and Personal loan.

- Membership fee and other income from Credit cards increased by nearly 52% to BDT 151 million in 2017 from BDT 100 million in 2016.

Our NIR-to-Operating expenses ratio was 108.74% and NIR grew by 77% in 2017. It indicates efficiency gains and we are committed to perform better in coming years.

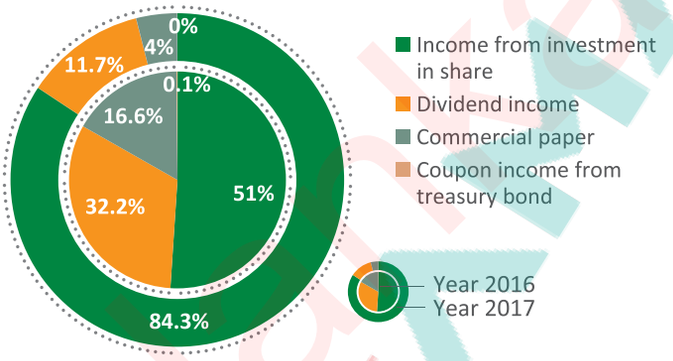
Investment Income

9% of the total revenue for the year 2017 has come from investment income. Strategic investment decision has paid off in terms of 212% increase in Income from investment in shares, realizing more than BDT 76 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 107 million of dividend income in 2017.

BDT Million

Income from investment	2017	2016	Y-O-Y Growth	
			Amount	%
Income from investment in share	770.75	246.76	523.99	212%
Dividend income	107.10	155.63	(48.52)	-31%
Commercial paper	36.36	80.49	(44.12)	-55%
Coupon income from treasury bond	-	0.65	(0.65)	-100%
Total Investment Income	**914.22**	**483.53**	**430.70**	**89%**

INVESTMENT INCOME COMPOSITION 2016-17



Operating Expenses

Operating expenses growth of 34% to BDT 2,671 million in 2017 compared to BDT 1,999 million of 2016 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.

BDT Million

Operating Expenses	2017	2016	Y-O-Y Growth	
			Amount	%
Salary and allowances	1,310.87	1,004.84	306.03	30%
Rent, taxes, insurance, electricity etc.	220.56	187.07	33.50	18%
Legal and professional fees	33.42	30.01	3.41	11%
Postage, stamp, telecommunication etc.	28.82	20.64	8.18	40%
Stationery, printing, advertisement	66.04	47.49	18.55	39%
Repairs, maintenance and depreciation	183.40	123.48	59.92	49%
Other expenses	828.07	585.65	242.41	41%
Total Operating Expenses	**2,671.18**	**1,999.17**	**672.01**	**34%**

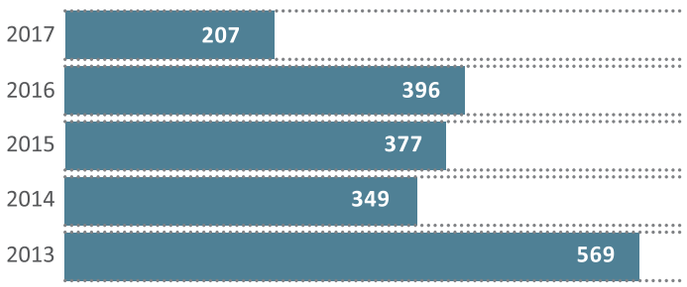
The main expense growth contributors were:

- Staff related cost increased by 30%, comprising-
  - Growth in number of employees to 832 by the end of 2017 from 673 at the same time in 2016
  - Growth in remuneration and other staff costs
  - Increase in incentives provided to employees in line with strong financial performance for the year 2017
- Rent, insurance and electricity expenses increased by 18% along with 49% rise of Repairs, maintenance and depreciation due to expansion of branch distribution network and restructuring and extension head office premises
- Bigger business dealings, supporting enlarged number of clients, larger number of personnel raised cost of Postage, stamp, telecommunication etc. by 40% and Stationery, printing, advertisement by 39%
- Other expenses increased by 41% in the year 2017 compared to 2016. Major contributors were marketing expenses, Legal charges, Business promotion, training expenses, office maintenance

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 remained at 3.07 at the end of 2017 which was 3.53% in 2016 and 4.83% in 2013. Provision for Margin Loan decreased by 88%, provision for leases and loans slightly increased on the other hand provision for Investment reduced in 2017. Provision charges for leases and loans for the year 2017 was BDT 248 million which was BDT 199 million in 2016. Provision charge for diminishing value of investments was negative BDT 76 million in 2017 i.e. there was a recovery of provision charged in previous years. As Capital market condition was improving, quality of Margin

CONSOLIDATED PROVISION CHARGES ON LOANS AND INVESTMENTS



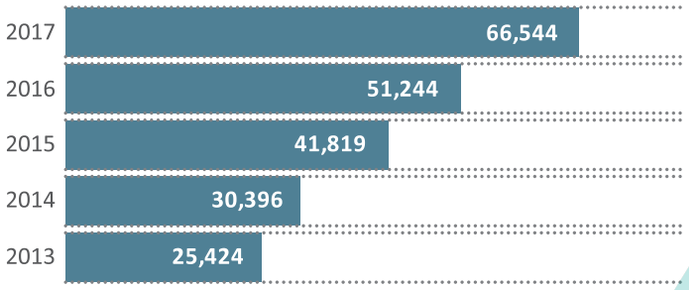
Loans simultaneously enriched and provision charge requirement for Margin Loan reduced to BDT 36 million in 2017 which was BDT 314 million in 2016.

Balance Sheet-Strong Metrics and well positioned for Economic Headwinds:

Loans and Advances

The positive growth trend in loans and advances continued into 2017, resulting in four-year CAGR of 33.90%. In the year 2017 advances grew 29.86% to BDT 66,544 million excluding intercompany loans and advances supported by gross new disbursement of BDT 56,726 million.

CONSOLIDATED LEASES, LOANS AND ADVANCES



Corporate portfolio has been reduced by 23% to BDT 16,316 million in 2017 compared to BDT 21,151 million of 2016. Besides 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 2017 were BDT 26,211 Million which was 8.17% slighter than BDT 28,544 million of 2016.

Retail loans and advances portfolio grew by massive 70% to BDT 27,095 million in 2017 which was BDT 15,967 million in 2016. Retail loans comprises of auto loans, Home loans, Personal loans and Credit Cards. Auto loan portfolio experienced a y-o-y growth of 50% to reach BDT 6,164 million in 2017. Auto loan of BDT 5,269 million has been disbursed in the year 2017 which was 71% superior to last year's BDT 3,090 million. Home loan portfolio grows by 92% to BDT 12,250 million in 2017 compared to BDT 6,393 million of 2016. Fresh home loan disbursed during 2017 was BDT 7,563 million which was 137% higher than 2016's disbursements of BDT 3,189 million.

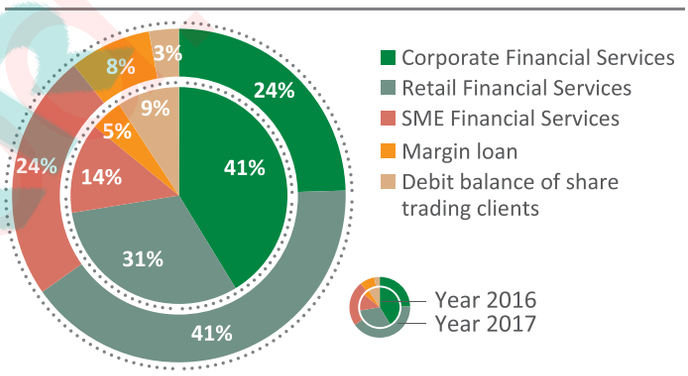
Both the portfolio and disbursement grew intensively in the year 2017 compared to the year 2016. At the end of the year 2017 Personal loan portfolio reaches to BDT 5,802 million experiencing a 70% over BDT 3,413 million of 2016. BDT 4,439 million personal loans have been disbursed in the year 2017 which was 63% higher than that of 2016.

Credit Card is a distinctive feature for LankaBangla Finance as we are the only NBFI in the industry to deal with Credit Card Business. Credit card portfolio increased by 40% to BDT 2,878 million in 2017 from BDT 2,050 million of 2016. Credit Card usage boosted up by 49% in 2017, during the year LankaBangla Master and Visa Card uses reached the milestone of BDT 6,170 million which was BDT 4,134 million during 2016.

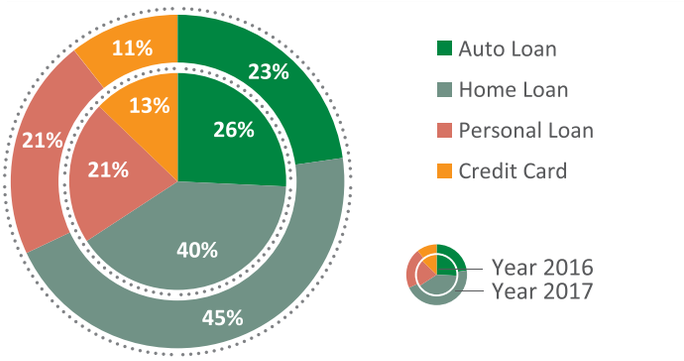
BDT Million

Loans and Advances (Portfolio)	2017	2016	Y-O-Y Growth	
			Amount	%
Corporate Financial Services	16,316.44	21,150.72	(4,834.28)	-23%
Retail Financial Services	**27,094.87**	**15,966.61**	**11,128.26**	**70%**
Auto Loan	6,164.33	4,110.06	2,054.26	50%
Home Loan	12,249.99	6,393.41	5,856.59	92%
Personal Loan	5,802.19	3,413.09	2,389.10	70%
Credit Card	2,878.36	2,050.05	828.31	40%
SME Financial Services	**15,948.71**	**6,905.10**	**9,043.61**	**131%**
LBIL- Margin loan to share trading clients	5,268.88	2,473.81	2,795.07	113%
LBSL- Debit balance of share trading clients	1,915.46	4,748.06	(2,832.61)	-60%
	66,544.36	**51,244.30**	**15,300.06**	**30%**

CONSOLIDATED ASSET PORTFOLIO COMPOSITION 2016-17



RETAIL ASSET COMPOSITION 2016-17



SME portfolio more than doubled by the end of 2017 compared to the year 2016. SME portfolio reached to BDT 15,949 million grew at a rate of 131% from BDT 6,905 million of the year 2016. We are focusing more on SME business and it was evident from disbursement of BDT 7,074 million to SME clients during the year 2017.

Margin loan is a product of LankaBangla Investment Limited. In the year 2016 the exposure of Margin Loan was BDT 2474 million. As the capital market trended optimistic, margin loan

became productive and improved the exposure. Hence, in 2017 margin loan portfolio increased by 113% to BDT 5,269 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 1,916 million which was 60% lower than that of 2016.

Funding and Liquidity

LBFL's consolidated balance sheet remain well funded with deposits and borrowings increasing 38% to BDT 70,116 million in 2017 from BDT 50,908 million of 2016.

Deposit growth was supported by 29% growth in Term Deposit. Compared to 2016 corporate department increased by 12% in 2017, Retail and Bank deposit grew by 32% and 59% respectively.

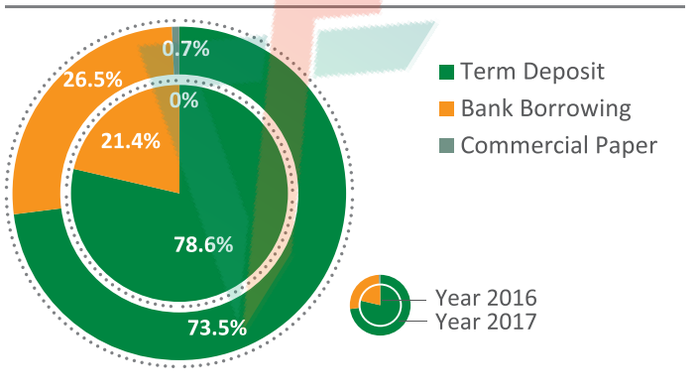
Overall Bank Borrowing increased by 71% in 2017 compared to that of 2016. Our strategy was to take the benefit of reduced rate of bank borrowing to cut down the overall cost of fund.

LBFL maintained a sound liquidity position, with contingent liquidity well in excess of prudential liquidity requirements.

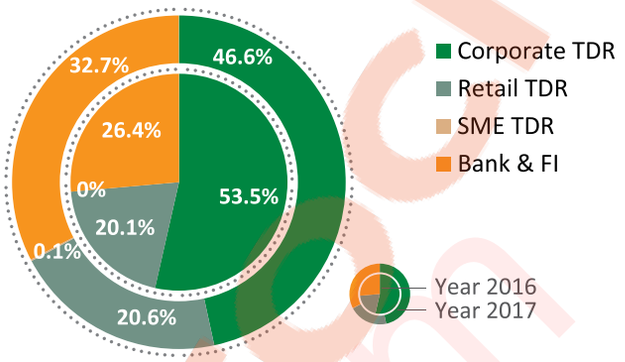
BDT Million

Deposit and Borrowings	2017	2016	Y-O-Y Growth	
			Amount	%
Term Deposit	**51,553**	**40,033**	**11,520**	**29%**
Corporate TDR	24,027	21,435	2,592	12%
Retail TDR	10,610	8,028	2,582	32%
SME TDR	75	-	75	75%
Bank & FI	16,840	10,570	6,270	59%
Bank Borrowing	**18,564**	**10,875**	**7,689**	**71%**
Bank overdraft	1,484	1,242	243	20%
Long term loan	3,205	1,689	1,516	90%
Call loans	1,280	980	300	31%
Short term borrowings	11,153	5,648	5,505	97%
Zero Coupon Bond	942	1,317	(375)	-28%
Commercial Paper	**500**	**-**	**500**	**-**
Total Deposit and Borrowings	**70,116**	**50,908**	**19,208**	**38%**

FUNDING MIX COMPOSITION 2016-17



TERM DEPOSIT COMPOSITION 2016-17



Capital

LankaBangla Group remains well capitalized, with all capital adequacy ratios well above the Basel II minimum regulatory capital requirements. At LankaBangla, Capital Management policy sets out the principles and guidelines for effective and prudent capital planning, usage and management.

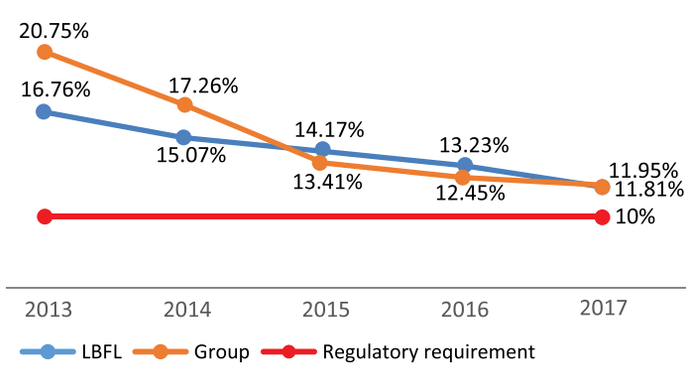
Tier I Core Capital of LBFL Group and LBFL as at 2017 were BDT 8,194 million and BDT 7,268 million respectively. LBFL's core capital increased by 17.80% in 2017 compared to that of 2016 boosted by solid financial performance by means of Net Profit after tax of BDT 1,353 million. Group's equity increased by 25% supported by Consolidated Net Profit after Tax of BDT 1,926 million.

Tier II Supplementary capital of the Group and LBFL comprises of 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 19% to BDT 534 million in 2017 from BDT 449 million of 2016.

Total eligible capital of the group stood at BDT 8,729 million in 2017, 25% higher than that of BDT 6,987 million of previous year. LBFL's total eligible capital increased by 17.87% to BDT 7,802 million in 2017 compared to BDT 6,619 million of 2016.

Compared to 2016, Consolidated Risk weighted asset grew by 30% in 2017 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 group and the company at the close of business on 31 December 2017 were BDT 1,424 million and BDT 1,196 million respectively.

CAPITAL ADEQUECY RATIO

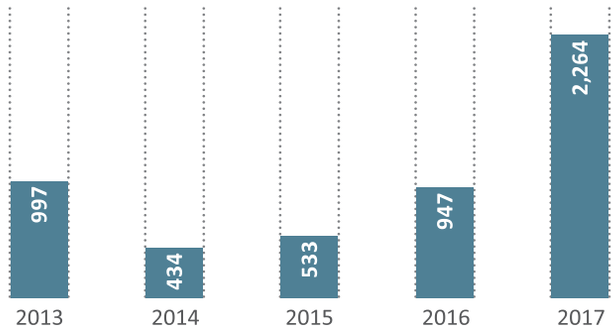


FINANCIAL HIGHLIGHTS OF LANKABANGLA GROUP

All figures in BDT million except (%)

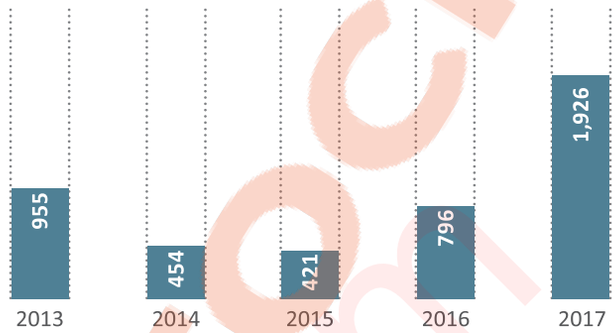
Financial Position	2013	2014	2015	2016	2017	Growth of 2017 over 2016	5 Year CAGR (%)/ Average*
Total Assets	32,648	39,129	50,448	63,935	85,443	33.64%	27.19%
Total Liabilities	25,619	31,997	44,099	57,164	77,014	34.73%	31.67%
Business Disbursement	11,070	19,750	35,770	45,539	56,726	24.57%	50.46%
Property Plant and Equipment	291	311	1,292	1,430	1,762	23.24%	56.80%
Current Assets	19,281	13,316	19,146	33,088	35,318	6.74%	16.34%
Current Liabilities	14,965	9,381	17,301	29,043	31,959	10.04%	20.89%
Net current assets	4,317	3,935	1,845	4,045	3,359	-16.96%	-6.08%
Non Current Assets	13,367	25,813	37,132	30,847	50,124	62.49%	39.16%
Long Term Liabilities	10,654	22,616	26,798	28,121	45,055	60.22%	43.40%
Loans and Advances	24,841	30,396	41,819	51,244	66,544	29.86%	27.93%
Term Deposits	10,827	16,683	29,992	40,033	51,553	28.78%	47.72%
Total Investment Portfolio	31,265	37,217	47,605	60,595	80,800	33.34%	26.79%
Operational Performance							
Operating Revenue	5,189	5,100	6,237	7,306	9,981	36.62%	17.77%
Operating Expenses	892	1,285	1,612	1,999	2,671	33.61%	31.55%
Financial Expenses	2,731	3,033	3,715	3,964	4,839	22.07%	15.37%
Non Interest Revenue	1,433	1,135	1,449	1,644	2,905	76.68%	19.32%
Net Profit Before Tax	997	434	533	947	2,264	139.14%	22.75%
Net Profit After Tax	955	454	421	796	1,926	142.10%	19.19%
EBITDA	4,369	3,909	4,340	5,008	7,256	44.86%	13.52%
Turnover of Share Trading by LBSL	135,795	181,674	148,645	166,902	363,646	117.88%	27.92%
Financial Ratios							
Gross Profit Ratio	52.63%	59.47%	59.57%	54.26%	48.48%	-10.65%	54.88%
Operating Profit Ratio	30.18%	15.34%	14.59%	18.37%	24.76%	34.73%	20.65%
Return on Capital Employed	3.66%	1.41%	1.04%	1.55%	2.83%	83.05%	2.10%
Cash reserve ratio/ liquidity asset ratio (Required 2.5%)	2.58%	2.64%	2.51%	2.52%	2.92%	16.07%	2.63%
Statutory Liquidity Reserve (Required 5%)	6.52%	6.00%	5.05%	5.08%	5.10%	0.34%	5.55%
Capital Adequacy Ratio (2011: Test Run. Effct. From 2012)	20.75%	17.26%	13.41%	12.45%	11.95%	-4.02%	15.16%
Gross Non performing assets to gross advances/Non performing loans (assets) to total loans (assets)	4.84%	4.05%	3.20%	3.22%	2.85%	-11.36%	3.63%
Cost to Income Ratio	36.29%	62.16%	63.92%	59.83%	51.95%	-13.17%	54.83%
Current Ratio	1.29	1.42	1.11	1.14	1.11	-3.00%	1.21
Debt Equity Ratio	3.28	4.09	6.23	7.61	8.42	10.60%	5.93
Financial Expense Coverage Ratio	1.57	1.26	1.24	1.34	1.51	12.85%	1.39
Return on Equity (%)	14.34%	6.59%	6.37%	12.29%	25.66%	108.80%	13.05%
Return on Assets (%)	3.29%	1.26%	0.94%	1.39%	2.58%	85.39%	1.89%
Equity Parameters							
Authorized Capital	3,000	3,000	3,000	3,000	10,000	233.33%	35.12%
Paid-up Capital	2,083	2,188	2,406	2,767	3,183	15.00%	11.17%
Shareholders' Equity	6,840	6,947	6,262	6,687	8,327	24.53%	5.04%
No. of Share Outstanding	208	219	241	277	318	15.00%	11.17%
Net Asset Value (NAV) Per Share*	21.49	21.83	19.68	21.01	26.16	24.53%	5.04%
Earnings Per Share (EPS)*	2.94	1.39	1.33	2.50	5.97	138.69%	19.37%
Market Price Per Share (Closing)	57.58	40.00	29.00	34.80	47.80	37.36%	-4.55%
Price Earnings Ratio (Times) *	19.59	28.79	21.74	13.92	8.01	-42.45%	18.41
Dividend Payment (C- cash & B- bonus)	5% B	10% B	15% B	15% B	7.5% B	-	-
	15% C	10% C	15% C	15% C	7.5% C	-	-
Profit Per Employee (mn)	1.79	0.59	0.55	0.84	1.60	90.62%	-2.71%
Credit Ratings							
Long Term	A2	A1	AA3	AA3	AA3	AA3	-
Short Term	ST-3	ST-3	ST-2	ST-2	ST-2	ST-2	-

Net Profit Before Tax



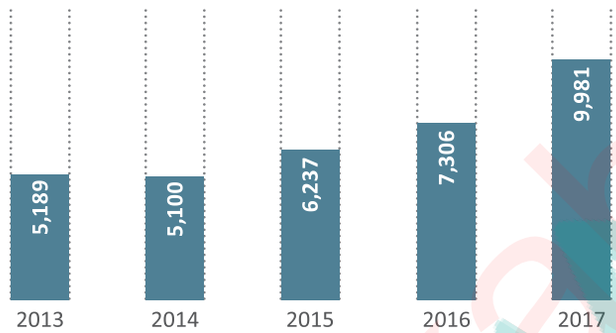
Net Profit before Tax (NPBT) increased significantly in 2017 registering a significant growth of 139.14% triggered mostly by increase in operating income.

Net Profit After Tax



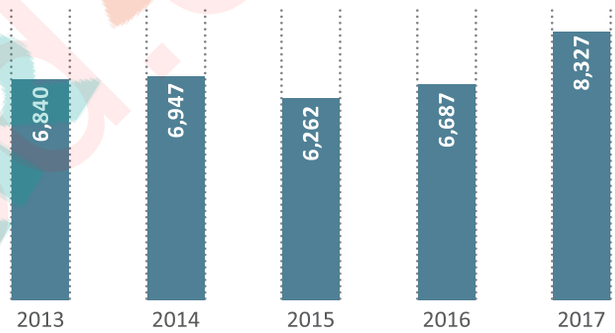
Net Profit after Tax (NPAT) registered a massive growth of 142.10% in 2017 Increase in net operating income has mostly triggered the rise in NPAT.

Operating Revenue



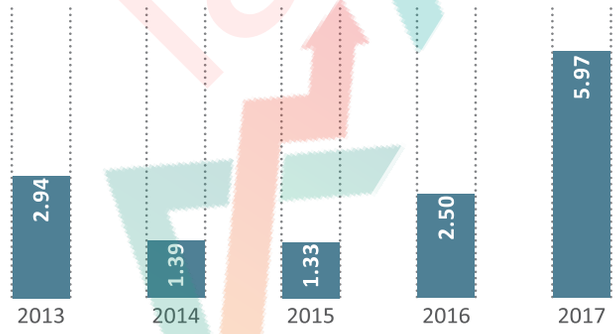
Growth in Operating Revenue in 2017 has been commendable. Operating revenue grew by 36.62% in 2017 triggered by interest income revenue, investment income and brokerage income.

Shareholders' Equity



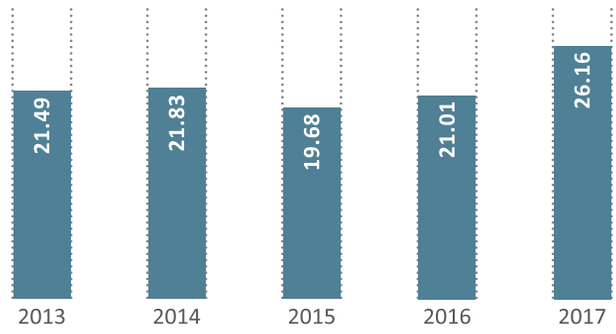
Shareholders' Equity rose by 24.53% in 2017 to reach BDT 8,327 million. Profit has been the main contributor to the rise in equity.

Earnings Per Share (EPS)



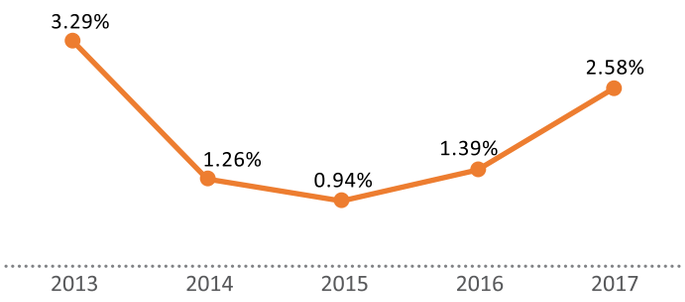
Huge growth in net profit (138.69%) results substantial upward movement of EPS.

Net Asset Value (NAV) Per Share



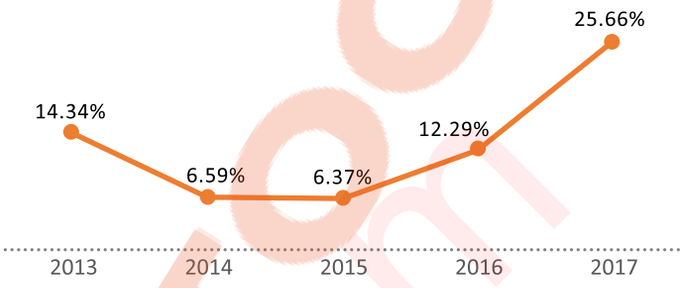
NAV increased by 24.53% in 2017 to reach a figure of BDT 26.16. The increase is caused by the high increase in net assets of the Company indicating effective management of resources thereby contributing to value creation.

Return on Assets (%)



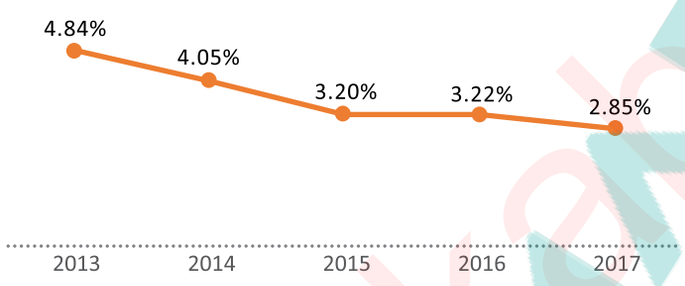
Return on Assets (ROA) also saw a high increase in 2017 by 1.19 percentage points due to sharp increase in net profit.

Return on Equity (%)



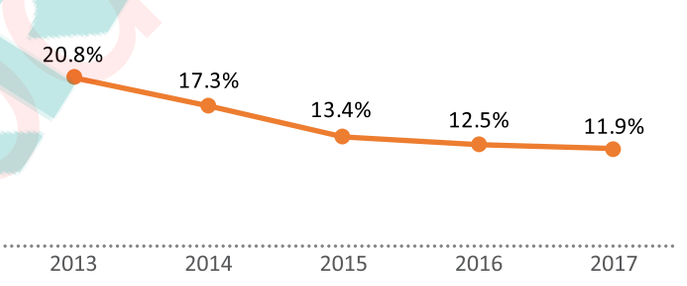
The sharp rise in Return on Equity (ROE) in 2017 has been triggered by the massive increase in Net Profit after Tax during the year.

NPL Ratio (%)



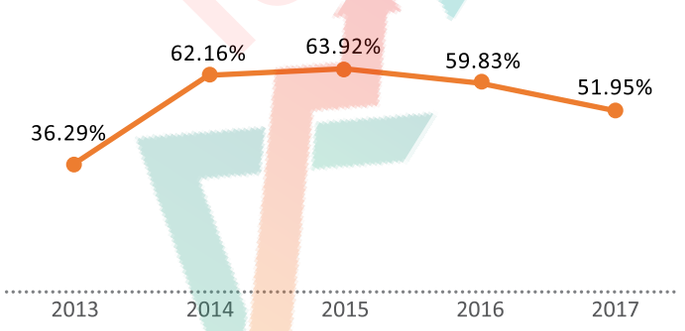
NPL has been at a decline since 2013 indicating quality portfolio management by the Company.

Capital Adequacy Ratio (%)



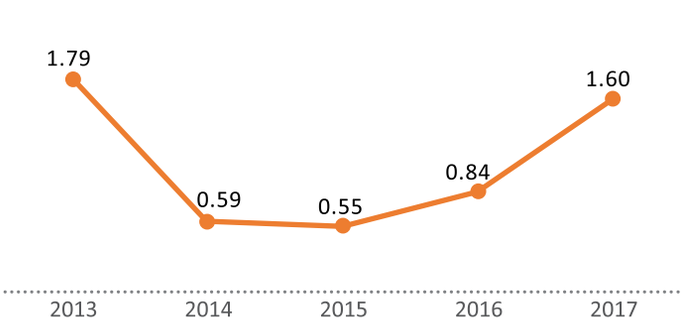
Although CAR decreased in 2017 by around 0.6 percentage point, the group always endeavors to keep more than adequate capital in order to be compliant and risk free through continuous monitoring.

Cost to Income Ratio (%)



Costs to income ratio decreased in 2017 by 7.88 percentage points 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 2016 and has maintained a stable figure of 1.60 in 2017.

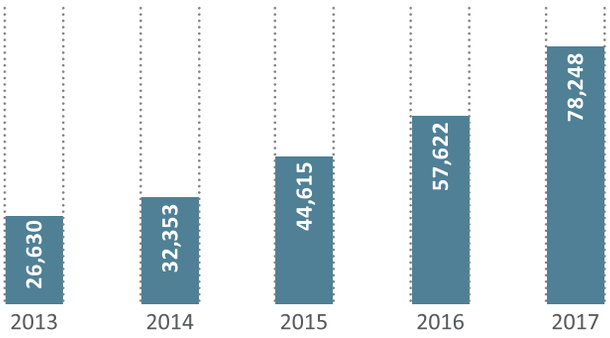
FINANCIAL HIGHLIGHTS OF LANKABANGLA FINANCE LIMITED

All figures in BDT million except (%)

Financial Position	2013	2014	2015	2016	2017	Growth of 2017 over 2016	5 Year CAGR (%)/ Average
Total Assets	26,630	32,353	44,615	57,622	78,248	35.79%	30.93%
Total Liabilities	22,315	27,705	39,156	51,453	70,980	37.95%	33.55%
Business Disbursement	11,070	19,750	35,770	45,539	56,726	24.57%	50.46%
Property Plant and Equipment	73	129	878	999	1,073	7.37%	95.51%
Deposits	10,876	16,717	30,081	40,033	51,553	28.78%	47.55%
Total Investment Portfolio	25,732	31,228	42,600	55,176	74,966	35.87%	30.65%
Operational Performance							
Operating Revenue	3,490	4,090	5,298	5,997	7,819	30.39%	22.35%
Operating Expenses	407	718	957	1,248	1,634	30.89%	41.52%
Financial Expenses	2,409	2,631	3,219	3,565	4,542	27.40%	17.18%
Net Profit Before Tax	344	465	1,046	1,107	1,397	26.19%	41.95%
Net Profit After Tax	448	652	1,030	1,072	1,353	26.19%	31.82%
EBITDA	3,103	3,415	4,310	4,737	6,048	27.70%	18.16%
Financial Ratios							
Gross Profit Ratio	30.96%	35.69%	39.25%	40.55%	41.91%	3.36%	37.67%
Operating Profit Ratio	19.28%	18.14%	21.19%	19.73%	21.01%	6.51%	19.87%
Return on Capital Employed	2.09%	2.36%	2.85%	2.22%	2.10%	-5.31%	2.33%
Capital Adequacy Ratio (2011: Test Run. Effct. From 2012)	16.76%	15.07%	14.17%	13.23%	11.81%	-10.73%	14.21%
Gross Non performing assets to gross advances/Non performing loans (assets) to total loans (assets)	4.84%	5.08%	3.72%	3.51%	3.07%	-12.54%	4.04%
Cost to Income Ratio	37.71%	49.18%	46.01%	51.35%	49.86%	-2.89%	46.82%
Debt Equity Ratio	4.75	5.53	6.67	7.86	9.18	16.86%	6.80
Financial Expense Coverage Ratio	1.28	1.28	1.35	1.33	1.36	2.24%	1.32
Return on Equity (%)	10.95%	14.54%	20.38%	18.44%	20.13%	9.20%	16.89%
Return on Assets (%)	1.94%	2.21%	2.68%	2.10%	1.99%	-5.05%	2.18%
Equity Parameters							
Authorized Capital	3,000	3,000	3,000	10,000	10,000	0.00%	35.12%
Paid-up Capital	2,083	2,188	2,406	2,767	3,183	15.00%	11.17%
Shareholders' Equity	4,315	4,647	5,459	6,170	7,268	17.80%	13.92%
No. of Share Outstanding	208.35	218.77	240.64	276.74	318.25	15.00%	11.17%
Net Asset Value (NAV) Per Share *	13.56	14.60	17.15	19.39	22.84	17.80%	13.92%
Earnings Per Share (EPS) *	1.41	2.05	3.24	3.37	4.25	26.19%	31.82%
Market Price Per Share (Closing)	57.58	40.00	29.00	34.80	47.80	37.36%	-4.55%
Price Earnings Ratio (Times) *	40.90	19.53	8.96	10.33	11.25	8.85%	18.19
Dividend Payment (C-cash & B- bonus)	5% B	10% B	15% B	15% B	7.5% B	-	-
	15% C	10% C	15% C	15% C	7.5% C	-	-
Dividend Payout Ratio (%)	142.06%	97.67%	92.69%	89.06%	35.29%	-60.38%	-29.40%
Dividend Coverage (Times)	2.29	1.49	1.43	1.29	2.83	119.67%	5.46%
Dividend Yield (%)	3.01%	4.55%	10.34%	8.62%	3.14%	-63.60%	5.93%
Profit Per Employee (mn)	1.37	1.38	1.98	1.59	1.63	2.07%	1.59
"Credit Ratings"							
Long Term	A2	A2	A1	AA3	AA3	-	-
Short Term	ST-3	ST-3	ST-3	ST-2	ST-2	-	-

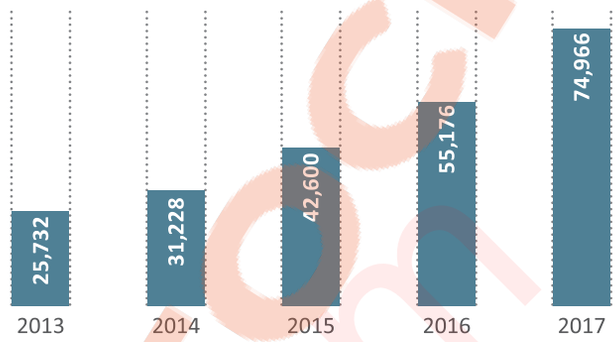
*restated

Total Assets



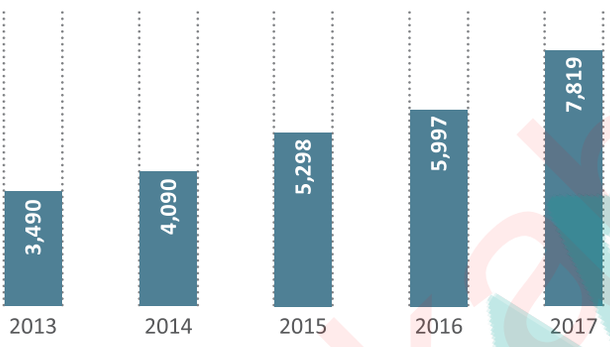
In 2017 Total Assets grew by 35.79% compared to 2016 maintaining an average growth of 30.93% over the last 5 years. It is a result of company's relentless effort to disburse quality loans and planned expansition of LBFL network.

Total Investment Portfolio



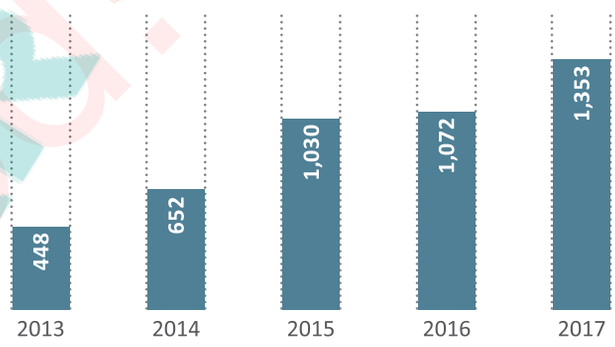
Investment portfolio has been growing at a rapid pace due to excellent growth in loan disbursement and vigilant investment decisions. Total Investment portfolio grows by 35.87% in 2017 from that of 2016 registering an average growth of 30.65% in last 5 years.

Operating Revenue



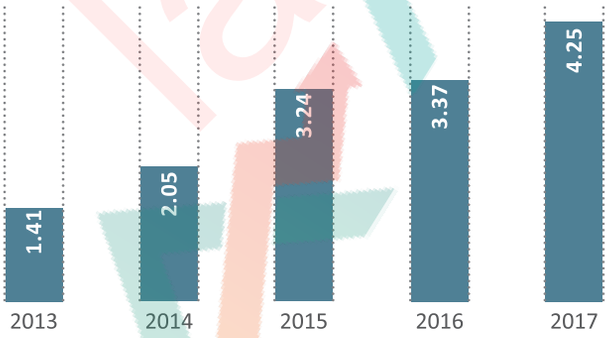
30.39% growth of operating revenue in 2017 over 2016 is evident of a sound operating activities. Income has been boosted as a result of goodquality assets and effective management of PAR.

Net Profit After Tax



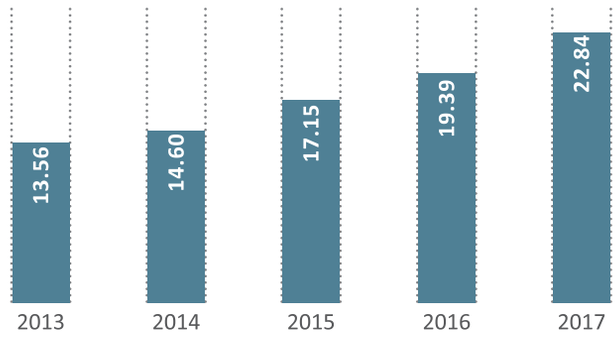
Net Profit after Tax reaches to a figure of 1.353 million for the year 2017 registering a relatively higher growth of 26.19% over 2016. Profit after tax has seen a growing trend since 2013.

Earnings Per Share (EPS)



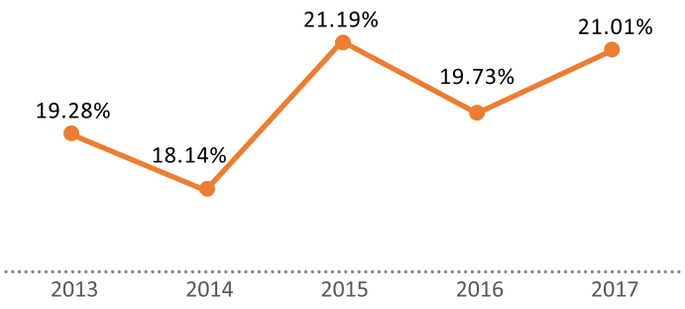
Growth in net profit has resulted in the upward movement of EPS. EPS grew by 26.19% in 2017 to reach 4.25. Healthy growth in EPS indicates the soundness of financial performance of the company.

Net Asset Value (NAV) Per Share



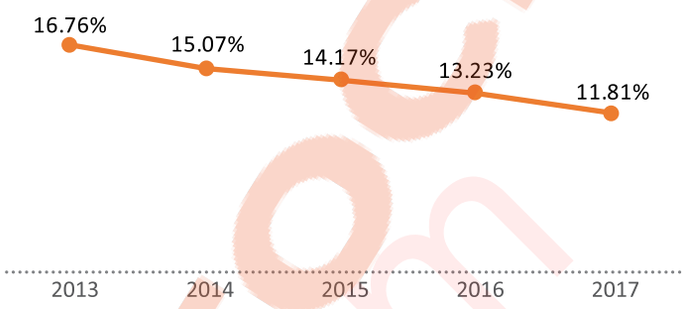
NAV increased to 22.84 compared to 19.39 in 2016 indicating a growth of 17.80% and an average growth of 13.82% over the 5 year period. Value per shares increases and it is evident that the company is managing its resources effectively and efficiently to create value towards the investors.

Operating Profit Ratio



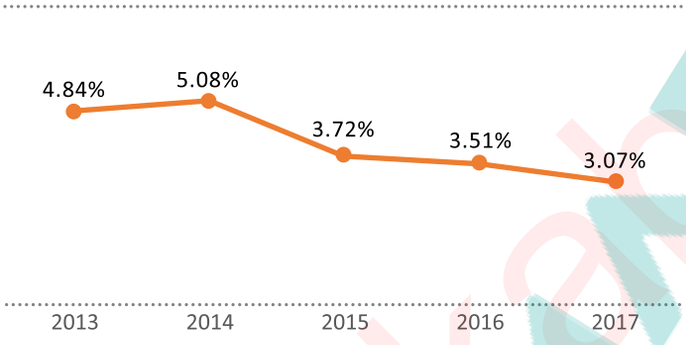
Operating margin increased by 1.28 percentage points to reach 21.01% in 2017. This is mostly due to a higher increase in operating revenue during 2017 compared to the increase in operating revenue.

Capital Adequacy Ratio



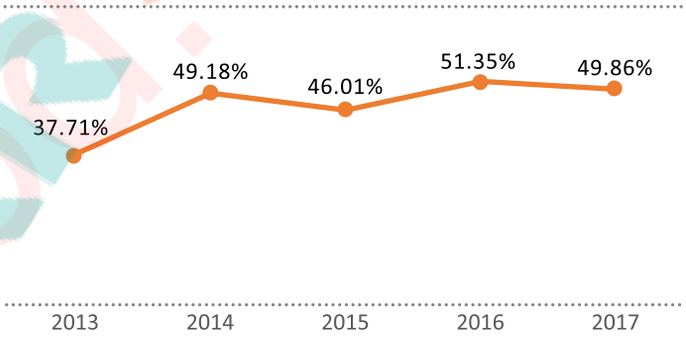
Although the CAR has reduced to 11.81% in 2017 compared to 13.23% in 2016, this is well above the Bangladesh Bank requirement of 10%. The Company always endeavors to keep more than adequate capital in order to be compliant and risk free. Continuous monitoring of capital adequacy is undertaken

NPL Ratio



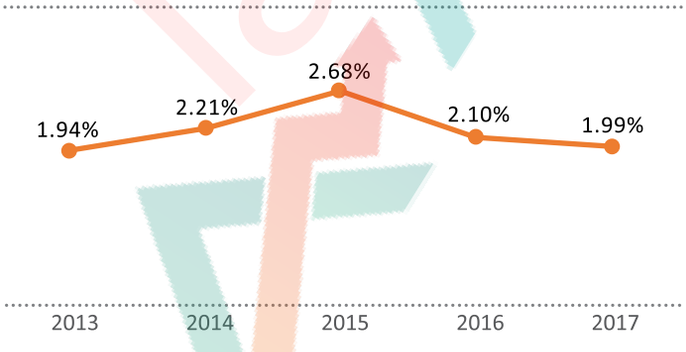
Quality of loan portfolio has improved as is visible from the reduction of NPL ratio to 3.07% at the end of 2017 from 3.51% in 2016.

Cost to Income Ratio



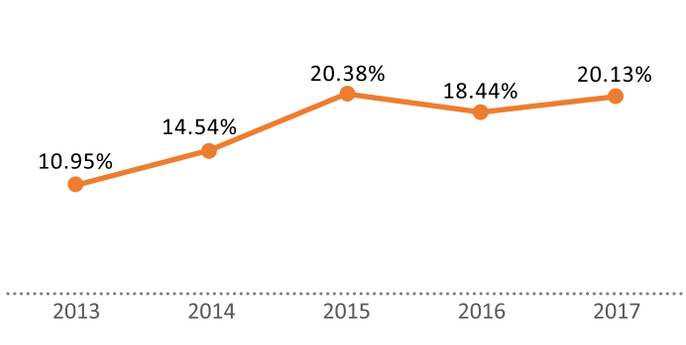
Costs to income ratio decreased to 49.86% in 2017 compared to 51.35% in 2016. The downward is mostly triggered by the significant increase in operating revenue in 2017. In comparison, operating revenue grew by a higher percentage in 2017.

Return on Assets (%)



Return on Average Assets declined slightly to 1.99% at the end of 2017 which was 2.10% in 2016. Decrease in ROA is caused by the high investments in total assets of the company in 2017.

Return on Equity (%)



In 2017 ROE experienced a growth to reach a figure of 20.13% compared to 18.44% in 2016. The ratio is evident of effective management of shareholders' funds thereby contributing to a rapid growth in shareholders' returns.

HORIZONTAL ANALYSIS

For the last 5 years

Consolidated Statement of Comprehensive Income

	2017	2016	2015	2014	2013
Operating Income					
Net interest	**218%**	**166%**	**105%**	**91%**	**100%**
Interest income	188%	151%	127%	106%	100%
Less : Interest expenses on deposits & borrowings	177%	145%	136%	111%	100%
Income from investment	122%	65%	58%	27%	100%
Commission, exchange and brokerage income	238%	117%	118%	142%	100%
Other operational income	412%	289%	218%	125%	100%
Total operating income	**209%**	**136%**	**103%**	**84%**	**100%**
Operating Expenses					
Salary and allowances	295%	224%	186%	153%	100%
Rent, taxes, insurance, electricity etc.	249%	211%	180%	130%	100%
Legal and professional fees	195%	175%	115%	148%	100%
Postage, stamp, telecommunication etc.	274%	196%	162%	166%	100%
Stationery, printing, advertisement	322%	232%	196%	169%	100%
Managing director's salary and allowance	88%	144%	138%	116%	100%
Director fees and expenses	155%	168%	118%	101%	100%
Audit fees	181%	203%	111%	226%	100%
Changes on loan losses	-	-	-	-	-
Repairs, maintenance and depreciation	253%	170%	151%	129%	100%
Other expenses	362%	256%	187%	136%	100%
Total operating expenses	**299%**	**224%**	**181%**	**144%**	**100%**
Net Operating Income	**158%**	**86%**	**58%**	**50%**	**100%**
Provisions for loans / investments	**37%**	**71%**	**67%**	**62%**	**100%**
Provisions for leases and loans	-32%	-49%	117%	11%	100%
Provision for margin loan	-24%	0%	-98%	30%	100%
Provision for diminution in value of investments	-952%	-221%	1243%	335%	100%
General provision for other assets	-	-	-	-	-
Profit before tax and reserve	227%	95%	53%	43%	100%
	263%	**-48%**	**263%**	**-48%**	**100%**
Provision for tax made during the year	1268%	563%	425%	-58%	100%
Deferred tax expense or (Income)	20%	17%	-1%	-31%	100%
Net profit after tax	225%	101%	44%	48%	100%
Earnings Per Share (EPS)	**203%**	**85%**	**45%**	**47%**	**100%**

	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
PROPERTY AND ASSETS					
Cash	**594%**	**360%**	**266%**	**174%**	**100%**
Cash in hand	259%	428%	182%	88%	100%
Balance with Bangladesh Bank	595%	360%	266%	174%	100%
Balance with other banks and financial institutions	**378%**	**185%**	**61%**	**81%**	**100%**
Inside Bangladesh	378%	185%	61%	81%	100%
Outside Bangladesh					
Money at call and short notice					
Investment	**156%**	**143%**	**124%**	**138%**	**100%**
Government securities	0%	0%	0%	100%	100%
Other investments	218%	201%	174%	153%	100%
Leases, loans and advances	**262%**	**202%**	**164%**	**120%**	**100%**
Lease portfolio, term finance, short term loan, etc.					
Fixed assets including land, building, furniture and fixtures	**605%**	**491%**	**443%**	**107%**	**100%**
Other assets	**188%**	**148%**	**117%**	**142%**	**100%**
TOTAL PROPERTY AND ASSETS	**262%**	**196%**	**155%**	**120%**	**100%**
LIABILITY AND SHAREHOLDERS' EQUITY					
Liabilities	**313%**	**227%**	**174%**	**127%**	**100%**
Borrowings from Bangladesh Bank, other banks and financial institutions	160%	94%	78%	101%	100%
Term deposits	476%	370%	277%	154%	100%
Other liabilities	**216%**	**199%**	**160%**	**138%**	**100%**
TOTAL LIABILITIES	**301%**	**224%**	**172%**	**128%**	**100%**
Shareholders' Equity	**122%**	**98%**	**92%**	**89%**	**100%**
Paid up capital	153%	133%	115%	105%	100%
Share premium	15%	0%	100%	100%	100%
Statutory reserve	167%	167%	152%	120%	100%
General reserve	3214%	2623%	118%	115%	100%
Fair value measurement reserve	73%	68%	0%	0%	100%
Retained earnings	82%	54%	59%	68%	100%
Non controlling interest	54%	45%	46%	67%	100%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**262%**	**196%**	**155%**	**120%**	**100%**

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VERTICAL ANALYSIS

For the last 5 years

Consolidated Statement of Comprehensive Income

	2017	2016	2015	2014	2013
Operating Income					
Net interest	**22.42%**	**23.24%**	**17.19%**	**18.29%**	**19.76%**
Interest income	70.90%	77.50%	76.76%	77.75%	72.39%
Less : Interest expenses on deposits & borrowings	48.48%	54.26%	59.57%	59.47%	52.63%
Income from investment	9.16%	6.62%	7.00%	3.90%	14.41%
Commission, exchange and brokerage income	11.38%	7.68%	9.01%	13.28%	9.21%
Other operational income	8.56%	8.21%	7.23%	5.07%	3.99%
Total operating income	**51.52%**	**45.74%**	**40.43%**	**40.53%**	**47.37%**
Operating Expenses					
Salary and allowances	13.03%	13.52%	13.17%	13.20%	8.50%
Rent, taxes, insurance, electricity etc.	2.21%	2.56%	2.56%	2.25%	1.71%
Legal and professional fees	0.33%	0.41%	0.32%	0.50%	0.33%
Postage, stamp, telecommunication etc.	0.29%	0.28%	0.27%	0.34%	0.20%
Stationery, printing, advertisement	0.66%	0.65%	0.64%	0.68%	0.39%
Managing director's salary and allowance	0.11%	0.24%	0.27%	0.28%	0.23%
Director fees and expenses	0.02%	0.04%	0.03%	0.03%	0.03%
Audit fees	0.01%	0.02%	0.01%	0.03%	0.01%
Changes on loan losses	0.00%	0.00%	0.00%	0.00%	0.00%
Repairs, maintenance and depreciation	1.84%	1.69%	1.76%	1.84%	1.40%
Other expenses	8.26%	7.96%	6.81%	6.05%	4.39%
Total operating expenses	**26.76%**	**27.37%**	**25.85%**	**25.19%**	**17.19%**
Net Operating Income	**24.76%**	**18.37%**	**14.59%**	**15.34%**	**30.18%**
Provisions for loans / investments	**2.07%**	**5.42%**	**6.04%**	**6.78%**	**10.78%**
Provisions for leases and loans	2.49%	2.73%	2.13%	3.27%	5.36%
Provision for margin loan	-0.76%	-1.60%	4.49%	0.52%	4.63%
Provision for diminution in value of investments	0.37%	4.29%	-0.44%	3.00%	0.79%
General provision for other assets	-0.02%	0.00%	-0.14%	0.05%	0.18%
Profit before tax and reserve	**22.68%**	**12.96%**	**8.54%**	**8.50%**	**19.22%**
	1.12%	**-0.28%**	**1.79%**	**-0.40%**	**0.82%**
Provision for tax made during the year	3.35%	2.03%	1.80%	-0.30%	0.51%
Deferred tax expense or (Income)	0.03%	0.04%	0.00%	-0.10%	0.31%
Net profit after tax	**21.56%**	**13.24%**	**6.75%**	**8.90%**	**18.40%**

	2017	2016	2015	2014	2013
PROPERTY AND ASSETS					
Cash	**1.35%**	**1.09%**	**1.02%**	**0.86%**	**0.60%**
Cash in hand	0.00%	0.00%	0.00%	0.00%	0.00%
Balance with Bangladesh Bank	1.35%	1.09%	1.02%	0.86%	0.59%
Balance with other banks and financial institutions	**10.39%**	**6.78%**	**2.83%**	**4.88%**	**7.20%**
Inside Bangladesh	10.39%	6.78%	2.83%	4.88%	7.20%
Outside Bangladesh	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Money at call and short notice					
Investment	**6.40%**	**7.86%**	**8.67%**	**12.40%**	**10.77%**
Government securities	0.00%	0.00%	0.00%	2.59%	3.09%
Other investments	6.40%	7.86%	8.67%	9.82%	7.68%
Leases, loans and advances	**77.88%**	**80.01%**	**82.90%**	**77.88%**	**77.87%**
Lease portfolio, term finance, short term loan, etc.					
Fixed assets including land, building, furniture and fixtures	**2.06%**	**2.23%**	**2.56%**	**0.80%**	**0.89%**
Other assets	**1.92%**	**2.01%**	**2.02%**	**3.18%**	**2.67%**
TOTAL PROPERTY AND ASSETS	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
LIABILITY AND SHAREHOLDERS' EQUITY					
Liabilities	**82.06%**	**79.49%**	**77.30%**	**72.75%**	**68.69%**
Borrowings from Bangladesh Bank, other banks and financial institutions	21.73%	16.98%	17.85%	30.01%	35.52%
Term deposits	60.34%	62.51%	59.45%	42.74%	33.16%
Other liabilities	**8.07%**	**9.94%**	**10.11%**	**11.31%**	**9.78%**
TOTAL LIABILITIES	**90.14%**	**89.43%**	**87.41%**	**84.06%**	**78.47%**
Shareholders' Equity	**9.75%**	**10.44%**	**12.41%**	**15.62%**	**20.95%**
Paid up capital	3.72%	4.32%	4.77%	5.61%	6.38%
Share premium	0.19%	0.00%	2.16%	2.79%	3.34%
Statutory reserve	1.28%	1.70%	1.96%	2.00%	1.99%
General reserve	1.72%	1.88%	0.11%	0.14%	0.14%
Fair value measurement reserve	0.06%	0.07%	0.00%	0.00%	0.21%
Retained earnings	2.77%	2.47%	3.42%	5.08%	8.88%
Non controlling interest	0.12%	0.13%	0.17%	0.32%	0.58%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**100%**	**100%**	**100%**	**100%**	**100%**

VALUE CREATION STRUCTURE

Our Value Creation Structure is inspired by our Vision, mission and Core Values. “Creating Value to each stakeholder and the economies and the society in which we operate” is our Corporate Philosophy.

To implement the Corporate Philosophy, we are drawing on our strengths, and taking into consideration the growing sophistication of customer needs and the changes occurring in the business and social environment.

We utilize our resources (Inputs) through our business activities to generate outputs not only in form of Product and service offering to our customers but also valuable outcomes for other stakeholders.

Our business model requires us invest heavily on IT infrastructure and Human development. Sustainable IT infrastructure helps us to extend our presence not only physically but also virtually. Proper Human Resource development will boost up the social and relationship Capital as well as Intellectual Capital to ensure business growth through professional networks, innovation in offerings and to attain process efficiency.

In the process, we ensure our business activities are aligned with our core values and well guided by our corporate governance framework.

Inputs:

Financial Capital (page no. 159)
- Equity
- Deposite & Borrowings
- Profitability

Manufactured Capital (page no. 160)
- Branches
- Call Centers
- IT Infrastructure

Intellectual Capital (page no. 161)
- Processes
- Culture
- Knowledge
- In House Software
- eLearning

Human Capital (page no. 159)
- Experienced and competent human resources
- Technical and managerial skills

Social & Relationship Capital (page no. 161)
- Investment in brand awareness
- service assurance
- Uncompromised customer service
- CSR Activities

Natural Capital (page no. 162)
- Utilities
- Policy inputs and initiatives
- from the company

Complexities , interdependencies and tradeoffs

Useful references:

AIR Business Model page no. 152
AIR How we create value page no. 154
AIR Key Resources of LBFL page no. 158
AIR Economic Outlook page no. 171
AIR Business Environment Analysis page no. 174
AIR Strategic Focus Areas page no. 183

Operating environment and competitive landscape
(page no. 177 - 179)

Vision (page no. 01) Mission (page no. 01) Values (page no. 01)

Governance Structure (page no. 70)

Risks and opportunities
(page no. 174 - 177)

Strategic focus
(page no. 183)

Business Model (page no. 152)

Activities (page no.154) → Outputs (page no.154)

Performance
(page no. 131 - 145)

Outlook
(page no. 171 - 173)

Required changes in business model in response to market forces and pressures

Outcomes:

Financial Capital
- 25.66% Consolidated Return on Equity
- 142% Growth in Consolidated NPAT
- 19.19% 5-year CAGR in NPAT growth
- 27.93% 5-year CAGR in portfolio growth
- Quality of Asset Portfolio maintained as NPL ratio reduced

Manufactured Capital
- Geographically well distributed network coverage
- Efficiency gain in operating capability
- Reduction in TAT (turnaround time)

Intellectual Capital
- Speed of approval process and operations improved over the year
- FinSmart
- iBroker
- Trade Express

Human Capital
- BDT 1,359 million paid for Employee Benefit
- 32,334 hours of training
- Incentive bonus as 8% of NPBT
- Rise in employee productivity
- Career Advancement

Social & Relationship Capital
- Dividends paid to shareholders
- Paid Internship opportunities for Fresh Graduates
- Support for the underprivileged
- Rehabilitation programs

Natural Capital
- LEED Certified LankaBangla Tower
- Green Branch
- Growth in Green Financing

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.

Key Stakeholders

- Staff
- Clients
- Shareholders
- Suppliers & Business Partners
- Lenders
- Regulators
- Society
- Environmental Groups

AIR
Stakeholders Analysis
page no. 163

Key Activities

- Deposit & Borrowing from Individuals, Corporate & Banks
- Loan to Businesses and consumers
- Credit Cards
- Financial services including syndication and factoring
- Brokerage Services
- Research services
- Investment banking services
- Advisory services
- Portfolio management
- Asset management

AIR
Subsidiaries of LBFL
page no. 23

AIR
How We Create Value
page no. 154

AIR
Business Divisions of LBFL
page no. 19

Key Resources

- Financial Capital
- Manufactured Capital
- Human Capital
- Intellectual Capital
- Social & Relationship Capital
- Natural Capital

AIR
Key Resources of LBFL
page no. 158

Cost Structure

- Interest Expenses
- Personnel Expenses
- Operating Expenses
- Tax

AIR
How We Create Value
page no. 154

Value Propositions

- Client centered innovation
- Grow our business network
- Investing in our staffs
- Delivering consistently to our shareholders
- Partnering with our regulators
- environmental awareness
- Social Contribution
- Online trading services

AIR
Delivering Value through Our Business
page no. 156

AIR
Value Added Statements
page no. 207

AIR
HR Accounting
page no. 186

AIR
CSR
page no. 203

AIR
Contribution to Government Exchequer
page no. 211

AIR
Green Banking
page no. 200

Customer Relationships

- Need based products
- Before & After sales services
- Advisory support to clients
- Customer Reward
- Customer awareness program

AIR
Stakeholders Analysis
page no. 163

AIR
Product Portfolio
page no. 30

Customers Segments

- Corporate Borrowers
- Corporate Depositors
- Retail Borrowers
- Retail Depositors
- Consumers
- Suppliers
- Traders
- SME
- Investors

AIR
Business Divisions of LBFL
page no. 19

AIR
Subsidiaries of LBFL
page no. 23

AIR
Product Portfolio
page no. 30

Channels

- Branch offices
- PMOs
- SME Booth
- Call Centers
- Online Trading Portal

AIR
Manufactured Capital
page no. 160

AIR
Branches and Subsidiaries
page no. 14

Revenue Streams

- Interest Income
- Investment Income
- Fees & Commission Income
- Other Operating Income

AIR
How We Create Value
page no. 154

lankabangla.stock

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

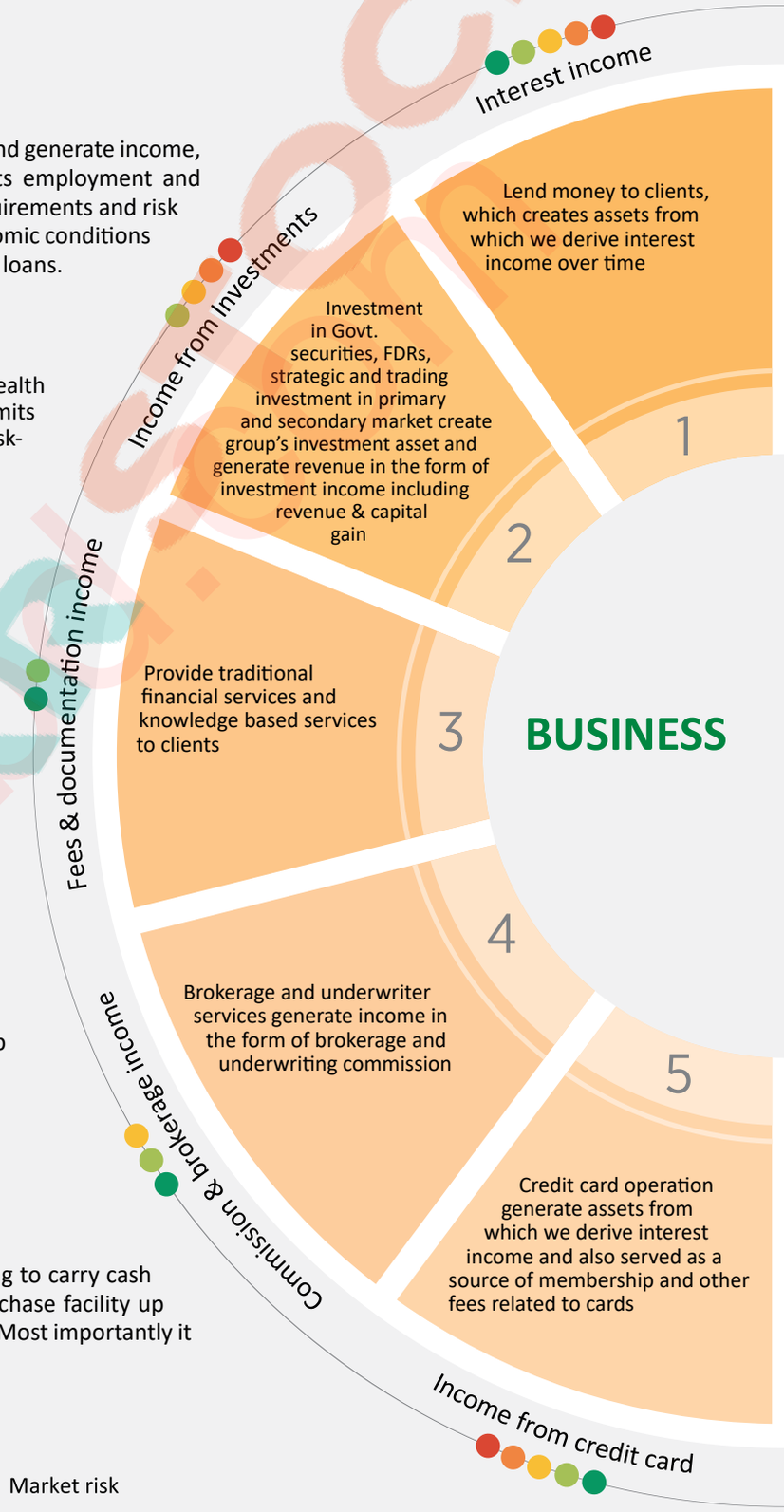
Through traditional financial services we attempt to connect the lives of our clients with progress and happiness. Our knowledge-based services, which include corporate advisory and loan structuring services, allow our clients to benefit from our experience and track record on the country.

4

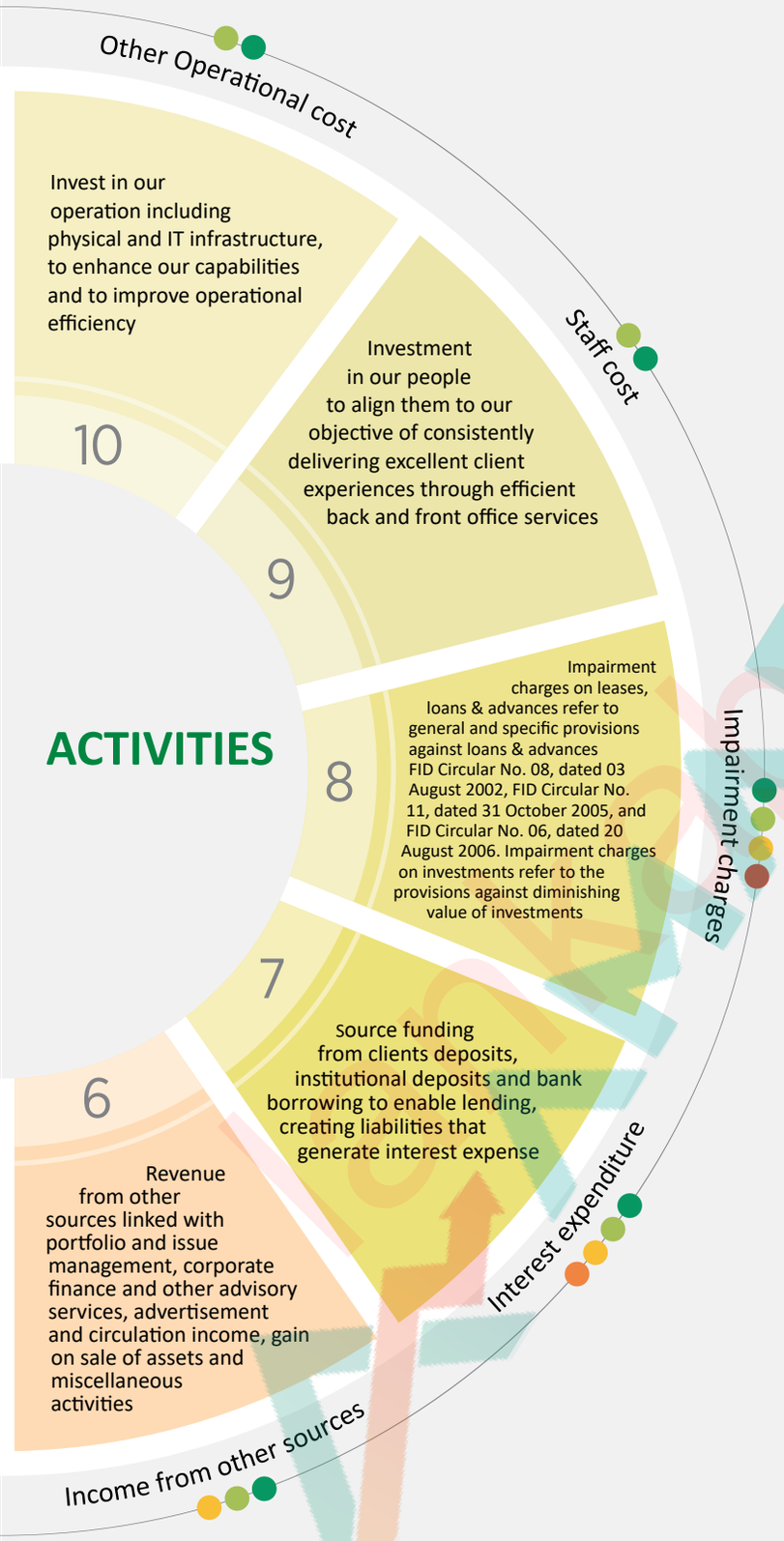
Through our brokerage services we offer clients with hassle free online trading facilities, offer guidance and advice, provide access to our valuable research and help them to achieve their business objectives.

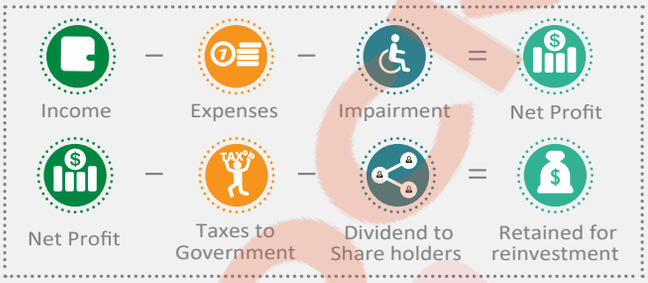
5

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.



- Credit risk
- Liquidity risk
- Interest rate risk
- Market risk
- Business reputational risk
- Operational risk including compliance, environmental and social risk





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

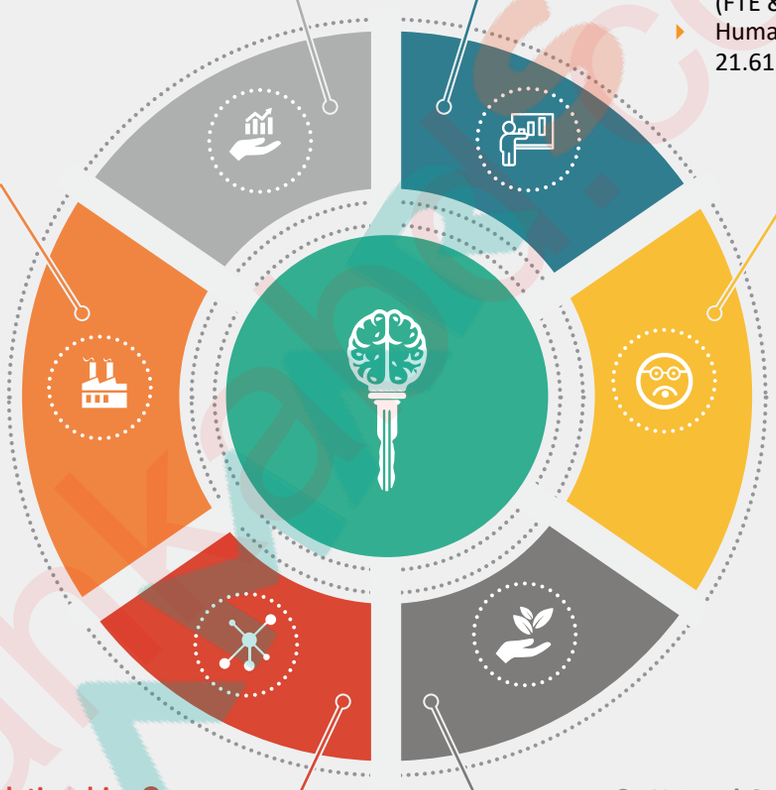
Investing in our operations enables us to continue meeting our clients' needs, contribute positively to host economies and strengthen our competitive position. Although our investment in technology is currently reducing our return on equity (ROE), it will ensure future income-enhancing opportunities as well as access to new markets, thereby supporting our growth and sustainability.

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 12th consecutive time in DSE and 13th in CSE in 2017. 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. 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.
Staff	2,201	1,828	305	51	17
Total Assets	100%	84.07%	11.60%	3.21%	1.12%
Revenue	100%	61.89%	37.60%	0.20%	0.32%

Strategic Focus Area	Group	LBFL	LBSL	LBIL	LBAMCL
	▸ 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
ROA	2.58%	1.99%	7.91%	0.14%	0.68%
ROE	25.66%	20.13%	18.60%	0.98%	0.70%
NAV	26.16	22.84	17.45	2.67	20.41

KEY RESOURCES OF LANKABANGLA



Financial Capital

- Consolideted PAT BDT 1,926 million (LBFL BDT 1,352 million)
- Consolideted Shareholders' Equity BDT 8.3 billion
- Total Deposit & Borrowings 70 billion
- Consolidated Fund Under Management BDT 152 billion

Human Capital

- 837 talented employees (FTE & BSO)
- Human Capital of BDT 21.61 billion

Manufactured Capital

- 25 LBFL Branches along with a SME booth and 10 LBSL Branches
- 24/7 Call Center
- 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.

BDT Million

	2017	2016	Growth	
			Amount	%
Shareholders' Equity	8,327.00	6,686.61	1,640.39	25%

Net Profit After Tax	2017	2016	Growth	
			Amount	%
LBFL	1,352.79	1,072.05	280.74	26%
Group	1,926.29	795.64	1,130.65	142%

	2017	2016	Growth	
			Amount	%
Term Deposit	51,552.81	40,033.00	11,519.81	29%
Borrowing from BB and other Banks & FIs	18,563.69	10,875.00	7,688.69	71%
Total Deposit and Borrowing	70,116.49	50,908.00	19,208.49	38%

	2017	2016	Growth	
			Amount	%
Cash & cash equivalents	10,030.21	5,043.58	4,986.63	99%
Investments	5,469.17	5,036.65	432.52	9%
Lease, loans & advances	66,544.36	51,244.30	15,300.06	30%
Total deposit & borrowings	70,116.49	50,908.00	19,208.49	38%
Fund Under Management	152,160.23	112,232.53	39,927.70	36%

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.

BDT Million

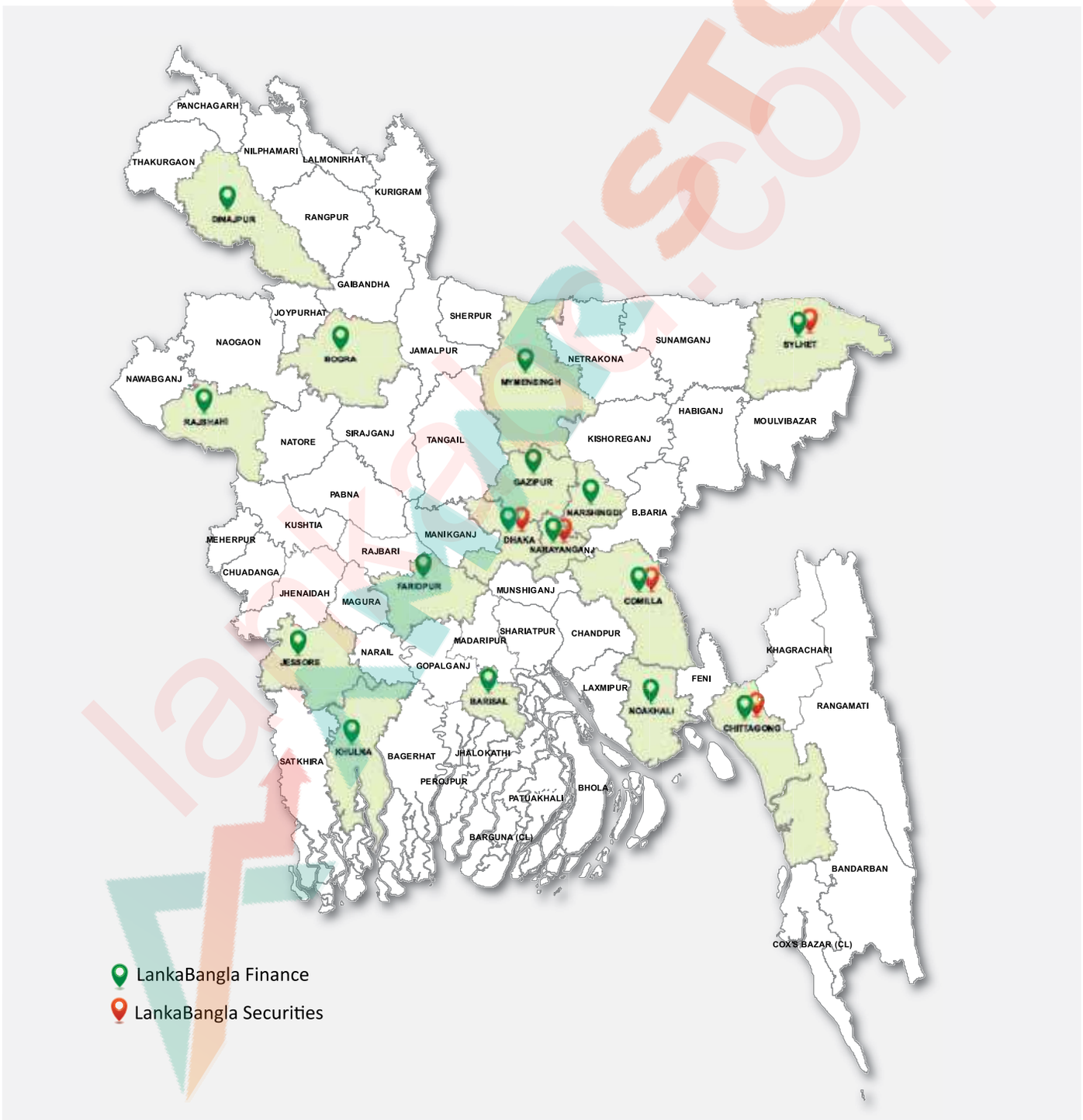
	2017	2016
Total employee benefits	806.28	652.45
Training Cost	12.74	11.01
Employee Benefit Per Employees	1.08	1.09
Training Cost per Employees	0.017	0.016
Gross Revenue per employee	9.48	8.92
Total Expenses per employees	7.49	7.16
Operating cost per employee	1.98	1.86
Operating profit per employees	1.99	1.76

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 25 Branches 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 Auto loans, Personal loan.
- LBSL is the leading brokerage house of the country in terms of transaction both in DSE and CSE. LBSL transacted 7.64% and 10.88% of total transaction of DSE and CSE respectively. Transaction volume of LBSL for the year 2017 in DSE and CSE was BDT 331 billion and BDT 32 billion respectively.
- LBFL is the only NBFI in Bangladesh having Credit Card operation. We are one of the leading market players in credit card business. Including both MasterCard and VISA our credit card usage in the year 2017 was BDT 6,170 million and in the group's revenue credit card segment contributed BDT 523 million of gross revenue which was 5.24% of the total gross revenue of LBFL group for the year 2017.

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 considerablyachieved 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 2017:

- 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
- 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.

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 15,326 shareholders with 82.08% domestic holding and 17.92% foreign holding. Details of shareholding structure is provided in page no 39 of this report.

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 2017

- Achieved economic value addition of BDT 1,417 million in 2017
- Consolidated Net profit was BDT 1,926 million
- LBFL achieved net profit after tax of BDT 1,353 million in solo basis
- Paid a full-year dividend of BDT 1.50 per share, 7.50% stock and 7.50% cash dividend.
- 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 2017

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 29% in Term deposit in 2017 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 813 new home loans and 1,903 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 2017. 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

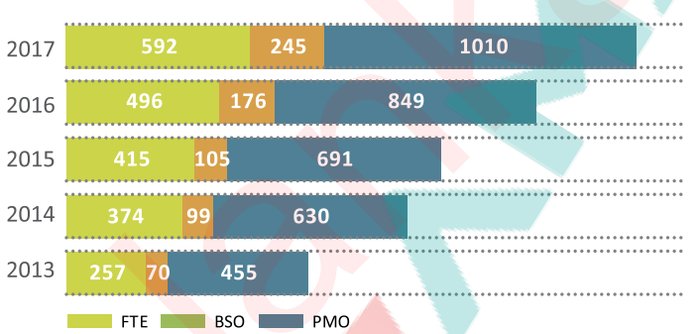
LBFL along with its subsidiaries provide financial advice and financial education to the valued clients by means of interactive consultation and professional investment advices.

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.

EMPLOYEE COMPOSITION



More details about employees is provided in page number 186 to 191 (HR Accounting) and page number 192 (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 2017, 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 2017. 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 2017.

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 2017, 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 32,334 man-hours of training during the year on various knowledge-building programs compared to 27,705 man-hours of the year 2017.

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 2017 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 2017, LankaBangla Finance and its subsidiaries made a handsome contribution to Government Exchequer of an amount equal to BDT 1,030 million, composed of income tax, withholding tax, VAT, withholding VAT and excise duty. This is in comparison to BDT 637 million in 2016, 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. For the last consecutive three year we have been awarded 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 2017 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 21 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. 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. Khwaja Shahriar	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		

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	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.
	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.		

ECONOMIC OUTLOOK

Global Outlook

The global economy is experiencing a cyclical recovery, reflecting a rebound in investment, manufacturing activity, and trade. This improvement comes against the backdrop of benign global financing conditions, generally accommodative policies, rising confidence, and firming commodity prices. Global GDP growth is estimated to have picked up from 2.4 percent in 2016 to 3 percent in 2017. The upturn is broad based, with growth increasing in more than half of the world's economies. In particular, the rebound in global investment growth—which accounted for three quarters of the acceleration in global GDP growth from 2016 to 2017—was supported by favorable financing costs, rising profits, and improved business sentiment across both advanced economies and emerging market and developing economies (EMDEs). This synchronous, investment-led recovery is providing a substantial boost to global exports and imports in the near term.

Global growth is projected to edge up to 3.1 percent in 2018, as the cyclical momentum continues, and then slightly moderate to an average of 3 percent in 2019-20. This broadly steady forecast masks marked differences between the outlook for advanced economies and EMDEs. Growth in advanced economies is projected to slow, as labor market slack diminishes and monetary policy accommodation is gradually unwound, moving closer to subdued potential growth rates, which remain constrained by aging populations and weak productivity trends. Conversely, growth in EMDEs is expected to accelerate, reaching 4.5 percent in 2018 and an average of 4.7 percent in 2019-20. This mainly reflects a further pickup of growth in commodity exporters, which is forecast to rise to 2.7 percent in 2018 and to an average of 3.1 percent in 2019- 20, as oil and other commodity prices firm and the effects of the earlier commodity price collapse dissipate. Growth in commodity importers is projected to remain stable, averaging 5.7 percent in 2018-20, as a gradual slowdown in China is offset by a pickup in some other large economies. Within the broader group of EMDEs, growth in low-income countries is projected to rise to 5.4 percent in 2018 and to 5.6 percent on average in 2019-20, as conditions gradually improve in oil and metals-exporting economies.

Real GDP (Percent change from previous year)	2015	2016	2017E	2018F	2019F	2020F
World	**2.8**	**2.4**	**3.0**	**3.1**	**3.0**	**2.9**
Advanced economies	**2.2**	**1.6**	**2.3**	**2.2**	**1.9**	**1.7**
Emerging market and developing economies:	**3.6**	**3.7**	**4.3**	**4.5**	**4.7**	**4.7**
East Asia and Pacific	6.5	6.3	6.4	6.2	6.1	6.0
China	6.9	6.7	6.8	6.4	6.3	6.2
Europe and Central Asia	1.0	1.7	3.8	2.9	3.0	3.0
Latin America and the Caribbean	-0.6	-1.5	0.9	2.0	2.6	2.7
Middle East and North Africa	2.8	5.0	1.8	3.0	3.2	3.2
South Asia:	**7.1**	**7.5**	**6.5**	**6.9**	**7.2**	**7.2**
India	8.0	7.1	6.7	7.3	7.5	7.5
Pakistan	4.1	4.5	5.3	5.5	5.8	6.0
Bangladesh	**6.6**	**7.1**	**7.2**	**6.4**	**6.7**	**6.7**
Sub-Saharan Africa	3.1	1.3	2.4	3.2	3.5	3.6

Source: World Bank, Global Economic Prospects I January 2018

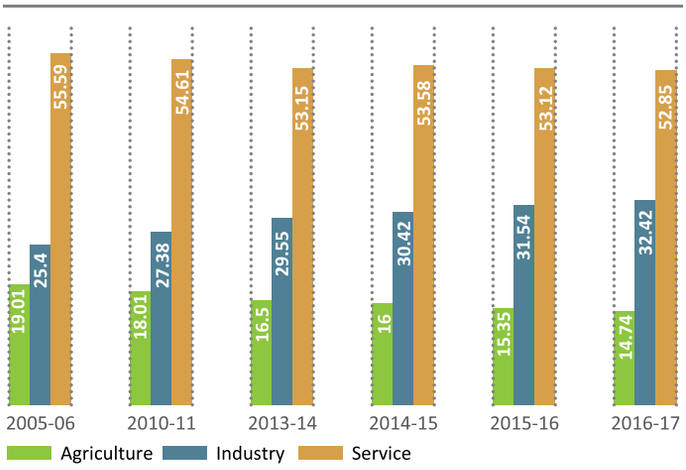
Growth among EMDEs is estimated to have accelerated to 4.3 percent in 2017, reflecting firming activity in commodity exporters and continued solid growth in commodity importers. Most EMDE regions benefited from a recovery in exports. The improvement in economic activity among commodity exporters took place as key economies—such as Brazil and the Russian Federation—emerged from recession, prices of most commodities rose, confidence improved, the drag from earlier policy tightening diminished, and investment growth bottomed out after a prolonged period of weakness. EMDE growth is projected to strengthen to 4.5 percent in 2018 and to an average of 4.7 percent in 2019-20. This outlook is predicated on improved global manufacturing activity and robust global trade, broadly favorable financing conditions, and firming commodity prices, amid an investment led recovery in advanced economies.

Source: *Global Economic Prospects I January 2018, World Bank*

Bangladesh Economy:

The Bangladesh economy has been able to maintain sustained economic growth. The economy grew at a rate of 7.28 percent in FY2016-17, satisfactorily up from 7.11 percent growth in FY2015-16. The recorded GDP growth of 7.28% in FY17, beating both the target of 7.2% and also India's growth rate of 7.1%. As a result, Bangladesh achieved the highest GDP growth rate in the South Asian region in 2017, and one of the highest GDP growth rates among major economies in the world. Among the broad sectors of GDP, the contribution of agriculture and service sector to GDP slid down by 0.61 percentage point to 14.74 percent and by 0.27 percentage point to 52.85 percent which was offset by an increased share of industry by 0.88 percentage point to 32.42 percent in relation to the preceding year.

SECTOR WISE GDP SHARE (IN %)



The government has set a GDP growth target of 7.40% for the 2018 fiscal year, which is achievable given the stable political climate, investments in power and transport infrastructure and the high private sector credit growth rates among others.

Medium Term Macroeconomic Framework, FY2017-18 to FY2019-20: Key Indicators

	14-15	15-16	16-17	17-18	18-19	19-20
	Actual		Budgeted	Projection		
Real GDP growth (%)	6.6	7.1	7.2	7.4	7.6	8.0
CPI Inflation (%)	6.4	5.9	5.5	5.5	5.5	5.4
Investment (% GDP)	28.9	29.7	30.3	31.9	32.8	34.5
Private	22.1	23.0	23.0	23.2	23.9	25.4
Public	6.8	6.7	7.3	8.7	8.9	9.0

Source: Finance Division, Ministry of Finance

Continuing the upward trend per capita GDP of Bangladesh reached US$1,544 in FY2016-17 from US$1,385 a year earlier. Likewise, per capita national income increased to US$1,610 in FY2016-17, US$145 higher than the previous year as per the final estimates of BBS.

Item	2014-15	2015-16	2016-17
GDP (In Crore Tk.)	1515802	1732864	1975815
GNI (In Crore Tk.)	1614204	1832675	2060716
Population (In Crore)	15.79	15.99	16.18
Per Capita GDP (In Tk.)	96004	108378	122152
Per Capita GNI (In Tk.)	102236	114621	127401

Source: Bangladesh Bureau of Statistics (BBS)

Investment-to-GDP ratio crossed 30% threshold for the first time as reflecting the government's increased focus on infrastructural development in recent years. The government has allocated BDT 306bn, or one fifth of the total Annual Development Program (ADP) budget to fast track six megaprojects, namely, the Padma Bridge project, Dhaka Metro Rail, Payra Deep Sea Port, the Rampal and Rooppur power plants and an LNG terminal. These public sector investments in infrastructure are expected to spur private sector investments and enable sustainable long term economic growth.

	14-15	15-16	16-17	16-17	17-18	18-19	19-20
	Actual		Budgeted	Revised	Projection		
Domestic Credit	10.0	14.2	15.0	16.4	16.5	17.2	17.4
Credit to the Private sector	13.2	16.8	15.0	16.5	16.5	16.8	17.0
Broad Money	12.4	16.4	15.4	15.5	15.6	15.8	16.1
Private	22.1	23.0	23.4	23.0	23.2	23.9	25.4
Public	6.8	6.7	7.6	7.3	8.7	8.9	9.0

Source: Finance Division, Ministry of Finance

In FY2016-17 narrow money (M1), broad money (M2) and reserve money (RM) progressed at a slower pace compared to the preceding fiscal year. The substantive decline in the growth of M1 was mainly attributable to the significant shrinkage in growth of both currency notes and coins with the public (from 38.81 percent to 12.66 percent) as well as demand deposit (from 23.99 percent to 13.49 percent). Slow growth of both narrow money and time deposit (from 12.31 percent to 10.24 percent) were responsible for the slower growth of broad money compared to the preceding year.

Looking into the sources of broad money reveals that slow growth in Net Foreign Assets (NFA) and substantial decrease in public sector credit pushed the broad money growth much below the target. On the backdrop of robust import growth, slow export growth and shrinking remittances inflow the growth in NFA decreased to 14.40 percent from the previous year's growth of 23.20 percent.

Broad money growth stood at 10.7% as of December'17, while Reserve Money growth was 12.8% against previous MPS target of 13.9% and 12.0% respectively for FY18. Bangladesh Bank has reduced its target for both M2 in the latest MPS (H2 FY18), while leaving the Reserve money growth expectations unchanged. Due to imports ballooning in FY18, net foreign asset growth in FY18 is expected to be flat. This coupled with continued negative govt borrowing from banking system has caused the downward revision of M2 growth. The moderate outlook for reserve money is retained at moderate levels. These growths are seen as close enough to the initial targets for meeting the inflation and economic growth targets.

Private sector credit witnessed a decent growth of 15.7% in FY17. Continued political stability, coupled with declining interest rates and advances in power infrastructure has created a strong base for the private sector to invest and grow. Huge amount of public investment in infrastructure projects are expected to stimulate private investment while the projects themselves are expected to solve infrastructural bottlenecks standing in the way of further industrial expansion. The Padma Bridge is slated for completion in 2019, which is expected to greatly boost economic growth in the south-western regions

Private sector credit came in to stand at 15.66%, just under the MPS target of 16.5% in June 2017 and at 16.2% for December 2017. Due to high credit demand, private sector credit growth reached 19% in November'17 and eventually ended the year at 18.1% in December. The MPS (H2, FY18) target for private sector credit growth has been set at 16.80% for June 2018. As credit growth outpaced deposit growth, the average Advance/Deposit Ratio (ADR) of banking sector raised from 73.9% in June 2017 to 75.9% in December 2017. Although current ADR limits for traditional banks is set at 85% (the limit is 90% for Islamic banks), the ADR for private commercial banks stood at 89.4% for the private commercial banks on September 2017. The continuation of such aggressive lending could have repercussions for the liquidity situation of the whole financial sector. As such, this MPS (H2 FY18) describes a few macro-prudential steps to curb imprudent and unproductive lending. These are:

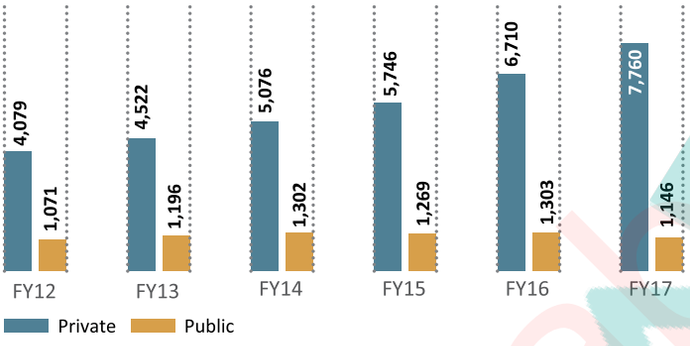
- Intensive surveillance on compliance of Asset-Liability Management and Forex Risk Management guidelines
- Issuing a new directive requiring banks to rationalize their Advance/Deposit Ratios
- Increased surveillance on the end use of bank loans including import finance

These measures would focus on quality and sector composition of credit flows and prioritize implementation of existing standards, rather than regulations directly restricting access to credit for productive pursuits.

Credit to Government Sector continued on a declining trend mainly due to government borrowing through National Savings Certificates (NSCs). Sales of National Savings Certificates reached new records in FY17, with BDT 54.48 bn BDT being bought by the public. The total stock of outstanding National Savings Certificates stands at a record BDT 2,039bn as of September 2017. The increased reliance on NSCs increases the government's financing costs, as NSCs carry interest rates which are much higher than market rates. However, since a wide section of the population of Bangladesh invest their savings in NSCs, including retirees, NSC rates are a politically sensitive matter and the government is hi ghly unlikely to cut rates on NSCs at least until after the next scheduled elections in 2019.

In the meantime, public sector credit growth has dipped into negative territory, standing at -13.48% in September 2017 as the government drastically reduces its borrowing from the banking system due to the huge volume of sales of NSCs. The MPS target of public sector credit growth is 8.30% for June 2018.

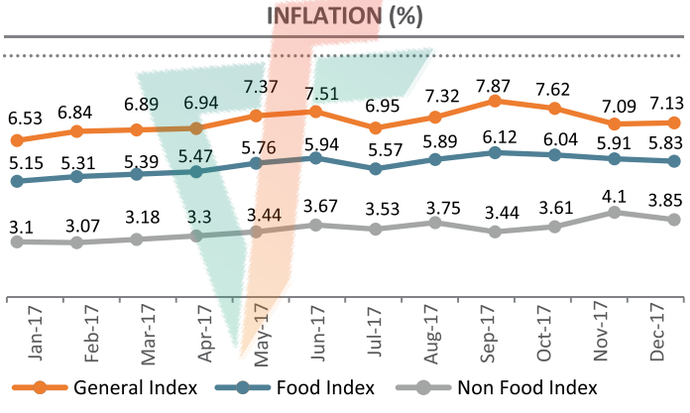
SECTOR WISE CREDIT GROWTH



Inflationary outlook

Inflation in Bangladesh had been on a declining trend since the beginning of FY15, reflecting favorable domestic production and reduced prices in the global commodity markets. This declining trend continued in the first half of FY17. General P2P inflation got down to 5.03% in Dec'16. However, inflation started to rise again in Jan'17 driven largely by higher food prices. This was caused largely by the floods in the country's Northeastern region which resulted in huge loss of crops. Higher crude oil and rice prices and a depreciating BDT further augmented inflationary pressure. General P2P inflation rose to 6.12% in September 2017 and crossed the 6.00% mark for the first time since it went down below this level in Jan'16. However, inflation went down somewhat over the last quarter of 2017 and the 12 month average inflation in Dec'17 was 5.70%, slightly below the upper limit of the inflation projection of 5.5%-5.9% in the last MPS. Looking ahead inflation risks appear to be on the upside as demonstrated by BB's inflation expectation survey. Expectation of one year ahead average inflation is around 6-7 percent.

INFLATION (%)



External Sector Factors:

External Sector						
Economic Indicator	FY 13	FY 14	FY 15	FY 16	FY 17	FY18 Outlook
Export Growth Rate (%)	11.20%	11.70%	3.40%	9.80%	1.70%	Likely to increase
Import Growth Rate (%)	5.00%	8.90%	0.20%	6.00%	8.70%	Likely to increase
Remittance Growth Rate (%)	12.60%	-1.60%	7.70%	(2.50%)	(14.40%)	YOY growth expected
Current Account Balance (mn USD)	2,388	1,406	2,875	4,382	(1,551)	(4,340)
Forex Reserve (mn USD)	15,315	21,558	25,025	30,168	33,493	N/A
Exchange Rate (BDT/USD)	77.8	77.6	77.67	78.27	79.12	N/A

Source: Bangladesh Bank

The external sector has been a source of strength for the Bangladesh economy for several years. This has changed in recent periods. Export growth in FY 2016-17 was only 1.7 percent as opposed to the target of 8 percent. A glimmer of hope is in the horizon with both RMG and total exports picking up during July-December of FY 2017-18. However, imports growing at a higher rate than exports led to a negative current account balance that continued during July-October of FY 2017-18. In FY 2016-17 remittance earning growth experienced a negative growth of (14.40) percent despite increase of manpower export. One important reason for low remittances despite high growth of manpower exports is the flow of remittances through informal channels. Strong Bangladeshi Taka against the US Dollar also played a role for low export and remittances growth to some extent. Though remittances have started to pick up in recent months it is not significant since it was negative during the last fiscal year.

In 2017, the banking sector exposed further weaknesses through major indicators such as rise of non-performing loans (Bangladesh's Non Performing Loans Ratio stood at 10.7 % as of Sep 2017), lower capital adequacy and the overall lack of governance in the sector. Though the period of BASEL III implementation is approaching in 2019, most banks are not prepared. The government has been recapitalizing the state-owned banks for their loss every year without any fruition. This has been an unfortunate example of using public money towards compensating for the greed of bank defaulters. The proposed law allowing more members of the same family to be directors of the privately-owned banks and extension of their tenure are apprehended to further deteriorate the governance in private banks. Despite the central bank's attempt to improve performance of the banking sector, improvements are not visible yet. The independence of the central has been gradually diminishing due to political influence. If reform measures are not taken, the crisis of the banking sector will have serious implications for the economy.

Way Forward,

Political uncertainty looming over national election which can further affect private investment, rising food inflation, being on track with respect to SDGs, challenge of growth of exports and remittance, governance issues around the banking sector, volatile money market, uptrend in interest rate and finally geo-political issues of Rohingyas from the Rakhine state of Myanmar are most critical challenges for the Bangladeshi economy in 2018.

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 more than 30% 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) ▸ 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 2018
5	Expected sound GDP growth levels and improved infrastructure would continue to give impetus to financial products.	With GDP growth set at 7.4%, 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 25 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

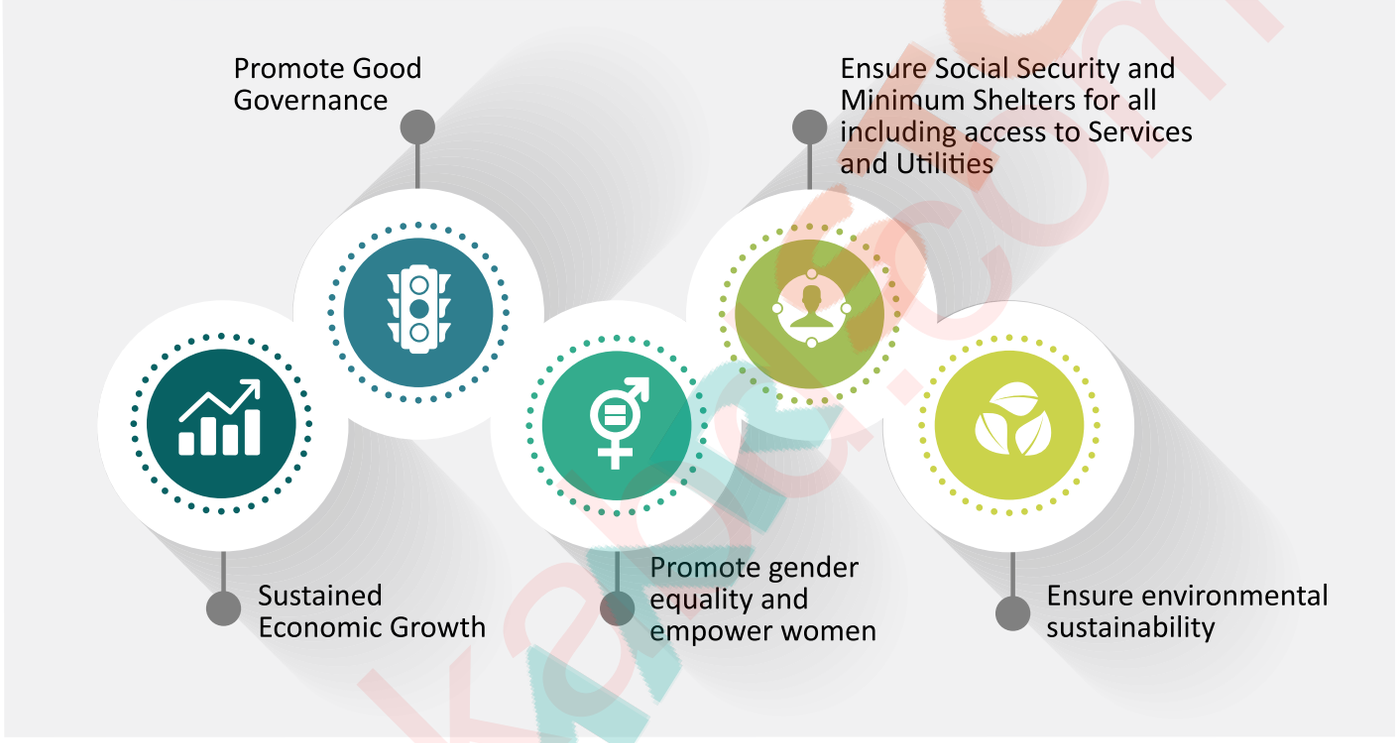
	Influencing Factor	Influence on LBFL	LBFL's Approach
Customers	▸ Customer perceptions of LBFL brand. ▸ Switching of customers. ▸ Brand loyalty. ▸ Customer relationship.	▸ Effect on customer relationships thereby impacting long term revenue.	▸ Strategic emphasis on serving particular customer segments (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

- 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

AIR
Material Matters that Affect Our Strategies
page no. 181

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

AIR
Strategic Focus Areas
page no. 183

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.

Identification of potential material matters

The identification of potential material matters is an enterprise wide phenomenon. All business units and divisions are engaged to put import on this. Alongside, all other stakeholders' feedback is considered. Potential areas of impact that are assessed include financial, environmental, social, competitive, legislative and regulatory.

Prioritizing potential issues

From the universe of the potential matters identified in the 1st step, we prioritize the issues that have the greatest relevance and highest potential impact on our business and in line with the stewardship of the environment and community commitments we have. The responsibility of the prioritizing rests on the top level management and board of the directors give the endorsement.

Business level integration

The prioritized potential matters provide basis for the formulation of the long term/short term business strategies and plans.

Continuous assessment

The process of identifying and prioritizing the material matters is an ongoing process. We make continuous assessment of the previously identified material matters. This is the step where we always focus most to remain competitive in the business.

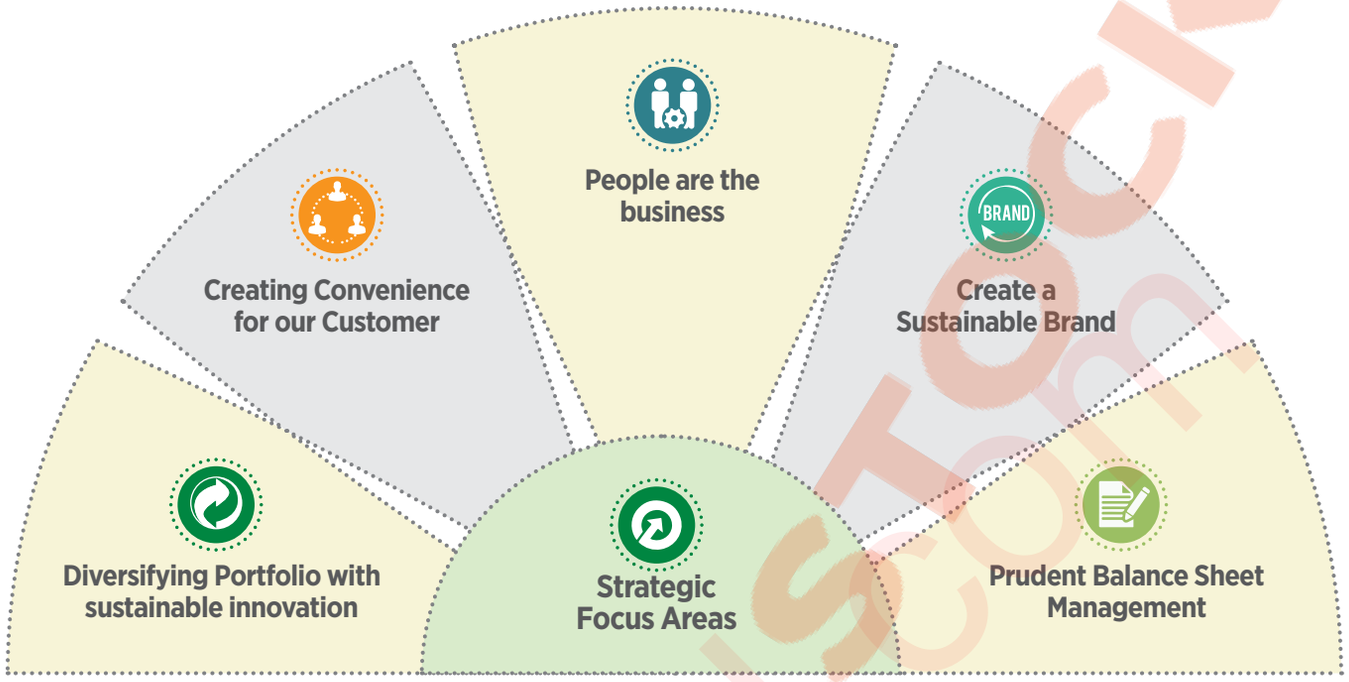
Material Issues and Strategic Response:

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
Credit Growth	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 FY17 at 15.8% and gradually consolidated at 16.8% in FY18 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 2017 proved to 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

Our Five 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.

1.1 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 2017, SME loan disbursement of BDT 7,074 million has been made compared to BDT 3,865 million in 2016, thereby resulting in a 83% growth. At the end of 2017, SME portfolio stood at BDT 15,949 million compared to BDT 6,905 million in 2016 resulting in 131% 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.

1.2 Extended focus in Emerging and Retail Business

In 2017 LankaBangla continues its focus on extending Emerging and Commercial Business segment. A total of BDT 9,358 million has been disbursed in the year compared to BDT 6,427 million in 2016. Annual growth of total disbursement stands at 46%. Factoring portfolio reached at 1,940 million as at the end of 2017 experiencing a 68% Y-O-Y growth.

During the year 2017, the Company has continued to concentrate more on Retail segment by expanding several branches and increasing manpower in retail financial activities. The Company achieved 70% yearly growth in this segment. Retail disbursement for the year 2017 was BDT 23,442 million compared to BDT 13,130 million of previous year.

1.3 "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 etc. 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 25 branches across the country to serve even retail businesses/ clients with a close proximity. LankaBangla Securities has another 10 branches around the country.

2.1 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.

2.2 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.

2.3 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.

3.1 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.

3.2 Work life Integration

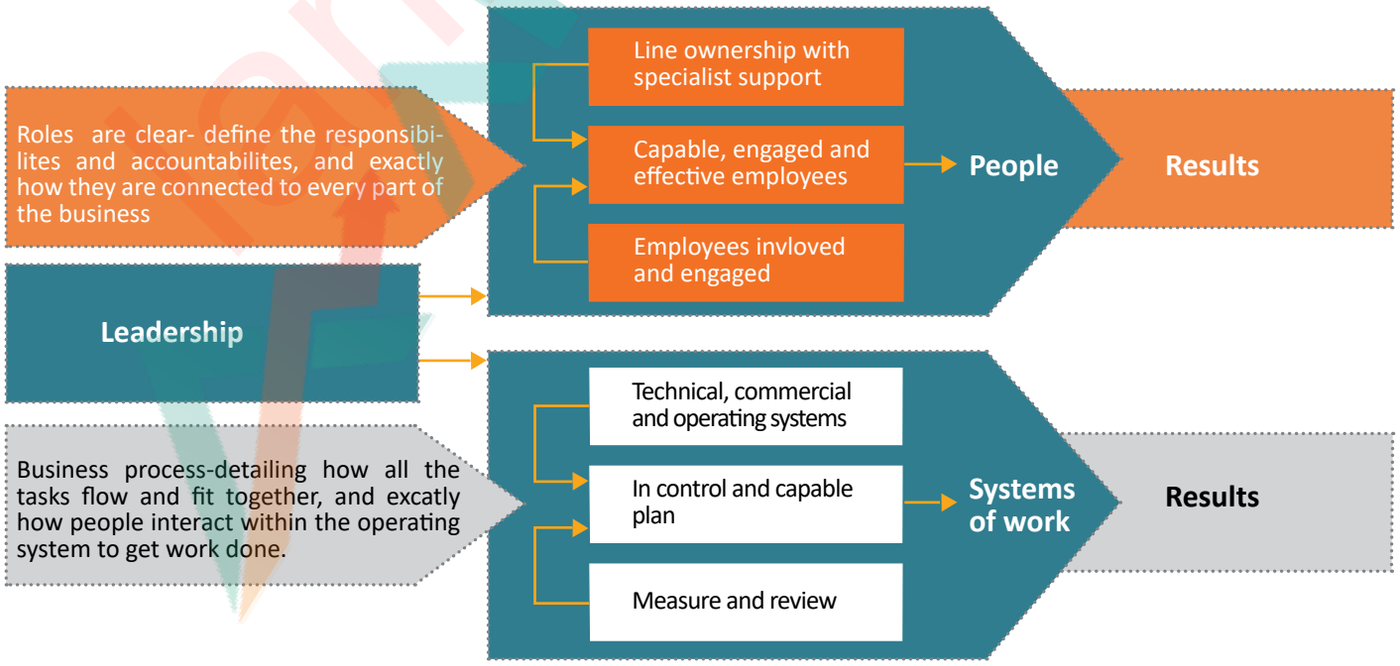
We encourage employees and managers to discuss both business and personal goals. Work/life flexibility creates a competitive advantage and addresses the needs of our multi-generational workforce. We conduct different recreational program with our jems like Football tournament, Family day, women's day throughout the year.

3.3 Creating Satisfaction at resources end

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.

4. Create a Sustainable Brand

LankaBangla is one of the most trusted and respected



financial institutions 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.

4.1 Investment in Brand

LankaBangla is continuously persuing 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.

4.2 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.

4.3 Support to underprivileged

LankaBangla is an inseparable and embedded part of the society. In addition to its economic role in society, LankaBangla also has several other roles and responsibilities towards society viz. responsible conduct of business activities while pursuing economic gains; the social and environmental responsibilities of the business towards its stakeholders; and business's contributions that would benefit the society at large. Our major CSR focus is to identify and support the underprivileged residing within the society.

5. Prudent Balance Sheet Management

5.1 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.

5.2 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

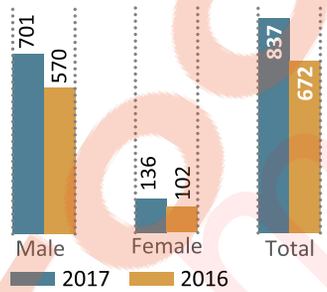
Key performance indicators of HR practices and decent work responsibility

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 2017 to serve the countrymen. These new branches are in Keraniganj, Board Bazar-Gazipur, Faridpur, Dinajpur and Savar. Now the total number of branches stood 25 including Head Office and 1 Booth in Dhaka. Few new branches are in pipe line for opening in 2018 as we are planning to reach every divisions of the country.

GROWTH OF EMPLOYEES



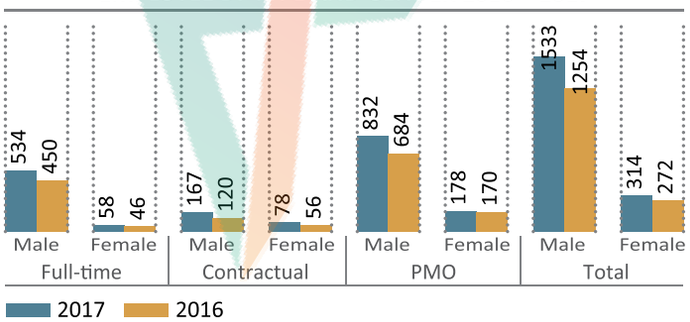
Division-Wise Breakdown of Human Capital as at December 31

Divisions	2017				2016			
	No. of Branches	No. of Employees			No. of Branches	No. of Employees		
		Male	Female	Total		Male	Female	Total
Dhaka	13	535	115	650	9	430	89	519
Chittagong	4	73	8	81	4	67	5	72
Sylhet	1	16	2	18	1	13	2	15
Khulna	2	30	4	34	2	26	1	27
Rajshahi	3	26	4	30	2	17	3	20
Barisal	1	11	2	13	1	9	2	11
Mymensingh	1	10	1	11	1	8	0	8
Total	**25**	**701**	**136**	**837**	**20**	**570**	**102**	**672**

Employment Type: Full-Time, Contractual and PMO

As 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 2017 as well. The percentage of full-time, contractual and PMO has increased by 21.04% in 2017 comparing to 26.01% in 2016. There is a growth of 39.20% in contractual employment and 18.27% in PMO in 2017. There is only 19.35% growth in full time employment in 2017. 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 full-time and contractual positions which is 26.09% and 39.29% respectively. Overall the number of female employee has increased by 15.44% compare to 33.33% in 2016.

EMPLOYEE BY TYPE AND GENDER 2016 – 2017



Employment Type: Full-Time, Contractual and PMO

Employment Type	No. of Employees		Composition in %		Growth %
Full-Time	**2017**	**2016**	**2017**	**2016**	**2017**
Male	534	450	90%	91%	18.67%
Female	58	46	10%	9%	26.09%
Total	**592**	**496**	**100%**	**100%**	**19.35%**
Contractual	**2017**	**2016**	**2017**	**2016**	**2017**
Male	167	120	68%	68%	39.17%
Female	78	56	32%	32%	39.29%
Total	**245**	**176**	**100%**	**100%**	**39.20%**
PMO	**2017**	**2016**	**2017**	**2016**	**2017**
Male	832	684	82%	80%	21.64%
Female	178	170	18%	20%	4.71%
Total	**1010**	**854**	**100%**	**100%**	**18.27%**
All Employees of LBFL	**2017**	**2016**	**2017**	**2016**	**2017**
Male	1533	1254	83%	82%	22.25%
Female	314	272	17%	18%	15.44%
Grand Total	**1847**	**1526**	**100%**	**100%**	**21.04%**

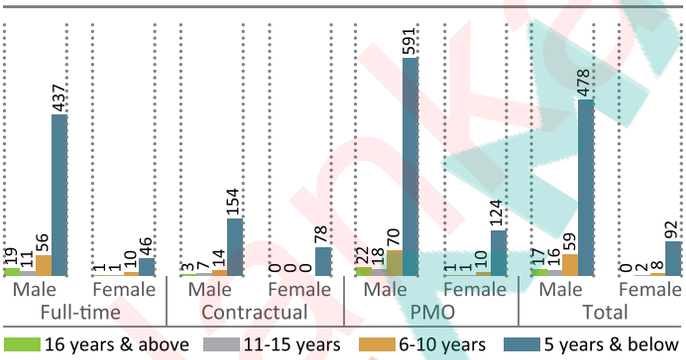
Age Analysis of Employees as at December 31

Category	Management Cadre		Non-Management Cadre		Total 2017		Total 2016	
	Male	Female	Male	Female	Male	Female	Male	Female
51-60 years	4	0	0	0	4	0	4	0
41-50 years	63	5	8	0	71	5	54	4
31-40 years	331	29	44	19	375	48	307	31
21-30 years	125	24	126	59	251	83	205	67
20 years & below	0	0	0	0	0	0	0	0
TOTAL	**523**	**58**	**178**	**78**	**701**	**136**	**570**	**102**

Service Analysis of Employees as at December 31

Category	Management Cadre		Non-Management Cadre		Total 2017		Total 2016	
	Male	Female	Male	Female	Male	Female	Male	Female
16 years & above	19	1	3	0	22	1	17	0
11-15 years	11	1	7	0	18	1	16	2
6-10 years	56	10	14	0	70	10	59	8
5 years & below	437	46	154	78	591	124	478	92
Total	**523**	**58**	**178**	**78**	**701**	**136**	**570**	**102**

EMPLOYMENT AGE ANALYSIS



Employment Status

Number of confirmed employees have increased by 15.68% compare to 11.38% in last year and employees under probation have increased by 40.00% compare to 102.70% in 2016. Percentage of contractual employees have decreased by 39.20% compare to 67.62% in 2016. This decline in growth is the impact of learning curve that helps us to increase the market share without acquiring additional headcount.

Status of Employment as at December 31	No. of Employees		Composition in %	
	2017	2016	2017	2016
Confirmed in Service	487	421	58%	63%
Undergoing Training or on Probation	105	75	13%	11%
Contractual	245	176	29%	26%
Total	**837**	**672**	**100%**	**100%**

Employees by Grade

We have only two grades; Management Cadre and Non-Management Cadre. Number of Management Cadre has increased by 17.14% in 2017 compare to 23.63% in 2016 and Non-Management Cadre by 45.45% compare to 67.62% in 2016. Now Management Cadre accounting around 69% of the total staff strength and Non-Management Cadre accounting for 31%. 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 2017.

Category	2017		2016	
	No. of Employees	Percentage	No. of Employees	Percentage
Management Cadre	581	69%	496	74%
Non-Management Cadre	256	31%	176	26%
Total	**837**	**100%**	**672**	**100%**

New Employees Hired

LBFL is a performance driven organization. We have focused more on improving the performance of existing employees rather than recruiting new employees to generate our business. During the period 2017, we have to hire 296 new employees which is -0.67% compare to a high growth rate of 122.39% in 2016. Although we have opened new branches as well as we had high achievement targets but the rate clearly indicates our performance driven culture. Details of which by employee grade are given below:

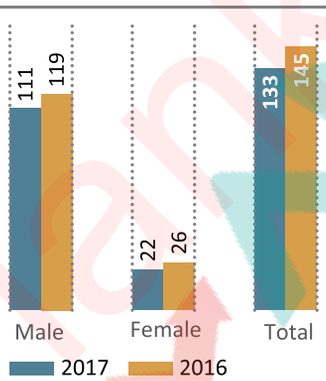
Category	No. of Employees Hired	
	2017	2016
Management Cadre	165	156
Non-Management Cadre	131	142
Total	**296**	**298**

Employees Attrition

Though the financial market is very competitive and there is good employment opportunity for business and back office employees in the market, attrition rate has decreased marginally compared to last year. A total of 133 nos. of employees have resigned from service during the year under review which includes both full time employee and contractual employee comparing to 145 nos. of resignations in 2016. So we can say that attrition rate for the year 2017 is 15.89% comparing to 16.96% in 2016. Of the total employees resigned, 83% were male and 17% were female.

Category	Gender-Wise Turnover		Percentage of Employees		Gender-Wise Percentage of Attrition	
	2017	2016	2017	2016	2017	2016
Male	111	119	83%	82%	16%	21%
Female	22	26	17%	18%	16%	25%
Total	**133**	**145**	**100%**	**100%**	**16%**	**22%**

GENDER-WISE EMPLOYEE TURNOVER



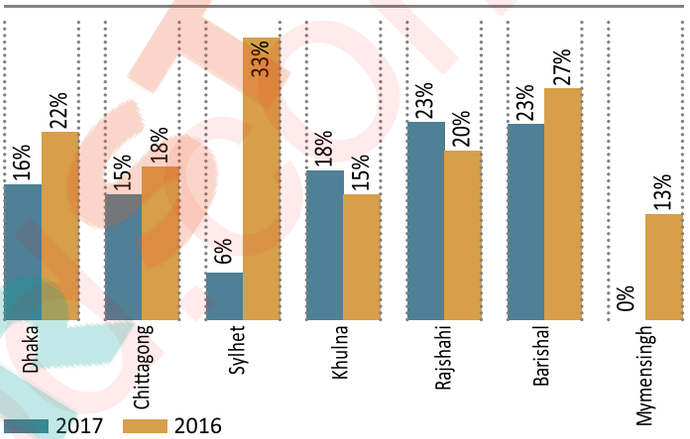
Employee Attrition Rate by Age Group:

Category	No. of Employees Left	
	2017	2016
51-60 years	0	1
41-50 years	5	8
31-40 years	60	62
21-30 years	68	74
20 years & below	0	0
Total	**133**	**145**

Geography-wise Employee Turnover:

Category	Turnover (No.)		Turnover %	
	2017	2016	2017	2016
Dhaka	104	115	16%	22%
Chittagong	12	13	15%	18%
Sylhet	1	5	6%	33%
Khulna	6	4	18%	15%
Rajshahi	7	4	23%	20%
Barishal	3	3	23%	27%
Mymensingh	0	1	0%	13%
Total	**133**	**145**	**16%**	**22%**

DISTRICT-WISE EMPLOYEE TURNOVER



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
- Health insurance for parents of the employees

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 necessary training 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 is dedicated in improving the professional competencies and performance of all its employees. In the year under review, the company spent a total of BDT 14.36 million on training and education programs for employees which is 15.26% more than the 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 (Phase-2) for all full time as well as for contractual employees. From business divisions, each employee has to complete at least 9 mandatory modules and rest of the divisions has to complete at least 6 mandatory modules. Each module is equivalent to 2 hours of training.

In 2017, LankaBangla Finance has developed Branch Operation Manual (BOM) which has been released on May 02, 2017. The BOM has been prepared to provide guidelines to the Branch personnel of LankaBangla Finance in daily branch operations. The manual has been processed on the basis of banking and financial institutions laws & practices and is an attempt to provide guidance to the front office functionaries. Besides e-Learning (Phase-2), BOM was launched in e-Learning in order to enhance the process of branch operations of LankaBangla Finance Limited.

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.

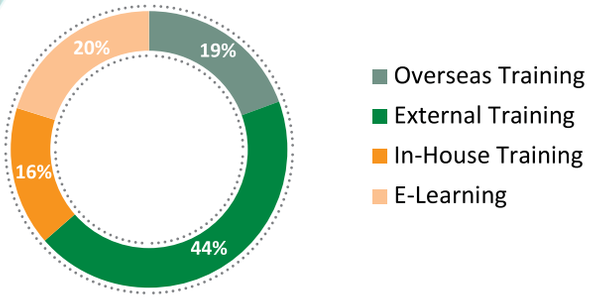
A total of 129 training programs involving 8,646 nos. of participants were executed during the year. These programs were categorized as in-house, external, e-Learning and overseas training. Given the company's strong commitment towards developing a learning culture, it is pertinent to note that employees underwent a total of 32,334 man-hours of training during the year on various knowledge building programs whereas it was 27,507 man-hours in 2016. It is to be noted that we are also focusing on providing trainings to our PMOs and HRCs as well.

Training Type	2017			2016		
	No. of Programs	No. of Participants	Person Hours	No. of Programs	No. of Participants	Person Hours
Overseas Training	25	29	720	11	23	680
External Training	57	189	2,836	67	209	3,934
In-House Training	21	2,320	16,562	54	3,192	17,479
E-Learning	26	6,108	12,216	16	2,707	5,414
Total	**129**	**8,646**	**32,334**	**148**	**6,131**	**27,507**

Composition of Training Program

It is to be mentioned that, LBFL always focuses on internal training rather 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 have our own resources to conduct the training. In 2017, of the total training, 16% was internal training, 44% was external training, 20% was overseas training and rest 20% was e-learning.

TRAINING COMPOSITION



Training Hours by Employee Grade

For creating a learning and development culture throughout LankaBangla Finance Limited, we have provided training to our contractual staffs as well as our sales forces. This will be a continuous learning process for them and helps them in honing their skills to penetrate the market effectively and efficiently. Since we believe in "Growing Together". We will design and conduct more specific training for our sales forces and for our contractual employees as well in coming days.

Training Type	2017		2016	
	Male	Female	Male	Female
Management Cadre	19,293	1,892	19,034	2,226
Non-Management Cadre	4,101	1,613	1,050	597
Product Marketing Officer	4,577	858	3,611	829
LankaBangla Subsidiaries	0	0	160	0
Total	**27,971**	**4,363**	**23,855**	**3,652**

Our Investment on Training

To further strengthen the staff development process, the company increased its investment on training from BDT 12.46 million in 2016 to BDT 14.36 million in 2017. This approximately 15.26% increase will also support our intensive efforts to improve customer experience across all business units, with long term benefits accruing to the company. In 2017, we have successfully completed our E-Learning training for our Management Cadres and Non-Management Cadres.

Year	Local Training			Foreign Training		
	Total Participants	Hours	Tk. in mil.	Total Participants	Hours	Tk. in mil.
2017	8617	31,614	92.83	29	720	50.80
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

Career Development Review & Succession Planning

In the context of complex and special condition of the relevant industry, the primary assets of a business are the talents of its people, not the tangible and financial assets that make up the balance sheets. The cost of finding key talent and replacing key staff that leaves is expensive and time consuming. As a result, LBFL has the following procedure to ensure that they can continually develop and retain the talent that they groom through proper recognition and career enhancement. At the same time, we try to ensure that our operations do not become jeopardized due to the sudden departure of any key staff, so this policy also allows for some precautionary measures in terms of manpower planning.

- **Human Resources Planning:** Through Human Resources Planning (HRP), we analyse our human resources needs under changing conditions and develop the activities necessary to satisfy these needs. It helps to ensure that the right numbers of the right kinds of people are available at the right times and in the right places to shape the organisational plans into reality.
- **Human Resources Information:** In order to use the HR data effectively, it is important to update and manage Human Resources Information System in a structured manner. The data can be easily managed by a customised database to suit the management decision process of the Company regarding HR. The following information is essential in order to come to a sound and transparent decision regarding all HR issues such as transfer, promotion or redundancy:
  - Education record
  - Basic Personal Information
  - Training received
  - Job history
  - Performance rating
  - Extraordinary awards achieved

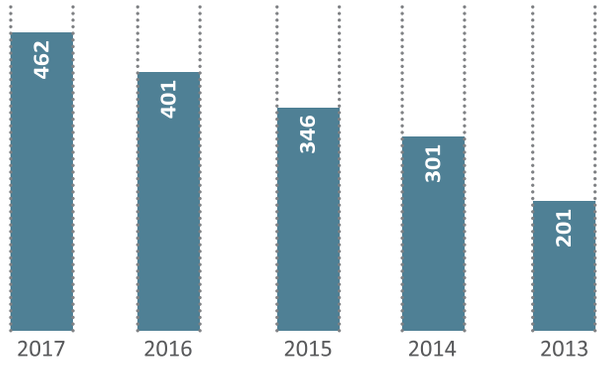
HR Division, with the help of the ICT Division, ensures the design, implementation and continued updating of the database.

- **Career Management:** Based on the accumulated data, the management decides on the career progression of the key employee. This can happen along with the promotion or performance appraisal decisions. At the same time, the management may decide to groom potential talent among the staff through training and development efforts and also ensuring the retention of the said talent within the Company. The HR Committee will review and develop structured Talent Identification Process along with required development interventions in this connection.
- **Succession Planning:** Succession plans establish the identity of the individual who will step in and assume the role of departed key employees, allowing companies to manage the transition and continue performing. To ensure this, we provide a mandatory of 10 days or more leaves at stretch to employees so that their senior subordinate can play the role of leader and can have on hand experience of leading a team.

All employees of the company irrespective of their gender received formal performance and career development reviews during 2017. 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 2017.

Year	No of Employees under Review	Growth Trend
2017	462	15.21%
2016	401	15.90%
2015	346	14.95%
2014	301	49.75%
2013	201	53.44%

NUMBER OF EMPLOYEES UNDER REVIEW



Employee Counseling

For the sake of development of performance of employees, they are to be counselled on one to one basis by their respective supervisor in presence of HR and Cross Functional Representative and provide deadline for improvement. HR will review the improvement along with the Concerned Division Head and decide next course of action. In case of Divisional/ Departmental Head himself/herself, MD/DMD will counsel the personnel and take corrective measures. After the given time if their is no satisfactory result, HR in consultation with the Division Head & the management; can take any decision regarding the concerned employees.

Reward and Recognition

Reward and Recognition is a way to express appreciation for another employee's hard work, dedication and contribution to the Company. There are many levels of Reward and Recognition, to ensure both small contributions as well as the larger ones is recognized. Public recognition creates an environment in which all employees feel positive about the work place and sets a good example and motivates others to perform at a higher level. Moreover, the person feels that his/her contribution is valued by the organization.

We have different reward categories:

- Chairman's Eminence Award: Once in a year
- MD's Brilliance Award: Twice in a year
- Departmental Proficiency Award: Twice in a year
- Individual Aptitude Award: Twice in a year
- HEROES@WORK: By-monthly basis
- Dine with MD: Quarterly basis
- "ICON" - A Recognition Program for Branch Managers (BMS): Once in a year
- On top of it, we run several campaign for both assets and liability product throughout the year.

Grievance Management

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.

Nonetheless, employees do get dissatisfied with various aspects of employment at workplace that may not be resolved through informal procedure. Hence, this policy is framed to ensure that employees can seek redress for any work related grievances from superior authority.

Outlook

In the coming year, through development of our ERP and 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

	2016	2017
Total employee benefits	652.45	806.28
Training Cost	11.01	12.74
Employee Benefit Per Employee	1.09	1.08
Training Cost per Employee	0.016	0.017
Gross Revenue per employee	8.92	9.48
Total Expenses per employee	7.16	7.49
Operating cost per employee	1.86	1.98
Operating profit per employee	1.76	1.99

Total value of Human Capital has been ascertained BDT 21,610 million in the year 2017 which was BDT 17,095 million in 2016 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.

	2016	2017
Human Capital (BDT Million)	17,095	21,610
No. of employee	672	825
Per Capita Value (BDT Million)	25.44	26.19

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 32 and hence it has been assumed that present set of employees will serve for another 28 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 10.84% 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 26% in the total value of human capital in 2017 over 2016 was due to net addition of 153 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-16	31-Dec-17
Assets		
Cash	700	1,155
Balance with other banks and financial institutions	2,230	6,868
Investment	2,130	2,128
Leases, loans and advances	46,749	61,914
Fixed assets including land, building, furniture and fixtures	999	1,073
Human Assets	**17,095**	**21,610**
Individuals' value	17,086	21,597
Value of Investments	9	13
Other Assets	4,814	5,111
Total Assets	**74,718**	**99,857**
Capital & Liabilities		
Borrowings	8,334	15,062
Term deposits	40,033	51,553
Other deposits	115	122
Shareholders' equity	6,170	7,268
Human Capital	**17,095**	**21,610**
Other liabilities	2,970	4,243
Total Capital & Liabilities	**74,718**	**99,857**

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.

Sustainability Report	194
Statement on Green Banking	200
Corporate Social Responsibility of LankaBangla	203
Value Added Statements	207
Statement on Contribution to Government Exchequer	211



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."

Khwaja Shahriar
Managing Director

Total Asset

78,248 million increased by 36% from 57,622 million in 2016

Lease & Loans portfolio

61,914 million increased by 32% from 46,749 million in 2016

Interest Income

6,623 million increased by 22% from 5,433 million in 2016

Gross Income

7,819 million increased by 30% from 5,997 million in 2016

Economic value added

1,417 million increased by 156% from 5,54 million in 2016

1. Report parameter

This sustainability report is presented as part of annual integrated report 2017. Publishing of this report is a continuous process and will be released annually as efforts to improve our economic, social and environmental impacts change. We have followed G4 guidelines to make the report accountable to all internal and external stakeholders.

1.1 Scope and Boundary of the report:

All references, unless otherwise noted, are to LBFL's financial year, which ends December 31, 2017. The context of this sustainability report includes the sustainable operations of LBFL's Head office and its branches as well as limitations and scope of improvements of the company. The operations of LBFL's all subsidiaries are broadly described all over the annual integrated report except this sustainability report.

1.2 Report Quality:

We aspire toward providing a transparent report to our stakeholders and believe that this report sustains both the positive aspects of the company's performance as well as the areas where there are amenities to improve.

Further information about sustainability report parameter are narrated in page 06 of this annual integrated report.

2. Material Aspect and boundaries:

Material issue	Material Boundaries
Ethical Conduct	Corporate Governance is related with ethical conduct and the material boundaries extend to every aspects of economic, social and governance aspect of boundaries
Contribution to the economy	LBFL always feels responsible in providing financial support to the economy of Bangladesh. The company along with its shareholders and employees participate in contributing to the national exchequer.
Market presence and product portfolio	LBFL strives to penetrate in market by providing all types of financial products which has a direct economic, social and environmental impact.
Responsibilities to the community	LBFL is educating the local communities where it is operating its business by strengthening the ecosystem of the boundaries which helps the local communities to establish themselves.
Human Development	LBFL provides equal opportunity to all employees to brings out the hidden talent of employees. LBFL also provide diversified trainings and education which increases the efficiency and effectiveness of every employees.
Waste management and energy efficiency	LBFL believes in keeping the environment safe and clean as it helps the community to keep healthy which is ultimately beneficial for all. LBFL also encourage its employees to be aware in consuming less energy which will lead our economy to a sustainable development.

Total Investment Portfoilio

74,966 million increased by 36% from 55,176 million in 2016

Total Training Hour

61,914 Hours increased by 32% from 46,749 million in 2016

Profit After Tax

1,353 million increased by 26% from 1,072 million in 2016

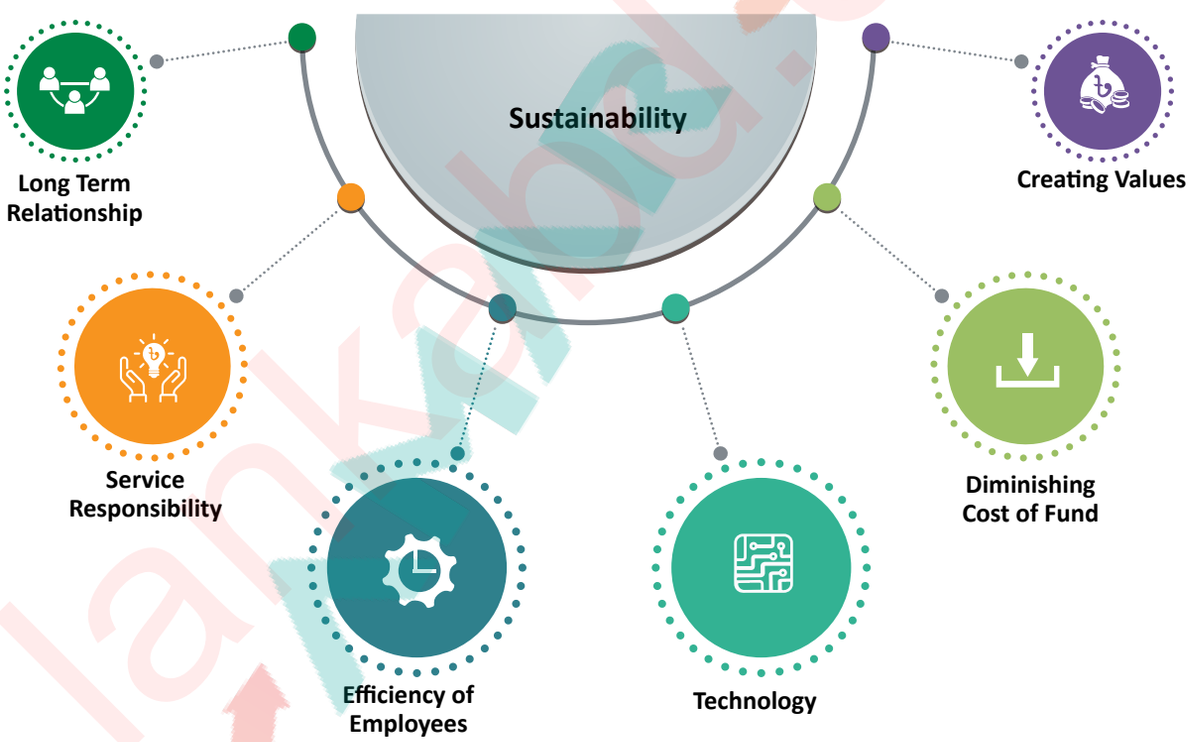
Contribution to National Exchequer

1,030 million increased by 62% from 634 million in 2016

Total Workforce

1,828 increased by 20% from 1,527 in 2016

3. Focus on Sustainability



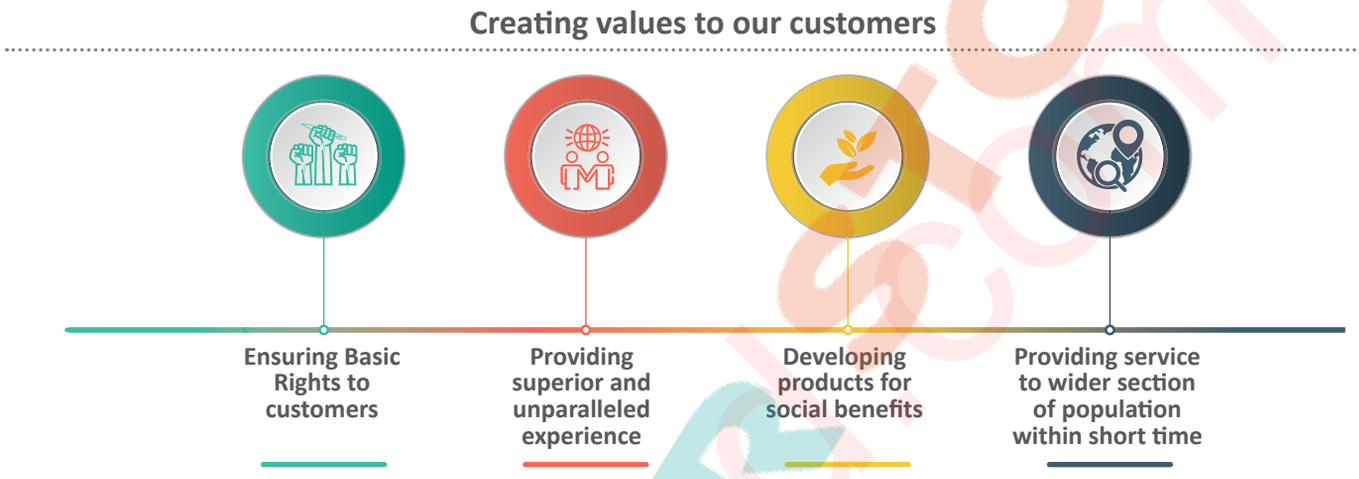
3.1 Building long term relationship with Stakeholders:

Transparency is another key success factor to build a healthy economic nation, hence we believe in a transparent financial statements along with all reports published. 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.

3.2 Creating values to our customers:

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. Within a short span of time our operational branch network has reached 25 and we are moving ahead with further expansion plan. In 2017, another 5 new branches have been opened at major townships within the country for better customer reach.



3.2.1 Basic Rights to customers:

LankaBangla Finance Ltd. believes in promoting its financial operations by providing delicate financial services along with its distinct products which can be consumed by all level of customers of the society. LBFL believes in growing together with its all customers, hence it came up with user friendly product as well as services to make sure that all kind of customers get benefited and they can grow along with the company.

3.2.2 Providing superior and unparalleled experience to customers:

Since LBFL's inception, LBFL is sincere about its duties and responsibilities to its customers as customers are one of the key success factor. LBFL is originating customer satisfaction rate by brand enhancement, user-friendly loan amortization method as well as personalized services. LBFL also believes that it can help ensure a dependable, adequate and accessible product and services to meet the customers' needs and wants which allows our customers to get benefited.

3.2.3 Developing products for social benefits:

Operations of LBFL and the communities where it operates are mutually dependent. Corporate citizenship has long been attached into LBFL's norm and guides its interactions with employees, customers and regulators. LBFL is also maintaining a positive as well as productive relation with its community and we also consider it as an investment for LBFL's all stakeholders. By making positive contribution LBFL improves the lives of its neighbours.

3.2.4 Providing service to wider section of population within short time:

As LankaBangla Finance Limited believes that they are liable to their clients, they offer a solution to all problems enquired by its clients without delaying. The company provides solutions within shortest possible period through its branches all over the country with the help of intellectual support of department of IT. During claims adjusting process, LBFL resolve issues claimed by clients and develop the causes so that the issues can't be repeated in future.

3.3 Reducing cost to Income ratio:

Cost efficiency is the strategic choice for LankaBangla Finance Limited to minimize the cost-income ratio. By appraising this purpose to the top, LankaBangla Finance Limited reduces its costs as much as possible in every steps of its operation without compromising the service quality. On the other hand, LBFL gives significant preference to increase its income growth from its services and other non-banking operations.

3.4 Using advanced technology and applying newness in workplace:

Today's world is mostly dependent on innovation. Nowadays companies, which are applying advanced technologies, are more successful compare to other companies. 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. Among the commendable technological establishment is a full-fledged contact centre 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 centre is one of its kinds in the Non-Bank Financial Institutions industry. The contact centre 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.

LankaBangla trains its employees to be updated with new technologies so that they can adapt new gadgets without any trouble. 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.

3.5 Efficiency of employees:

HR department of LankaBangla provides the highest priority to recruit top-notch and skilled employees to provide the best services to their customers. As 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 2017 end, total workforce stood at a number of 1,828. 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 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. We also encourage our employees to generate new ideas which will be helpful for our business as well as the society.

3.6 Service Responsibility:

LankaBangla always believes in providing top notch and equal customer service to every customers of the company. We have a separate unit where our customers can contact with us and we are committed to response to our customers' complains immediately. We solve our customers' problems within 3 days. Our business model is structured with the purpose of delivering superior customer service and ensuring excellent customer experience that acts as the background for sustainable growth and performance.

Here are services we provide to retain our customers pleased:

- Dedicated Business Relationship to provide superior customer solutions.
- Diversified product and service basket, designed to meet unique and changing customer needs.
- Quick turnaround time, ensuring that the client receives the funds when needed.
- Flexible repayment options that suit client's cash-flow patterns.
- Continuous process improvements and automation to ensure better service delivery.
- Wider branch network to ensure better access for all.

4. Stakeholder Engagement and relationship management

Since LBFL's inception, LBFL is sincere about its duties and responsibilities to its customers as customers are one of the key success factor. LBFL is originating customer satisfaction rate by brand enhancement, user-friendly loan amortization method as well as personalized services. LBFL also believes that it can help ensure a dependable, adequate and accessible product and services to meet the customers' needs and wants which allows our customers to get benefited.

LBFL believes in engaging its stakeholders in every steps of its operations and ascertains its internal and external stakeholders through governing impact analyse in respect of

- Policy and strategic intent: Valuable statements along with significant policies are addressed by key stakeholders.
- Proximity: LBFL interacts the most with its customers as they have deep influence on our day to day activities.
- Responsibility: LBFL has financial, legal and operational responsibilities to Securities and Exchange Commission, Bangladesh Bank, CRAB along with other regulators.
- Influence: Employees, local authorities and shareholders of LBFL have decision making power so they have great influence on taking decisions to reach its goals.
- Dependency: We are dependent on our customers, shareholders and regulators etc. On the other hand, employees and business partners are dependent on us.
- Representation: Employees, Board and in some different cases, local communities represent as stakeholders to present various decision making purpose

Appropriate initiatives are taken and applied by stakeholders to identify and address significant issues to develop in near future. Details about stakeholder engagement and relationship is described from page 163 to 170 of this annual integrated report.

5. Sustainable HR Development

Sustainable development requires contribution from people across all operation of the organization. HR department is responsible for employee recruitment and retention along with providing motivation to employees. HR department of LBFL is responsible to regulators, management committee as well as wider business community. By providing training and creating corporate culture, HR department building future leaders to enhance employee performance and efficiency.

5.1 Employee profile:

To provide a sustainable workforce within the company LBFL created a domestic culture where employees have opportunities to show their skills and LBFL reward employees for good behaviour, taking accurate decisions and actions

5.2 Salary Policy:

LBFL follows a transparent policy which makes sure an equal and non-biased salary policy. LBFL promotes its employees based on employees' performance. Salary policy is same in all branches and works are allocated among all employees based on their skills and field of expertise. The company also provide equal priorities to both male and female employees in term of remuneration.

5.3 Benefits to employees:

Each and every employees of LankaBangla Finance Limited gets his/her salary on a monthly basis and the salary is transferred on 25th day of each month but not after the last date of every month. To keep motivated employees, LankaBangka Finance Limited provides facilities and benefits to its staffs.

Details about Human resorce development is potrayted on page no 186 to 192 of this Annual Integrated Report.

6. Triple Bottom Line

6.1 People:

LBFL always participates in contributing financial support to the society all over the fiscal year and it will be a continuous process. The company invested BDT 12.74 million taka this year for 32,334 man hours of traning to it's employees. It also provided foreign training to its employees as well. LBFL also developing the training method every year to keep updated its employees with newness and the company also review the whole session by taking test on the employees.

To work with different kind of customers, regulators and suppliers, LBFL works with transparency and fairness to create trust among all stakeholders which also create values.

6.2 Planet:

LBFL insists to invest in those projects which are environment friendly. We invest almost 2,230 million taka on green banking projects as well. 1,526 man hours of training are provided to our employees on green banking. We also encourage our branches to invest in eco-friendly projects which will be helpful in the long run. Our corporate building which is now under construction will be green certified building.

6.3 Profit:

LBFL has generated 1,353 million taka from its all services provided by both head office and branches in 2017.

Triple Bottom Line Highlights:

Financial Highlights – LBFL			
	Actuals 2017	**Actuals 2016**	**Change**
	BDT M	**BDT M**	**%**
Results for the year			
Gross Income	7,819	5,997	30.39%
Interest Income	6,623	5,433	21.91%
Interest Expenses	4,542	3,565	27.40%
Profit before Tax	1,397	1,107	26.19%
Provision for Taxation	45	35	26.41%
Profit after Tax	1,353	1,072	26.19%

Financial Position at the year end			
Shareholders' Fund (Stated Capital and Reserves)	7,268	6,170	17.80%
Deposits from Customers	51,553	40,033	28.78%
Lease, Loans & Advances	61,914	46,749	32.44%
Total Investment	2,128	2,130	-0.11%
Fund Under Management (FUM)	142,825	104,272	36.97%
Total Assets	78,248	57,622	35.79%

Investors			
Gross Dividend	477	830	-42.50%
Earnings per Share (BDT)	4.25	3.37	26.19%
Dividends per Share (BDT)	1.50	3.00	-50.00%
Net Assets per Share (BDT)	22.84	19.39	17.80%

Ratios			
Return on Shareholders' Funds (%)	20.13%	18.44%	1.70%
Return on Average Assets (%)	1.99%	2.10%	-0.11%
Year on Year Growth in Dividends on Ordinary Shares (%)	-42.50%	15.00%	-57.50%
Interest Cover (Times)	1.36	1.33	2.99%
Equity : Assets (%)	9.29%	10.71%	-1.42%
Debt : Equity (%)	918%	786%	132.46%
P/E Ratio (Times)	11.25	10.33	91.44%
Non-Performing Loans Ratio (%)	3.07%	3.52%	-0.46%
Advance Growth (%)	32.44%	29.79%	2.65%
Deposit Growth (%)	28.78%	33.09%	-4.31%

Statutory Ratios			
Capital Adequacy Ratio (CAR) - Min. Req. 10%	11.81%	13.22%	-1.41%
Core Capital to RWA - Minimum Required 5%	11.00%	12.33%	-1.32%
Supplementary Capital to RWA	0.81%	0.90%	-0.09%
Cash Reserve Ratio (CRR) - Minimum Required 2.5%	2.92%	2.52%	0.40%
Statutory Liquidity Reserve - Minimum Required 5%	5.10%	5.08%	0.02%

Statutory Ratios			
Capital Adequacy Ratio (CAR) - Min. Req. 10%	11.81%	13.22%	-1.41%
Core Capital to RWA - Minimum Required 5%	11.00%	12.33%	-1.32%
Supplementary Capital to RWA	0.81%	0.90%	-0.09%
Cash Reserve Ratio (CRR) - Minimum Required 2.5%	2.92%	2.52%	0.40%
Statutory Liquidity Reserve - Minimum Required 5%	5.10%	5.08%	0.02%

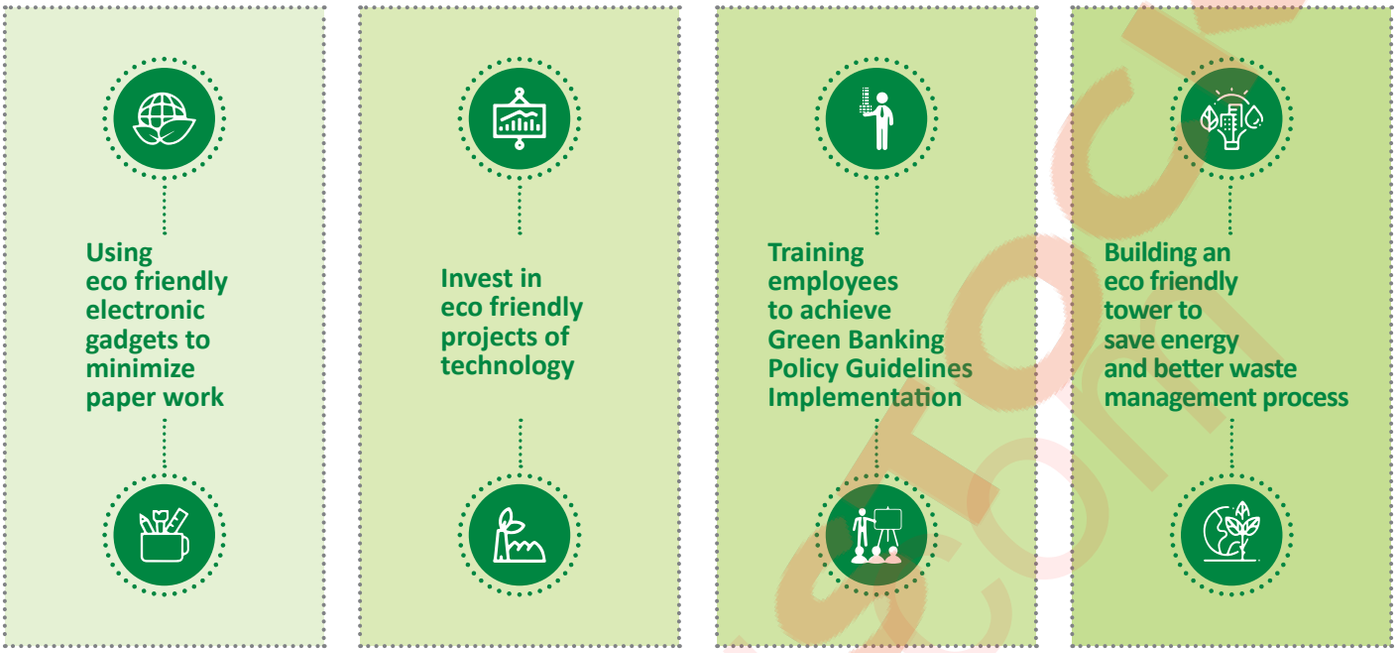
Non-Financial Highlights		
	Actuals 2017	**Actuals 2016**
	BDT M	**BDT M**
Economic Sustainability		
Direct Economic Value generated & distributed	3,728	2049
Economic Value Addition	1,417	554
Community Investment Cost	7	5
Number of new branches launched	5	5
Employee benefit fund	313	296

Environment Sustainability		
Electricity Consumption in value	**14.859**	**13.605**
Fuel Cost	1.51	0.841
Gas Cost	0.634	0.443
Water Consumption in value	2.92	2.059
Paper consumption in value	2.418	1.581
Significant environment fines	Nil	Nil
Environment protection expenditure	0.1	0.1
Number of environmental grievances	Nil	Nil

Labor Sustainability		
Total Workforce in number	1,838	1,527
Recruitments in number	296	298
Attrition rate	16%	22%
Retention rate after parental leave	100%	100%
Number of injuries	Nil	Nil
Average Training hours per employee	42	41
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

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 comprised of the representatives from each relevant division.

Sustainable Finance Committee Members:

Sl. No.	Name	Designation	Status in the Committee
1	Khwaja Shahriar	Managing Director	Chairman
2	Khurshed Alam	Head of Retail Financial Services	Member
3	Mohammed Kamrul Hasan	Chief Risk Officer	Member
4	Kazi Masum Rashed	Chief Credit Officer	Member
5	Mohammad Shoaib	Head of Corporate Financial Services	Member
6	Shamim Al Mamun	Chief Financial Officer	Member
7	Mohammad Faruk Ahmed Bhuya	Head of Asset Operations	Member
8	Md. Kamruzzaman Khan	Head of Personal Financial Services	Member
9	Ujjal Kumar	Manager-Risk Management	Member Secretary

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 stake holders 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 initiativesof 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 risks 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.

Environmental sustainability:

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.

LankaBangla Tower

LankaBangla Finance Limited believes that a hygienic environment is a key element for healthy consumers which leads to a strong business circumstances. In believing this, LankaBangla Finance Limited is constructing its own building named "LankaBangla Tower" which will be one of the LEED (Leadership in Energy and Environmental Design) certified building consistent with the green banking policy provided by Bangladesh Bank. Having 13 floors along with four basements, the tower will be both environmental friendly and energy efficient which will save both energy and expenditures and will have a good impact on environment.

To make a sustainable environment, we are creating our building based on these following activities:

Sustainable Sites:

Our architectures, designers and engineers are instructed very strictly to maintain a healthy construction guideline to keep our eco-system safe and sound and to protect public health around the construction plant. We are also fully aware about the protection of our workers who are fully trained hence provide safety nets, guardrail systems as well as personal fall arrest system to our workers. We have designed our tower to keep enough space inside and outside of the building in such a way so that our employees can feel it as home in working hours.

Water Efficiency:

We will install water efficient instruments to save waters which will have good influence on our environment. We will set up water harvesting system on the tower's rooftop to preserve raindrops and to put less pressure on underground and surface water.

Energy and Atmosphere

To save energy and protect the environment, we will use daylight as much as possible in our workplace in working hours. To implement this, we will install glass facade system around the building to consume more sunlight and put less pressure on electricity. We will also use energy efficient LED lights which is also cost efficient and long lasting.

We are considering to use renewable energy system by installing solar power plant on the rooftops of LankaBangla tower as well to use less electricity and reduce electricity expenditure.

Recyclable materials and resource

LankaBangla Finance Limited has planned to install water recyclable system to diminish the consumption of water which is also cost efficient. Through this system, water will be filtered, disinfected and recycled to use afresh for toilet flushing. This will decrease our water consumption by 50% and it will reduce environmental impact.

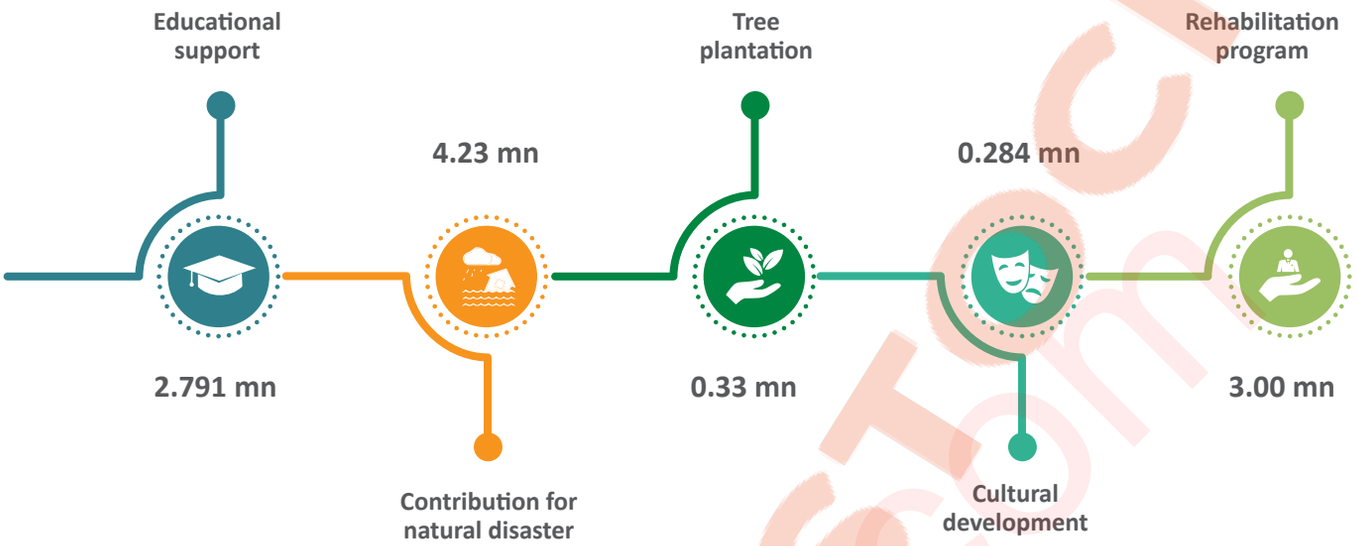
Indoor Environment quality

We will apply eco-friendly painting to have good impact on our environment as well as employees. Our air ventilation system will be based on natural air and we will apply HVAC (Heating, Ventilation, Air Conditioning) system hence using of fan and air-condition will be reduced and the electricity consumption will be comparatively declined.

We will strictly prohibit smoking inside the building to make a sustainable environment and protect our employees.



CORPORATE SOCIAL RESPONSIBILITY (CSR) OF LANKABANGLA



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.

The Financial System holds a unique position in an economy that can affect production, business and other economic activities through their procedure of financing activities which would in turn contribute to protecting the environment/ climate from pollution. Moreover, efficiency in energy use, water consumption and waste reduction may significantly contribute towards controlling the operating cost of many of the Banks/NBFIs of the country. All these make Corporate Social Responsibility (CSR) a vital factor to consider.

The term Corporate Social Responsibility or CSR has evolved over the last few decades to broaden its scope from mere philanthropic contributions to strategic business decisions. The CSR definition used by businesses globally revolve around the notion of "Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business."

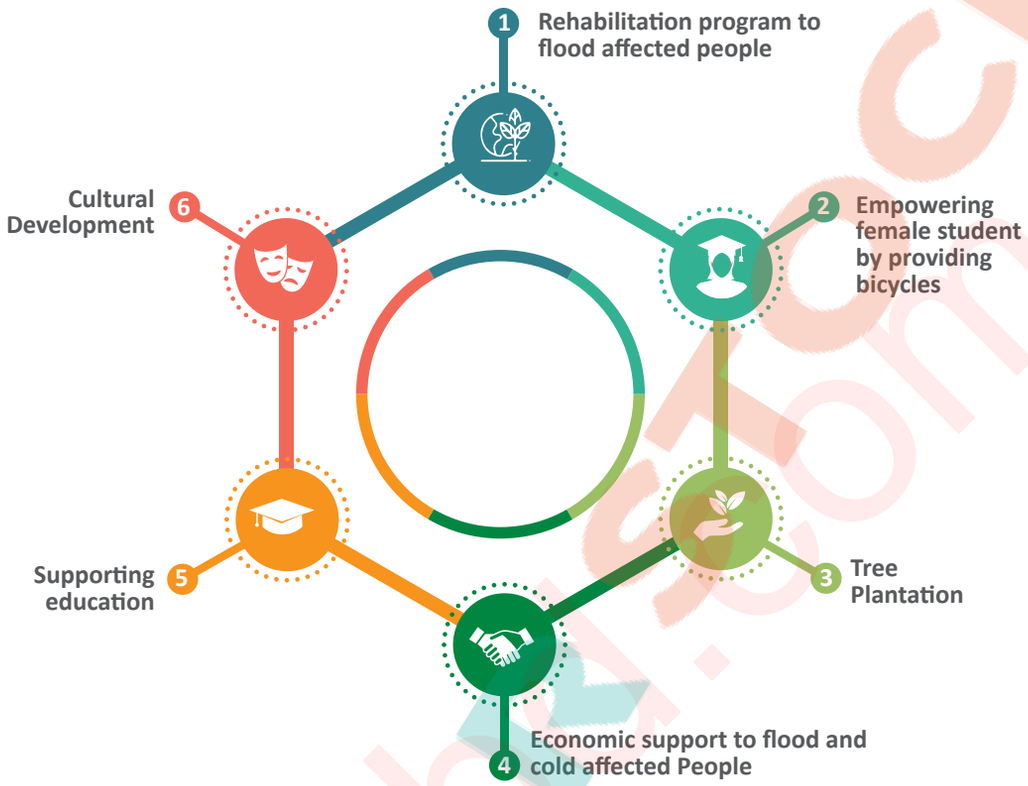
CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis. Integrating CSR with business presents a more sustainable business case in that:

- Social responsibility can become an integral part of the wealth creation process which, if managed properly, can enhance business competitiveness and maximize value creation.
- If conducted from a strictly philanthropic point of view, such expenses will always be the first to go during hard financial times, whereas there will be more incentives to practice CSR further and better during such crises.

However, in different countries and cultures, there will be different priorities and values to dictate how businesses should act and manage their impact on the environment and the society.

At LankaBangla Finance, Corporate Social Responsibility (CSR) has always been an integral part of the company's culture and the cornerstone of core values of good corporate citizenship. CSR is considered as an integral part of the organization's strategy, operations and management in order to create the maximum value. The concern for stakeholders, community, and environment is reflected in our actions, and which strengthens our position as a responsible and sustainable business. The business financing goal is not only to tie with the business progress but also with the development of overall economic growth that drives the development of the nation at large.

CSR activities of 2017 of LankaBangla Foundation:



1. LankaBangla's Rehabilitation Project in Kurigram:

Employees of LankaBangla and LankaBangla Foundation undertook a joint massive Rehabilitation Project for the worst affected flood victims of different remote islands (chars) of Kurigram district.



This massive LankaBangla Rehabilitation Project was planned just immediate after the flood this year (2017) when we witnessed the untold suffering of flood victims of different remote islands (char areas) while distributing relief goods in these chars at the end of July & beginning of August 2017.

All employees of LankaBangla Finance, LankaBangla Securities, LankaBangla Asset Management, LankaBangla Investment voluntarily contributed 02 million taka and Foundation contributed 01 million taka for the initiative of LankaBangla Rehabilitation Project in Kurigram.

The Rehabilitation Project includes a tin-shed house, a sanitary latrine, a tube well and some wood bearing trees for each family. We have completed and handed over 65 tin-shed houses, 65 sanitary latrines, erected and handed over 25 tube wells and planted more than 300 wood bearing trees (surrounding the 65 houses) among the flood victims. Under the leadership of Mayor of UlipurPouroshova, Ulipur, Kurigram Mr. Tariq Aul Ala and with the relentless hard work of his volunteer team during last 03 (three) months finally we have implemented the project successfully.

The volunteer team and LankaBangla visited remote islands (chars) of Kurigram district, identified & listed most affected vulnerable families, assessed their needs, arranged & transported materials for final execution of different components of the project and beat the challenges of doing this project in different distant remote islands (chars) of Kurigram district and happy to see the smile on the faces of homeless people.

Mr. Mohammed Nasir Uddin Chowdhury, Managing Director, LankaBangla Securities; Mr. Khwaja Shahriar, Managing Director, LankaBangla Finance; Executive Vice President & Chief Risk Officer of LankaBangla Finance Limited, Mr. Mohammed Kamrul Hasan, FCA and Honourable Mayor of UlipurPouroshova, Ulipur, Kurigram Mr. Tariq Abul Ala in presence of Mr. Haider Ali Mia, Upazila Chairman, Ulipur, renowned social worker Mr. Star and Lecturer Mr. Bulbul Ahmed and Mr. Md. Jahangir Hossain, Head of ADC of LankaBangla officially handed over houses, sanitary latrines, tube wells to each family on 26 December 2017 in a small ceremony.

Besides, we have also distributed 1,000 blankets among ultra-poor people of UlipurUpazila of Kurigram district on the same day. Blankets are also given to the beneficiaries of the project. The project costs 3.0 million.

2. Bicycle Distribution among female students of Ranipukur Union, BirolUpazila, Dinajpur:

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 10 Nos. Ranipukur Union, BirolUpazila, Dinajpur.



LankaBangla Foundation undertook bicycle distribution program among 100 female students from different high schools of Dinajpur district.

Bicycle has become very popular among female high school students of different northern districts. LankaBangla undertakes bicycle distribution program every year as part of its Corporate Social Responsibility (CSR) activities. This year the distribution took place at Dinajpur with focus to empower females of backward northern region of the country.

Executive Vice President & Chief Risk Officer of LankaBangla Finance Limited, Mr. Mohammed Kamrul Hasan, FCA and Chairman of 10 Nos. Ranipukur Union, BirolUpazila, Dinajpur – Mr. Faruk Azam in presence of Mr. Md. Jahangir Hossain, Head of ADC of LankaBangla; Mr. Nafees, Head of Branch, LankaBanglaDinajpur; Mr. Md. Fazlay Rabbi & other local dignitaries distributed bicycles among needy talent female high school students of different schools of BirolUpazila, Dinajpur in a small ceremony.

On the other hand, we have also distributed 1,000 blankets among the ultra poor people of the area to support them to get rid of severe cold in this region during winter. Every year LankaBangla also distributed blankets among poor segment of the society as part of its Corporate Social Responsibility. Total cost incurred 0.627 million.

3. Protecting Environmental & Ecological Degradation through Tree Plantation:

Protecting environmental & ecological degradation through tree plantation every year is another core area of CSR of LankaBangla Foundation.



LankaBangla Foundation undertook a tree plantation program on 09 August 2017 at Ramu Cantonment, Cox's Bazar. A total of 6,000 mango saplings are planted at lake side road in this new Cantonment. The plantation was supported by the 2 Infantry Brigade.

GOC and Area Commander, 10 Infantry Division, Maj. Gen. Mohammad Maksudur Rahman, psc; Commander 2 Infantry Brigade, Brig. Gen. Abu Syed Mohammod Bakir of Ramu Cantonment; Mr. Mohammed Nasir Uddin Chowdhury, Managing Director, LankaBangla Securities Limited and Mr. Khwaja Shahriar, Managing Director, LankaBnagla Finance Limited jointly opened tree plantation program in a small ceremony. The plantation began by planting lengra mango sapling by each of the above personalities.

LankaBangla undertakes tree plantation program every year as part of its CSR responsibility for protecting environment. Commander 2 Infantry Brigade and his team managed and executed the overall plantation in a smooth manner. LankaBangla emphasized on green revolution through tree plantation in remote areas to create a healthy environment for locality. Total plantation costs 0.33 million.

4. Financial support to victims of natural disasters and cold wave:



4.1 LankaBangla and OCAS jointly distributed relief goods and arranged medical camp among flood victims of Birgaon, South Sunamganj, Sunamganj

In 2017, unusual early flood in haor areas of Sunamganj damaged crops and put the people of the area in disaster condition. An emergency respond was required to help the people to survive.

In response to this emergency call - LankaBangla Foundation and Old Cadets' Association of Sylhet (OCAS) jointly undertook a relief distribution program and medical camp among flood victims of Birgoan village of East Birgaon Union, South Sunamganj Upazila, Sunamganj on 25 May 2017.

Relief materials were distributed among 750 families of Birgoanviallge. Relief materials included rice (20 kg), pulses (2 kg), soyabean oil (2 lit), cheak peas (1 kg), potato (5 kg), onion (3 kg), sugar (2 kg), salt (1 kg) and medical facilities with free consultation & medicines from volunteer doctors.

LankaBangla Foundation as part of its CSR activities every year extended support for health, education & environment sectors and undertakes different projects and programs. This time jointly with OCAS distributed relief materials and facilitated medical camp for 750 flood affected families of Birgoanviallge of South Sunamganjwith a total contribution of 2.0 million.

4.2 Distribution of Relief among poor flood victims of Kurigram district:

In Bangladesh, flood hits the country almost every year. This year flood was more devastating and prolonged and repetitive. 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 different char areas of the worst affected Kurigram.

LankaBangla Foundation undertook a relief distribution program among flood victims of remote villages of UlipurUpazila, Kurigram on 28 July 2017as part of its CSR activities.

More than 25 metric tons of Relief goods were distributed among 2,000 destitute families stranded by flood water of the area. Relief goods included rice, pulses, flattened rice (beaten rice), gur(jaggery), orsaline, edible oil, medicines, biscuits and other dry food items.

Head of Branch Distribution and Management Division, Mr. Mahbubur Rahman from LankaBangla Finance Limited, Mayor Mr. Tariq Abul Ala of UlipurPouroshova and UlipurUpazila Chairman Mr. Haider Ali distributed relief goods among marooned families of different flood affected areas of the Upazila.

Other Officials from LankaBangla Head Office, Bogra&Dinajpur branches and other local leaders attended the relief distribution program. The relief distribution program costs 1.43 million.

4.3 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 3,000 blankets on 26, 27 & 29 December 2017 among poor people of remote villages of UlipurPouroshova, Kurigram; 10 Nos. Ranipukur Union, BirolUpazila, Dinajpur and and different remote areas of Khulna.



This year Foundation has made an extensive effort for proper distribution of blankets by identifying & listing ultra-poor people ofKurigram, Dinajpur& Khulna. Total cost incurred 0.8 million.

5. Educational Support to the community:

5.1 Financial Aid to Underprivileged Brilliant Students:

LankaBangla Foundation continues its stand to support the underprivileged brilliant students to pursue their higher education. Scholarship program of the Foundation for these students is a significant support 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. We have started the scholarship program 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 underprivileged 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 major programs of CSR of LankaBangla Foundation.

In 2017, a total number of 50 students received financial assistance of 2.0 million to pursue their higher education. During 2017, 5 more students have completed their graduation.

5.2 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.

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 Investments Limited) to continue her studies.

6. Developing Young Children's Creativity through the Arts an integral part of CSR of LankaBangla:

Focusing Creativity & Cultural Development of young children is an integral part of CSR of LankaBangla Foundation. With this objective, 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 2017, LankaBangla Foundation arranged 5th Art Competition for children in Chittagong. "MonerRongeSajaiDesh" was the theme of art competition of this year. LankaBangla Finance Limited selected top 17 arts works and printed in the calendar of 2018 of LankaBanglamentioning names of the respective 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 art competition program of 2017 costs 0.284 million.

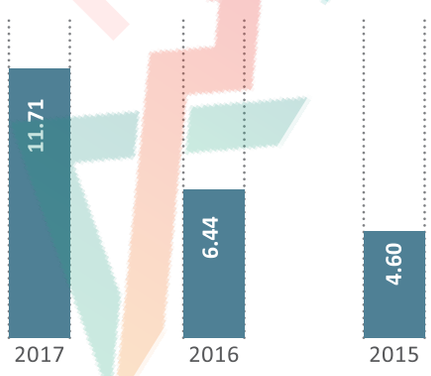
VALUE ADDED STATEMENT

For the year ended 31 December 2017

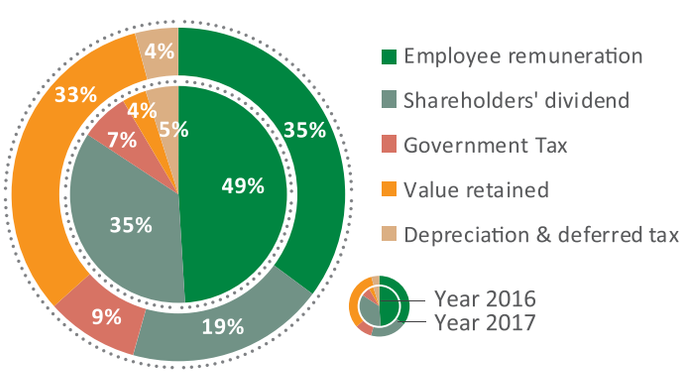
The value added statement represents the value created by LankaBangla Finance and its subsidiaries through operational activities and shows how it was distributed among major stakeholders of the Company (Shareholders, Government & Employees) to meet certain obligations. A portion of added value has also been retained in the company for future investment and expansion.

	2017 BDT Mn	%	2016 BDT Mn	%	2015 BDT Mn	%
Value added						
Operating revenue	9,981		7,311		6,237	
Cost of borrowing	(4,839)		(3,964)		(3,715)	
Provisions	(207)		(396)		(377)	
Operating expenses excluding staff cost and depreciation	**(1,207)**		**(902)**		**(681)**	
	3,728		**2,049**		**1,464**	
Distribution of value addition						
Employees as remuneration	1,311	35%	1,005	49%	838	57%
Government	334	9%	148	7%	112	-1%
Shareholders as dividend	716	19%	722	35%	438	35%
	2,361	90%	1,875	90%	1,388	90%
Retained for expansion and future growth						
Value retained in the business	1,210	32%	74	4%	(17)	2%
Deferred tax	3	0%	3	0%	(0)	0%
Depreciation	153	4%	98	5%	93	7%
Amount distributed	**3,728**	**100%**	**2,049**	**100%**	**1,951**	**100%**
Number of employees at the end of the year*	673		673		520	
Value created per employee (Mn BDT)	5.54		3.04		2.81	
Number of shares (Mn)	318.25		318.25		318.25	
Value created per share (BDT)	**11.71**		**6.44**		**4.60**	

VALUE CREATED PER SHARE (BDT)



DISTRIBUTION OF VALUE ADDITION: 2016-17



MARKET VALUE ADDED (MVA) STATEMENT

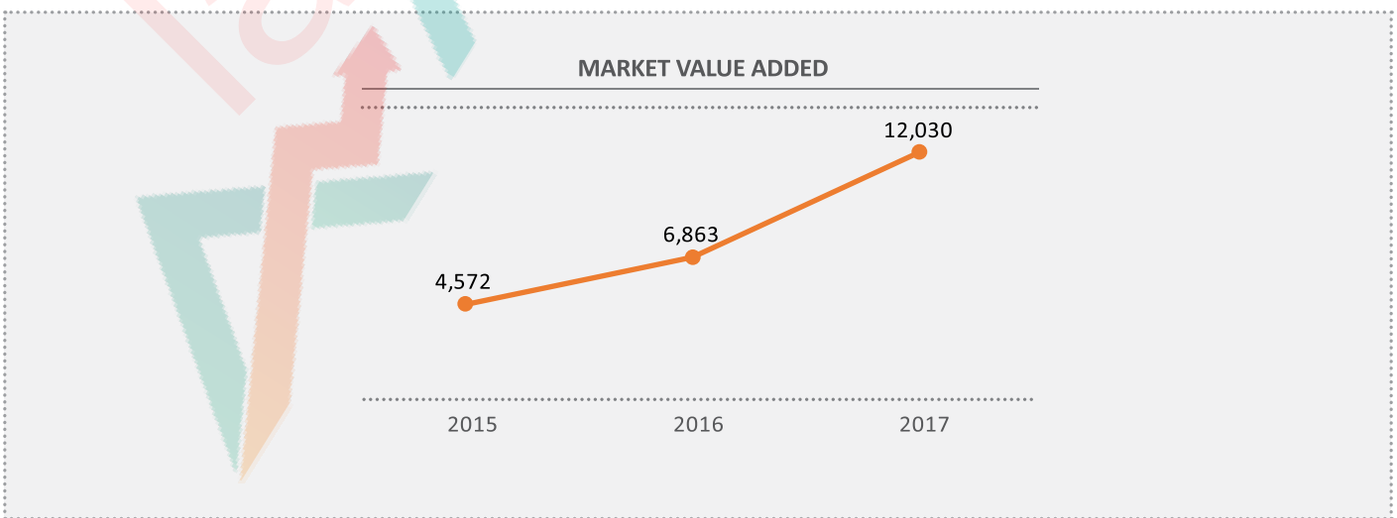
For the year ended 31 December 2017

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 15,212 million whereas the book value of the shares stood at Tk 9,631 million, resulting a Market Value Addition of Tk 12,030 million as of December 31, 2017. The calculation of Market Value Added is given below:

Particulars	2017		
	No. of Share (Mn)	Price per share	BDT Mn
Market Value	318	47.8	15,212
Book Value	318	10	3,183
Market Value Added	**12,030**		

Particulars	2016		
	No. of Share (Mn)	Price per share	BDT Mn
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	BDT Mn
Market Value	241	29	6,979
Book Value	241	10	2,406
Market Value Added	**4,572**		



ECONOMIC VALUE ADDED (EVA) STATEMENT

For the year ended 31 December 2017

"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.

	2017 BDT Mn	2016 BDT Mn	2015 BDT Mn
Operating income	9,981	7,311	6,237
Operating expenses	(7,510)	(5,969)	(5,327)
Operating profit	2,471	1,342	910
Income tax	(338)	(151)	(112)
NOPAT	**2,133**	**1,191**	**798**

Equity

Shareholders' equity is the total amount of equity at the year end plus accumulated provision for doubtful losses.

	2017	2016	2015
Shareholders' equity at year end	8,327	6,687	6,262
Accumulated provision for doubtful losses	1,434	1,464	1,509
Equity	**9,761**	**8,151**	**7,771**

Average equity

Average equity is calculated by averaging opening and closing equity of a year.

	2017	2016	2015
Shareholders' equity	9,761	8,151	7,771
Average equity	**8,956**	**7,961**	**7,619**

Cost of equity

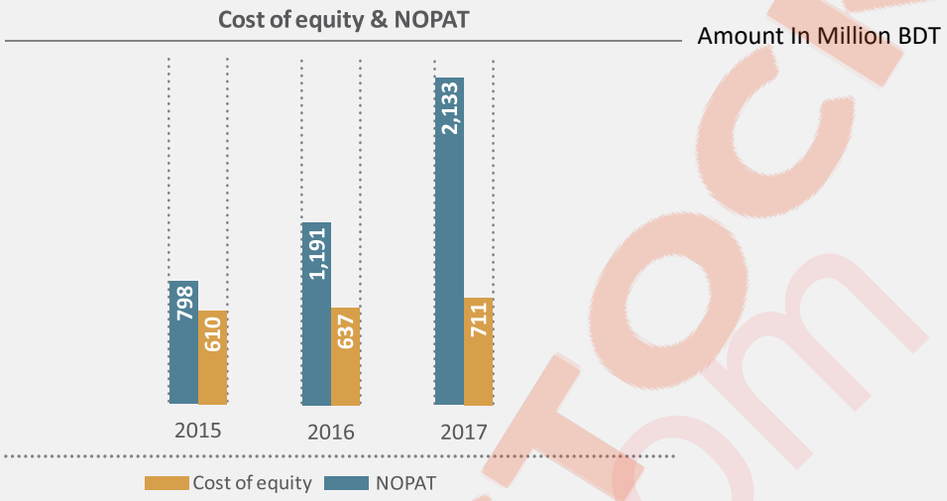
Cost of equity reflects shareholders' expected return. Eventually this is the opportunity cost for shareholders for investing their funds in the company. Interest on 5 years Government Treasury Bond plus a standard risk premium has been assumed to be the cost of equity.

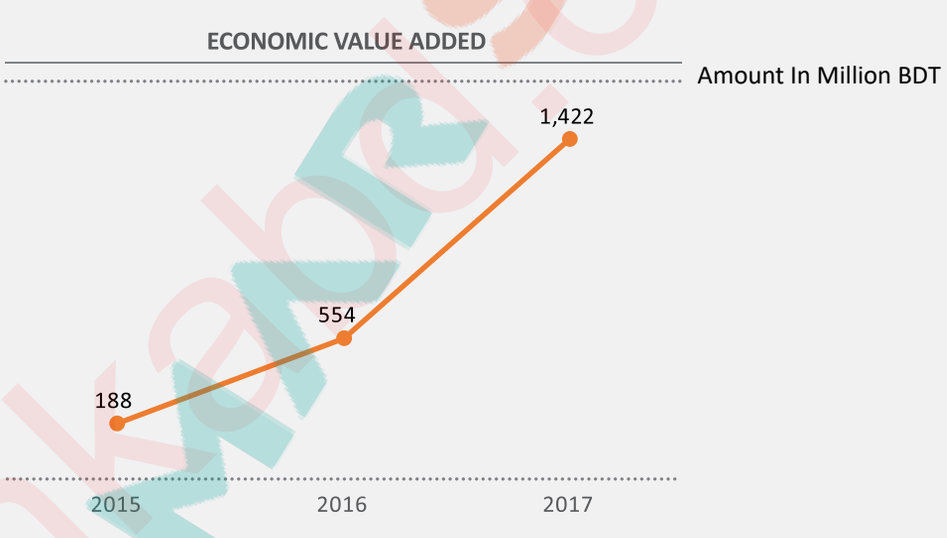
	2017	2016	2015
Interest rate on 5 Years Government Treasury Bond as on 31 December	5.94%	6.00%	6.00%
Standard Risk premium	2%	2%	2%
Cost of equity	**7.94%**	**8.00%**	**8.00%**

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.

	2017	2016	2015
NOPAT	2,133	1,191	798
Cost of average equity	711	637	610
Average Shareholders' equity	8,956	7,961	7,619
Cost of capital	7.94%	8.00%	8.00%
EVA	**1,422**	**554**	**188**
Number of shares (Mn)	318	318	318
Economic Value Added Per Share	**4.47**	**1.74**	**0.59**


Cost of equity & NOPAT
Amount In Million BDT
798
610
1,191
637
2,133
711
2015
2016
2017
Cost of equity
NOPAT


ECONOMIC VALUE ADDED
Amount In Million BDT
188
554
1,422
2015
2016
2017

STATEMENT ON CONTRIBUTION TO GOVERNMENT EXCHEQUER

For the year ended 31 December 2017

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.

Figures in BDT

Forms of Contribution	2017	2016
Income Tax	840,332,857	528,201,799
Source tax on Salary u/s 50	53,738,907	38,207,299
Source Tax on Interest on savings deposit u/s 53F	311,084,278	266,026,408
Source tax on Payment to Supplier u/s 52	12,387,694	7,456,010
Source tax on Payment to Landlord u/s 53 A	7,206,519	6,647,201
Payment on transaction of Securities	179,909,613	83,450,975
Source tax on payment of commission	8,792,544	6,093,190
Payment of Advance Corporate Tax u/s 64	141,118,669	999,256
Tax payment at the time of Return Submission u/s 74	11,380,435	3,735,025
Source Tax on Dividend Payment u/s 54	114,589,303	115,428,448
Others	124,895	157,988
VAT	118,873,554	79,187,402
VAT on House Rent	20,947,353	15,147,248
Collection of VAT on Processing, Documentation Fee etc.	34,699,559	20,415,374
VAT on Procurement of goods and services	10,752,216	9,725,212
VAT on Legal, Professional & Technical Fees	3,081,800	2,549,161
Others	49,392,627	31,350,408
Excise Duty	71,213,121	28,468,093
Collection of excise duty from clients	68,922,370	27,188,416
Excise duty deducted by bank	2,290,751	1,279,677
Total Paid to Government Exchequer	**1,030,419,533**	**637,136,971**

lankabangla.com

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.

Independent Auditor's Report	213
Consolidated Financial Statements-LankaBangla Group	
Consolidated Balance Sheet	215
Consolidated Profit and Loss Account	217
Consolidated Statement of Cash Flows	218
Consolidated Statement of Changes in Equity	219
Financial Statements-LankaBangla Finance Limited	
Balance Sheet	220
Profit and Loss Account	222
Statement of Cash Flows	223
Statement of Changes in Equity	224
Consolidated and Separate Statement of Liquidity	225
Notes to the Consolidated and Separate Financial Statements	227
Financial Statements of Subsidiaries	
LankaBangla Securities Limited	292
LankaBangla Investments Limited	321
LankaBangla Asset Management Company Limited	345



ACNABIN
Chartered Accountants

BDBL Bhaban (Level-13)
12 Kawran Bazar Commercial Area
Dhaka-1215, Bangladesh.

Telephone : (88 02) 8144347 to 52
(88 02) 8189428 to 29
Facsimile : (88 02) 8144353
e-mail : <acnabin@bangla.net>
Web : www.acnabin.com

Independent Auditor's 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 financial statements of LankaBangla Finance Limited ("the Company") which comprise the consolidated and the separate balance sheet as at 31 December 2017, and consolidated and separate statements of profit and loss accounts, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of subsidiaries disclosed in note # 36.1 to these consolidated financial statements were audited by other auditors and we have relied on those audited financial statements for the purpose of consolidation.

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 2017, 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;

Dhaka,
13 February 2018

ACNABIN
Chartered Accountants

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Notes	Amount In Taka	
		31.12.2017	31.12.2016
PROPERTY AND ASSETS			
Cash		**1,155,230,423**	**700,351,241**
Cash in hand (including foreign currencies)	3	476,721	786,380
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	4	1,154,753,702	699,564,861
Balance with other banks and financial institutions	5	**8,874,982,033**	**4,343,232,588**
Inside Bangladesh		8,874,982,033	4,343,232,588
Outside Bangladesh		-	-
Money at call and short notice		-	-
Investment	6	**5,469,169,711**	**5,036,650,257**
Government securities		-	-
Other investments		5,469,169,711	5,036,650,257
Leases, loans and advances	7	**66,544,357,447**	**51,244,299,783**
Loans, cash credit and overdraft etc.		66,544,357,447	51,244,299,783
Bills discounted and purchased		-	-
Fixed assets including land, building, furniture and fixtures	8	**1,761,772,474**	**1,429,556,859**
Other assets	9	**1,637,203,086**	**1,289,422,836**
Non-Banking assets		-	-
TOTAL PROPERTY AND ASSETS		**85,442,715,174**	**64,043,513,565**
LIABILITY AND SHAREHOLDERS' EQUITY			
Liabilities			
Borrowings from Bangladesh Bank, other banks and financial institutions	10	**18,563,686,212**	**10,874,998,487**
Deposits and other accounts	11	**51,675,158,138**	**40,148,492,755**
Current deposits and other accounts etc.		-	-
Bills payable		-	-
Saving bank deposit		-	-
Term deposits	11.1	51,552,816,766	40,033,189,441
Bearer certificate of deposits		-	-
Other deposits	11.2	122,341,372	115,303,314
Other liabilities	12	**6,775,350,993**	**6,248,591,612**
TOTAL LIABILITIES		**77,014,195,343**	**57,272,082,854**
Shareholders' Equity		**8,327,000,468**	**6,686,609,319**
Paid up capital	13	3,182,509,410	2,767,399,490
Share money deposit for right issue		160,307,660	-
Share premium		1,090,888,800	1,090,888,800
Statutory reserve	14	1,472,602,021	1,202,043,919
General reserve		50,867,438	46,768,017
Retained earnings	15	2,369,825,140	1,579,509,093
Non controlling interest	16	**101,519,363**	**84,821,392**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**85,442,715,174**	**64,043,513,565**

	Notes	Amount In Taka	
		31.12.2017	31.12.2016
OFF-BALANCE SHEET ITEMS			
CONTINGENT LIBILITIES			
Acceptances and endorsements		-	-
Letter of guarantee		670,068,707	241,148,846
Irrevocable letters of credit		-	-
Bill for collection		-	-
Other contingent liabilities		-	-
TOTAL CONTINGENT LIBILITIES		**670,068,707**	**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		8,554,741,350	6,156,822,112
TOTAL OTHER COMMITMENTS		**8,554,741,350**	**6,156,822,112**
TOTAL OFF BALANCE SHEET ITEMS		**9,224,810,057**	**6,397,970,958**

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 2018

ACNABIN
Chartered Accountants

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2017

	Notes	Amount In Taka	
		2017	2016
Operating Income			
Interest income	17	7,076,089,286	5,661,544,246
Less : Interest expenses on deposits & borrowings	18	4,838,840,868	3,964,079,328
Net interest income		2,237,248,418	1,697,464,918
Income from investment	19	914,222,486	483,526,596
Commission, exchange and brokerage income	20	1,136,001,530	560,859,417
Other operational income	21	854,466,614	599,634,180
Total operating income		**5,141,939,047**	**3,341,485,111**
Operating Expenses			
Salary and allowances	22	1,300,145,142	987,348,613
Rent, taxes, insurance, electricity etc.	23	220,562,073	187,066,477
Legal and professional fees	24	33,424,026	30,013,397
Postage, stamp, telecommunication etc.	25	28,819,579	20,638,151
Stationery, printing, advertisement	26	66,035,302	47,485,747
Managing director's salary and allowance	27	10,726,667	17,489,000
Director fees and expenses	28	2,387,300	2,591,389
Audit fees	29	1,092,500	1,227,625
Repairs, maintenance and depreciation	30	183,401,905	123,478,392
Other expenses	31	824,585,567	581,834,581
Total operating expenses		**2,671,180,060**	**1,999,173,372**
Net Operating Income		**2,470,758,986**	**1,342,311,739**
Provisions for loans, investments and other assets		**206,948,220**	**395,649,328**
Provisions for leases and loans	32	248,441,162	199,224,797
Provision for margin loan		36,766,605	313,531,665
Provision for diminution in value of investments		(76,109,546)	(117,107,133)
General provision for other assets		(2,150,000)	-
Profit before tax and reserve		**2,263,810,766**	**946,662,411**
Provision for tax		**337,521,607**	**151,019,485**
Current tax	33	334,274,885	148,304,531
Deferred tax		3,246,722	2,714,954
Net profit after tax		**1,926,289,159**	**795,642,925**
Attributed to			
Shareholders of the Company	36.4	1,898,845,450	795,521,340
Non controlling interest		27,443,709	121,585
		1,926,289,159	**795,642,925**
Appropriations		**274,657,522**	**207,329,782**
Statutory reserve		270,558,101	214,410,834
General reserve		4,099,421	(7,081,053)
Retained surplus		**1,624,187,928**	**588,191,558**
Earnings Per Share (2016 restated)	34	**5.97**	**2.50**

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 2018

ACNABIN
Chartered Accountants

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

		Amount In Taka	
		2017	2016
A)	**Cash flows from operating activities**		
	Interest received	7,000,853,944	5,643,928,216
	Interest paid	(4,364,777,925)	(3,736,524,929)
	Dividend received	91,737,809	267,597,867
	Fees and commission received	1,655,361,503	919,862,071
	Income from investment	834,879,162	294,121,128
	Cash paid to employees (including directors)	(1,239,038,975)	(1,020,466,579)
	Cash paid to suppliers	(133,776,169)	(101,908,389)
	Income taxes paid	(334,203,698)	(235,715,801)
	Received from other operating activities	332,160,541	242,891,136
	Paid for other operating activities	(1,065,727,673)	(794,659,621)
	Cash generated from operating activities before changes in operating assets and liabilities	**2,777,468,520**	**1,479,125,099**
	Increase/ (decrease) in operating assets & liabilities		
	Loans and advances to customers	(16,136,077,333)	(9,799,853,088)
	Other assets	45,612,368	(183,113,452)
	Deposits from customers	11,526,665,383	10,041,785,026
	Other liabilities	196,817,863	957,913,557
	Total increase/ (decrease) in operating assets & liabilities	**(4,366,981,719)**	**1,016,732,044**
	Net cash flow from operating activities	**(1,589,513,199)**	**2,495,857,143**
B)	**Cash flows from investing activities**		
	Investment in securities	(682,519,454)	(543,795,463)
	Purchase of property, plant and equipment	(455,798,713)	(244,124,515)
	Investment in commercial paper	250,000,000	(120,000,000)
	Sales proceeds of fixed assets	8,057,460	8,984,971
	Net cash used in investing activities	**(880,260,707)**	**(898,935,006)**
C)	**Cash flows from financing activities**		
	Receipt of term loan, overdraft and REPO	7,688,687,726	1,868,180,506
	Share money deposit for right issue	160,307,660	-
	Dividend paid	(392,592,853)	(365,181,408)
	Net cash flow from financing activities	**7,456,402,533**	**1,502,999,099**
D)	**Net increase in cash & cash equivalents**	**4,986,628,627**	**3,099,921,236**
E)	**Cash and cash equivalents at the beginning of the year**	**5,043,583,829**	**1,943,662,593**
F)	**Cash and cash equivalents at the end of the year**	**10,030,212,456**	**5,043,583,829**
	*** Closing cash and cash-equivalents**		
	Cash in hand (including foreign currencies)	476,721	786,380
	Balance with Bangladesh Bank and its agent bank (s)	1,154,753,702	699,564,861
	Balance with other banks and financial institutions	8,874,982,033	4,343,232,588
		10,030,212,456	**5,043,583,829**

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

Director **Director** **Managing Director** **Company Secretary**

Dhaka,
13 February 2018

ACNABIN
Chartered Accountants

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

Amount in Taka

Particulars	Equity attributable to the shareholders of the Company							Non Controlling Interest	Total Equity
	Share Capital	Share money deposit for right issue	Share Premium	Statutory Reserve	General Reserve	Retained Earnings	Total		
Balance as at 01 January 2017	**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**
Items Involved in Changes in Equity									
Right share money deposit received	-	160,307,660	-	-	-	-	160,307,660	-	160,307,660
Changes of non controlling interest	-	-	-	-	-	(3,652,034)	(3,652,034)	(1,347,967)	(5,000,000)
Net profit for the year	-	-	-	-	-	1,898,845,450	1,898,845,450	27,443,709	1,926,289,159
Appropriation to statutory reserve	-	-	-	270,558,101	-	(270,558,101)	-	-	-
Appropriation to general reserve	-	-	-	-	4,099,421	(4,099,421)	-	-	-
Dividend									
Interim cash dividend	-	-	-	-	-	-	-	(9,397,772)	(9,397,772)
Stock dividend (15%)	415,109,920	-	-	-	-	(415,109,920)	-	-	-
Cash dividend (15%)	-	-	-	-	-	(415,109,927)	(415,109,927)	-	(415,109,927)
Balance as at 31 December 2017	**3,182,509,410**	**160,307,660**	**1,090,888,800**	**1,472,602,021**	**50,867,438**	**2,369,825,140**	**8,327,000,468**	**101,519,363**	**8,428,519,831**
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									
Adjustments of non controlling interest	-	-	-	-	-	-	-	-	-
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**

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

Director | Director | Managing Director | Company Secretary

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

BALANCE SHEET

As at 31 December 2017

	Notes	Amount In Taka	
		31.12.2017	31.12.2016
PROPERTY AND ASSETS			
Cash		**1,155,072,909**	**699,874,581**
Cash in hand (including foreign currencies)	3	319,207	309,720
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	4	1,154,753,702	699,564,861
Balance with other banks and financial institutions	5	**6,867,656,341**	**2,230,011,116**
Inside Bangladesh		6,867,656,341	2,230,011,116
Outside Bangladesh		-	-
Money at call and short notice		-	-
Investment	6	**2,127,660,042**	**2,130,061,460**
Government securities		-	-
Other investments		2,127,660,042	2,130,061,460
Leases, loans and advances	7	**61,913,587,489**	**46,749,199,258**
Loans, cash credit and overdraft etc.		61,913,587,489	46,749,199,258
Bills discounted and purchased		-	-
Fixed assets including land, building, furniture and fixtures	8	**1,072,694,198**	**999,057,016**
Other assets	9	**5,110,935,231**	**4,814,291,262**
Non-Banking assets		-	-
TOTAL PROPERTY AND ASSETS		**78,247,606,210**	**57,622,494,692**
LIABILITY AND SHAREHOLDERS' EQUITY			
Liabilities			
Borrowings from Bangladesh Bank, other banks and financial institutions	10	**15,061,790,454**	**8,333,852,304**
Deposits and other accounts	11	**51,675,158,138**	**40,148,492,755**
Current deposits and other accounts		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits	11.1	51,552,816,766	40,033,189,441
Bearer certificate of deposits		-	-
Other deposits	11.2	122,341,372	115,303,314
Other liabilities	12	**4,242,851,226**	**2,970,331,482**
TOTAL LIABILITIES		**70,979,799,818**	**51,452,676,540**
Shareholders' Equity		**7,267,806,392**	**6,169,818,152**
Paid up capital	13	3,182,509,410	2,767,399,490
Share money deposit for right issue		160,307,660	-
Statutory reserve	14	1,472,602,021	1,202,043,920
Retained earnings	15	2,452,387,301	2,200,374,742
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**78,247,606,210**	**57,622,494,692**

	Notes	Amount In Taka	
		31.12.2017	31.12.2016
OFF-BALANCE SHEET ITEMS			
CONTINGENT LIBILITIES			
Acceptances and endorsements		-	-
Letter of guarantee		670,068,707	241,148,846
Irrevocable letters of credit		-	-
Bill for collection		-	-
Other contingent liabilities		-	-
TOTAL CONTINGENT LIBILITIES		**670,068,707**	**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		8,554,741,350	6,156,822,112
TOTAL OTHER COMMITMENTS		**8,554,741,350**	**6,156,822,112**
TOTAL OFF BALANCE SHEET ITEMS		**9,224,810,057**	**6,397,970,958**

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 2018

ACNABIN
Chartered Accountants

LANKABANGLA FINANCE LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2017

	Notes	Amount In Taka	
		2017	2016
Operating Income			
Interest income	17	6,623,172,217	5,432,663,241
Less : Interest expenses on deposits & borrowings	18	4,542,057,908	3,565,181,315
Net interest income		2,081,114,310	1,867,481,926
Income from investment	19	629,295,121	195,788,600
Commission, exchange and brokerage income	20	-	-
Other operational income	21	566,516,751	368,148,389
Total operating income		**3,276,926,181**	**2,431,418,914**
Operating Expenses			
Salary and allowances	22	795,440,906	634,844,436
Rent, taxes, insurance, electricity etc.	23	151,537,075	124,707,382
Legal and professional fees	24	30,932,570	23,863,346
Postage, stamp, telecommunication etc.	25	22,355,446	14,987,359
Stationery, printing, advertisement	26	52,134,306	37,743,769
Managing director's salary and allowance	27	10,726,667	17,489,000
Director fees and expenses	28	752,000	736,000
Audit fees	29	575,000	718,750
Repairs, maintenance and depreciation	30	131,206,897	79,655,031
Other expenses	31	438,343,936	313,674,123
Total operating expenses		**1,634,004,803**	**1,248,419,196**
Net Operating Income		**1,642,921,379**	**1,182,999,718**
Provisions for loans, investments and other assets		**245,531,162**	**75,663,937**
Provisions for leases and loans	32	248,441,162	199,224,797
Provision for diminution in value of investments		-	(123,560,860)
General provision for other assets		(2,910,000)	-
Profit before tax and reserve		**1,397,390,217**	**1,107,335,782**
Provision for tax		**44,599,710**	**35,281,610**
Provision for tax made during the year	33	44,599,710	35,281,610
Deferred tax expense or (income)		-	-
Net profit after tax		**1,352,790,507**	**1,072,054,172**
Appropriations		**270,558,101**	**214,410,834**
Statutory reserve		270,558,101	214,410,834
General reserve		-	-
Retained surplus		**1,082,232,406**	**857,643,338**
Earnings Per Share (2016 restated)	34	**4.25**	**3.87**

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 2018

ACNABIN
Chartered Accountants

LANKABANGLA FINANCE LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

		2017 Taka	2016 Taka
A)	**Cash flows from operating activities**		
	Interest received	6,547,807,238	5,413,751,225
	Interest paid	(4,090,518,475)	(3,327,572,519)
	Dividend received	270,316,678	66,895,335
	Fees and commission received	428,193,512	274,762,656
	Income from investment	384,499,532	94,190,730
	Cash paid to employees (including directors)	(796,120,318)	(632,272,854)
	Cash paid to suppliers	(109,732,080)	(56,018,261)
	Income taxes paid	(80,821,830)	(116,685,640)
	Received from other operating activities	138,472,707	92,634,103
	Paid for other operating activities	(634,160,851)	(472,324,201)
	Cash generated from operating activities before changes in assets and liabilities	**2,057,936,115**	**1,337,360,574**
	Increase/ (decrease) in operating assets & liabilities		
	Loans and advances to customers	(15,195,306,939)	(10,684,775,913)
	Other assets	(86,594,649)	39,693,610
	Deposits from customers	11,526,665,383	9,952,488,088
	Other liabilities	480,326,629	(147,711,083)
	Total (decrease) in operating assets & liabilities	**(3,274,909,577)**	**(840,305,297)**
	Net cash (used in)/ flow from operating activities	**(1,216,973,462)**	**497,055,277**
B)	**Cash flows from investing activities**		
	Investment in securities	(247,598,582)	(173,777,212)
	Net proceeds from Treasury bills	-	-
	Purchase of property, plant and equipment	(150,726,517)	(186,414,731)
	Sales proceeds of fixed assets	4,897,260	1,115,500
	Investment in commercial paper	250,000,000	(120,000,000)
	Investment in subsidiaries	(50,000,000)	(62,500,000)
	Net cash used in investing activities	**(193,427,839)**	**(541,576,443)**
C)	**Cash flows from financing activities**		
	Receipt of term loan, overdraft and REPO	6,727,938,150	2,097,933,682
	Share money deposit for right issue	160,307,660	-
	Dividend paid	(385,000,956)	(365,138,883)
	Net cash flow from financing activities	**6,503,244,854**	**1,732,794,799**
D)	**Net increase in cash & cash equivalents**	**5,092,843,553**	**1,688,273,633**
E)	**Cash and cash equivalents at the beginning of the year**	**2,929,885,697**	**1,241,612,064**
F)	**Cash and cash equivalents at the end of the year***	**8,022,729,250**	**2,929,885,697**
	*** Closing cash and cash-equivalents**		
	Cash in hand (including foreign currencies)	319,207	309,720
	Balance with Bangladesh Bank and its agent bank (s)	1,154,753,702	699,564,861
	Balance with other banks and financial institutions	6,867,656,341	2,230,011,116
		8,022,729,250	**2,929,885,697**

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

Director **Director** **Managing Director** **Company Secretary**

Dhaka
13 February 2018

LANKABANGLA FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

Amount in Taka

Particulars	Share Capital	Share money deposit for right issue	Statutory Reserve	General Reserve	Retained Earnings	Total Equity
Balance as at 01 January 2017	**2,767,399,490**		**1,202,043,920**	**-**	**2,200,374,742**	**6,169,818,152**
Items involved in changes in equity						
Right share money deposit received	-	160,307,660	-	-	-	160,307,660
Net profit for the year	-	-	-	-	1,352,790,507	1,352,790,507
Appropriation to statutory reserve	-	-	270,558,101	-	(270,558,101)	-
Stock dividend (15%)	415,109,920	-	-	-	(415,109,920)	-
Cash dividend (15%)	-	-	-	-	(415,109,927)	(415,109,927)
Balance as at 31 December 2017	**3,182,509,410**	**160,307,660**	**1,472,602,021**	**-**	**2,452,387,301**	**7,267,806,392**
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**

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

Director **Director** **Managing Director** **Company Secretary**

Dhaka
13 February 2018

lankabangla.com STOCK

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF LIQUIDITY

As at 31 December 2017

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)	476,721	-	1,154,753,702	-	-	1,155,230,423
Balance with banks and financial institutions	5,998,214,122	1,550,000,000	1,326,767,911	-	-	8,874,982,033
Money at call and short notice	-	-	-	-	-	-
Investments	130,475,248	236,009,826	1,190,371,855	753,777,620	3,158,535,162	5,469,169,711
Lease, loans and advances	4,321,974,821	5,633,911,534	13,054,953,027	21,802,838,346	21,730,679,719	66,544,357,447
Fixed assets including land, building, furniture and fixtures	12,971,932	25,943,864	116,747,387	748,133,878	857,975,413	1,761,772,474
Other assets	103,717,818	171,582,844	289,402,479	208,060,472	864,439,473	1,637,203,086
Non-banking assets	-	-	-	-	-	-
Total Assets	**10,567,830,662**	**7,617,448,067**	**17,132,996,362**	**23,512,810,316**	**26,611,629,767**	**85,442,715,174**
Liabilities						
Borrowing from other banks, financial institutions and agents	2,868,258,404	2,467,055,177	6,280,717,835	2,768,196,840	4,179,457,956	18,563,686,212
Deposits and other accounts	4,478,546,634	3,298,178,345	10,267,264,544	16,317,009,786	17,314,158,829	51,675,158,138
Other liabilities	283,179,736	794,569,321	1,221,314,134	3,255,612,034	1,220,675,767	6,775,350,993
Total Liabilities	**7,629,984,775**	**6,559,802,843**	**17,769,296,513**	**22,340,818,660**	**22,714,292,552**	**77,014,195,343**
Net Liquidity Surplus or (Gap)	**2,937,845,888**	**1,057,645,224**	**(636,300,152)**	**1,171,991,656**	**3,897,337,215**	**8,428,519,831**

LANKABANGLA FINANCE LIMITED

STATEMENT OF LIQUIDITY

As at 31 December 2017

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)	319,207	-	1,154,753,702	-	-	1,155,072,909
Balance with banks and financial institutions	3,982,467,535	1,550,000,000	1,335,188,806	-	-	6,867,656,341
Money at call and short notice	-	-	-	-	-	-
Investments	50,758,522	91,814,426	463,087,958	293,240,585	1,228,758,552	2,127,660,042
Leases, loans and advances	4,021,211,963	5,241,852,022	8,097,646,015	20,285,595,823	24,267,281,666	61,913,587,489
Fixed assets including land, building, furniture and fixtures	-	-	-	-	1,072,694,198	1,072,694,198
Other assets	11,774,297	11,479,108	314,302,049	627,442,815	4,145,936,963	5,110,935,231
Non-banking assets	-	-	-	-	-	-
Total Assets	**8,066,531,524**	**6,895,145,556**	**11,364,978,530**	**21,206,279,222**	**30,714,671,379**	**78,247,606,210**
Liabilities						
Borrowing from other banks, financial institutions and agents	2,830,000,000	2,390,538,369	4,849,826,791	1,639,533,286	3,351,892,008	15,061,790,454
Deposits and other accounts	4,478,546,634	3,298,178,345	5,621,207,078	16,317,009,786	21,960,216,295	51,675,158,138
Other liabilities	186,594,196	539,743,269	1,177,243,682	1,583,011,497	756,258,582	4,242,851,226
Total Liabilities	**7,495,140,831**	**6,228,459,982**	**11,648,277,551**	**19,539,554,570**	**26,068,366,885**	**70,979,799,818**
Net Liquidity Surplus or (Gap)	**571,390,693**	**666,685,574**	**(283,299,021)**	**1,666,724,652**	**4,646,304,494**	**7,267,806,392**

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
As at and for the year ended 31 December 2017

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". Subsequently, it was renamed as LankaBangla Finance Limited on 27 April 2005. 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. 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	0341132	-	2017-2018
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	18131009113	N/A	N/A
5.	Import Registration Certificate	BA159696	01.01.2006	2017-2018
6.	DCCI Membership Certificate	2857	23.12.2008	2017
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 96.543161% 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 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 99.999998% in the subsidiary company. 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 Investment Limited" with an equity interest of 99.999996% in the subsidiary company. LankaBangla Investment 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 Investment Limited also applied for registration to the Bangladesh Securities and Exchange Commission for approval to operate in the Capital Market.

1.2.4 Group Structure of LankaBangla

Sl.	Name	Direct Ownership Interest	Indirect Ownership Interest	Total Ownership Interest
1.	LankaBangla Securities Limited	90.9091767%	5.6339838%	96.5431606%
2.	LankaBangla Investments Limited	99.9999964%	-	99.9999964%
3.	LankaBangla Asset Management Company Limited	99.9999980%	-	99.9999980%
4.	LankaBangla Information System Limited	-	96.3500742%	96.3500742%
5.	BizBangla Media Limited	-	77.2345285%	77.2345285%

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 Finance, Auto loan, Personal Loan, Emerging and Commercial, 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).

[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.

2.2 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.

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 Interests 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 2017 equivalent to BDT 248.44 million as per Bangladesh Bank guidelines among which BDT 85.66 million is general provision on good loan. Also, as at 31 December 2017, accumulated provision for lease, loan and advances stand at BDT 1,243.36 million. In consolidated financial statements, provision has been kept for 2017 equivalent to BDT 248.44 million as per Bangladesh Bank guidelines Also, as at 31 December 2017, accumulated provision for leases, loans and advances stand at BDT 1,434.42 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 more 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 leases, loans 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 385.62 million from 349.91 million resulting increase of BDT 35.71 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	FFinancial 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 2017 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 36.76 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 and as per the para 10 of BAS 1:

Presentation of Financial Statements):

a) Consolidated and Separate Balance Sheet as at 31 December 2017;

b) Consolidated and Separate Profit and Loss Account for the year ended 31 December 2017;

c) Consolidated and Separate Statement of Cash Flows for the year ended 31 December 2017;

d) Consolidated and Separate Statement of Changes in Equity for the year ended 31 December 2017;

e) Consolidated and Separate Liquidity Statement for the year ended 31 December 2017;

f) Notes to the Consolidated and Separate Financial Statements for the year ended 31 December 2017.

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 2017, the Company has not adopted any change of accounting estimates and consistency applies same accounting estimates of the year of 2016.

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 24 branches and a SME Booth, with no overseas branch as on 31 December 2017. 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, debt, government securites and unit funds. 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:

fixed assets	Rate
Furniture and fixture	20%
Office equipment	20%
Motor vehicle	20%
IT equipment	33.33%
Building	2.5%
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 fixed assets

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 fixed assets

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 profit and loss account 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 2017 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 13 July 2017 with "AA3" (Pronounced as AA Three) in the long term and ST-2 for the Short Term based on audited financial of FY2016 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 2018 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 has 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.

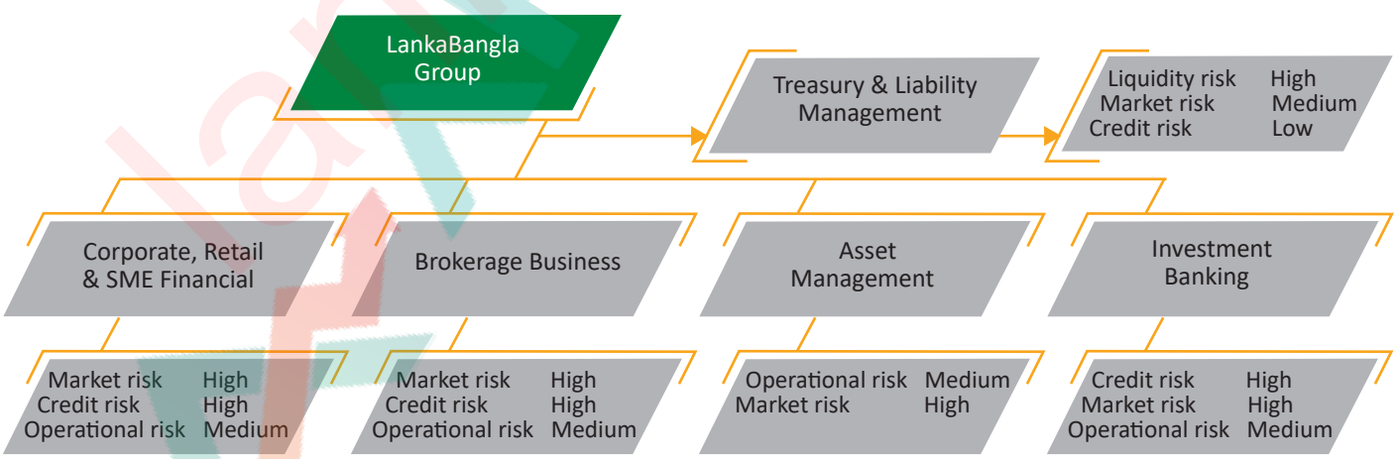
In line with Bangladesh Bank requirement, the Company has already formed BASEL Implementation Unit (BIU) to ensure timely implementation of BASEL II accord.

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 2017 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 2016 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 2018.

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
42	**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	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
3	**Cash in hand**				
	See accounting policy in note (2.15)				
	Local currency	476,721	786,380	319,207	309,720
	Foreign currency	-	-	-	-
		476,721	**786,380**	**319,207**	**309,720**

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	1,154,753,702	699,564,861	1,154,753,702	699,564,861
	Foreign currency	-	-	-	-
		1,154,753,702	**699,564,861**	**1,154,753,702**	**699,564,861**

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 (2.50%)	841,150,408	704,477,490	841,150,408	704,477,490
Actual reserve held (2017: 2.92%, 2016: 2.52%)	984,131,658	708,967,039	984,131,658	708,967,039
Surplus/(deficit) (2017: 0.42%, 2016: 0.02%)	**142,981,250**	**4,489,549**	**142,981,250**	**4,489,549**

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 (5%)	1,794,842,716	1,481,167,221	1,794,842,716	1,481,167,221
Actual reserve held (2017: 5.10%, 2016: 5.08%)	1,829,837,682	1,505,869,487	1,829,837,682	1,505,869,487
Total surplus/(deficit) (2017: 0.10%, 2016: 0.08%)	**34,994,967**	**24,702,267**	**34,994,967**	**24,702,267**

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)	88,667,007	28,945,635	88,667,007	28,945,635
	Interest bearing short term deposit account (Note - 5.2)	2,439,419,780	2,127,724,715	473,673,193	54,794,691
	Fixed deposit account (Note - 5.3)	6,346,767,912	2,186,444,399	6,305,188,806	2,146,152,952
		8,874,854,698	**4,343,114,749**	**6,867,529,006**	**2,229,893,278**

		LankaBangla Group		LankaBangla FinanceLimited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
	Foreign Currency				
	Dhaka Bank Ltd.-USD A/C (Exchange Rate Tk. 82.7000)	90,176	85,814	90,176	85,814
	Dhaka Bank Ltd.-POUND A/C (Exchange Rate Tk. 111.7442)	29,700	25,804	29,700	25,804
	Dhaka Bank Ltd.-EURO A/C (Exchange Rate Tk. 99.2069)	7,458	6,220	7,458	6,220
		127,335	**117,839**	**127,335**	**117,839**
		8,874,982,033	**4,343,232,588**	**6,867,656,341**	**2,230,011,116**
	Outside of Bangladesh	-	-	-	-
		8,874,982,033	**4,343,232,588**	**6,867,656,341**	**2,230,011,116**
5.1	**Non interest bearing current account**				
	Bank Asia Limited	1,000	655	1,000	655
	BRAC Bank Limited	1,205,947	263,972	1,205,947	263,972
	Dhaka Bank Limited	39,387	6,605	39,387	6,605
	Dutch Bangla Bank Limited	1,475	2,060	1,475	2,060
	Eastern Bank Limited	357,883	120,281	357,883	120,281
	Jamuna Bank Limited	-	295	-	295
	Mercantile Bank Limited	5,665,572	10,963,087	5,665,572	10,963,087
	Mutual Trust Bank Limited	1,650	1,800	1,650	1,800
	ONE Bank Limited	15,387,359	3,451,773	15,387,359	3,451,773
	Prime Bank Limited	471	1,249	471	1,249
	Standard Chartered Bank	64,976,553	8,594,968	64,976,553	8,594,968
	Trust Bank Limited	1,029,710	5,538,889	1,029,710	5,538,889
		88,667,007	**28,945,635**	**88,667,007**	**28,945,635**
5.2	**Interest bearing short term deposit account**				
	AB Bank Limited	3,841,632	452,098	3,841,632	452,098
	Bangladesh Development Bank Limited	28,463	51,868	-	2,405
	Bank Asia Limited	18,181,526	2,480,164	18,181,526	2,480,164
	BASIC Bank Limited	4,270	-	4,270	-
	Commercial Bank of Ceylon PLC	45,480,214	37,689,297	-	-
	Dhaka Bank Limited	3,719,865	16,454,019	795,156	3,914,159
	Dutch Bangla Bank Limited	15,934	1,912,151	15,934	1,912,151
	Eastern Bank Limited	303,934	-	303,934	-
	Exim Bank Limited	82,595	-	82,595	-
	Islami Bank Bangladesh Ltd	1,131	-	-	-
	Jamuna Bank Limited	55	8,229	55	8,229
	Meghna Bank Limited	3,757	5,252	-	-
	Mercantile Bank Limited	1,795,399	14,931,397	1,795,399	14,931,397
	Midland Bank Limited	169,540	1,419	-	-
	Mutual Trust Bank Limited	461,350	678,657	461,350	678,657
	NRB Bank Limited	11,944,787	-	11,944,787	-
	National Credit and Commerce Bank Limited	1,726,523	24,976	-	-
	ONE Bank Limited	1,837,414,989	1,991,054,418	163,283,029	2,653,354
	Prime Bank Limited	471,227	239,217	471,227	239,217

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
	Shahjalal Islami Bank Limited	1,172,300	314,510	-	-
	Sonali Bank Limited	277,646	-	-	-
	South Bangla Agriculture and Commercial Bank Limited	52,305	383,542	-	-
	Standard Bank Limited	126,475	229,094	-	-
	Standard Chartered Bank	502,549,767	55,727,030	262,982,949	22,515,918
	The City Bank Limited	4,207,680	1,107,010	4,127,935	1,026,575
	The Premier Bank Limited	4,618,766	3,897,455	4,618,766	3,897,455
	United Commercial Bank Limited	695,431	82,911	695,431	82,911
	Uttara Bank Limited	5,000	-	-	-
	Woori Bank	67,218	-	67,218	-
		2,439,419,780	**2,127,724,715**	**473,673,193**	**54,794,691**
5.3	**Fixed deposit receipt account**				
	AB Bank Limited	600,000,000	-	600,000,000	-
	Brac Bank Limited	200,000,000	-	200,000,000	-
	Commercial Bank of Ceylon PLC	-	62,969,129	-	62,969,129
	Exim Bank Limited	350,000,000	100,000,000	350,000,000	100,000,000
	Islamic Finance and Investment Limited	200,000,000	-	200,000,000	-
	Jamuna Bank Limited	600,000,000	149,970,000	600,000,000	149,970,000
	Meghna Bank Limited	500,000,000	-	500,000,000	-
	Meridian Finance and Investment Limited	200,000,000	-	200,000,000	-
	Midas Finance Limited	100,000,000	250,000,000	100,000,000	250,000,000
	Midland Bank Limited	-	50,000,000	-	50,000,000
	National Bank Limited	800,000,000	-	800,000,000	-
	One Bank Limited	201,107,669	1,057,089	200,000,000	-
	Phoenix Finance & Investments Limited.	100,000,000	-	100,000,000	-
	Shahjalal Islami Bank Limited	-	200,000,000	-	200,000,000
	Social Islami Bank Limited	800,000,000	450,000,000	800,000,000	450,000,000
	South Bangla Agriculture and Commerce Bank Limited	400,000,000	299,970,000	400,000,000	299,970,000
	Standard Bank Limited	700,000,000	250,000,000	700,000,000	250,000,000
	Standard Chartered Bank	40,471,436	39,234,358	-	-
	The Premier Bank Limited	35,188,806	33,243,823	35,188,806	33,243,823
	Union Bank Limited	170,000,000	300,000,000	170,000,000	300,000,000
	Union Capital Limited	350,000,000	-	350,000,000	-
		6,346,767,912	**2,186,444,399**	**6,305,188,806**	**2,146,152,952**

Disclosures in compliance to the FID Circular # 6, dated 06 November 2003 of the Bangladesh Bank consist of the following:

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
5.4	**Maturity grouping of balance with other banks and financial institutions**				
	Up to 1 month	5,998,214,122	999,063,474	3,982,467,535	999,063,474
	Over 1 month but not more than 3 months	1,550,000,000	3,207,724,715	1,550,000,000	1,130,179,379
	Over 3 months but not more than 6 months	1,326,767,911	136,444,399	1,335,188,806	100,768,264
	Over 6 months but not more than 1 year	-	-	-	-
	Over 1 year but not more than 5 years	-	-	-	-
	Over 5 years	-	-	-	-
		8,874,982,033	**4,343,232,588**	**6,867,656,341**	**2,230,011,116**
6	**Investment**				
	See accounting policy in note (2.16)				
	Government securities	-	-	-	-
	Treasury bills	-	-	-	-
	Treasury Bonds	-	-	-	-
	Other investments	**5,469,169,711**	**5,036,650,257**	**2,127,660,042**	**2,130,061,460**
	Non marketable ordinary shares (Note - 6.1)	211,347,010	145,175,450	73,569,450	73,569,450
	Marketable ordinary shares (Note - 6.2)	4,807,822,701	4,191,474,807	1,604,090,592	1,356,492,010
	Investment in Commercial Paper	450,000,000	700,000,000	450,000,000	700,000,000
		5,469,169,711	**5,036,650,257**	**2,127,660,042**	**2,130,061,460**
	Investment is Designated as follows:				
	Held for Trading	1,838,422,593	1,380,621,153	325,471,423	191,252,901
	Held to Maturity	3,630,747,118	3,656,029,105	1,802,188,618	1,938,808,558
		5,469,169,711	**5,036,650,257**	**2,127,660,042**	**2,130,061,460**
6.1	**Non marketable ordinary shares**				
	Al-Arafah Shariah Unit Fund	60,000,000	-	-	-
	Aman Cotton Fibrous Limited	1,255,400	-	-	-
	BD Venture Limited	20,000,000	20,000,000	20,000,000	20,000,000
	Bashundhara Paper Mills Ltd.	6,916,160	-	-	-
	Bengal Meat Processing Industries Limited	50,000,000	-	-	-
	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	-	-
	LankaBangla 1st Balanced Unit Fund	50,000,000	102,000,000	50,000,000	50,000,000
		211,347,010	**145,175,450**	**73,569,450**	**73,569,450**

*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	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		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.				
6.2	**Marketable ordinary shares**				
	Bank	1,323,183,684	809,129,774	805,192,437	550,133,484
	Cement	40,587,091	58,583,784	-	-
	Ceramics	7,276,255	8,380,136	7,276,255	7,276,255
	Engineering	85,125,590	142,611,712	36,283,688	21,044,022
	Food and Allied	29,479,416	31,112,147	-	21,941,045
	Fuel and Power	512,590,560	416,670,388	14,810,870	9,875,272
	Insurance	593,838,699	483,243,887	144,481,779	121,793,929
	IT Sector	61,431,967	65,185,399	4,180,602	6,586,026
	Miscellaneous	24,047,959	211,633	-	-
	Mutual Funds	134,974,872	181,378,635	74,200,945	85,756,500
	Non-Bank Financial Institutions	816,958,153	727,197,726	217,436,920	165,290,369
	Pharmaceuticals and Chemicals	594,412,647	646,109,542	116,369,568	212,026,585
	Services & Real Estate	5,349,564	-	-	-
	Tannery Industries	100,002,589	139,181,617	49,907,721	22,369,720
	Telecommunication	3,639,075	30,206,785	-	-
	Textile	474,924,578	452,271,641	133,949,806	132,398,803
		4,807,822,701	**4,191,474,807**	**1,604,090,592**	**1,356,492,010**

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 non-marketable ordinary shares are valued at cost due to fair value cannot be measured reliably.

*As at 31 December 2017 there was Tk. 164,259,219.50 (Gross unrealized gain was Tk. 221,153,336.58 and gross unrealised loss was Tk. 56,894,117.08) net unrealized gain of LankaBangla Finance Limited and there was 759,322,687.32 (Gross unrealized gain was Tk. 1,078,193,224.22 and gross unrealised loss was Tk. 318,870,536.90) net unrealized gain of LankaBangla Group 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	1,838,422,593	1,380,621,153	325,471,423	191,252,901
	Strategic investment in shares	2,969,400,108	2,810,853,655	1,278,619,168	1,165,239,108
		4,807,822,701	**4,191,474,807**	**1,604,090,592**	**1,356,492,010**
6.4	**Maturity wise grouping of investments**				
	Up to 01 Month	130,475,248	842,733,314	50,758,522	624,246,899
	More than 01 Month to 03 Months	236,009,826	320,704,343	91,814,426	28,482,661
	More than 03 Month to 01 Years	1,190,371,855	756,666,269	463,087,958	360,317,271
	More than 01 Year to 05 Years	753,777,620	1,269,588,241	293,240,585	311,773,608
	More than 05 Years	3,158,535,162	1,846,958,090	1,228,758,552	805,241,021
		5,469,169,711	**5,036,650,257**	**2,127,660,042**	**2,130,061,460**

			LankaBangla Group		LankaBangla Finance Limited	
			31.12.2017	31.12.2016	31.12.2017	31.12.2016
			Taka	Taka	Taka	Taka
7	**Leases, loans and advances**					
	Loans, cash credit and overdraft etc.	(Note - 7.1)	66,544,357,447	51,244,299,783	61,913,587,489	46,749,199,258
	Bills discounted and purchased		-	-	-	-
			66,544,357,447	**51,244,299,783**	**61,913,587,489**	**46,749,199,258**
7.1	**Loans, cash credit and overdraft etc.**					
	See accounting policy in note	(2.17),(2.18) and (2.19)				
	Corporate finance					
	Lease finance		3,382,638,157	2,665,476,658	3,382,638,157	2,665,476,658
	Secured Overdraft		6,085,285	69,181,435	6,085,285	69,181,435
	Short term finance		4,419,891,075	6,721,743,056	4,419,891,075	6,721,743,056
	Short term loan to subsidiaries	(Note - 7.1.1)	-	-	2,598,171,054	2,766,873,714
	Term loan		8,054,756,449	11,140,969,605	8,054,756,449	11,140,969,605
	Term loan syndication finance		449,615,282	513,713,742	449,615,282	513,713,742
	Work order finance		3,454,296	39,633,510	3,454,296	39,633,510
			16,316,440,544	**21,150,718,006**	**18,914,611,598**	**23,917,591,720**
	Retail finance					
	Auto loan	(Note - 7.1.2)	6,164,325,270	4,110,062,974	6,128,136,112	4,080,064,608
	Credit card receivables	(Note - 7.1.3)	2,878,358,344	2,050,046,922	2,878,358,344	2,050,046,922
	Home loan	(Note - 7.1.4)	12,249,994,362	6,393,409,195	12,249,994,362	6,393,409,195
	Personal loan	(Note - 7.1.5)	5,802,188,398	3,413,086,327	5,793,776,914	3,402,987,543
			27,094,866,374	**15,966,605,419**	**27,050,265,732**	**15,926,508,268**
	SME finance					
	Term loan		8,626,401,633	4,273,609,056	8,626,401,633	4,273,609,056
	Lease finance		1,504,813,529	383,432,083	1,504,813,529	383,432,083
	Auto loan		2,192,624,134	946,813,033	2,192,624,134	946,813,033
	Emerging and commercial		1,939,520,603	1,153,867,627	1,939,520,603	1,153,867,627
	Home Loan		789,737,623	124,036,997	789,737,623	124,036,997
	Real state developer finance		34,334,968	-	34,334,968	-
	Secured Overdraft		29,634,345	479,301	29,634,345	479,301
	Short term loan		706,176,417	5,196,873	706,176,417	5,196,873
	Syndication finance		107,802,607	-	107,802,607	-
	Work order finance		17,664,300	17,664,300	17,664,300	17,664,300
			15,948,710,159	**6,905,099,269**	**15,948,710,159**	**6,905,099,269**
	Others					
	Debit balance of share trading clients		1,915,459,377	4,748,064,585	-	-
	Margin loan to share trading clients		5,268,880,993	2,473,812,503	-	-
			7,184,340,370	**7,221,877,089**	**-**	**-**
			66,544,357,447	**51,244,299,783**	**61,913,587,489**	**46,749,199,258**
	Place of disbursement					
	In Bangladesh		66,544,357,447	51,244,299,783	61,913,587,489	46,749,199,258
	Outside of Bangladesh		-	-	-	-
			66,544,357,447	**51,244,299,783**	**61,913,587,489**	**46,749,199,258**

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
7.1.1	**Short term finance-subsidiaries**				
	LankaBangla Investments Limited	-	-	2,390,752,778	2,525,206,559
	LankaBangla Securities Limited	-	-	207,418,276	241,667,154
		-	**-**	**2,598,171,054**	**2,766,873,714**
7.1.2	**Auto Loan**				
	Commercial loan	6,050,506,949	4,030,474,829	6,050,506,949	4,030,474,829
	Staff loan	113,818,321	79,588,145	77,629,163	49,589,779
		6,164,325,270	**4,110,062,974**	**6,128,136,112**	**4,080,064,608**
7.1.3	**Credit card receivables**				
	Master card	1,784,931,047	1,294,155,294	1,784,931,047	1,294,155,294
	VISA card	845,968,975	621,443,146	845,968,975	621,443,146
	Master card ezypay settlement account	173,845,100	95,222,640	173,845,100	95,222,640
	VISA card ezypay settlement account	73,613,222	39,225,843	73,613,222	39,225,843
		2,878,358,344	**2,050,046,922**	**2,878,358,344**	**2,050,046,922**
7.1.4	**Home loan**				
	Bangladesh Bank refinance loan	485,525,640	546,894,455	485,525,640	546,894,455
	Commercial loan	11,528,831,861	5,636,037,368	11,528,831,861	5,636,037,368
	Staff loan	235,636,860	210,441,372	235,636,860	210,441,372
		12,249,994,362	**6,393,409,195**	**12,249,994,362**	**6,393,409,195**
7.1.5	**Personal Loan**				
	Loan against deposit	364,318,158	177,886,763	364,318,158	177,886,763
	Term loan	5,341,719,927	3,135,420,137	5,341,719,927	3,135,420,137
	Staff loan	96,150,313	99,779,427	87,738,829	89,680,643
		5,802,188,398	**3,413,086,327**	**5,793,776,914**	**3,402,987,543**
7.1.6	**Maturity wise grouping of leases, loans and advances**				
	On demand	4,321,974,821	3,187,364,282	4,021,211,963	2,771,621,114
	Not more than 3 months	5,633,911,534	8,868,861,510	5,241,852,022	7,918,626,349
	More than 03 month to 01 years	13,054,953,027	13,590,362,270	8,097,646,015	11,325,301,892
	More than 01 year to 05 years	21,802,838,346	15,762,712,928	20,285,595,823	15,453,640,125
	More than 05 years	21,730,679,719	9,834,998,793	24,267,281,666	9,280,009,778
		66,544,357,447	**51,244,299,783**	**61,913,587,489**	**46,749,199,258**
7.1.7	**Classification wise leases, loans and advances**				
	Unclassified				
	Standard (UC)	63,347,727,912	48,830,884,347	58,716,957,955	44,335,783,821
	Special Mention Accounts (SMA)	1,297,268,946	765,769,034	1,297,268,946	765,769,034
		64,644,996,858	**49,596,653,381**	**60,014,226,900**	**45,101,552,856**
	Classified				
	Sub-standard (SS)	376,858,799	392,822,434	376,858,799	392,822,434
	Doubtful (DF)	334,349,319	177,580,680	334,349,319	177,580,680
	Bad/loss (BL)	1,188,152,471	1,077,243,288	1,188,152,471	1,077,243,288
		1,899,360,589	**1,647,646,402**	**1,899,360,589**	**1,647,646,402**
		66,544,357,447	**51,244,299,783**	**61,913,587,489**	**46,749,199,258**

See details in annexure-C

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka
Loans, advances and lease on the basis of significant concentration				
a) Loans, advances and lease to the institutions in which Directors have interest	-	-	2,598,171,054	2,766,873,714
b) Loans, advances and lease to Chief Executive and Other senior executives	105,684,841	78,946,246	105,684,841	78,946,246
c) Loans, advances and lease to customer groups:				
i) Real estate finance	11,528,831,861	5,760,110,365	11,528,831,861	5,760,110,365
ii) Car loan	6,050,506,949	4,977,287,862	6,050,506,949	4,977,287,862
iii) Personal loan	5,341,719,927	3,135,420,137	5,341,719,927	3,135,420,137
iv) Loan against deposits (LAD)	364,318,158	177,886,763	364,318,158	177,886,763
v) Small and medium enterprises	15,948,710,159	4,209,185,984	8,626,401,633	4,209,185,984
vi) Special program loan (Bangladesh Bank refinancing scheme)	485,525,640	546,894,455	485,525,640	546,894,455
vii) Staff loan	445,605,495	389,808,944	401,004,853	349,711,794
viii) Industrial loans, advances and leases	16,316,440,544	22,775,781,262	18,914,611,598	25,542,654,976
ix) Other loans and advances	10,062,698,714	9,271,924,011	10,200,666,870	2,050,046,922
	66,544,357,447	**51,244,299,783**	**61,913,587,489**	**46,749,199,258**
d) Details of industrial loans, advances and leases				
1) Trade and commerce	10,201,338,331	6,031,675,690	10,201,338,331	6,031,675,690
2) Industries				
i) Garments and knitwear	2,338,242,343	1,894,189,916	2,338,242,343	1,894,189,916
ii) Textile	1,161,725,343	2,209,527,265	1,161,725,343	2,209,527,265
iii) Jute and jute -products	347,763,548	301,832,652	347,763,548	301,832,652
iv) Food production and processing industry	4,326,349,697	4,722,684,265	4,326,349,697	4,722,684,265
v) Plastic industry	841,049,103	1,184,009,391	841,049,103	1,184,009,391
vi) Leather and leather goods	533,109,763	63,787,555	533,109,763	63,787,555
vii) Iron, steel and engineering	1,933,135,749	3,300,467,817	1,933,135,749	3,300,467,817
viii) Pharmaceuticals and chemicals	891,621,721	929,396,014	891,621,721	929,396,014
ix) Cement and allied industry	1,113,589,834	358,564,274	1,113,589,834	358,564,274
x) Telecommunication and IT	842,460,879	726,113,898	842,460,879	726,113,898
xi) Paper, printing and packaging	540,912,315	581,370,549	540,912,315	581,370,549
xii) Glass, glassware and ceramic industry	18,615,081	537,586,008	18,615,081	537,586,008
xiii) Ship manufacturing industry	-	-	-	-
xiv) Electronics and electrical products	394,846,776	278,485,406	394,846,776	278,485,406
xv) Power, gas, water and sanitary service	710,182,455	639,180,336	710,182,455	639,180,336
xvi) Transport and aviation	1,249,063,645	641,419,399	1,249,063,645	641,419,399
	17,242,668,252	**18,368,614,744**	**17,242,668,252**	**18,368,614,744**
3) Agriculture	860,013,586	255,531,746	860,013,586	255,531,746
4) Housing	12,601,598,184	6,714,351,530	12,601,598,184	6,714,351,530
5) Others				
i) Loan to subsidiaries companies	-	-	2,598,171,054	2,766,873,714
ii) Others	25,638,739,094	19,874,126,073	18,409,798,082	12,612,151,834
	66,544,357,447	**51,244,299,783**	**61,913,587,489**	**46,749,199,258**

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		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	35,177,210,669	16,808,856,818	37,775,381,723	16,322,978,455
	ii) Loan considered good for which the Bank/FI holds no other security than the debtor's personal security.	10,107,299,356	6,059,269,084	2,878,358,344	2,050,046,922
	iii) Loan considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors.	21,259,847,422	28,376,173,881	21,259,847,422	28,376,173,881
	iv) Loan adversely classified; for which no provision is created.	-	-	-	-
		66,544,357,447	**51,244,299,783**	**61,913,587,489**	**46,749,199,258**
	v) Loan due by directors or officers of the Bank/ FI or any of them either jointly or separately with any other persons.	445,605,495	389,808,944	401,004,853	349,711,794
	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.	-	-	2,598,171,054	2,766,873,714
	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.	153,907,227	183,110,972	153,907,227	183,110,972
	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	2,559,014	3,524,497	2,559,014	3,524,497
	x) Information in respect of classified loans and advances:				
	a) Classified loans for which interest/ profit not credited to income	1,899,360,589	1,647,646,402	1,899,360,589	1,647,646,402
	b) Amount of provision kept against loans classified as bad/ loss as at the Balance Sheet date	709,251,765	482,570,155	709,251,764	482,570,155
		2,608,612,353	**2,130,216,557**	**2,608,612,353**	**2,130,216,557**
	c) Amount of interest credited to the interest suspense account	173,123,310	151,352,690	173,123,310	151,352,690

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
	xi) Cumulative amount of written off loans:				
	Opening Balance	1,387,997,697	959,567,143	502,956,794	494,701,972
	Amount written off during the year	235,668,242	440,680,553	66,627,999	20,504,822
	Amount received from written off during the year	6,996,674	12,250,000	6,996,674	12,250,000
	Balance of written off loans and advances yet to be recovered	**1,616,669,265**	**1,387,997,697**	**562,588,120**	**502,956,794**
	The amount of written off loans for which law suits have been filed.				
	Leases, Loans, and advances -geographical location-wise				
	Inside Bangladesh				
	Urban				
	Dhaka	49,538,124,981	38,021,896,089	46,532,635,425	34,847,433,610
	Chittagong	10,544,733,743	10,290,089,641	9,389,440,770	9,198,273,248
	Sylhet	855,206,228	632,720,554	718,381,273	532,583,623
	Jessore	1,468,815,161	927,089,693	1,468,815,161	927,089,693
	Narshindi	641,719,189	368,916,795	435,663,250	286,725,713
	Comilla	559,456,769	327,505,436	509,073,672	327,505,436
	Bogra	725,550,996	253,255,486	725,550,996	253,255,486
	Barisal	324,056,055	153,593,269	323,680,701	153,592,151
	Khulna	382,754,381	69,527,190	382,754,381	69,527,190
	Mymensingh	700,404,533	104,588,195	700,404,533	104,588,195
	Narayangonj	358,105,618	65,430,371	281,757,535	18,937,849
	Rajshahi	226,180,856	28,177,611	226,180,856	28,177,611
	Chowmuhani	103,504,027	1,509,453	103,504,027	1,509,453
	Dinajpur	58,852,759	-	58,852,759	-
	Faridpur	56,892,151	-	56,892,151	-
		66,544,357,447	**51,244,299,783**	**61,913,587,489**	**46,749,199,258**
	Outside Bangladesh	-	-	-	-
		66,544,357,447	**51,244,299,783**	**61,913,587,489**	**46,749,199,258**
8.	**Fixed assets including land, building, furniture and fixtures**				
	See accounting policy in note (2.21)				
	Freehold assets (Note - 8.1)	1,454,307,178	1,137,914,155	1,011,466,754	955,869,126
	Intangible assets (Note - 8.2)	284,452,459	282,295,846	45,156,908	39,260,132
	Lease hold assets (Note - 8.3)	23,012,838	9,346,858	16,070,537	3,927,757
		1,761,772,474	**1,429,556,859**	**1,072,694,198**	**999,057,015**
	Details are given in Annexure - A and Annexure - B				
8.1	**Freehold assets**				
	Land (Note - 8.1.1)	779,519,083	739,573,710	779,519,083	739,573,710
	Freehold asset other than land (Note - 8.1.2)	674,788,095	398,340,445	231,947,671	216,355,417
		1,454,307,178	**1,137,914,155**	**1,011,466,754**	**955,929,126**
8.1.1	**Land**				
	Opening Balance	739,573,710	686,921,231	739,573,710	686,921,231
	Add : Addition/(Disposal) during the year	39,945,373	52,652,479	39,945,373	52,652,479
		779,519,083	**739,573,710**	**779,519,083**	**739,573,710**

			LankaBangla Group		LankaBangla Finance Limited	
			31.12.2017	31.12.2016	31.12.2017	31.12.2016
			Taka	Taka	Taka	Taka
8.1.2	**Freehold asset other than land**					
	A. Cost		739,209,801	623,628,908	406,420,164	311,962,401
	Opening Balance		409,199,647	167,799,329	111,270,675	114,682,377
	Add : Addition during the year		1,148,409,448	791,428,237	517,690,839	426,644,778
	Less: Sales/ disposal during the year		57,669,414	52,218,436	52,742,811	20,224,614
			1,090,740,034	739,209,801	464,948,028	406,420,164
	B. Accumulated depreciation					
	Opening Balance		340,869,356	309,986,739	190,124,748	155,540,050
	Add : Charged during the year		124,969,307	77,223,070	88,111,332	53,906,831
			465,838,663	387,209,809	278,236,080	209,446,881
	Less: Adjusted during the year		49,886,724	46,340,453	45,235,723	19,322,133
			415,951,939	340,869,356	233,000,357	190,124,748
	C. Written down value Total (A-B)		**674,788,095**	**398,340,445**	**231,947,671**	**216,295,416**
8.2	**Intangible assets**					
	Goodwill	(Note - 8.2.1)	234,143,286	234,143,286	-	-
	System Software	(Note - 8.2.2)	50,309,173	48,152,561	45,156,908	39,200,132
			284,452,459	**282,295,846**	**45,156,908**	**39,200,132**
8.2.1	**Goodwill***					
	Opening Balance		234,143,286	234,143,286	-	-
	Add: Addition during the year		-	-	-	-
			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.

8.2.2	**System software**					
	A. Cost					
	Opening Balance		167,031,090	143,358,383	82,215,183	63,135,308
	Add: Addition during the year		26,277,066	23,672,707	24,375,842	19,079,875
			193,308,156	167,031,090	106,591,025	82,215,183
			-	-	-	-
			193,308,156	167,031,090	106,591,025	82,215,183
	B. Accumulated amortization					
	Opening Balance		118,878,529	101,096,392	42,955,051	33,981,026
	Add : Amortized during the year		23,626,643	17,782,137	17,985,256	8,974,025
			142,505,172	118,878,529	60,940,307	42,955,051
	Less: Adjustment during the year		(493,810)	-	(493,810)	-
			142,998,983	118,878,529	61,434,117	42,955,051
	C. Written down value		**50,309,173**	**48,152,561**	**45,156,908**	**39,260,132**

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
8.3	**Lease hold assets**				
	A. Cost				
	Opening Balance	42,004,990	43,605,030	9,777,000	9,777,000
	Add: Addition during the year	20,322,000	-	15,080,000	-
		62,326,990	43,605,030	24,857,000	9,777,000
	Less: Adjusted during the year	4,290,990	1,600,040	-	-
		58,036,000	42,004,990	24,857,000	9,777,000
B.	**Accumulated depreciation**				
	Opening Balance	32,658,132	28,720,419	5,849,243	4,625,494
	Add : Charged during the year	6,656,020	5,537,753	2,937,220	1,223,749
		39,314,152	34,258,172	8,786,463	5,849,243
	Less: Adjustment during the year	4,290,990	1,600,040	-	-
		35,023,162	32,658,132	8,786,463	5,849,243
	C. Written down value (A-B)	**23,012,838**	**9,346,858**	**16,070,537**	**3,927,757**
9.	**Other assets**				
	See accounting policy in note (2.22)				
	Non income generating assets				
	Advances and prepayments (Note - 9.1)	**1,364,656,798**	**1,111,543,492**	**850,730,827**	**651,690,725**
	Income generating assets	**272,546,288**	**177,879,344**	**4,260,204,404**	**4,162,600,536**
	Interest and other receivables (Note - 9.2)	272,546,288	177,879,344	114,267,441	66,663,573
	Investment in subsidiaries:	-	-	4,145,936,963	4,095,936,963
	LankaBangla Securities Limited	-	-	1,546,237,023	1,546,237,023
	LankaBangla Asset Management Company Limited	-	-	929,700,000	879,700,000
	LankaBangla Investment Limited	-	-	1,669,999,940	1,669,999,940
		1,637,203,086	**1,289,422,836**	**5,110,935,231**	**4,814,291,262**
9.1	**Advances and Prepayments**				
	Advance office rent	106,467,479	68,874,613	68,398,430	57,958,865
	Advance for expenses	18,116,405	2,600,285	10,146,591	520,433
	Advance insurance premium	7,045,533	1,939,450	2,397,042	1,939,450
	Advance to suppliers and others	38,952,861	10,157,183	38,952,861	10,157,183
	Advance income tax*	789,328,748	459,670,758	400,365,777	319,543,947
	Advance interest payment	7,317,708	6,729,787	7,317,708	6,729,787
	Advance against floor purchase	-	191,968,000	-	-
	Security and other deposit receivable	25,125,472	114,755,038	10,884,317	6,822,208
	Advance for bank guarantee margin	163,706	1,058,401	-	-
	Prepayments and others	372,138,886	253,789,979	312,268,101	248,018,852
		1,364,656,798	**1,111,543,492**	**850,730,827**	**651,690,725**

*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.

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
9.1.1	**Prepayments and others**				
	Advance for land**	182,935,000	182,935,000	182,935,000	182,935,000
	Advance for Lankabangla Tower	58,041,606	-	58,041,606	-
	Receivables against share trading	-	-	4,191,269	34,371,969
	Receivables DSE and CSE	46,241,107	33,964,790	-	-
	Deferred tax asset (Note -9.1.1.1)	22,198,464	21,132,613	20,670,433	20,670,433
	Dividend receivables	19,930,328	4,563,703	4,307,975	2,067,953
	Capital work in progress (Note -9.1.1.2)	41,058,027	5,342,062	41,058,027	5,342,062
	Other receivables	1,734,355	5,851,812	1,063,790	2,631,435
		372,138,886	**253,789,979**	**312,268,101**	**248,018,852**

**LBFL has purchased a plot (9.07 katha of Land) from RAJUK. After completing necessary formalities, RAJUK duly allotted 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 2017	231,947,671	731,788,360	499,840,689
Liabilities:			
Employee gratuity as on 31 December 2017	58,564,778	-	58,564,778
Total	**290,512,449**	**731,788,360**	**558,405,467**
Applicable tax rate for fixed assets and employee gratuity @40%			223,362,187
Deferred tax asset as on 31 December 2017			223,362,187
Deferred tax asset as on 31 December 2016			20,670,433
Deferred tax income need to account for during the year			**202,691,754**

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	5,342,062	370,000	5,342,062	370,000
	Add: Addition during the year	35,715,965	4,972,062	35,715,965	4,972,062
		41,058,027	5,342,062	41,058,027	5,342,062
	Less: Transfer to fixed assets	-	-	-	-
		41,058,027	**5,342,062**	**41,058,027**	**5,342,062**

** Capital work in progress includes BDT 26,295,972 paid for construction of building for Lankabangla Head Office and BDT 14,762,055 paid for implementation of IFS ERP software.

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
9.2	**Interest and other receivables**				
	Interest receivables from fixed deposit account	105,733,690	30,498,349	104,800,774	29,435,796
	Interest receivables from Commercial Paper	9,466,667	37,227,778	9,466,667	37,227,778
	Issue management fees receivable	14,622,354	3,772,500	-	-
	Account receivable from PO department	23,051,916	30,663,233	-	-
	Account receivable from advertisement	97,823,773	68,116,232	-	-
	Account receivable from circulation	5,894,045	5,193,890	-	-
	Corporate advisory fees receivable	-	1,112,150	-	-
	Receivable from Vision Capital Management Ltd.	9,186	-	-	-
	Receivable from LankaBangla Al-Arafah Shariah Unit Fund	2,277,243	-	-	-
	Receivable from CAPM Unit Fund	8,722,500	-	-	-
	Receivable from LankaBangla 1st balanced unit fund	4,944,915	1,295,212	-	-
		272,546,288	**177,879,344**	**114,267,441**	**66,663,573**
10	**Borrowings from Bangladesh Bank, other banks and financial institutions**				
	See accounting policy in note (2.23)				
	Inside Bangladesh (Note - 10.1)	18,563,686,212	10,874,998,487	15,061,790,454	8,333,852,304
	Outside Bangladesh	-	-	-	-
		18,563,686,212	**10,874,998,487**	**15,061,790,454**	**8,333,852,304**
10.1	**Inside Bangladesh**				
	Secured:				
	Bank overdraft (Note - 10.1.1)	1,484,406,014	1,241,715,754	1,484,406,014	1,241,715,754
	Long term loan (Note - 10.1.2)	3,204,556,576	1,688,521,479	2,162,101,502	1,003,630,699
		4,688,962,590	**2,930,237,233**	**3,646,507,516**	**2,245,346,454**
	Unsecured:				
	Call loans (Note - 10.1.3)	1,280,000,000	980,000,000	1,280,000,000	980,000,000
	Commercial Paper	500,000,000	-	500,000,000	-
	Short term borrowings (Note - 10.1.4)	11,153,130,809	5,648,192,316	8,980,000,000	4,190,000,000
	Zero Coupon Bond (Note - 10.1.5)	941,592,813	1,316,568,938	655,282,938	918,505,850
		13,874,723,622	**7,944,761,254**	**11,415,282,938**	**6,088,505,850**
		18,563,686,212	**10,874,998,487**	**15,061,790,454**	**8,333,852,304**
10.1.1	**Bank overdraft**				
	Secured by FDR				
	Standard Chartered Bank	-	(40,312,965)	-	110,559,894
	Commercial Bank of Ceylon PLC	(69,945,249)	110,559,894	(69,945,249)	(40,312,965)
		(69,945,249)	**70,246,929**	**(69,945,249)**	**70,246,929**
	Secured by Pari Passu sharing agreement				
	Bangladesh Development Bank Limited	-	(2,698)	-	(2,698)
	Midland Bank Limited	75,757,757	155,207,230	75,757,757	155,207,230
	Bank Asia Limited	22,443,031	3,585,741	22,443,031	3,585,741
	BASIC Bank Limited	200,291,667	-	200,291,667	-

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
	Prime Bank Limited	189,779,047	184,770,465	189,779,047	184,770,465
	Dhaka Bank Limited	177,018,283	3,237,424	177,018,283	3,237,424
	Dutch Bangla Bank limited	20,627,860	46,782,697	20,627,860	46,782,697
	Mercantile Bank Limited	109,636,400	45,612,188	109,636,400	45,612,188
	Modhumoti Bank Limited	289,468,512	168,671,147	289,468,512	168,671,147
	Mutual Trust Bank Limited	11,787,594	263,963,714	11,787,594	263,963,714
	The Premier Bank Limited	2,266,874	-	2,266,874	-
	United Commercial Bank Limited	455,274,240	299,640,918	455,274,240	299,640,918
		1,554,351,264	**1,171,468,825**	**1,554,351,264**	**1,171,468,825**
		1,484,406,014	**1,241,715,754**	**1,484,406,014**	**1,241,715,754**
10.1.2	**Long term loan**				
	Opening Balance	1,688,521,479	2,665,656,043	1,003,630,699	1,432,163,901
	Add: Addition during the year	2,047,628,595	318,117,949	1,342,386,595	218,342,388
		3,736,150,074	2,983,773,992	2,346,017,294	1,650,506,289
	Less: Adjusted during the year	531,593,498	1,295,252,513	183,915,793	646,875,589
		3,204,556,576	**1,688,521,479**	**2,162,101,502**	**1,003,630,699**
	Details of the above balance is presented below:				
	From Bangladesh Bank and its agents Bank				
	Bangladesh Bank (under Re-Finance)- Women Entrepreneur	148,033,967	160,753,737	148,033,967	160,753,737
	Bangladesh Bank (under Re-Finance)- Home Loan	485,501,314	547,061,546	485,501,314	547,061,546
	Bangladesh Bank (under Re-Finance)- IPFF Fund	198,358,403	189,000,000	198,358,403	189,000,000
	Bangladesh Bank (Under Re-Finance)- Agro Processing Industry	69,393,910	24,347,769	69,393,910	24,347,769
	Bangladesh Bank (Under Re-Finance)- JICA Assisted Project-FSPDSME	148,843,746	-	148,843,746	-
		1,050,131,340	**921,163,051**	**1,050,131,340**	**921,163,051**
	From other than Bangladesh Bank and its agents Bank				
	Dutch Bangla Bank Limited	45,030,235	78,211,725	45,030,235	78,211,725
	Hajj Finance Company Limited	-	75,449,998	-	-
	Investment Corporation of Bangladesh (ICB)	-	10,789,043	-	-
	Midland Bank Limited	40,769,554	49,255,458	-	-
	Phoenix Finance & Investment Ltd	181,683,310	-	-	-
	Prime Bank Limited	800,000,000	-	800,000,000	-
	Shahjalal Islami Bank Limited	103,822,264	100,201,608	-	-
	South Bangla Agriculture and Commerce Bank Limited	484,858,607	436,950,663	-	-
	Standard Bank Limited	219,579,888	-	-	-
	Woori Bank	250,000,000	-	250,000,000	-
	Lease obligation	28,681,378	16,499,933	16,939,927	4,255,923
		2,154,425,236	**767,358,427**	**1,111,970,162**	**82,467,648**
		3,204,556,576	**1,688,521,479**	**2,162,101,502**	**1,003,630,699**

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka

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.

10.1.4 Call loan

Agrani Bank Limited	150,000,000	-	150,000,000	-
Bangladesh Commerce Bank Limited	-	100,000,000	-	100,000,000
Basic Bank Limited	-	40,000,000	-	40,000,000
Dhaka Bank Limited	-	-	-	100,000,000
Dutch Bangla Bank Limited	-	100,000,000	-	-
Janata Bank Limited	200,000,000	150,000,000	200,000,000	150,000,000
Meghna Bank	190,000,000	-	190,000,000	-
Mutual Trust Bank Limited	240,000,000	70,000,000	240,000,000	70,000,000
Pubali Bank Limited	-	90,000,000	-	90,000,000
Sonali Bank Limited	350,000,000	50,000,000	350,000,000	50,000,000
Southeast Bank Limited	-	100,000,000	-	100,000,000
Uttara Finance & Investments Limited	150,000,000	-	150,000,000	-
United Commercial Bank Limited	-	280,000,000	-	280,000,000
	1,280,000,000	**980,000,000**	**1,280,000,000**	**980,000,000**

10.1.4 Short term borrowings

Brac Bank Limited	-	1,200,000,000	-	1,200,000,000
Dhaka Bank Limited	-	300,000,000	-	300,000,000
Eastern Bank Limited	2,700,000,000	740,000,000	2,700,000,000	740,000,000
Hajj Finance Limited	201,134,697	-	-	-
Jamuna Bank Limited	350,000,000	500,000,000	350,000,000	500,000,000
Meghna Bank Ltd	500,000,000	-	500,000,000	-
Midland Bank Limited	102,766,955	102,827,789	-	-
Mutual Trust Bank Limited	600,000,000	-	600,000,000	-
National Bank Limited	1,000,000,000	-	1,000,000,000	-
National Credit and Commerce Bank Ltd.	250,000,000	-	250,000,000	-
One Bank Limited	712,173,106	612,786,442	-	-
Phonix Finance Limited	204,644,444	-	-	-
Prime Bank Limited	500,000,000	700,000,000	500,000,000	700,000,000
Shahjalal Islami Bank Limited	148,491,305	100,919,167	50,000,000	-
South Bangla Agriculture and Commerce Bank Limited	205,400,680	17,513	-	-
Standard Chartered Bank	1,472,582,122	787,266,405	1,080,000,000	400,000,000
Trust Bank Limited	800,000,000	100,000,000	800,000,000	100,000,000
United Commercial Bank Limited	650,000,000	-	650,000,000	-
United Finance Limited	255,937,500	254,375,000	-	-
Uttara Bank Limited	400,000,000	250,000,000	400,000,000	250,000,000
Woori Bank Limited	100,000,000	-	100,000,000	-
	11,153,130,809	**5,648,192,316**	**8,980,000,000**	**4,190,000,000**

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
10.1.5	**Zero Coupon Bond**				
	A. K. Kham Co. Ltd.	110,135,694	-	110,135,694	-
	Bangla Telecom Limited	23,859,156	33,171,924	-	-
	Central Depository Bangladesh Limited	-	30,617,474	-	30,617,474
	Delsey Cotton Spinning Mills Limited	-	45,925,293	-	45,925,293
	Faisal Spinning Mills Limited	47,718,313	66,343,848	-	-
	Grameen One: Scheme Two	23,859,156	33,171,924	-	-
	Janata Jute Mills Limited	71,577,468	283,216,942	-	183,701,170
	Mr. Mahmudul Huq	47,718,313	66,343,848	-	-
	Ms. Monisha Anwar Huq	47,718,313	66,343,848	-	-
	Prime Bank Limited	-	30,615,637	-	30,615,637
	Reliance Insurance Limited	23,859,156	33,171,924	-	-
	Sk. Akijuddin Limited	-	398,019,814	-	398,019,814
	Square Pharmaceuticals Limited	220,488,346	45,925,292	220,488,346	45,925,292
	Super Petrochemical Ltd.	60,075,000	-	60,075,000	-
	Universal Jeans Limited	264,583,898	91,850,585	264,583,898	91,850,585
	Uttara Motor Corporation Limited	-	91,850,585	-	91,850,585
		941,592,813	**1,316,568,938**	**655,282,938**	**918,505,850**

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

Subsequently, the Zero Coupon Bond was 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 was measured at fair value (BDT 2,478,093,342) less transaction costs (BDT 39,031,137), i.e., as per para 43 of BAS 39. The Zero Coupon Bond, on arriving maturity on 15 December 2017, was completely amortized and repaid in full.

On 26 December 2017, the Company issued the first tranche of the second Zero Coupon Bond with face value of BDT 742,998,000 (with approved face value of BDT 3,000 million). The Company received BDT 654,466,856 after discounting the Bond at 7.5%. The bond will be repaid in 6 equal instalments (semi-annually). Total transaction costs incurred for issuance of the Bond was BDT 12,195,023.

Subsequently, the Zero Coupon Bond was measured at amortized cost using the effective interest method. The effective interest rate for this bond stands at 8.66% as per Para 9 of BAS 39.

Initially the Zero Coupon Bond was measured at fair value (BDT 654,464,856) less transaction costs (BDT 12,195,023), i.e., 642,269,833 as per para 43 of BAS 39.

Maturity grouping of borrowings from other banks and financial institutions

Payable on demand	-	-	-	-
Up to 1 month	2,868,258,404	1,032,514,845	2,830,000,000	1,032,514,845
Over 1 month but within 3 months	2,467,055,177	3,434,000,000	2,390,538,369	3,434,000,000
Over 3 months but within 1 year	6,280,717,835	1,914,354,584	4,849,826,791	1,914,354,584
Over 1 year but within 5 years	2,768,196,840	1,145,427,764	1,639,533,286	1,145,427,764
Over 5 years	4,179,457,956	3,348,701,293	3,351,892,008	807,555,110
	18,563,686,212	**10,874,998,487**	**15,061,790,454**	**8,333,852,304**

			LankaBangla Group		LankaBangla Finance Limited	
			31.12.2017	31.12.2016	31.12.2017	31.12.2016
			Taka	Taka	Taka	Taka
11	**Term deposits and other deposits**					
	See accounting policy in note (2.24)					
	Term deposits	(Note - 11.1)	51,552,816,766	40,033,189,441	51,552,816,766	40,033,189,441
	Other deposit	(Note - 11.2)	122,341,372	115,303,314	122,341,372	115,303,314
			51,675,158,138	**40,148,492,755**	**51,675,158,138**	**40,148,492,755**
11.1	**Term deposits**					
	Product wise break-up of term deposit					
	Periodic return term deposits		940,800,739	775,408,411	940,800,739	775,408,411
	Cumulative term deposits		126,886,874	161,926,770	126,886,874	161,926,770
	Double money term deposits		2,684,636,084	2,527,202,910	2,684,636,084	2,527,202,910
	Money builders scheme		467,609,486	239,849,222	467,609,486	239,849,222
	Fixed term deposit		17,533,669,679	14,950,824,477	17,533,669,679	14,950,824,477
	Flexi Deposits		10,353	-	10,353	-
	SME term deposits		75,250,000	-	75,250,000	-
	Retail institution deposit		120,807,962	-	120,807,962	-
	Term deposit earn first		-	55,244,384	-	55,244,384
	Term deposit shohoj sanchoy		728,168,802	835,056,966	728,168,802	835,056,966
	Term deposit quick sanchoy		3,381,555	1,355,359	3,381,555	1,355,359
	Term deposit triple money		374,156,386	292,650,588	374,156,386	292,650,588
	Term deposit (fixed term)-3 months		154,344,966	257,245,771	154,344,966	257,245,771
	Term deposit Earn First Fixed Rate		159,701,060	139,766,600	159,701,060	139,766,600
	Term deposit Agroj (Senior Citizen)		2,344,603,880	1,166,872,301	2,344,603,880	1,166,872,301
	Term deposit Classic TDR 2 To 3 Years		25,838,788,940	18,629,785,682	25,838,788,940	18,629,785,682
			51,552,816,766	**40,033,189,441**	**51,552,816,766**	**40,033,189,441**
11.2	**Other deposits against leases, loans and advances**					
	Other deposits					
	Corporate Clients		52,993,870	100,410,905	52,993,870	100,410,905
	Retail Clients		53,266,626	8,947,298	53,266,626	8,947,298
	SME Clients		16,080,876	5,945,111	16,080,876	5,945,111
			122,341,372	**115,303,314**	**122,341,372**	**115,303,314**
11.3	**Group-wise break-up of term deposits and other deposits**					
	Bank and Non Bank Financial Institute (NBFI)		16,740,000,000	10,720,847,500	16,740,000,000	10,720,847,500
	Corporate houses		24,364,085,213	16,138,228,539	24,364,085,213	16,138,228,539
	Individual		10,571,072,925	13,289,416,716	10,571,072,925	13,289,416,716
			51,675,158,138	**40,148,492,755**	**51,675,158,138**	**40,148,492,755**
11.4	**Remaining maturity grouping of term deposits and other deposits**					
	Payable on demand		-	-	-	-
	In not more than 01 month		4,478,546,634	2,768,224,030	4,478,546,634	2,768,224,030
	In more than 01 month but not more than 06 months		6,596,356,689	12,808,854,650	6,596,356,689	12,808,854,650
	In more than 06 months but not more than 01 year		6,969,086,199	5,115,830,062	6,969,086,199	5,115,830,062
	In more than 01 year but not more than 05 years		16,317,009,786	12,384,294,888	16,317,009,786	12,384,294,888
	In more than 05 years but not more than 10 years		17,314,158,829	7,071,289,126	17,314,158,829	7,071,289,126
	In more than 10 years		-	-	-	-
			51,675,158,138	**40,148,492,755**	**51,675,158,138**	**40,148,492,755**

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
12.	**Other liabilities**				
	See accounting policy in note (2.25),(2.26),(2.27) and (2.35)				
	Accrued expenses	31,444,401	26,789,849	22,672,532	17,729,386
	Salaries and related expenses payable	75,836,803	21,269,432	1,474,166	771,626
	Office rent payable	4,716,983	3,111,159	1,010,100	556,043
	Utility bill payable	3,887,897	3,066,481	2,457,296	1,819,214
	Advance receipt against leases-adjustment A/C	528,791,439	142,756,424	528,791,439	142,756,424
	CDBL expenses payable	2,482,835	3,549,078	-	-
	Client positive balance	85,466,875	69,238,819	-	-
	Deferred liability-employee gratuity (Note -12.1)	70,683,138	51,615,460	58,564,778	43,434,906
	Deferred tax liability	7,004,484	2,691,911	-	-
	Employees provident fund payable	10,180,661	9,595,576	(309,668)	4,723,489
	Interest payable (Note - 12.2)	1,479,420,311	964,824,075	1,438,357,354	946,284,627
	Interest suspense account (Note - 12.3)	559,724,716	1,160,076,143	385,621,388	349,912,097
	IPO subscription payable	51,794	51,794	51,794	51,794
	ITCL settlement A/C	15,961,293	3,942,809	15,961,293	3,942,809
	Insurance premium payable for asset clients	-	57,657	-	57,657
	Payable against MCBS charges	8,891	8,538	8,891	8,538
	Payable against merchants claims and others	952,825	892,270	952,825	892,270
	Payable against receipt from other card holders	4,237,462	3,319,119	4,237,462	3,319,119
	Payable to LB Foundation	22,009,465	12,590,284	13,664,551	10,828,830
	Payable DSE and CSE	51,620,807	177,154,351	-	-
	Payable to share trading clients	1,397,710,049	1,569,689,521	-	-
	Provisions for loans / investments (Note - 12.4)	1,434,422,523	1,460,992,545	1,243,366,277	1,061,553,115
	Provision for other assets	-	2,910,000	-	2,910,000
	Provision for taxation (Note - 12.5)	705,475,270	375,746,093	259,370,032	214,770,322
	Receivables/(payables)-other MasterCard operator (Note - 12.6)	25,084,555	13,641,531	25,084,555	13,641,531
	Payable to right share holder	214,123	214,123	214,123	214,123
	Payable against legal and professional fees	8,024,345	3,401,659	7,898,345	3,275,659
	Payable against redemption of mortgage property	831,750	371,750	831,750	371,750
	Provision for audit fee	1,052,079	1,487,225	575,000	858,750
	Sundry creditors	33,204,524	21,664,757	33,131,916	21,664,757
	Safety net deposit-factoring and others	3,917,332	3,020,178	3,917,332	3,020,178
	Security Deposits	202,212	-	202,212	-
	Unpaid dividend	81,370,520	49,455,675	76,442,200	46,333,230
	Privileged creditors (Note - 12.7)	117,344,982	74,772,274	116,354,476	73,991,939
	VISA settlement A/C	1,838,909	526,490	1,838,909	526,490
	Brokerage sharing	9,725,852	13,512,653	-	-
	Other liabilities	340,989	473,102	-	-
	Mobile phone bill payable-Handset	45,185	110,809	45,185	110,809
	Payable against parent helth insurance	62,715	-	62,715	-
		6,775,350,993	**6,248,591,612**	**4,242,851,226**	**2,970,331,482**
12.1	**Deferred liability - employee gratuity**				
	Opening Balance	51,615,460	87,910,169	43,434,906	27,534,735
	Addition during the year	33,280,513	52,642,228	29,027,280	25,139,378
	Received cash	-	490,050	-	490,050
		84,895,973	141,042,447	72,462,186	53,164,163
	Payment during the year	14,212,835	89,426,987	13,897,408	9,729,257
	Closing Balance	**70,683,138**	**51,615,460**	**58,564,778**	**43,434,906**

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
12.2	**Interest payable**				
	Term deposit receipts	1,386,265,862	916,994,439	1,386,265,862	916,994,439
	Long term loan-Commercial Bank	6,565,249	-	6,565,249	-
	Long term loan-Bangladesh Bank	-	3,658,533	-	3,658,533
	Long term loan-Bangladesh Bank-IPFF	2,462,765	24,919,097	2,462,765	24,919,097
	Long term loan-Bangladesh Bank-Agro Processing Industry	830,846	160,475	830,846	160,475
	Long term loan-Bangladesh Bank-JICA Assisted Project-FSPDSME	941,435	-	941,435	-
	Short term borrowings	56,338,304	18,739,447	15,275,347	200,000
	Lease finance	63,350	-	63,350	-
	Commercial paper	25,312,500	-	25,312,500	-
	Call loan borrowings	640,000	352,083	640,000	352,083
		1,479,420,311	**964,824,075**	**1,438,357,354**	**946,284,627**
12.3	**Interest suspense account**				
	Lease finance	92,195,601	83,798,612	92,195,601	83,798,612
	Term finance	162,263,048	152,000,644	162,263,048	152,000,644
	Credit card	27,215,607	25,901,238	27,215,607	25,901,238
	Home loan	103,947,132	88,211,602	103,947,132	88,211,602
	Margin Loan	174,103,328	810,164,046	-	-
		559,724,716	**1,160,076,143**	**385,621,388**	**349,912,097**
12.3.1	**Movement of interest suspense account**				
	Opening Balance	1,160,076,143	1,093,964,825	349,912,097	283,800,779
	Add: Transferred to interest suspense during the year	173,123,310	151,352,690	173,123,310	151,352,690
	Less: Interest suspense realized during the year	111,660,967	84,711,021	111,660,967	84,711,021
		1,221,538,486	**1,160,606,494**	**411,374,440**	**350,442,448**
	Less: Write off during the year	661,813,770	530,351	25,753,052	530,351
		559,724,716	**1,160,076,143**	**385,621,388**	**349,912,097**
12.4	**Provisions for loans / investments**				
	Provision for leases and loans	**1,243,366,277**	**1,061,553,115**	**1,243,366,277**	**1,061,553,115**
	Lease finance	354,727,693	363,976,057	354,727,693	363,976,057
	Term finance and short term loan	535,074,151	461,682,149	535,074,151	461,682,149
	Credit card	210,012,665	170,520,249	210,012,665	170,520,249
	Home loan	143,551,768	65,374,659	143,551,768	65,374,659
	Margin loan	191,056,246	323,329,884	-	-
	Provision for diminution in value of investment in equity shares	-	76,109,546	-	-
		1,434,422,523	**1,460,992,545**	**1,243,366,277**	**1,061,553,115**
12.4.1	**Movement of provision for loans / investments**				
	Opening Balance	1,460,992,545	1,506,023,770	1,061,553,115	1,006,394,000
	Provision required for the year	331,401,780	515,042,889	370,744,722	195,057,497
	Provision released during the year	(122,303,560)	(119,393,560)	(122,303,560)	(119,393,560)
	Provision charged for the year	209,098,220	395,649,328	248,441,162	75,663,937
	Write off during the year	235,668,242	440,680,553	66,627,999	20,504,822
	Closing Balance	**1,434,422,523**	**1,460,992,545**	**1,243,366,277**	**1,061,553,115**

During the year 2017, the Company had written off its receivables of contracts as per write off policy of the Bangladesh Bank (FID circular No. 03 dated 15 March 2007) and no written off its receivables of contracts during the year 2017.

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
12.4.2	**Grouping of Provision for leases, loans, advances and investments**				
	General Provision				
	Standard (UC)	472,964,577	413,556,962	472,964,577	413,556,962
	Special Mention Account (SMA)	61,149,937	35,859,341	61,149,937	35,859,341
		534,114,513	**449,416,303**	**534,114,513**	**449,416,303**
	Specific Provision				
	Sub-standard (SS)	52,808,550	52,000,640	52,808,550	52,000,640
	Doubtful (DF)	100,433,666	36,238,736	100,433,666	36,238,736
	Bad Loss (BL)	556,009,548	523,897,436	556,009,548	523,897,436
		709,251,764	**612,136,812**	**709,251,764**	**612,136,812**
	Provision for margin loan	191,056,246	323,329,884	-	-
	Provision for investment in shares	-	76,109,546	-	-
		1,434,422,523	**1,460,992,545**	**1,243,366,277**	**1,061,553,115**
	Details see in Annexure-C				
12.5	**Provision for taxation**				
	Opening Balance	375,746,093	342,360,205	214,770,322	179,488,712
	Add: Provision during the year	334,274,885	148,304,531	44,599,710	35,281,610
		710,020,978	490,664,736	259,370,032	214,770,322
	Less: Adjusted during the year	4,545,708	114,918,643	-	-
		705,475,270	**375,746,093**	**259,370,032**	**214,770,322**
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	(1,829,851)	(929,773)	(1,829,851)	(929,773)
	City Bank Limited	-	1,730	-	1,730
	National Bank Limited	-	15,570	-	15,570
	Premier Bank Limited	-	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	21,329,873	8,961,714	21,329,873	8,961,714
		25,084,555	**13,641,531**	**25,084,555**	**13,641,531**
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	16,594,755	12,739,673	16,354,794	12,624,733
	Tax deducted at source (TDS)	51,007,996	40,320,491	50,257,452	39,655,096
	Excise duty deducted form customer accounts	49,742,230	21,712,110	49,742,230	21,712,110
		117,344,982	**74,772,274**	**116,354,476**	**73,991,939**

		LankaBangla Group		LankaBangla Finance Limited	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
13	**Share capital**				
	Authorized	**10,000,000,000**	**10,000,000,000**	**10,000,000,000**	**10,000,000,000**
	100,000,000 ordinary shares of Tk.10/- each				
	Issued, subscribed and paid up	**3,182,509,410**	**2,767,399,490**	**3,182,509,410**	**2,767,399,490**

13.1 Given below the history of raising of share capital of LankaBangla Finance Limited

Allotment Year	Particulars	Number of Shares Issued		Paid up Shares (Cumulative)	Amount of Shares Capital (BDT)	Amount of Shares Capital (BDT) (Cumulative)
		Bonus Shares	Subscription			
1996	First (Subscription as per Memorandum and Articles of Association) at the time of Incorporation	-	500,000	500,000	5,000,000	5,000,000
1998	Subscription	-	9,500,000	10,000,000	95,000,000	100,000,000
2003	Subscription	-	10,105,363	20,105,363	101,053,630	201,053,630
2004	Subscription	-	4,000,000	24,105,363	40,000,000	241,053,630
2005	Subscription	-	1,894,637	26,000,000	18,946,370	260,000,000
2006	IPO	-	9,000,000	35,000,000	90,000,000	350,000,000
2008	10% Stock Dividend for 2007	3,500,000	-	38,500,000	35,000,000	385,000,000
2009	15% Stock Dividend for 2008	5,775,000	-	44,275,000	57,750,000	442,750,000
2010	20% Stock Dividend for 2009	8,855,000	-	53,130,000	88,550,000	531,300,000
2011	55% Stock Dividend for 2010	29,221,500	-	82,351,500	292,215,000	823,515,000
2012	30% Stock Dividend for 2011	24,705,450	-	107,056,950	247,054,500	1,070,569,500
	1:1 Right of 82,351,500 Shares	-	82,351,500	189,408,450	823,515,000	1,894,084,500
2013	10% Stock Dividend for 2012	18,940,845	-	208,349,295	189,408,450	2,083,492,950
2014	5% Stock Dividend for 2013	10,417,464	-	218,766,759	104,174,640	2,187,667,590
2015	10% Stock Dividend for 2014	21,876,675	-	240,643,434	218,766,750	2,406,434,340
2016	15% Stock Dividend for 2015	36,096,515	-	276,739,949	360,965,150	2,767,399,490
2017	15% Stock Dividend for 2016	41,510,992	-	318,250,941	415,109,920	3,182,509,410
TOTAL					**3,182,509,410**	

Details of shares holding position are as under:

Sponsor shareholders:	Percentage 31.12.2017	2017		2016	
		Number of shares	Taka	Number of shares	Taka
a. Foreign sponsors					
Sampath Bank Limited, Sri Lanka	9.47%	30,143,437	301,434,370	26,211,685	262,116,850
b. Local sponsors	24.09%	76,650,848	766,508,480	66,912,915	669,129,150
ONE Bank Limited, Bangladesh	3.78%	12,026,719	120,267,190	10,458,017	104,580,170
Individuals	20.31%	64,624,129	646,241,290	56,454,898	564,548,980
General shareholders	66.44%	211,456,656	2,114,566,560	183,615,349	1,836,153,490
	100.00%	**318,250,941**	**3,182,509,410**	**276,739,949**	**2,767,399,490**

Shares groups		Number of share	Percentage	Number of share	Percentage
Less than 500		949,064	0.30	824,795	0.30
501	to 5,000	14,819,145	4.66	12,808,522	4.63
5,001	to 10,000	11,504,239	3.61	10,054,174	3.63
10,001	to 20,000	13,431,657	4.22	11,518,221	4.16
20,001	to 30,000	8,876,649	2.79	7,558,307	2.73
30,001	to 40,000	7,225,137	2.27	5,674,440	2.05
40,001	to 50,000	7,142,891	2.24	5,347,664	1.93
50,001	to 100,000	21,486,351	6.75	13,756,619	4.97
100,001	to 1,000,000	82,162,974	25.82	53,931,911	19.49
Above 1000000		150,652,834	47.34	155,265,296	56.11
		318,250,941	**100.00**	**276,739,949**	**100.00**

The company increased its paid-up capital from Tk. 2,767,399,490 to Tk. 3,182,509,410 by issuing 41,510,992 bonus share to the shareholders as approved in 20th Annual General Meeting (AGM) held on 30 March 2017.

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. 47.80 and Tk. 47.90 At Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited respectively at the end of the year 2017.

13.2 Name of the directors and their shareholdings as at December 31, 2017

Sl No.	Name	Status	Share Holding as on 31.12.2016	Share Holding as on 31.12.2017	% of Share helding as on 31.12.2017
1	Mr. Mohammad A. Moyeen	Chairman	11,731,614	13,491,355	4.24%
2	Mr. I. W. Senanayake (Representative of Sampath Bank PLC)	Director	26,211,685	30,143,437	9.47%
3	Mr. M. Y. Aravinda Perera (Representative Sampath Bank PLC)	Director			
4	Mr. M. Fakhrul Alam (Representative ONE Bank Limited)	Director	10,458,017	12,026,719	3.78%
5	Mrs. Aneesha Mahial Kundanmal	Director	21,315,793	24,513,161	7.70%
6	Mr. Mahbubul Anam	Director	12,325,418	14,174,230	4.45%
7	Mr. Tahsinul Huque	Sponsor	10,782,073	12,399,383	3.90%
8	Mrs. Jasmine Sultana	Independent Director	300,000	46,000	0.01%
9	Mr. Al-Mamoon Md. Sanaul Huq	Independent Director	-	-	0.00%
10	Mrs. Zaitun Sayef	Independent Director	-	-	-
Total			**93,124,600**	**106,794,285**	**33.56%**

13.3 Rights Share Issue

The Board has duly recommended the Right Issue in its 101st Meeting dated October 25, 2016. The Shareholders approved the Right Issue in 10th EGM held on June 15, 2017.

Bangladesh Securities and Exchange Commission vide its letter number BSEC/CI/RI-112/2017/591 dated October 31, 2017 approved Right Issue of LankaBangla Finance Limited.

In compliance with the approval letter of BSEC and Securities and Exchange Commission (Right Issue) Rules, 2006 the relevant information are as follows:

Sl. #	Particulars	Remarks
1	No. of Right shares offered	159,125,470 nos. of ordinary shares.
2	Ratio of the issue	1R:2 i. e. 1 (one) Rights share for 2 (two) existing shares held on the record date.
3	Issue price per share	Taka 10.00 each.
4	Total amount of Right shares to be issued	Taka 1,591,254,700
5	Record Date for entitlement of Right Shares	November 26, 2017
6	Subscription Opening Date	December 17, 2017
7	Subscription Closing Date	January 14, 2018
8	Manager to the Issue	AFC Capital Limited
9	Banker to the Issue	• ONE Bank Limited
		• Investment Corporation of Bangladesh
10	Fully underwritten by	• MIDAS Investment Limited
		• AFC Capital Limited
		• Banco Finance and Investment Limited
		• Citizen Securities & Investment Limited

Till 31 December 2017 the collection of subscriptions for right issues was not completed and as such no right shares were issued till that date against the above said right issue approval.

Upto 31 December 2017 a sum of BDT 160,307,660 has been received against subscriptions of right issue which has been reported as 'Share Money Deposit for Right Issue' under Shareholders' Equity .

Right issue process has been completed in January 2018 and right shares have been issued and alloted on 31 January 2018.

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka

13.4 Capital Adequacy Ratio (CAR)

"As per section 4(GHA) of the Financial Institution Regulations 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 2017 were Tk.1,425.88 million and Tk. 1,197.62 million respectively."

Core Capital (Tier-1)					
Paid-up capital	(Note - 13)	3,182,509,410	2,767,399,490	3,182,509,410	2,767,399,490
Share premium		1,090,888,800	1,090,888,800	-	-
Statutory reserves	(Note - 14)	1,472,602,021	1,202,043,919	1,472,602,021	1,202,043,920
General reserves		50,867,438	46,768,017	-	-
Dividend equalization reserves		-	-	-	-
Other (Share money deposit for right issue)		160,307,660	-	160,307,660	-
Retained earnings	(Note - 15)	2,369,825,140	1,579,509,093	2,452,387,301	2,200,374,742
Non-controlling interest		101,519,363	84,821,392	-	-
Sub-Total		**8,428,519,831**	**6,771,430,711**	**7,267,806,392**	**6,169,818,152**
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		**8,194,376,545**	**6,537,287,425**	**7,267,806,392**	**6,169,818,152**

	LankaBangla Group		LankaBangla Finance Limited	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka
Supplementary capital (Tier -II)				
General provision (unclassified loans up to specified limit + SMA + off balance sheet exposure)	534,114,513	449,416,303	534,114,513	449,416,303
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	**534,114,513**	**449,416,303**	**534,114,513**	**449,416,303**
A) Total capital	**8,728,491,059**	**6,986,703,728**	**7,801,920,905**	**6,619,234,454**
Total assets including off -balance sheet exposures	**94,667,525,231**	**70,441,484,523**	**87,472,416,267**	**64,020,465,650**
B) Total risk weighted assets	**73,026,050,283**	**56,121,952,259**	**66,042,974,022**	**50,056,222,400**
C) Required capital based on risk weighted assets (10% on B)	**7,302,605,028**	**5,612,195,226**	**6,604,297,402**	**5,005,622,240**
D) Surplus capital (A-C)	**1,425,886,030**	**1,374,508,502**	**1,197,632,503**	**1,613,612,214**
E) Capital Adequacy Ratio	**11.95%**	**12.45%**	**11.81%**	**13.22%**
F) Core Capital to RWA	**11.22%**	**11.65%**	**11.00%**	**12.33%**
G) Supplementary Capital to RWA	**0.73%**	**0.80%**	**0.81%**	**0.90%**

14. Statutory reserve

See accounting policy in note (2.42)				
Opening Balance	1,202,043,919	987,633,085	1,202,043,920	987,633,085
Add: Transferred from profit during the year @ 20%	270,558,101	214,410,834	270,558,101	214,410,834
	1,472,602,021	**1,202,043,919**	**1,472,602,021**	**1,202,043,920**

15. Retained earnings

	3,478,354,543	2,518,510,040	3,553,165,249	3,136,715,878
Opening Balance	1,579,509,093	1,722,988,700	2,200,374,742	2,064,661,706
Add: Profit for the year	1,898,845,450	795,521,340	1,352,790,507	1,072,054,172
Less: Adjustment during the year:	1,108,529,403	939,000,948	1,100,777,948	936,341,136
Transfer to statutory reserve during the year	270,558,101	214,410,834	270,558,101	214,410,834
Transfer to general reserve during the year	4,099,421	(7,081,053)	-	-
Changing effect of non controlling interest	-	-	-	-
Adjustment of non-controlling interest	3,652,034	9,740,864	-	-
Transferred of stock dividend	415,109,920	360,965,150	415,109,920	360,965,150
Cash dividend	415,109,927	360,965,152	415,109,927	360,965,152
	2,369,825,140	**1,579,509,093**	**2,452,387,301**	**2,200,374,742**

16. Non-controlling interest

See accounting policy in note (2.4)

Name of Subsidiaries	Percentage of Non-controlling interest	Equity as on 31.12.2017	LankaBangla Group 2017 Taka	LankaBangla Group 2016 Taka
LankaBangla Securities Limited	3.4568394%	4,737,910,646	163,781,964	146,044,904
LankaBangla Investments Limited	0.0000036%	446,110,205	16	16
LankaBangla Asset Management Company Limited	0.0000020%	1,020,925,910	20	1,927
LankaBangla Information System Limited	3.6499258%	2,430,762	88,721	62,584
BizBangla Media Limited	22.7654715%	(273,885,644)	(62,351,358)	(61,288,039)
			101,519,363	**84,821,392**

17. Interest income

See accounting policy in note (2.33.1) (2.33.2), (2.33.3) and (2.33.4)

		LankaBangla Group 2017 Taka	LankaBangla Group 2016 Taka	LankaBangla Finance Limited 2017 Taka	LankaBangla Finance Limited 2016 Taka
Lending Finance					
Lease finance		331,180,146	260,642,122	331,180,146	260,642,122
Lending to subsidiaries		-	-	272,621,168	325,965,295
Real estate developers Finance		4,542,134	1,343,114	4,542,134	1,343,114
Short term lending		596,054,701	864,639,604	596,054,701	864,639,604
Term finance		1,118,552,712	1,380,902,854	1,118,552,712	1,380,902,854
Term loan secured overdraft		3,627,560	6,295,292	3,627,560	6,295,292
Term loan syndication finance		50,992,581	57,838,401	50,992,581	57,838,401
Auto loan		781,314,305	514,479,186	781,314,305	514,479,186
Credit card	(Note- 17.1)	523,052,175	403,552,585	523,052,175	403,552,585
Home loan	(Note- 17.2)	1,030,771,307	574,210,038	1,030,771,307	574,210,038
Personal loan	(Note- 17.3)	602,487,745	427,013,795	601,308,702	425,689,291
Emerging and commercial		176,460,113	104,606,664	176,460,113	104,606,664
SME finance		832,679,279	434,105,938	832,679,279	434,105,938
		6,051,714,759	**5,029,629,594**	**6,323,156,884**	**5,354,270,384**
Treasury finance					
Fixed deposit accounts		299,241,348	78,688,051	297,978,710	75,045,134
Short term deposit accounts		102,302,013	53,771,683	2,036,623	3,347,723
		401,543,360	**132,459,734**	**300,015,333**	**78,392,856**
Others					
Debit balance of share trading clients		126,936,747	401,494,843	-	-
Margin loan to share trading clients		495,894,420	97,960,075	-	-
		622,831,167	**499,454,918**	**-**	**-**
		7,076,089,286	**5,661,544,246**	**6,623,172,217**	**5,432,663,241**

		LankaBangla Group		LankaBangla Finance Limited	
		2017	2016	2017	2016
		Taka	Taka	Taka	Taka
17.1	**Credit Card**				
	Master Card	350,138,639	274,809,480	350,138,639	274,809,480
	Visa Card	172,913,536	128,743,105	172,913,536	128,743,105
		523,052,175	**403,552,585**	**523,052,175**	**403,552,585**
17.2	**Home loan**				
	Bangladesh Bank refinance loan	37,345,459	68,680,888	37,345,459	68,680,888
	Commercial loan	978,032,409	493,985,029	978,032,409	493,985,029
	Staff loan	15,393,438	11,544,121	15,393,438	11,544,121
		1,030,771,307	**574,210,038**	**1,030,771,307**	**574,210,038**
17.3	**Personal loan**				
	Loan against deposit	565,047,664	20,427,756	565,047,664	20,427,756
	Staff loan	26,808,734	10,898,218	26,808,734	9,573,713
	Term loan	10,631,347	395,687,822	9,452,304	395,687,822
		602,487,745	**427,013,795**	**601,308,702**	**425,689,291**
18.	**Interest expenses on deposits and borrowings**				
	See accounting policy in note (2.28)				
	Other than Bangladesh Bank				
	Bank overdraft	106,080,475	79,171,499	106,080,475	76,882,259
	Call loan	58,800,528	60,888,472	58,800,528	60,888,472
	Short term loan	503,636,025	193,066,734	503,636,025	193,066,734
	Term deposits	3,662,132,401	2,966,465,005	3,662,132,401	2,970,681,267
	Term loan- commercial bank	309,698,264	428,516,617	12,915,303	27,691,582
	Zero Coupon Bond	82,312,231	187,941,863	82,312,231	187,941,863
	Commercial paper	61,875,000	-	61,875,000	-
		4,784,534,924	**3,916,050,190**	**4,487,751,963**	**3,517,152,178**
	Bangladesh Bank				
	Bangladesh Bank REPO	-	-	-	-
	Term loan- Bangladesh Bank	54,305,944	48,029,138	54,305,944	48,029,138
		54,305,944	**48,029,138**	**54,305,944**	**48,029,138**
		4,838,840,868	**3,964,079,328**	**4,542,057,908**	**3,565,181,315**
19.	**Income from investment**				
	See accounting policy in note (2.33.5)				
	Commercial paper	36,363,889	80,486,354	36,363,889	80,486,354
	Coupon income from treasury bond	-	649,711	-	649,711
	Dividend income	107,104,435	155,628,524	272,556,701	67,820,926
	Income from investment in share (Capital gain)	770,754,162	246,762,009	320,374,532	46,831,610
		914,222,486	**483,526,596**	**629,295,121**	**195,788,600**
20.	**Commission, exchange and brokerage income**				
	See accounting policy in note (2.33.8)				
	Brokerage commission	1,134,600,280	556,565,866	-	-
	Underwriting commission	1,401,250	4,293,551	-	-
		1,136,001,530	**560,859,417**	**-**	**-**

		LankaBangla Group		LankaBangla Finance Limited	
		2017	2016	2017	2016
		Taka	Taka	Taka	Taka
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)				
	Lending finance				
	Portfolio and issue management fee	41,595,472	35,697,750	-	-
	Write off recovery	6,996,674	12,250,000	6,996,674	12,250,000
	Membership fees of credit card	35,964,100	21,185,600	35,964,100	21,185,600
	Other income from credit card	115,196,815	78,328,932	115,196,815	78,328,932
	Fees and documentations (Note-21.1)	392,229,412	252,669,035	392,229,412	252,669,035
		591,982,473	**400,131,316**	**550,387,001**	**364,433,566**
	Others				
	Advertisement	130,717,503	95,371,440	-	-
	Circulation	12,353,621	10,604,270	-	-
	Late payment charge-factoring	997,443	908,022	997,443	908,022
	Corporate finance fees	11,046,696	7,389,500	300,000	-
	Foreign exchange gain/(loss)	9,496	(4,926)	9,496	(4,926)
	Income from CDBL	21,884,805	21,617,332	-	-
	Income from research project	-	1,500,000	-	-
	Income from unit fund operation	11,497,244	5,764,725	-	-
	Miscellaneous	6,097,117	3,443,677	4,538,696	2,060,097
	Profit on sale of fixed asset	2,946,099	3,106,988	(149,469)	751,630
	Round Table Conference	1,670,845	2,146,000	-	-
	Redemption income against mortgage property	105,000	-	105,000	-
	Scrap sales	3,133,984	2,537,144	-	-
	Settlement fee	48,573,547	43,175,650	-	-
	Sponsorship	5,872,157	1,943,043	-	-
	Management fees	-	-	4,750,000	-
	Good borrower incentive	5,578,584	-	5,578,584	-
		262,484,141	**199,502,864**	**16,129,750**	**3,714,822**
		854,466,614	**599,634,180**	**566,516,751**	**368,148,389**
21.1	**Fees and documentations**				
	Lending finance				
	Lease finance	4,456,082	8,306,257	4,456,082	8,306,257
	Revolving credit -secured	10,000	3,379,621	10,000	3,379,621
	Short term loan	6,747,533	5,262,537	6,747,533	5,262,537
	Term loan	17,077,348	9,722,822	17,077,348	9,722,822
	Term loan syndication finance	18,012,154	137,508	18,012,154	137,508
	Work order finance	266,369	187,500	266,369	187,500
	Zero coupon bond	-	586,957	-	586,957
	Auto loan	32,459,962	17,314,442	32,459,962	17,314,442
	Credit card	136,049,302	105,219,449	136,049,302	105,219,449
	Home loan	68,324,213	39,177,996	68,324,213	39,177,996
	Personal loan	50,273,621	26,453,803	50,273,621	26,453,803

		LankaBangla Group		LankaBangla Finance Limited	
		2017	2016	2017	2016
		Taka	Taka	Taka	Taka
	SME finance	41,658,053	24,778,158	41,658,053	24,778,158
	Emerging and commercial	16,894,775	12,141,985	16,894,775	12,141,985
		392,229,412	**252,669,035**	**392,229,412**	**252,669,035**
22.	**Salary and allowances**				
	See accounting policy in note (2.35.1) and (2.36)				
	Salary and allowances	1,160,453,415	870,360,251	701,412,072	557,914,991
	Provident fund contribution	32,125,177	26,406,706	15,724,907	13,326,002
	Festival bonus	57,954,902	40,809,065	49,611,648	40,809,065
	Gratuity fund	49,611,648	49,772,590	28,692,280	22,794,378
		1,300,145,142	**987,348,613**	**795,440,906**	**634,844,436**
23.	**Rent, taxes, insurance, electricity etc.**				
	See accounting policy in note (2.35)				
	Electricity	26,692,224	22,422,045	16,310,356	12,630,542
	Insurance premium	30,583,036	22,563,315	22,592,350	15,496,175
	Office rent	163,286,813	142,081,118	112,634,369	96,580,666
		220,562,073	**187,066,477**	**151,537,075**	**124,707,382**
24.	**Legal and professional fees**	**33,424,026**	**30,013,397**	**30,932,570**	**23,863,346**
	See accounting policy in note (2.35)				
25.	**Postage, stamp, telecommunication etc.**				
	See accounting policy in note (2.35)				
	Postage and courier	3,942,543	2,432,624	3,539,224	2,190,920
	Stamp charges	3,172,813	1,840,826	3,138,055	1,811,836
	Telephone bill	21,704,224	16,364,702	15,678,167	10,984,604
		28,819,579	**20,638,151**	**22,355,446**	**14,987,359**
26.	**Stationery, printing, advertisement**				
	See accounting policy in note (2.35)				
	Advertisement	31,626,373	22,287,951	28,947,476	20,246,961
	Printing and stationery	34,408,929	25,197,795	23,186,830	17,496,808
		66,035,302	**47,485,747**	**52,134,306**	**37,743,769**
27.	**Managing director's salary and allowance**				
	See accounting policy in note (2.35.1) and (2.36)				
	Salary and allowances	9,833,333	13,000,000	9,833,333	13,000,000
	Provident fund contribution	558,333	804,000	558,333	804,000
	Festival bonus	-	1,340,000	-	1,340,000
	Gratuity fund	335,000	2,345,000	335,000	2,345,000
		10,726,667	**17,489,000**	**10,726,667**	**17,489,000**
28.	**Director fees and expenses**				
	See accounting policy in note (2.35)				
	Board meeting and audit committee attendance fees	2,387,300	2,591,389	752,000	736,000
	Other financial benefits	-	-	-	-
		2,387,300	**2,591,389**	**752,000**	**736,000**

		LankaBangla Group		LankaBangla Finance Limited	
		2017	2016	2017	2016
		Taka	Taka	Taka	Taka
29.	**Audit fees**				
	See accounting policy in note (2.35)	**1,092,500**	**1,227,625**	**575,000**	**718,750**
30.	**Repairs, maintenance and depreciation**				
	See accounting policy in note (2.21.3) and (2.35)				
	Depreciation	152,867,828	97,747,605	109,033,809	64,104,605
	Repairs and maintenance	6,347,819	6,961,749	5,379,139	3,237,081
	Software maintenance	24,186,257	18,769,038	16,793,949	12,313,345
		183,401,905	**123,478,392**	**131,206,897**	**79,655,031**
31.	**Other expenses**				
	See accounting policy in note (2.35)				
	AGM and related expenses	3,981,815	699,174	3,913,348	659,174
	Bank charges	3,617,222	2,814,018	2,212,910	1,393,668
	Bkash commission	321,609	202,438	321,609	202,438
	Business promotion	68,774,642	58,037,946	40,360,925	33,422,079
	CDBL fee	47,246,348	26,243,377	485,201	912,826
	CIB Charge	7,556,260	5,145,710	7,556,260	5,145,710
	Commission on bank guarantee	12,863,244	6,566,590	-	-
	Computer accessories	699,202	553,029	675,137	517,414
	Contact point verification fees	6,207,766	6,157,823	6,207,766	6,157,823
	Conveyance	8,799,890	5,993,548	8,485,151	5,919,148
	Cost of Newspaper, P. S Plates & Polyester film	23,830,946	21,900,083	-	-
	Credit card accessories	5,109,259	2,747,108	5,109,259	2,747,108
	Documentation fee	1,047,951	298,660	31,183	177,740
	Donation and miscellaneous expenses	846,299	448,768	692,799	307,158
	Educational expense reimbursements	162,329	403,737	115,607	398,358
	Entertainment	14,177,798	10,425,639	6,553,627	3,940,062
	Excise duty	1,861,000	1,238,027	1,827,000	1,150,527
	Factory overhead	73,174,707	71,266,643	-	-
	Fair and conference	1,070,922	1,530,243	-	-
	Fuel expense	3,025,929	2,930,522	1,615,912	1,636,215
	Hawla charges	926,578	847,498	-	-
	HR event	2,810,760	1,845,981	2,810,760	1,845,981
	Internet and e-mail	20,957,343	18,058,655	8,458,133	5,924,832
	Laga charges	82,947,130	38,156,413	-	-
	LB foundation	22,009,465	12,590,284	13,664,551	10,828,830
	Loss on sales of fixed asset	3,165,139	1,131,245	2,954,170	538,610
	Marketing expenses	141,335,543	81,753,160	141,335,543	81,753,160
	Master Card-Stand By Letter of Credit issuance charge	989,063	1,019,197	989,063	1,019,197
	Master Card Consolidated Billing System charges	31,705,028	18,720,526	31,705,028	18,720,526
	Meeting expense	3,038,745	2,648,599	3,038,745	2,648,599
	Membership and regulatory fees	9,350,392	16,686,515	4,139,617	13,061,237
	Networking charge	272,924	294,357	-	-

		LankaBangla Group		LankaBangla Finance Limited	
		2017	2016	2017	2016
		Taka	Taka	Taka	Taka
	News paper and periodicals	1,163,693	1,203,819	219,400	157,888
	Office maintenance	69,727,833	51,510,373	51,965,175	37,621,014
	Other expenses	93,802	117,229	-	-
	Other operational expenses credit card	20,279,238	16,346,240	20,279,238	16,346,240
	Recovery commission	800,842	1,214,778	800,842	1,214,778
	Recruitment expense	787,338	782,073	786,338	780,773
	Selling & distribution expenses	11,194,255	6,338,716	-	-
	SMS service charge	3,926,778	1,329,605	3,926,778	1,329,605
	Staff welfare	1,579,493	956,577	1,579,493	956,579
	Subscription	6,707,955	153,478	-	-
	Training	15,993,211	11,425,699	12,740,832	8,956,877
	Travelling	38,231,574	31,036,073	29,310,157	27,040,249
	Vehicle maintenance/registration	48,168,976	38,307,020	20,306,134	17,201,880
	Water and sewerage bill	2,047,332	1,757,387	1,170,248	1,039,821
		824,585,567	**581,834,581**	**438,343,936**	**313,674,123**
32.	**Provisions for loans, investments and other assets**				
	See accounting policy in note (2.27)				
	Provisions for leases and loans	**248,441,162**	**199,224,797**	**248,441,162**	**199,224,797**
	General provision	85,665,893	92,864,546	85,665,893	92,864,546
	Specific provision	162,775,268	106,360,251	162,775,268	106,360,251
	Provision for margin loan	36,766,605	313,531,665	-	-
	Provision for diminution in value of investments	(76,109,546)	(117,107,133)	-	(123,560,860)
	Specific provision for other assets	(2,150,000)	-	(2,910,000)	-
		206,948,220	**395,649,328**	**245,531,162**	**75,663,937**
33.	**Provision for tax made during the year**				
	See accounting policy in note (2.37)				
	Current tax expense	334,274,885	148,304,531	44,599,710	35,281,610
	Deferred tax expense/ (income)	3,246,722	2,714,954	-	-
		337,521,607	**151,019,485**	**44,599,710**	**35,281,610**
34.	**Earnings Per Share (EPS)**				
	See accounting policy in note (2.39)				
	Earning attributable to ordinary shareholders	1,898,845,450	795,521,340	1,352,790,507	1,072,054,172
	Number of ordinary shares outstanding (Note - 34.1)	318,250,941	318,250,941	318,250,941	318,250,941
	Basic earnings per share (Restated- prior year)	**5.97**	**2.50**	**4.25**	**3.37**
34.1	**Number of ordinary shares outstanding**				
	Balance on 01 January (Restated- prior year)	276,739,949	276,739,949	276,739,949	276,739,949
	Bonus issued	41,510,992	41,510,992	41,510,992	41,510,992
		318,250,941	**318,250,941**	**318,250,941**	**318,250,941**

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, Emerging and Commercial, 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 2017				
	Core Financing Business	Brokerage Business	Investment Business	Asset Management Business	Consolidated
Revenue from external customers					
Interest revenue	6,350,551,049	595,106,033	130,098,348	333,855	7,076,089,286
Revenue from investment	369,662,561	364,010,592	142,599,682	37,949,651	914,222,486
Commission, exchange and brokerage income	-	1,134,600,280	1,401,250	-	1,136,001,530
Other operational income	561,766,751	179,741,105	101,461,514	11,497,244	854,466,614
Total revenue from external customers	**7,281,980,361**	**2,273,458,010**	**375,560,795**	**49,780,750**	**9,980,779,915**
Revenues from transactions with other operating segments of the same entity :					
Interest revenue	272,621,168	-	-	-	272,621,168
Revenue from investment	259,632,560	-	-	-	-
Other operational income	4,750,000	10,119,756	-	-	14,869,756
Total revenues from transactions with other operating segments of the same entity	537,003,728	10,119,756	-	-	287,490,923
Total segment revenue	**7,818,984,089**	**2,283,577,765**	**375,560,795**	**49,780,750**	**10,268,270,839**
Interest expenses					
Segment interest expenses	4,542,057,908	296,297,211	-	485,750	4,838,840,868
Revenues from transactions with other operating segments of the same entity	-	22,896,347	249,724,821	-	272,621,168
Total segment expenses	**4,542,057,908**	**319,193,558**	**249,724,821**	**485,750**	**5,111,462,036**
Operating expenses					
Segment operating expenses	1,514,851,238	890,681,482	79,888,257	32,891,255	2,518,312,233
Revenues from transactions with other operating segments of the same entity	10,119,756	-	-	4,750,000	14,869,756
Total segment operating expenses	**1,524,970,994**	**890,681,482**	**79,888,257**	**37,641,255**	**2,533,181,988**
Depreciation and amortization	**109,033,809**	**35,575,056**	**4,060,264**	**4,198,699**	**152,867,828**
Net operating income	**1,642,921,379**	**1,038,127,670**	**41,887,452**	**7,455,045**	**2,470,758,986**
Material non-cash items other than depreciation and amortisation					
Provision for leases, loans and advances/investments	245,531,162	(76,109,546)	37,526,605	-	206,948,220
Profit before tax and reserve	**1,397,390,217**	**1,114,237,216**	**4,360,848**	**7,455,045**	**2,263,810,766**
Provision for tax made during the year	44,599,710	288,059,813	-	1,615,362	334,274,885
Deferred tax (expense)/ Income	-	4,312,573	-	(1,065,851)	3,246,722
	44,599,710	**292,372,386**	**-**	**549,511**	**337,521,607**
Net profit after tax	**1,352,790,507**	**821,864,830**	**4,360,848**	**6,905,534**	**1,926,289,159**
Total segment assets	78,247,606,210	10,792,052,131	2,989,287,609	1,042,652,712	93,071,598,662
Inter segmental assets	2,598,171,054	-	-	-	2,598,171,054
Net segment assets	**75,649,435,156**	**10,792,052,131**	**2,989,287,609**	**1,042,652,712**	**90,473,427,608**

Amount of addition to non-current fixed assets	187,714,299	300,888,952	3,551,669	631,575	492,786,495
Segment capital employed	7,267,806,392	4,639,841,096	446,110,205	1,020,925,910	13,374,683,604
Segment liability	70,979,799,818	5,944,792,759	152,424,625	21,726,802	77,098,744,005
Inter segmental liabilities	-	207,418,276	2,390,752,778	-	2,598,171,054
Total segmental liability	**78,247,606,210**	**10,792,052,131**	**2,989,287,609**	**1,042,652,712**	**93,071,598,663**

Amount in Taka

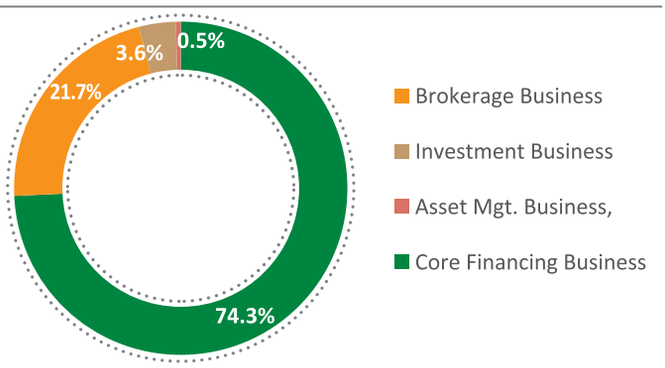
Particulars	For the year 2016				
	Core Financing Business	Brokerage Business	Investment Business	Asset Management Business	Consolidated
Revenue from external customers					
Interest revenue	5,106,697,946	454,317,319	98,711,229	1,817,751	5,661,544,246
Revenue from investment	195,788,600	196,151,360	67,043,121	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 entity :					
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 entity	**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 entity	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
Inter segment operation expenses	9,901,875	-	-	-	9,901,875
Total segment operation 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	**1,072,054,173**	**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 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**

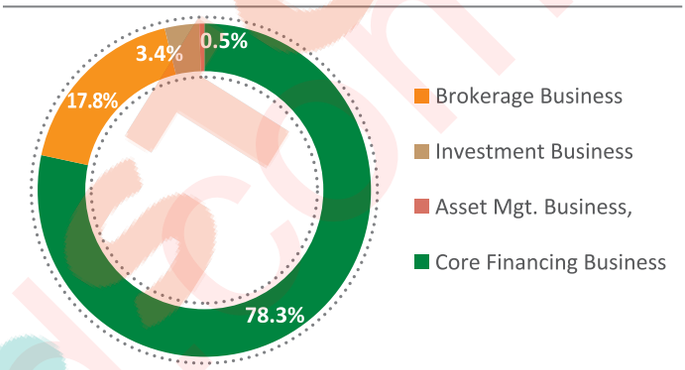
35.2. Information about reportable segments (continued)

Revenue

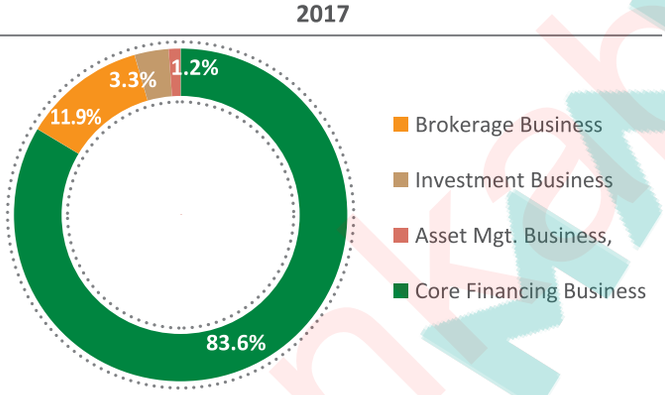
2017



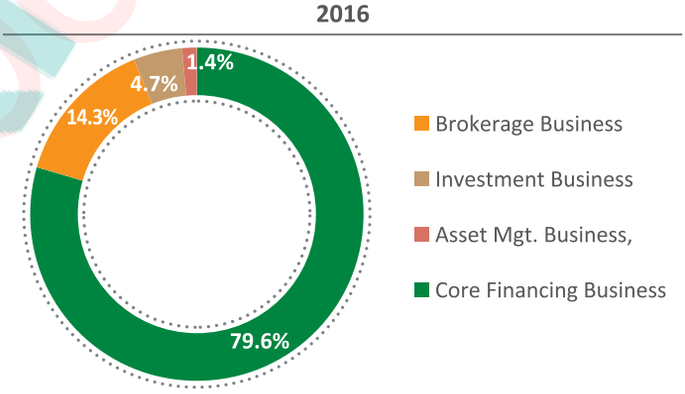
2016



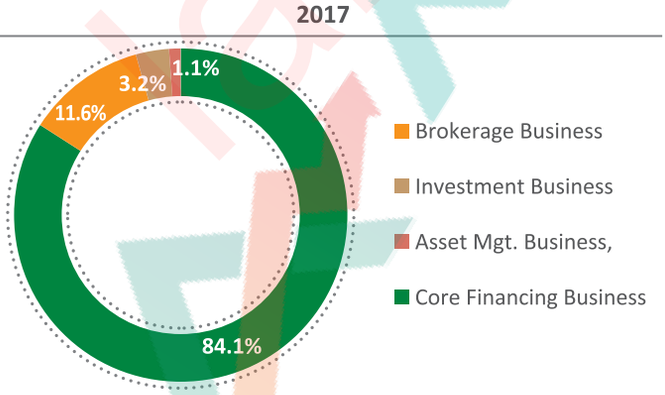
2017



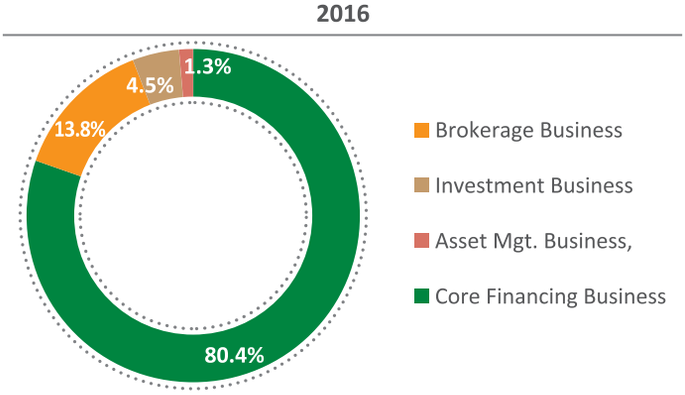
2016



2017



2016



36. Group subsidiaries

36.1 List of significant subsidiaries

The table below provides details of the significant subsidiaries of the Group

Sl.	Name of the subsidiaries	Name of Auditors	Place of business	Ownership Interest
1	LankaBangla Securities Limited	Ahmed Zaker & Co.	Bangladesh	96.5431606%
2	LankaBangla Investments Limited	Sayful Shamsul Alam & Co.	Bangladesh	99.9999964%
3	LankaBangla Asset Management Company Limited	Sayful Shamsul Alam & Co.	Bangladesh	99.9999980%
4	LankaBangla Information System Limited	Sayful Shamsul Alam & Co.	Bangladesh	96.3500742%
5	BizBangla Media Limited	Ahmed Zaker & Co.	Bangladesh	77.2345285%

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 2017.

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	
		2017	2016
		Taka	Taka
LankaBangla Securities Limited	3.4568394%	28,558,557	6,091,637
LankaBangla Investments Limited	0.0000036%	0.16	(15)
LankaBangla Asset Management Company Limited	0.0000020%	0.15	5
LankaBangla Information System Limited	3.6499258%	26,753	28,725
BizBangla Media Limited	22.7654715%	(1,141,601)	(5,998,767)
Total		**27,443,709**	**121,585**

37.00 Related party disclosure

i) Names of the Directors together with list of entities in which they have interest are stated below:

Sl. No.	Name of Director	Status in LankaBangla Finance Limited	Name of the firms/companies having interest as proprietor, partner, director, managing agent, guarantor, employee etc.	
1)	Mr. Mohammad A. Moyeen	Chairman	1	Air Line Cargo Resources Limited
			2	Arrow Aviation Limited
			3	Anyeshan Limited
			4	AVS Cargo Management Services Ltd.
			5	APS Logistics International Limited
			6	BizBangla Media Limited
			7	Bengal Meat Processing Industries Limited
			8	Colloid Enterprises Limited
			9	Cross Freight Lines Limited
			10	Cross Freight Limited
			11	Datafort Limited
			12	Expo Express Services Limited
			13	Expo Holdings (BD) Limited
			14	Freight Care Aviation Services Limited
			15	First Forwarding Limited
			16	Freight Options Limited
			17	Global Aviation Services Limited
			18	Interairsea Limited
			19	Innoweb Limited
			20	Infosapex Limited
			21	LankaBangla Investments Limited
			22	LankaBangla Information System Limited
			23	LankaBangla Securities Limited
			24	S.G Logistics (Pvt.) Limited
			25	Standard Paper Products Limited
			26	STS Educational Group Limited
			27	STS Holdings Limited
			28	Swift Logistics Services Limited
			29	The M & M Limited
			30	Tropica Garments Limited
			31	UCL Logistics Limited
			32	Uniworld Logistics Limited
			33	Voytech Limited
			34	WAC Logistics Limited
			35	Wings Express Limited
			36	Wings Logistics Limited
			37	Wings Ocean Freight Limited
			38	Wings Aviation Limited
			39	Wings Spence Aviation Limited
			40	Wings Tours & Travels Limited
			41	Wings Classic Tours & Travels Limited

Sl. No.	Name of Director	Status in LankaBangla Finance Limited	Name of the firms/companies having interest as proprietor, partner, director, managing agent, guarantor, employee etc.	
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	
4)	Mr. M. Fakhrul Alam (Representing ONE Bank Limited)	Director	N/A	
5)	Mr. Mahbubul Anam	Director	1	Allied Aviation Bangladesh Limited
			2	Air Line Cargo Resources Limited
			3	Airlines Services Limited
			4	Aramex Dhaka Limited
			5	Aeroness International
			6	Anyeshan Limited
			7	Aristeus Agriculture Limited
			8	BizBangla Media Limited
			9	Bengal Meat Processing Industries Limited
			10	Bollore Logistics Bangladesh Limited
			11	Cargo Centre Limited
			12	Colloid Enterprises Limited
			13	Datafort Limited
			14	Expo Freight Limited
			15	Expo Express Services Limited
			16	Eastern Cables Limited
			17	Expo Holdings (BD) Limited
			18	Freight Care Aviation Services Limited
			19	First Forwarding Limited
			20	Global Aviation Services Limited
			21	Interairsea Limited
			22	Innoweb Limited
			23	Infosapex Limited
			24	LankaBangla Securities Limited
			25	LankaBangla Information System Limited
			26	Orchid Air Limited
			27	Masco International Limited
			28	S.G Logistics (Pvt.) Limited
			29	Standard Paper Products Limited
			30	STS Educational Group Limited
			31	STS Holdings Limited
			32	The M & M Limited
			33	Tropica Garments Limited
			34	UCL Logistics Limited
			35	Voyager Airlines Limited
			36	Voytech Limited
			37	WAC Logistics Limited
			38	Wings Spence Aviation Limited
			39	Wings Classic Tours & Travels Limited
			40	Wings Express Limited
			41	Wings Ocean Freight Limited
6)_	Mrs. Aneesha Mahial Kundanmal	Director	1	Royal Park Residence
			2	GDS Chemical Bangladesh Limited

Sl. No.	Name of Director	Status in LankaBangla Finance Limited	Name of the firms/companies having interest as proprietor, partner, director, managing agent, guarantor, employee etc.	
7)	**Mr. Tahsinul Huque**	**Director**	N/A	
8)	**Mr. Al Mamoon Md. Sanaul Huq**	**Independent Director**	1	LankaBangla Securities Limited
			2	LankaBangla Investments Limited
			3	LankaBangla Asset Management Company Limited
9)	**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 2017	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 2016	Amount of transaction during the year 2017		Outstanding 2017	Nature of Transaction	Outstanding balance present in note
					Debit	Credit			
1	STS Holdings Limited	Concern related to Directors	-	106,005,666	156,038,681	78,029,352	27,996,338	TDR	11.1
2	Colloid Enterprises Limited	Concern related to Directors	-	9,971,522	89,254	752,541	10,634,809	TDR	11.1
3	Global Aviation Services Limited	Concern related to Directors	-	16,000,000	1,180,000	1,180,000	16,000,000	TDR	11.1
4	WAC Logistics Ltd.	Concern related to Directors	-	2,300,000	22,400	8,184,000	10,461,600	TDR	11.1
5	WINGS SPENCE AVIATION LIMITED	Concern related to Directors	-	-	839,980	124,534,805	123,694,824	TDR	11.1
6	LankaBangla Securities Limited	Subsidiary Company	96.49	241,667,154	23,150,855	57,399,733	207,418,276	Short term loan	7.1
7	LankaBangla Investment Limited	Subsidiary Company	99.99	2,525,206,559	249,764,821	384,218,602	2,390,752,778	Short term loan	7.1

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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's Circular No. DFIM-13, dated October 26, 2011 and Notification No. SEC/CMRRCD/2006-158/134/admin/44, dated August 07, 2012 of Bangladesh Securities & Exchange Commission (BSEC) Audit Committee of LankaBangla Finance Limited (LBFL) was re-constituted in 107th meeting of the Board of Directors held on October 23, 2017.

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, Portsmouth, 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	Mrs. Zaitun Sayef	Independent Director	Member	B.Sc (Hons.) and MBA from IBA

The Company Secretary is to act as Secretary of the Audit committee of the Board.

During the year 2017, the Audit Committee of the Board conducted 4 (four) 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 entitled to receive Tk. 8,000 for attending each Board Meeting. No other remuneration or special payment was made to the directors for attending the Board Meetings or otherwise during the year 2017. Nothing is due from any director of the Company as on the date of closing the accounts. During the year under audit six meetings of Board of Directors were held. Details are as under:

Sl. No.	Meeting No.	Date of Meeting	Number of presences
01	103rd Board meeting	February 13, 2017	8
02	104th Board meeting	May 14, 2017	7
03	105th Board meeting	July 26, 2017	7
04	106th Board meeting	August 24, 2017	6
05	107th Board meeting	October 23, 2017	9
07	108th Board meeting	November 21, 2017	7

Notes:

- Director who could not attend meetings were granted leave of absence by the Board.
- Mr. Mirza Ejaz Ahmed has resigned from the Board of LankaBangla Finance Limited w. e. f. August 5, 2017.

b) Executive Committee (EC) meeting and directors' remuneration

Each director is entitled to receive Tk. 8,000 for attending each meeting of the Executive Committee. No other remuneration or special payment was made to the directors for attending the meetings or otherwise during the year 2017. During the year under audit eleven meetings of the Executive Committee were held. Details are as under:

Sl. No.	Meeting No.	Date of Meeting	Number of presences
01	63rd EC meeting	January 16, 2017	3
02	64th EC meeting	February 27, 2017	4
03	65th EC meeting	March 22, 2017	3
04	66th EC meeting	May 9, 2017	3
05	67th EC meeting	May 31, 2017	3
06	68th EC meeting	June 18, 2017	3
07	69th EC meeting	July 12, 2017	3
08	70th EC meeting	August 20, 2017	4
09	71st EC meeting	October 15, 2017	3
10	72nd EC meeting	October 30, 2017	4
11	73rd EC meeting	December 14, 2017	4

Notes:

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

c) Audit Committee meeting and directors' remuneration

Each director is entitled to receive Tk. 8,000 for attending each meeting of the Audit Committee. No other remuneration or special payment was made to the directors for attending the meetings or otherwise during the year 2017. During the year under audit four meetings of Audit Committee were held. Details are as under:

Sl. No.	Meeting No.	Date of Meeting	Number of presences
01	47th Audit Committee meeting	February 09, 2017	3
02	48th Audit Committee meeting	May 9, 2017	3
03	49th Audit Committee meeting	July 20, 2017	3
04	50th Audit Committee meeting	October 18, 2017	4

Notes:

- Director who could not attend meetings were granted leave of absence by the Board.
- Mr. Mirza Ejaz Ahmed has resigned from the Board of LankaBangla Finance Limited w. e. f. August 5, 2017.

d) Employees' details

	Year-2017	Year-2016
No. of employee received TK.3,000 per month	0	0
No. of employee received more than Tk.3,000 per month	832	673
	832	**673**

e) Event after the Reporting Period

Dividend Information

The Board of Director in its 109th Meeting held on 13 February 2018 has recommended to the shareholders @7.5% of Stock Dividend and @7.5% of Cash Dividend for the year ended 31 December 2017. This will be considered for approval of shareholders at 21st Annual General Meeting (AGM) of the company scheduled to be held on 29 March 2018.

f) Capital expenditure commitment

There was no capital expenditure contracted but not incurred or provided for other than LankaBangla Tower amounting to Tk. 25 crore (approx.) as at 31 December 2017. There was no other material capital expenditure authorized by the Board but not contracted for as at 31 December 2017.

g) Foreign remittances

During the period 2017, the company remitted USD 701,650.07, GBP 5,982.20, SGD 6,822.00 and RS 536,000.00 (Total in BDT 58,555,458.10) against Various Technical Service Fees to the Foreign Shareholders and training provider.

Sl #	Purpose	Pay to	USD*	GBP*	SGD*	RS*	BDT
01.	Training Fee -2017	Various Training provider abroad	11,407.00	-	6,822.00	536,000.00	2,068,583.77
02.	Annual Maintenance Fee	TSYS Card Tech	45,782.57	-	-	-	3,742,160.97
03.	Annual Service Fee	TSYS Card Tech	13,712.30	5,982.20	-	-	1,787,424.71
04.	Additional License Fee	TSYS Card Tech	55,500.00	-	-	-	4,602,975.65
05.	Dividend Payment	Sampath Bank PLC	488,113.32	-	-	-	39,317,528.00
		Mr. Tahsinul Huque	87,134.88	-	-	-	7,031,785.00
Total			**701,650.07**	**5,982.20**	**6,822.00**	**536,000.00**	**58,550,458.10**

*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)	15 May 2017
January to June (Half Year ended)	27 July 2017
January to September (3rd quarter ended)	24 October 2017

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 2018

Annexure -A

LANKABANGLA FINANCE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED FIXED ASSETS SCHEDULE

As at 31 December 2017

Amount in Taka

Particulars	COST				DEPRECIATION					Written down value as at 31.12.2017
	Balance as at 01.01.2017	Addition during the year	Sales/ Adjustment during the year	Balance as at 31.12.2017	Rate %	Balance as at 01.01.2017	Charged during the year	Adjustment during the year	Balance as at 31.12.2017	
I. Freeholds assets										
Land	739,573,710	39,945,373	-	779,519,083		-	-	-	-	779,519,083
Building	106,454,150	237,249,700	-	343,703,850	2.5	14,691,050	5,626,975	-	20,318,025	323,385,825
Furniture and Fittings	219,110,635	39,423,211	18,126,235	240,407,611	20	89,180,276	42,059,641	16,562,438	114,677,479	125,730,132
Office Equipment	189,758,111	38,503,571	25,532,712	202,728,970	20	132,699,361	27,418,921	36,261,781	123,856,501	78,872,469
IT Equipment	108,894,806	62,645,658	11,528,961	160,011,503	33.33	37,259,498	30,717,217	(5,378,369)	73,355,084	86,656,419
Office Renovation	75,550,920	25,989,507	2,326,505	99,213,922	20	45,374,784	12,940,902	2,326,505	55,989,181	43,224,741
Motor Vehicles	39,441,179	5,388,000	155,000	44,674,179	20	21,664,387	6,205,650	114,368	27,755,669	16,918,510
	1,478,783,511	**449,145,020**	**57,669,414**	**1,870,259,117**		**340,869,356**	**124,969,307**	**49,886,724**	**415,951,939**	**1,454,307,178**
II. Intangible assets										
Goodwill	234,143,286	-	-	234,143,286	-	-	-	-	-	234,143,286
Systems and Software	167,031,089	26,277,066	-	193,308,155	25	118,878,529	23,626,643	(493,810)	142,998,982	50,309,173
	401,174,375	**26,277,066**	**-**	**427,451,441**		**118,878,529**	**23,626,643**	**(493,810)**	**142,998,982**	**284,452,459**
III. Lease Hold Assets										
Motor Vehicle	42,004,990	20,322,000	4,290,990	58,036,000	20	32,658,132	6,656,021	4,290,990	35,023,163	23,012,838
At 31 December 2017	**1,921,962,876**	**495,744,086**	**61,960,404**	**2,355,746,558**		**492,406,017**	**155,251,971**	**53,683,904**	**593,974,084**	**1,761,772,475**

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 and goodwill										
Goodwill	234,143,286	-	-	234,143,286	-	-	-	-	-	234,143,286
System 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**

Annexure -B

LANKABANGLA FINANCE LIMITED

SCHEDULE OF FIXED ASSETS

As at 31 December 2017

Amount in Taka

Particulars	COST				DEPRECIATION					Written down value as at 31.12.2017
	Balance as at 01.01.2017	Addition during the year	Sales/ Adjustment during the year	Balance as at 31.12.2017	Rate %	Balance as at 01.01.2017	Charged during the year	Adjustment during the year	Balance as at 31.12.2017	
I. Freeholds assets										
Land	739,573,710	39,945,373	-	779,519,083		-	-	-	-	779,519,083
Furniture & Fittings	190,946,678	29,111,254	17,834,325	202,223,608	20	80,355,702	37,924,763	16,349,187	101,931,279	100,292,329
Office Equipment	92,280,057	17,282,766	23,404,525	86,158,298	20	61,966,539	16,988,435	34,275,904	44,679,070	41,479,228
IT Equipment	106,638,494	62,108,655	11,503,961	157,243,188	33.33	35,926,102	30,200,008	(5,389,369)	71,515,479	85,727,710
Motor Vehicles	16,554,935	2,768,000	-	19,322,935	20	11,876,405	2,998,125	-	14,874,530	4,448,405
	1,145,993,874	**151,216,048**	**52,742,811**	**1,244,467,111**		**190,124,748**	**88,111,332**	**45,235,722**	**233,000,357**	**1,011,466,754**
II. Intangible assets										
Systems and Software	82,215,183	24,375,842	-	106,591,025	25	42,955,051	17,985,256	(493,810)	61,434,117	45,156,908
III. Leaseholds Assets										
Motor Vehicles	9,777,000	15,080,000	-	24,857,000	20	5,849,243	2,937,220	-	8,786,463	16,070,537
At 31 December 2017	**1,237,986,057**	**190,671,890**	**52,742,811**	**1,375,915,135**		**238,929,041**	**109,033,809**	**44,741,912**	**303,220,937**	**1,072,694,198**

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. Leasehold Assets										
Motor Vehicles	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**

LankaBangla Finance Limited

LANKABANGLA FINANCE LIMITED

Annexure -C

CLASSIFICATION OF LEASES, LOANS AND ADVANCES WITH PROVISIONS AND INTEREST SUSPENSES

As on 31 December 2017

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 Finance															
Lease finance	3,382,638,157	3,000,780,317		31,511,055	1,355,467	20,075,010	328,916,308	30,028,093	739,866	5,522,833	190,869,625	225,288,222	1,482,962	72,230,104	73,713,066
Secured overdraft	6,085,285	6,085,285		-	-	-	-	-	-	-	-	60,853	-	-	-
Short term finance	4,419,891,075	4,227,969,760		-	-	191,920,298	1,017	-	-	149,586,661	-	117,073,528	-	42,333,637	42,333,637
Short term loan to subsidiaries	2,598,171,054	2,598,171,054		-	-	-	-	-	-	-	-	25,981,711	-	-	-
Term loan	8,054,756,449	7,569,648,445		210,880,421	116,883,711	22,232,084	135,111,788	197,680,137	102,841,881	5,445,171	35,493,226	144,364,679	13,200,283	47,857,875	61,058,158
Term loan syndication finance	449,615,282	449,615,282		-	-	-	-	-	-	-	-	4,496,153	-	-	-
Work order finance	3,454,296	-		-	-	-	3,454,296	-	-	-	1,704,296	1,704,296	-	-	
SUB-TOTAL	**18,914,611,598**	**17,852,270,144**		**242,391,475**	**118,239,179**	**234,227,392**	**467,483,408**	**227,708,230**	**103,581,747**	**160,554,666**	**228,067,147**	**518,969,442**	**14,683,245**	**162,421,616**	**177,104,861**
Retail Finance															
Auto Loan	6,128,136,112	5,812,527,155	-	260,262,835	34,459,114	1,239,931	19,647,077	255,279,939	33,186,325	1,120,581	17,442,214	95,529,038	4,982,896	3,597,002	8,579,898
Home Loan	12,249,994,362	11,752,761,489	-	182,706,873	20,387,552	39,693,039	254,445,409	163,487,713	328,165	3,059,086	15,177,896	142,475,072	19,219,160	68,666,917	87,886,078
Credit Cards	2,878,358,344	2,546,738,915	-	120,188,796	19,413,016	13,309,875	178,707,742	106,313,278	16,766,980	11,479,078	170,136,677	210,012,665	13,875,518	13,075,645	26,951,163
Personal Loan	5,793,776,914	5,525,326,521	-	164,768,444	66,104,550	19,274,931	18,302,467	160,957,380	62,416,293	16,477,856	14,773,205	98,796,526	3,811,065	9,473,814	13,284,879
SUB-TOTAL	**27,050,265,732**	**25,637,354,080**	**-**	**727,926,949**	**140,364,232**	**73,517,776**	**471,102,695**	**686,038,310**	**112,697,763**	**32,136,601**	**217,529,991**	**546,813,301**	**41,888,639**	**94,813,378**	**136,702,017**
SME															
Term loan	8,626,401,633	-	8,248,360,876	88,792,768	111,753,206	26,604,151	150,890,634	86,321,659	46,733,199	8,176,066	81,221,109	119,592,767	2,471,109	38,153,296	40,624,405
Lease finance	1,504,813,529	-	1,372,853,917	107,952,677	5,391,854	-	18,615,081	97,974,331	-	-	18,278,042	26,608,893	9,978,346	221,805	10,200,151
Auto loan	2,192,624,134	-	2,113,464,283	75,654,057	1,108,757	-	2,397,037	74,640,772	1,029,162	-	1,974,118	11,195,649	1,013,285	502,515	1,515,800
Emerging and commercial	1,939,520,603	-	1,936,308,966	1,828,096	1,571	-	1,381,970	1,588,088	881	-	1,174,341	6,094,694	275,262	208,319	483,582
Home Loan	789,737,623	-	731,120,277	-	-	-	58,617,346	-	-	-	-	1,827,801	-	14,994,994	14,994,994
Real state developer finance	34,334,968	-	4,739,699	29,595,269	-	-	-	27,858,284	-	-	-	1,404,763	1,736,985	-	1,736,985
Secured Overdraft	29,634,345	-	29,634,345	-	-	-	-	-	-	-	-	74,086	-	-	-
Short term loan	706,176,417	-	683,048,762	23,127,655	-	-	-	20,869,062	-	-	-	2,751,075	2,258,593	-	2,258,593
Syndication finance	107,802,607	-	107,802,607	-	-	-	-	-	-	-	-	269,507	-	-	-
Work order finance	17,664,300	-	-	-	-	-	17,664,300	-	-	-	7,764,300	7,764,300	-	-	-
SUB-TOTAL	15,948,710,159	-	15,227,333,731	326,950,521	118,255,388	26,604,151	249,566,367	309,252,196	47,763,241	8,176,066	110,411,910	177,583,535	17,733,581	54,080,929	71,814,510
Total	**61,913,587,489**	**43,489,624,223**	**15,227,333,731**	**1,297,268,946**	**376,858,799**	**334,349,319**	**1,188,152,471**	**1,222,998,736**	**264,042,751**	**200,867,332**	**556,009,048**	**1,243,366,277**	**74,305,465**	**311,315,924**	**385,621,388**

* 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 (million)

Sl no.	Key indicators	LankaBangla Group		LankaBangla Finance Limited	
		2017	2016	2017	2016
1	Paid-up capital	3,182.51	2,767.40	3,182.51	2,767.40
2	Total capital	8,327.00	6,686.61	7,267.81	6,169.82
3	Capital surplus	1,423.93	1,374.51	1,195.67	1,613.61
4	Total assets	85,442.72	64,043.51	78,247.61	57,622.49
5	Total deposits	51,675.16	40,148.49	51,675.16	40,148.49
6	Total loans, advances and leases	66,544.36	51,244.30	61,913.59	46,749.20
7	Total contingent liabilities and commitments	8,554.74	6,156.82	8,554.74	6,156.82
8	Credit deposit ratio	1.29	1.28	1.20	1.16
9	Percentage of classified loans against total loans, advances and leases	2.85%	3.22%	3.07%	3.52%
10	Profit after tax and provision	1,926.29	795.64	1,352.79	1,072.05
11	Amount of classified loans during current period	1,899.36	1,647.65	1,899.36	1,647.65
12	Provisions kept against classified loans	709.25	612.14	709.25	612.14
13	Provision surplus against classified loan	3.30	3.30	3.30	3.30
14	Cost of fund	7.82%	7.80%	7.82%	7.80%
15	Interest earnings assets	75,780.55	56,258.47	69,142.45	49,650.15
16	Non-interest earnings assets	9,662.17	7,785.04	9,105.16	7,972.35
17	Return on investment (ROI)	2.72%	1.47%	2.08%	2.19%
18	Return on assets (ROA)	2.58%	1.39%	1.99%	2.10%
19	Income from investment	914.22	483.53	629.30	195.79
20	Earnings Per Share (EPS) (restated :2016)	5.97	2.50	4.25	3.37
21	Net income per share (restated:2016)	5.97	2.50	4.25	3.37
22	Market price per share	47.80	34.80	47.80	34.80
23	Price earnings ratio	8.01	13.92	11.25	10.33

LANKABANGLA SECURITIES LIMITED



lankabangla.com

Ahmed Zaker & Co.
CHARTERED ACCOUNTANTS
A MEMBER FIRM OF KINGSTON DORELL INTERNATIONAL, DEVONSHIRE HOUSE, 60, GOSWELL ROAD, LONDON EC1M 7AD

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, 2017 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 International Financial Reporting Standards along with Rules & Regulations 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, 2017 and revenue and expenses for the year ended December 31, 2017 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 International 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 judgments, 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 International Financial Reporting Standards (IFRS) give a true and fair view of the state of the affairs of the Company as of December 31, 2017 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, 2018

Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

Particulars	Notes	Amount In Taka	
		31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Property, plant and equipment	4.00	431,357,912	168,614,026
Long term loan to employees'	5.00	27,159,251	24,083,909
Long Term Investment in Shares	6.00	1,621,485,668	1,495,889,918
Intangible Assets		234,143,286	234,143,286
Total non-current assets		**2,314,146,116**	**1,922,731,139**
Current assets			
Advances, deposits and prepayments	7.00	54,379,097	222,270,181
Advance income tax	8.00	350,493,534	108,356,776
Investments	9.00	902,855,166	874,333,046
Inventories	10.00	556,720	218,940
Current portion of loans and advances	11.00	13,838,172	13,728,962
Accounts receivable	12.00	5,429,703,372	4,953,354,354
Accrued interest		932,916	1,062,553
Cash and cash equivalents	13.00	1,725,403,022	1,883,300,219
Total current assets		**8,478,161,999**	**8,056,625,032**
TOTAL ASSETS		**10,792,308,115**	**9,979,356,171**
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity			
Share capital	14.00	2,690,303,320	2,445,730,290
Share premium	15.00	1,200,000,000	1,200,000,000
General reserve	16.00	52,688,811	48,460,890
Retained earnings		751,381,185	446,346,180
Shareholder's Equity		**4,694,373,316**	**4,140,537,360**
Non controlling interest		(54,772,267)	(53,770,809)
Total equity		**4,639,601,049**	**4,086,766,551**
Liabilities			
Non-current liabilities			
Term loan	17.00	846,504,838	594,301,425
Zero cupon bond		286,309,875	398,063,088
Deferred tax liabilities	18.00	7,004,484	2,691,911
Finance lease obligation	19.00	5,195,419	1,911,106
Total non-current liabilities		**1,145,014,616**	**996,967,530**
Current liabilities			
Accounts payable	20.00	1,627,788,911	1,879,941,226
Short term loans	21.00	2,173,130,809	1,458,192,316
Provision for current tax	22.00	419,586,060	131,526,247
Current portion of lease obligation	23.00	2,492,781	5,469,408
Current portion of term loan	24.00	391,627,062	309,223,456
Provision for negative equity & others	25.00	149,970,230	260,529,069
Interest Suspense	26.00	174,103,328	810,164,046
Other liabilities	27.00	68,993,269	40,576,323
Total current liabilities		**5,007,692,450**	**4,895,622,090**
Total liabilities		**6,152,707,065**	**5,892,589,620**
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**10,792,308,115**	**9,979,356,171**

The accompanying policies and explanatory notes 1-46 form an integral part of these financial statements.

Director | **CEO & Director** | **Company Secretary**

Signed as per our separate report of same date

Ahmed Zaker & Co.
Chartered Accountants

Place : Dhaka
Date : February 13, 2018

LANKABANGLA SECURITIES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

Particulars	Notes	Amount In Taka	
		31.12.2017	31.12.2016
Revenue			
Interest Income	28.00	594,360,758	453,192,265
Income from investment	29.00	364,010,592	196,151,360
Brokerage income	30.00	1,134,600,280	556,565,866
Revenue from advertisement & circulation	31.00	143,071,124	105,975,710
Other operational income	32.00	33,574,413	30,648,019
Total Revenue		**2,269,617,167**	**1,342,533,220**
Cost of services		**(543,481,512)**	**(582,459,396)**
Interest expenses	33.00	319,193,558	428,183,560
Other costs directly attributable to services	34.00	224,287,954	154,275,836
Gross profit		**1,726,135,654**	**760,073,824**
Other non-operational income	35.00	13,960,599	13,419,094
Operating expenses		**(701,968,583)**	**(503,688,611)**
Salary and allowances	36.00	432,930,625	298,293,130
Rent, taxes, insurance, electricity etc.	37.00	61,391,697	52,112,720
Legal & professional fees	38.00	2,009,430	3,598,719
Postage, stamp, telecommunication etc.	39.00	5,503,092	4,941,061
Stationery, printing, advertisement	40.00	12,619,602	9,312,572
Director fees and expenses	41.00	845,250	915,839
Audit fees	42.00	304,750	212,750
Repairs, maintenance and depreciation	43.00	36,537,986	28,671,207
Other expenses	44.00	149,826,152	105,630,613
Operating profit before provisions		**1,038,127,670**	**269,804,307**
Other Provisions		**76,109,546**	**(7,490,868)**
For diminution in value of investment		(76,109,546)	7,490,868
Profit before tax (PBT)		**1,114,237,216**	**262,313,439**
Income tax income/ (expense)		**(292,372,386)**	**(113,466,885)**
Current tax expense		288,059,813	110,728,820
Deferred tax expense		4,312,573	2,738,065
Profit after tax (PAT)		**821,864,830**	**148,846,554**
Attributable to			
Shareholders of the company		822,866,288	154,108,321
Non controlling interest		(1,001,457)	(5,261,768)
		821,864,830	148,846,554
Earnings Per Share (EPS)			
Basic	45.00	**3.05**	**0.55**

The accompanying policies and explanatory notes 1-46 form an integral part of these financial statements.

Director | **CEO & Director** | **Company Secretary**

Signed as per our separate report of same date

Place : Dhaka
Date : February 13, 2018

Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

Particulars	Share Capital	Share Premium	General Reserve	Retained Earnings	Total	Non Controlling Interest	Total
Balance at January 01, 2016	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**
Changes in equity for 2017							
Total comprehensive income for the year	-	-	-	822,866,288	822,866,288	(1,001,457)	821,864,830
Stock dividend	244,573,030	-	-	(244,573,030)	-	-	-
Interim cash dividend	-	-	-	(269,030,332)	(269,030,332)	-	(269,030,332)
Transfer to general reserve			4,227,921	(4,227,921)	-	-	-
Balance at December 31, 2017	**2,690,303,320**	**1,200,000,000**	**52,688,811**	**751,381,185**	**4,694,373,316**	**(54,772,267)**	**4,639,601,049**

Director | **CEO & Director** | **Company Secretary**

Signed as per our separate report of same date.

Ahmed Zaker & Co.
Chartered Accountants

Place : Dhaka
Date : February 13, 2018

LankaBanglaStock.com

LANKABANGLA SECURITIES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2017

Particulars	Amount In Taka	
	31.12.2017	31.12.2016
Cash Flows from Operating Activities		
Brokerage income	1,134,600,280	535,442,759
Interest Income	594,393,383	453,701,992
Received aganst revenue	123,567,799	96,613,296
Capital gain from investment in shares	307,448,514	126,525,938
Cash dividend income	45,698,624	69,625,422
Other operational income	22,165,655	21,868,901
Non-operating Income	10,865,031	11,026,929
DSE/CSE (payment)/received	(222,520,246)	163,389,274
Payment to suppliers & others	(142,034,427)	(133,715,744)
Payment to CDBL	(44,146,541)	(21,089,456)
Gratuity Payment	(24,499,130)	(79,330,065)
Operating expenses	(527,980,347)	(415,786,881)
	1,277,558,594	**828,272,365**
Other Operating Activities		
Advance, deposits & prepayments	(27,662,746)	13,033,162
Income Tax paid	(242,136,758)	(108,356,776)
	(269,799,504)	**(95,323,615)**
Net cash used in operating activities	**1,007,759,090**	**732,948,750**
Cash Flows from Investing Activities		
Investment in Shares	(154,117,869)	(358,253,138)
Margin loan to clients	(1,092,474,886)	575,926,114
Leased assets	(4,097,118)	(3,437,159)
Sale of fixed assets	3,136,200	5,025,460
Acquisition of fixed assets	(103,678,952)	(32,760,764)
Net Cash used in Investing Activities	**(1,351,232,625)**	**186,500,512**
Cash Flows from Financing Activities		
Long Term Loan from Bank & Other Institutions	700,000,000	336,452,715
Zero Cupon Bond	(111,753,213)	398,063,088
Repayment of Loan	(366,230,176)	(603,481,047)
Interim Cash dividend	(267,224,457)	(436,243,529)
Interest payment	(296,605,014)	(98,403,368)
Clients deposit/(withdrawals)	(187,549,296)	1,079,832,709
Short term Loan	714,938,494	(344,677,002)
Net Cash flow from Financing Activities	**185,576,337**	**331,543,566**
Net increase in Cash and Cash Equivalents	(157,897,198)	1,250,992,828
Cash & Cash Equivalent as on January 01,	1,883,300,219	632,307,391
Cash & Cash Equivalent as on December 31, 2017	**1,725,403,022**	**1,883,300,219**

Director **CEO & Director** **Company Secretary**

Signed as per our separate report of same date

Place : Dhaka
Date : February 13, 2018

Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED
STATEMENT FINANCIAL POSITION
As at December 31, 2017

Particulars	Notes	Amount In Taka	
		31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Property, plant and equipment	4.00	414,872,640	148,315,914
Long term loan to employees'	5.00	27,159,251	24,083,909
Long Term Investment in Shares	6.00	1,940,483,668	1,814,887,918
Total non-current assets		**2,382,515,559**	**1,987,287,742**
Current assets			
Advances, deposits and prepayments	7.00	132,480,986	293,306,972
Advance income tax	8.00	347,064,462	106,722,378
Investments	9.00	901,747,497	873,275,957
Current portion of loans and advances	11.00	13,463,494	13,018,104
Accounts receivable	12.00	5,325,985,554	4,880,044,232
Accrued interest		932,916	1,062,553
Cash and cash equivalents	13.00	1,722,437,821	1,881,289,035
Total current assets		**8,444,112,730**	**8,048,719,231**
TOTAL ASSETS		**10,826,628,289**	**10,036,006,973**
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity			
Share capital	14.00	2,690,303,320	2,445,730,290
Share premium	15.00	1,200,000,000	1,200,000,000
General reserve	16.00	52,688,811	48,460,890
Retained earnings		794,918,515	486,603,332
Total equity		**4,737,910,646**	**4,180,794,512**
Liabilities			
Non-current liabilities			
Term loan	17.00	846,504,838	594,301,425
Zero cupon bond		286,309,875	398,063,088
Deferred tax liabilities	18.00	7,004,484	2,691,911
Finance lease obligation	19.00	4,241,213	-
Total non-current liabilities		**1,144,060,410**	**995,056,424**
Current liabilities			
Accounts payable	20.00	1,610,660,216	1,870,096,680
Short term loans	21.00	2,130,785,736	1,435,305,874
Provision for current tax	22.00	418,092,863	130,954,733
Current portion of lease obligation	23.00	1,568,632	4,664,963
Current portion of term loan	24.00	391,627,062	309,223,456
Provision for negative equity & others	25.00	149,970,230	260,529,069
Interest Suspense	26.00	174,103,328	810,164,046
Other liabilities	27.00	67,849,166	39,217,215
Total current liabilities		**4,944,657,232**	**4,860,156,036**
Total liabilities		**6,088,717,643**	**5,855,212,460**
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**10,826,628,289**	**10,036,006,973**

The accompanying policies and explanatory notes 1-46 form an integral part of these financial statements.

Director | **CEO & Director** | **Company Secretary**

Signed as per our separate report of same date

Place : Dhaka
Date : February 13, 2018

Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

Particulars	Notes	Amount In Taka	
		31.12.2017	31.12.2016
Revenue			
Interest Income	28.00	594,263,745	453,044,894
Income from investment	29.00	364,010,592	196,151,360
Brokerage income	30.00	1,134,600,280	556,565,866
Other operational income	32.00	22,165,655	21,868,901
Total Revenue		**2,115,040,272**	**1,227,631,021**
Cost of services		**(443,010,888)**	**(487,182,588)**
Interest expenses	33.00	315,728,587	426,073,478
Other costs directly attributable to services	34.00	127,282,301	61,109,110
Gross profit		**1,672,029,384**	**740,448,433**
Other non-operational income	35.00	13,892,031	12,126,929
Operating expenses		**(644,433,792)**	**(457,944,630)**
Salary and allowances	36.00	411,223,467	278,994,268
Rent, taxes, insurance, electricity etc.	37.00	55,949,947	46,679,451
Legal & professional fees	38.00	1,534,430	3,218,969
Postage, stamp, telecommunication etc.	39.00	5,139,645	4,565,323
Stationery, printing, advertisement	40.00	11,280,884	7,950,809
Director fees and expenses	41.00	845,250	915,839
Audit fees	42.00	143,750	143,750
Repairs, maintenance and depreciation	43.00	34,153,843	25,875,852
Other expenses	44.00	124,162,577	89,600,368
Operating profit before provisions		**1,041,487,623**	**294,630,732**
Other Provisions		**76,109,546**	**(7,490,868)**
For diminution in value of investment		(76,109,546)	7,490,868
Profit before tax (PBT)		**1,117,597,169**	**287,139,864**
Income tax income/ (expense)		**(291,450,703)**	**(112,709,786)**
Current tax expense		287,138,130	110,017,875
Deferred tax expense		4,312,573	2,691,911
Profit after tax (PAT)		**826,146,466**	**174,430,078**
Earnings Per Share (EPS)			
Basic	45.00	**3.07**	**0.65**

The accompanying policies and explanatory notes 1-46 form an integral part of the financial statements.

Director | **CEO & Director** | **Company Secretary**

Signed as per our separate report of same date.

Place : Dhaka
Date : February 13, 2018

Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

Particulars	Share Capital	Share Premium	General Reserve	Retained Earnings	Total
Balance at January 01, 2016	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	-	-	(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**	**486,603,332**	**4,180,794,512**
Changes in equity for 2017					
Total comprehensive income for the year	-	-	-	826,146,466	826,146,466
Stock dividend	244,573,030	-	-	(244,573,030)	-
Interim cash dividend	-	-	-	(269,030,332)	(269,030,332)
Transfer to general reserve	-	-	4,227,921	(4,227,921)	-
Balance at December 31, 2017	**2,690,303,320**	**1,200,000,000**	**52,688,811**	**794,918,515**	**4,737,910,646**

Director | **CEO & Director** | **Company Secretary**

Signed as per our separate report of same date.

Place : Dhaka
Date : February 13, 2018

Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED
STATEMENT OF CASH FLOWS
For the year ended December 31, 2017

Particulars	Amount In Taka	
	31.12.2017	31.12.2016
Cash Flows from Operating Activities	1,134,600,280	535,442,759
Brokerage income	594,393,383	453,701,992
Interest Income	307,448,514	126,525,938
Capital gain from investment in shares	45,698,624	69,625,422
Cash dividend income	22,165,655	21,868,901
Other operational income	10,865,031	11,026,929
Non-operating Income	(222,520,246)	163,389,274
DSE/CSE (payment)/received	(44,146,541)	(21,089,456)
Payment to CDBL	(24,499,130)	(79,330,065)
Gratuity Payment	(527,976,656)	(415,178,043)
Operating expenses	**1,296,028,913**	**865,983,651**
Other Operating Activities		
Advance, deposits & prepayments	(34,662,746)	(16,966,838)
Income Tax paid	(240,342,083)	(106,722,378)
	(275,004,830)	**(123,689,217)**
Net cash used in operating activities	**1,021,024,084**	**742,294,434**
Cash Flows from Investing Activities		
Investment in Shares	(154,067,289)	(359,117,206)
Margin loan to clients	(1,092,474,886)	575,926,114
Leased assets	(4,097,118)	(3,437,159)
Sale of fixed assets	3,027,000	1,100,000
Acquisition of fixed assets	(102,682,875)	(24,376,229)
Net Cash used in Investing Activities	**(1,350,295,168)**	**190,095,519**
Cash Flows from Financing Activities		
Long Term Loan from Bank & Other Institutions	700,000,000	334,392,715
Zero Cupon Bond	(111,753,213)	398,063,088
Repayment of Loan	(365,392,982)	(602,886,829)
Interim Cash dividend	(267,224,457)	(436,243,529)
Interest payment	(293,140,043)	(96,293,287)
Clients deposit/(withdrawals)	(187,549,296)	1,079,832,709
Short term Loan	695,479,862	(358,394,959)
Net Cash flow from Financing Activities	**170,419,871**	**318,469,907**
Net increase in Cash and Cash Equivalents	(158,851,213)	1,250,859,861
Cash & Cash Equivalent as on January 01, 2017	1,881,289,035	630,429,174
Cash & Cash Equivalent as on December 31, 2017	**1,722,437,821**	**1,881,289,035**

Director **CEO & Director** **Company Secretary**

Signed as per our separate report of same date.

Place : Dhaka
Date : February 13, 2018

Ahmed Zaker & Co.
Chartered Accountants

LANKABANGLA SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2017

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 2017 LankaBangla Securities Limited has 02 (Two) subsidiaries company to include for preparation of consolidated financial statements as per International Financial Reporting Standard (IFRS) 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 Profit or Loss and Other 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 International Financial Reporting Standards (IFRS's) including International Accounting Standards (IASs) 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 International Financial Reporting Standard (IFRS) 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

The Board of Directors accorded its approval and authorized these financial statements on 13 February, 2018.

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 International Accounting Standard (IAS) 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 International Accounting Standard (IAS) 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 International Accounting Standard (IAS) 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 International Accounting Standards (IAS) 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 International Accounting Standard (IAS) 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 International Accounting Standard (IAS) 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 International Accounting Standard (IAS) 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 International Accounting Standards (IAS)-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 International Accounting Standard (IAS)-10 "Event after the Balance Sheet Date.

Interim Cash Dividend

The Board of Directors in their meeting held on June 01, 2017 recommended 01 and paid 10% interim cash dividend to the shareholders of the company.

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, 2017. 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 International Accounting Standards (IASs):

The Financial Statements have been prepared in compliance with requirement of IAS as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and applicable in Bangladesh. The following IASs are applicable for the financial statements for the period under review:

IAS- 1 Presentation of Financial Statements
IAS- 7 Statement of Cash Flows
IAS- 8 Accounting Policies, Changes in Accounting Estimates and Errors
IAS- 10 Events after the Reporting Period
IAS- 12 Income Taxes
IAS- 16 Property, Plant and Equipment
IAS- 17 Leases
IAS- 18 Revenue
IAS- 19 Employees Benefit
IAS- 23 Borrowing Cost
IAS- 24 Related Party Disclosure
IAS- 32 Financial Instruments Presentation
IAS- 37 Provisions, Contingent Liabilities and Contingent Assets
IAS- 39 Financial Instruments : Recognition and Measurement
IFRS- 7 Financial Instruments : Disclosures
IFRS- 10 Consolidated Financial Statements
IFRS- 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	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
4.00	**Property, Plant & Equipment**				
	Cost:				
	Opening balance	402,156,581	391,330,257	353,218,364	342,315,050
	Add: Addition during the year	300,888,952	32,760,764	299,892,875	24,376,229
		703,045,533	**424,091,021**	**653,111,239**	**366,691,279**
	Less: Disposal during the year	8,967,495	21,934,440	8,812,495	13,472,915
	Closing balance	**694,078,039**	**402,156,581**	**644,298,745**	**353,218,364**
	Depreciation:				
	Opening balance	233,542,555	222,453,358	204,902,450	193,811,439
	Add: Charged during the year	37,959,199	29,810,246	33,190,913	24,219,536
		271,501,755	**252,263,604**	**238,093,364**	**218,030,975**
	Less: Adjustment made during the year	8,781,628	18,721,048	8,667,260	13,128,524
	Accumulated depreciation	**262,720,127**	**233,542,555**	**229,426,104**	**204,902,450**
	Carrying amount	**431,357,912**	**168,614,026**	**414,872,640**	**148,315,914**
	A schedule of property, Plant & Equipment is given in **Annexure-A**				
5.00	**Long term loan to employees**				
	Staff transport loan	25,241,094	20,397,550	25,241,094	20,397,550
	Loan against salary	1,918,157	3,686,359	1,918,157	3,686,359
		27,159,251	**24,083,909**	**27,159,251**	**24,083,909**
6.00	**Investment**				
	Investment in equity of unlisted company (Note-6.01)	133,064,080	101,606,000	452,062,080	420,604,000
	Investment in equity of strategic company (Note-6.02)	1,488,421,588	1,394,283,918	1,488,421,588	1,394,283,918
		1,621,485,668	**1,495,889,918**	**1,940,483,668**	**1,814,887,918**
6.01	**Investment in equity of unlisted company**				
	Particulars				
	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
	Bengal Meat Processing Industries Limited	50,000,000	-	50,000,000	-
	Al-Arafah Shariah Unit Fund	60,000,000	-	60,000,000	-
	Bashundhara Paper Mills	3,458,080		3,458,080	
	Pacific Denims Limited	-	30,000,000	-	30,000,000
	BizBangla Media Limited	-	-	318,000,000	318,000,000
		133,064,080	**101,606,000**	**452,062,080**	**420,604,000**

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 demutualization 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	10
		2,572,398	10
		4,287,330	

Valuation of membership has been shown at cost in the financial statements.

Amount in Taka

		Consolidated		Separate	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
6.02	**Investment in equity of strategic company**				
	Engineering	-	94,683,662	-	94,683,662
	IT	23,564,676	23,565,216	23,564,676	23,565,216
	Textiles	319,872,838	319,872,838	319,872,838	319,872,838
	Non Banking Financial Institution	335,912,204	335,912,204	335,912,204	335,912,204
	Pharmaceuticals & Chemical	38,461,538	44,076,462	38,461,538	44,076,462
	Mutual Fund	9,139,000	9,139,000	9,139,000	9,139,000
	Insurance	433,147,206	341,057,226	433,147,206	341,057,226
	Bank	328,324,125	225,977,311	328,324,125	225,977,311
		1,488,421,588	**1,394,283,918**	**1,488,421,588**	**1,394,283,918**
7.00	**Advances, Deposits and Prepayments**				
	Advances				
	Office rent	35,280,549	10,791,248	35,280,549	10,791,248
	Advance for Bank guarantee margin	163,706	1,058,401	163,706	1,058,401
	Advance against floor purchase	-	191,968,000	-	191,968,000
	BizBangla Media Limited	-	-	82,000,000	75,000,000
	Advance against expenses	5,955,086	1,351,323	4,791,278	40,001
		41,399,341	**205,168,972**	**122,235,533**	**278,857,650**
	Deposits				
	Clearing house	25,000	25,000	25,000	25,000
	Lease Deposit	2,277,772	374,702	2,277,772	374,702
	Loan Deposit	-	8,752,870	-	8,752,870
	PCS Bangladesh (Pvt.) Ltd.	64,000	64,000	64,000	64,000
	Jai Jai Din Printers	500,000	500,000	-	-
	Md. Abdur Roup Hayder	-	648,510	-	-
	Security deposit with agencies	270,069	497,568	-	-
	Security deposit with CDBL	102,500	102,500	102,500	102,500
	Security deposit for office space	5,263,454	3,464,160	3,299,220	2,458,350
		8,502,795	**14,429,310**	**5,768,492**	**11,777,422**
	Prepayments				
	Group and health insurance	3,426,268	2,227,261	3,426,268	2,227,261
	Insurance for office equipment	832,099	293,662	832,099	293,662
	Insurance for motor vehicle	218,595	150,977	218,595	150,977
		4,476,962	**2,671,900**	4,476,962	**2,671,900**
		54,379,097	**222,270,181**	**132,480,986**	**293,306,972**
8.00	**Advance Income Tax**				
	Opening Balalce	108,356,776	-	106,722,378	-
	Add: Paid during year				
	Advance tax	41,122,896	3,755,210	40,926,054	3,735,025
	Advance tax deducted at source	21,104,249	21,150,591	19,506,417	19,536,378
	Tax deducted at source on turnover	179,909,613	83,450,975	179,909,613	83,450,975
		242,136,758	108,356,776	240,342,083	106,722,378
		350,493,534	**108,356,776**	**347,064,462**	**106,722,378**
	Less: Adjusment during the year	-	-	-	-
		350,493,534	**108,356,776**	**347,064,462**	**106,722,378**
9.00	**Investments**				
	Investment in listed securities (Note-9.01)	861,276,061	834,041,599	861,276,061	834,041,599
	Fixed deposits receipt (FDR) (Note-9.02)	41,579,105	40,291,447	40,471,436	39,234,358
		902,855,166	**874,333,046**	**901,747,497**	**873,275,957**

Amount in Taka

		Consolidated		Separate	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
9.01	**Investment in listed securities**				
	Pharmaceuticals & Chemical	377,263,667	301,769,116	377,263,667	301,769,116
	Cement	-	5,953,962	-	5,953,962
	Fuel Power	421,806,232	350,928,067	421,806,232	350,928,067
	Tannery	50,094,868	113,558,147	50,094,868	113,558,147
	Non Banking Financial Institution	-	46,000,000	-	46,000,000
	Miscellaneous	-	111,003	-	111,003
	Engineering	127,046	-	127,046	-
	Food Allied	2,605,507	109,090	2,605,507	109,090
	Insurance	8,866,000	8,866,000	8,866,000	8,866,000
	Mutual Fund	499,982	6,789,080	499,982	6,789,080
	Cash form	12,758	(42,867)	12,758	(42,867)
		861,276,061	**834,041,599**	**861,276,061**	**834,041,599**
9.02	**Fixed deposit receipts (FDR)**				
	FDR with Standard Chartered Bank	40,471,436	39,234,358	40,471,436	39,234,358
	FDR with One Bank Limited	1,107,669	1,057,089	-	-
		41,579,105	**40,291,447**	**40,471,436**	**39,234,358**
10.00	**Inventories**				
	Newspaper	522,315	157,650	-	-
	P. S plate	11,200	38,000	-	-
	Polyester film	23,205	23,290	-	-
		556,720	**218,940**	**-**	**-**
11.00	**Current portion of loans and advances**				
	Loan Against Salary	2,890,108	9,600,816	2,515,430	9,600,816
	Staff Transport Loan	10,948,064	4,128,146	10,948,064	3,417,288
		13,838,172	**13,728,962**	**13,463,494**	**13,018,104**
12.00	**Accounts receivable**				
	Receivable from clients (Note - 12.01)	5,383,462,265	4,920,226,241	5,279,744,447	4,846,916,119
	Receivable from DSE & CSE (Note - 12.02)	46,241,107	33,128,113	46,241,107	33,128,113
		5,429,703,372	**4,953,354,354**	**5,325,985,554**	**4,880,044,232**
12.01	**Receivable from clients**				
	Chittagong Stock Exchange Limited	-	836,677	-	836,677
	LankaBangla Investments Ltd.	-	98,014,857	-	98,014,857
	Sundry debtors against advertisement	97,823,773	68,116,232	-	-
	Sundry debtors against circulation	5,894,045	5,193,890	-	-
	Cash dividend receivalbe	10,863,454	-	10,863,454	-
	Other clients	5,268,880,993	4,748,064,585	5,268,880,993	4,748,064,585
		5,383,462,265	**4,920,226,241**	**5,279,744,447**	**4,846,916,119**
	Other clients				
	Other clients includes receivable from share trading.				
12.02	**Receivable from DSE & CSE**				
	ABG&N	-	-	-	-
	ABG&N	7,209,109	-	7,209,109	-
	ABG&N (Spot)	-	-	-	-
	Z	3,898,800	2,446,440	3,898,800	2,446,440
	Z	6,739,740	2,703,830	6,739,740	2,703,830
	Z	3,490,527	2,930,042	3,490,527	2,930,042
	Z	1,776,114	769,154	1,776,114	769,154
	Z	4,811,793	2,462,901	4,811,793	2,462,901
	Z	3,679,861	4,077,455	3,679,861	4,077,455
	Z	2,441,573	6,500,779	2,441,573	6,500,779
	Z	2,820,248	5,043,933	2,820,248	5,043,933
	Z	7,495,545	3,726,102	7,495,545	3,726,102
	Total DSE	**44,363,309**	**30,660,637**	**44,363,309**	**30,660,637**

Amount in Taka

		Consolidated		Separate	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
	ABG&N	-	-	-	-
	ABG&N (Spot)	-	-	-	-
	Z	357,402	281,840	357,402	281,840
	Z	110,024	155,353	110,024	155,353
	Z	75,683	96,266	75,683	96,266
	Z	206,696	101,891	206,696	101,891
	Z	644,472	25,184	644,472	25,184
	Z	106,723	116,034	106,723	116,034
	Z	109,599	297,510	109,599	297,510
	Z	179,570	71,557	179,570	71,557
	Z	87,629	1,321,842	87,629	1,321,842
	Total CSE	**1,877,798**	**2,467,477**	**1,877,798**	**2,467,477**
	Grand Total DSE & CSE	**46,241,107**	**33,128,113**	**46,241,107**	**33,128,113**
13.00	**Cash and Cash Equivalents**				
	Cash in hand	131,456	460,205	85,470	445,544
	Cash at bank (Notes 13.01)	1,725,271,566	1,882,840,014	1,722,352,351	1,880,843,491
		1,725,403,022	**1,883,300,219**	**1,722,437,821**	**1,881,289,035**
13.01	**Cash at Bank /NBFI**				
	Standard Chartered Bank	238,702,968	33,191,736	238,268,159	33,191,736
	ONE Bank Limited	1,437,671,718	1,811,225,945	1,435,624,896	1,809,383,226
	Commercial Bank of Ceylon	45,480,214	37,689,297	45,480,214	37,689,297
	Shahajalal Islami Bank limited	1,026,956	167,867	1,026,956	167,867
	South Bangla Agriculture & Commerce Bank	52,305	383,542	52,305	383,542
	Standard Bank Limited	126,475	100,516	-	-
	Bangladesh Development Bank Ltd	28,463	49,463	-	-
	National Credit and Commerce Bank Ltd	1,726,523	24,976	1,726,523	21,151
	Uttara Bank Limited	5,000	-	-	-
	Sonali Bank Limited	277,646	-	-	-
	Midland Bank Limited	169,540	1,419	169,540	1,419
	Meghna Bank Limited	3,757	5,252	3,757	5,252
		1,725,271,566	**1,882,840,014**	**1,722,352,351**	**1,880,843,491**
14.00	**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	**2,690,303,320**	**2,445,730,290**	**2,690,303,320**	**2,445,730,290**
	269,030,332 ordinary shares of Taka 10 each fully paid	**2,690,303,320**	**2,445,730,290**	**2,690,303,320**	**2,445,730,290**
	Detail of Shareholding Position of the Company				
	Name of the Sponsor & Directors Shareholders		**No. of Shares**		
	LankaBangla Finance Ltd.		244,573,260	2,445,732,600	2,223,392,790
	Mr. Mohammad A. Moyeen		122,290	1,222,900	1,111,740
	Mr. Mahbubul Anam		119,841	1,198,410	1,089,470
	Mr. B W Kundanmal		2	20	20
	Mr. Mohammed Nasiruddin Chowdhury		2,797	27,970	25,430
			244,818,190	2,448,181,900	2,225,619,450
	General Shareholders		24,212,142	242,121,420	220,110,840
			269,030,332	**2,690,303,320**	**2,445,730,290**
15.00	**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**

Amount in Taka

		Consolidated		Separate	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
16.00	**General Reserve**				
	Opening balance	48,460,890	55,943,075	48,460,890	55,943,075
	Add: Addition during the year	4,227,921	-	4,227,921	-
		52,688,811	**55,943,075**	**52,688,811**	**55,943,075**
	Less: Adjustment during the year	-	7,482,185	-	7,482,185
	Closing balance	**52,688,811**	**48,460,890**	**52,688,811**	**48,460,890**

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.

17.00	**Long Term Loan**				
	Opening balance	594,301,425	825,150,538	594,301,425	825,150,538
	Add: Drawdown during the year	700,000,000	334,392,715	700,000,000	334,392,715
		1,294,301,425	**1,159,543,253**	**1,294,301,425**	**1,159,543,253**
	Less: Payment during the year	56,169,525	256,018,372	56,169,525	256,018,372
	Less: Conversion to Short term	391,627,062	309,223,456	391,627,062	309,223,456
	Closing balance	**846,504,838**	**594,301,425**	**846,504,838**	**594,301,425**
	Detail of long term portion of the above balance is presented below:				
	Shahjalal Islami Bank Limited	12,615,117	41,478,597	12,615,117	41,478,597
	Shahjalal Islami Bank Limited 2	40,713,319	-	40,713,319	-
	LankaBangla Finance Limited	168,257,969	207,989,116	168,257,969	207,989,116
	South Bangla Agriculture & Commerce Bank Ltd	67,366,581	140,846,149	67,366,581	140,846,149
	South Bangla Agriculture & Commerce Bank Ltd 2	55,689,831	103,736,757	55,689,831	103,736,757
	South Bangla Agriculture & Commerce Bank Ltd 3	38,965,260	60,333,300	38,965,260	60,333,300
	South Bangla Agriculture & Commerce Bank Ltd 4	143,317,481	-	143,317,481	-
	Standard Bank Limited	141,208,887	-	141,208,887	-
	Phonix Finance ltd	147,563,678	-	147,563,678	-
	Midland Bank Limited	30,806,715	39,917,505	30,806,715	39,917,505
	Sub total	**846,504,838**	**594,301,425**	**846,504,838**	**594,301,425**

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	414,872,645	394,859,835	20,012,810
Total	**414,872,645**	**394,859,835**	**20,012,810**
Applicable Tax Rate		35%	
Deferred Tax Liability/(Asset)		7,004,484	
Deferred Tax Liabilities as on 31st December 2017		**7,004,484**	**-**

19.00	**Finance lease obligation**				
	Opening balance	1,911,106	5,683,353	-	4,728,179
	Add: Addition during the year	5,242,000	2,060,000	5,242,000	-
		7,153,106	**7,743,353**	**5,242,000**	**4,728,179**
	Less: Conversion to Short term	1,957,686	5,832,247	1,000,787	4,728,179
	Closing Balance	**5,195,419**	**1,911,106**	**4,241,213**	**-**
20.00	**Accounts payable**				
	Payable to clients (Note-20.01)	1,483,355,222	1,668,140,870	1,478,492,701	1,666,041,997
	Payable to DSE and CSE (Note - 20.02)	51,620,807	177,154,351	51,620,807	177,154,351
	Accrued expenses (Note - 20.03)	92,812,882	34,646,005	80,546,708	26,900,332
		1,627,788,911	**1,879,941,226**	**1,610,660,216**	**1,870,096,680**

Amount in Taka

		Consolidated		Separate	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
20.01	**Payable to Clients**				
	Payable for IPO clients	700,000	690,110,000	700,000	690,110,000
	IDLC of Bangladesh Ltd	147,518	1,616,650	147,518	1,616,650
	LankaBangla Investments Ltd.	78,039,822	-	78,039,822	-
	Prattashee Traders	564,137	562,989	-	-
	Reaz Enterprize	3,031,464	-	-	-
	Jai Jai Din Printers	1,266,920	1,535,884	-	-
	Payable suspense	1,000,500	-	1,000,500	-
	Other client	1,398,604,861	974,315,347	1,398,604,861	974,315,347
		1,483,355,222	**1,668,140,870**	**1,478,492,701**	**1,666,041,997**
	Other Clients				
	Other clients includes payable from share trading.				
20.02	**Payable to DSE & CSE**				
	ABG&N	464,686	155,372,001	464,686	155,372,001
	Z	6,152,713	4,964,729	6,152,713	4,964,729
	Total DSE	**6,617,399**	160,336,729	**6,617,399**	160,336,729
	ABG&N	44,522,623	15,938,133	44,522,623	15,938,133
	Z	480,786	879,489	480,786	879,489
	Total CSE	**45,003,409**	**16,817,622**	**45,003,409**	**16,817,622**
	Grand Total DSE & CSE	**51,620,807**	**177,154,351**	**51,620,807**	**177,154,351**
20.03	**Accrued Expenses**				
	Telephone bill	114,321	90,580	74,878	66,717
	Electricity bill	1,201,280	993,491	957,827	800,484
	Office rent	3,706,883	2,555,116	2,240,978	1,533,063
	Printing & stationeries	529,637	609,450	529,637	609,450
	News paper and periodicals	49,226	58,300	-	-
	Office maintenance	832,285	579,143	581,710	362,351
	Vehicle maintenance	142,700	107,185	-	-
	Water and sewerage bill	118,914	99,397	118,914	99,397
	Audit fees	259,730	327,750	144,730	258,750
	Legal and professional fees	126,000	126,000	-	-
	News agency service charge	667,361	723,413	-	-
	Incentive	73,465,591	20,016,897	73,465,591	20,016,897
	Contribution to provident fund	7,180,059	2,623,715	-	-
	Honorarium	1,986,452	2,553,345	-	-
	Salaries & Allowances	40,000	51,830	40,000	22,830
	CDBL charges	2,392,444	3,130,392	2,392,444	3,130,392
		92,812,882	**34,646,005**	**80,546,708**	**26,900,332**
21.00	**Short Term Loan**				
	Opening Balance	1,458,192,316	1,793,700,833	1,435,305,874	1,793,700,833
	Loan taken during the year	714,938,493	-	695,479,862	-
		2,173,130,809	**1,793,700,833**	**2,130,785,736**	**1,793,700,833**
	Re-scheduled/repayment during the year	-	335,508,517	-	358,394,959
	Closing Balance	**2,173,130,809**	**1,458,192,316**	**2,130,785,736**	**1,435,305,874**
	Detail of the above balance is presented below:				
	Loan taken as a short term				
	One Bank Limited	712,173,106	612,786,442	669,828,032	589,900,000
	Standard Chartered Bank	392,582,122	387,266,405	392,582,122	387,266,405
	Shahjalal Islami Bank Limited	98,491,305	100,919,167	98,491,305	100,919,167
	Midland Bank Limited	102,766,955	102,827,789	102,766,955	102,827,789
	United Finance Limited	255,937,500	254,375,000	255,937,500	254,375,000
	South Bangla Agriculture & Commerce Bank Ltd	205,400,680	17,513	205,400,680	17,513
	Hajj Finance Limited	201,134,697	-	201,134,697	-
	Phonix Finance ltd	204,644,444	-	204,644,444	-
	Sub total	**2,173,130,809**	**1,458,192,316**	**2,130,785,736**	**1,435,305,874**

Amount in Taka

		Consolidated		Separate	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
22.00	**Provision for Current Tax**				
	Opening Balance	131,526,247	20,797,427	130,954,733	20,936,859
	Add: Provision during the year	288,059,813	110,728,820	287,138,130	110,017,875
		419,586,060	**131,526,247**	**418,092,863**	**130,954,733**
	Less: Adjustment during the year	-	-	-	-
		419,586,060	**131,526,247**	**418,092,863**	**130,954,733**
23.00	**Current portion of lease obligation**				
	Opening balance	5,469,408	3,668,537	4,664,963	3,373,943
	Add: Conversion from Long Term	1,957,686	5,832,247	1,000,787	4,728,179
		7,427,094	**9,500,784**	**5,665,750**	**8,102,122**
	Less: Paid during the year	4,934,313	4,031,376	4,097,118	3,437,159
	Closing balance	**2,492,781**	**5,469,408**	**1,568,632**	**4,664,963**
24.00	**Current portion of term loan**				
	Opening balance	309,223,456	346,868,458	309,223,456	346,868,458
	Add: Conversion from Long Term	391,627,062	309,223,456	391,627,062	309,223,456
		700,850,518	**656,091,914**	**700,850,518**	**656,091,914**
	Less: Paid during the year	309,223,456	346,868,458	309,223,456	346,868,458
	Closing balance	**391,627,062**	**309,223,456**	**391,627,062**	**309,223,456**
	Detail current portion of long term loan above balance is presented below:				
	Shahjalal Islami Bank Limited	42,027,167	58,723,011	42,027,167	58,723,011
	Shahjalal Islami Bank Limited 2	8,466,661		8,466,661	
	LankaBangla Finance Limited	39,160,309	33,678,038	39,160,309	33,678,038
	South Bangla Agriculture & Commerce Bank Ltd	74,191,273	67,062,060	74,191,273	67,062,060
	South Bangla Agriculture & Commerce Bank Ltd 2	48,590,068	43,962,091	48,590,068	43,962,091
	South Bangla Agriculture & Commerce Bank Ltd 3	22,832,133	21,010,306	22,832,133	21,010,306
	South Bangla Agriculture & Commerce Bank Ltd 4	33,905,979	-	33,905,979	-
	One Bank Limited	-	75,449,998	-	75,449,998
	Standard Bank Limited	78,371,001	-	78,371,001	-
	Phonix Finance ltd	34,119,632	-	34,119,632	-
	Midland Bank Limited	9,962,839	9,337,953	9,962,839	9,337,953
	Sub total	**391,627,062**	**309,223,456**	**391,627,062**	**309,223,456**
25.00	**Provision for negative equity & others**				
	Provision for negative equity (Note-25.01)	149,970,230	184,419,523	149,970,230	184,419,523
	Diminution value of investment (Note-25.02)	-	76,109,546	-	76,109,546
		149,970,230	**260,529,069**	**149,970,230**	**260,529,069**
25.01	**Provision for negative equity**				
	Opening balance	184,419,523	355,884,791	184,419,523	355,884,791
	Add: Addition during the year*	-	-	-	-
		184,419,523	**355,884,791**	**184,419,523**	**355,884,791**
	Less: Write off during the year	34,449,293	171,465,268	34,449,293	171,465,268
	Closing balance	**149,970,230**	**184,419,523**	**149,970,230**	**184,419,523**
25.02	**Diminution value of investment**				
	Opening balance	76,109,546	68,618,678	76,109,546	68,618,678
	Add: Addition during the year	-	7,490,868	-	7,490,868
		76,109,546	**76,109,546**	**76,109,546**	**76,109,546**
	Less: Adjustment during the year	76,109,546	-	76,109,546	-
	Closing balance	**-**	**76,109,546**	**-**	**76,109,546**
26.00	**Interest Suspense**				
	Opening balance	810,164,046	810,164,046	810,164,046	810,164,046
	Add: Addition during the year	-	-	-	-
		810,164,046	**810,164,046**	**810,164,046**	**810,164,046**
	Less: Write off during the year	636,060,718	-	636,060,718	-
	Closing balance	**174,103,328**	**810,164,046**	**174,103,328**	**810,164,046**

Amount in Taka

	Consolidated		Separate	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
27.00 Other Liabilities				
Interest on short term loan	41,062,957	18,474,413	41,062,957	18,474,413
Liabilities for other expenses	4,265,357	3,062,163	3,787,123	2,346,250
Brokerage sharing	6,105,019	11,711,172	6,105,019	11,711,172
Liabilities for security deposit	72,608	72,608	-	-
Premium brokerage service	3,620,833	1,801,481	3,620,833	1,801,481
LB Foundation	8,344,914	1,761,454	8,344,914	1,761,454
Cash dividend payable	2,941,013	-	2,941,013	-
Tax and VAT deducted at source	593,261	570,587	-	-
Un-claimed cash dividend	1,987,307	3,122,445	1,987,307	3,122,445
	68,993,269	**40,576,323**	**67,849,166**	**39,217,215**

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Amount in Taka

		Consolidated		Separate	
		2017	2016	2017	2016
28.00	**Interest income**				
	Interest on debit balance of clients	495,894,420	401,494,843	495,894,420	401,494,843
	Interest on bank deposit (Note-28.01)	98,466,339	51,697,423	98,369,326	51,550,052
		594,360,758	**453,192,265**	**594,263,745**	**453,044,894**
28.01	**Interest Income**				
	Interest on Bank Deposit				
	One Bank Limited	94,865,050	49,768,925	94,768,037	49,621,554
	Commercial Bank of Ceylon	331,551	296,252	331,551	296,252
	National Credit and Commerce Bank Ltd	1,926,414	25,061	1,926,414	25,061
	South Bangla Agriculture & Commerce Bank	48,145	23,690	48,145	23,690
	Shahajalal Islami Bank limited	-	208	-	208
	Midland Bank Limited	32,541	555	32,541	555
	Interest on FDR	1,262,638	1,582,732	1,262,638	1,582,732
		98,466,339	**51,697,423**	**98,369,326**	**51,550,052**
29.00	**Income from investment**				
	Capital gain from shares investment (Note-29.01)	307,448,514	126,525,938	307,448,514	126,525,938
	Dividend	56,562,077	69,625,422	56,562,077	69,625,422
		364,010,592	**196,151,360**	**364,010,592**	**196,151,360**
29.01	**Capital gain from shares investment**				
	Sales price of shares	2,550,140,826	936,566,086	2,550,140,826	936,566,086
	Less: Cost price of shares	2,242,671,446	809,932,799	2,242,671,446	809,932,799
		307,469,379	126,633,287	307,469,379	126,633,287
	Less: CDBL & Other charges	20,865	107,348	20,865	107,348
		307,448,514	**126,525,938**	**307,448,514**	**126,525,938**
30.00	**Brokerage income**				
	DSE	1,040,277,123	512,819,038	1,040,277,123	512,819,038
	CSE	94,323,157	43,746,828	94,323,157	43,746,828
		1,134,600,280	**556,565,866**	**1,134,600,280**	**556,565,866**
31.00	**Revenue from advertisement & circulation**				
	Revenue from advertisement	130,717,503	95,371,440	-	-
	Revenue from circulation	12,353,621	10,604,270	-	-
		143,071,124	**105,975,710**	-	-
32.00	**Other operational income**				
	Service charge from clients for CDBL	21,724,305	21,356,382	21,724,305	21,356,382
	Income from Research project	-	1,500,000	-	-
	Round table conference income	1,670,845	2,146,000	-	-
	Sponsorship income	5,872,157	1,943,043	-	-
	IT enable and Cloud services	1,031,672	1,067,650	-	-
	Scrap sales	3,133,984	2,537,144	299,900	414,719
	Monthly review	141,450	97,800	141,450	97,800
		33,574,413	**30,648,019**	**22,165,655**	**21,868,901**
33.00	**Interest expenses**				
	Interest on term loan	318,485,572	426,829,902	315,320,210	425,123,796
	Interest on lease finance	707,987	1,353,657	408,378	949,682
		319,193,558	**428,183,560**	**315,728,587**	**426,073,478**
34.00	**Other costs directly attributable to services**				
	Service charge paid to CDBL	43,408,593	22,105,199	43,408,593	22,105,199
	Material consumption	23,830,946	21,900,083	-	-
	Factory overhead	73,174,707	71,266,643	-	-
	Hawla charges	926,578	847,498	926,578	847,498
	Laga charges	82,947,130	38,156,413	82,947,130	38,156,413
		224,287,954	**154,275,836**	**127,282,301**	**61,109,110**
35.00	**Other non-operational income**				
	Income from office space rent	10,119,756	9,901,875	10,119,756	9,901,875
	Interest on loans and advances to employees	745,275	1,125,054	745,275	1,125,054
	Gain on disposal of fixed assets	3,095,568	2,392,165	3,027,000	1,100,000
		13,960,599	**13,419,094**	**13,892,031**	**12,126,929**

Amount in Taka

		Consolidated		Separate	
		2017	2016	2017	2016
36.00	**Salary and allowances**				
	Salary and allowances	320,857,848	248,271,427	300,004,773	229,566,915
	Provident fund contribution	14,123,917	11,200,204	13,780,094	10,867,639
	Gratuity	25,009,390	23,505,500	24,499,130	23,243,714
	Incentive	72,939,470	15,316,000	72,939,470	15,316,000
		432,930,625	**298,293,130**	**411,223,467**	**278,994,268**
37.00	**Rent, taxes, insurance, electricity etc.**				
	Office rent	45,739,952	37,827,511	42,247,182	34,353,592
	Insurance premium	7,171,762	6,443,538	6,413,310	5,647,411
	Electricity	8,479,984	7,841,670	7,289,455	6,678,448
		61,391,697	**52,112,720**	**55,949,947**	**46,679,451**
38.00	**Legal and professional fees**				
	Legal and professional fees	2,009,430	3,598,719	1,534,430	3,218,969
		2,009,430	**3,598,719**	**1,534,430**	**3,218,969**
39.00	**Postage, stamp, telecommunication etc.**				
	Postage and courier	366,269	213,759	326,287	190,672
	Telephone and mobile bill	5,136,823	4,727,302	4,813,358	4,374,651
		5,503,092	**4,941,061**	**5,139,645**	**4,565,323**
40.00	**Stationery, printing, advertisement**				
	Printing and stationery	10,245,884	7,383,714	8,924,416	6,110,701
	Advertisement	2,373,718	1,928,858	2,356,468	1,840,108
		12,619,602	**9,312,572**	**11,280,884**	**7,950,809**
41.00	**Director fees and expenses**				
	Director fees and expenses	845,250	915,839	845,250	915,839
		845,250	**915,839**	**845,250**	**915,839**
42.00	**Audit fees**				
	Audit fees	304,750	212,750	143,750	143,750
		304,750	**212,750**	**143,750**	**143,750**
43.00	**Repairs, maintenance and depreciation**				
	Repairs and maintenance	962,930	1,656,316	962,930	1,656,316
	Depreciation	35,575,056	27,014,891	33,190,913	24,219,536
		36,537,986	**28,671,207**	**34,153,843**	**25,875,852**
44.00	**Other expenses**				
	Training	2,137,750	1,017,762	2,121,653	727,844
	Membership and renewal fees	5,013,346	3,241,892	4,719,691	3,059,556
	Traveling and conveyance	3,977,336	3,010,306	3,561,674	2,809,132
	Internet and e-mail	12,118,841	11,840,701	11,266,258	11,107,752
	News paper and periodicals	911,313	935,572	197,727	166,229
	Fuel expenses	463,622	437,687	463,622	437,687
	Vehicle maintenance/Registration	27,138,363	20,324,473	25,621,198	18,921,405
	Water and sewerage bill	877,084	717,566	877,084	717,566
	Office maintenance	14,121,701	11,189,589	11,568,483	8,436,615
	Entertainment	7,233,920	6,354,913	6,688,897	5,768,685
	Business promotion	26,309,212	15,996,439	19,929,536	15,070,880
	Bank charges	1,262,154	1,360,598	1,150,421	1,278,566
	Loss on disposal of fixed assets	145,235	580,097	145,235	344,391
	AGM related expenses	68,467	40,000	68,467	40,000
	Documentation fees	992,794	109,420	992,794	109,420
	LB Foundation	8,344,914	1,761,454	8,344,914	1,761,454
	Software maintenance fee	6,873,725	5,841,494	6,873,725	5,841,494
	Subscription for Bloomberg & Portal	6,281,623	6,281,623	6,281,623	6,281,623
	Commission of bank guarantee	12,863,244	6,566,590	12,863,244	6,566,590
	Fair and conference	1,070,922	1,530,243	-	-
	Selling & distribution expenses	11,194,255	6,338,716	-	-
	Subscriptions	426,331	153,478	426,331	153,478
		149,826,152	**105,630,613**	**124,162,577**	**89,600,368**

Amount in Taka

	Consolidated		Separate	
	2017	2016	2017	2016
45.00 Earnings per Share (EPS):				
Net profit after Tax	821,864,830	148,846,554	826,146,466	174,430,078
Number of Ordinary Shares Outstanding	269,030,332	269,030,332	269,030,332	269,030,332
Earnings Per Share (EPS)	**3.05**	**0.55**	**3.07**	**0.65**

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 IAS-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	(241,667,154)	-	34,248,878	(207,418,276)
LankaBangla Investment Ltd.	Sponsor Shareholder	IP Accounts	98,014,857	-	(176,054,679)	(78,039,822)
BizBangla Media Limited	Subsidiary	Advances	75,000,000	7,000,000	-	82,000,000

LANKABANGLA SECURITIES LIMITED

Consolidated Schedule of Property, Plant & Equipment

For the year ended December 31, 2017

Annexure -A

Amount in Taka

Particulars	COST				Rate of Depreciation	DEPRECIATION				Carrying amount as on December 31, 2017
	Balance as on January 1, 2017	Additions during the year	Disposal during the year	Balance on December 31, 2017		Balance as on January 1, 2017	Charged during the year	Disposal during the year	Balance on December 31, 2017	
Building	106,454,150	237,249,700	-	343,703,850	2.5%	14,691,050	5,626,975	-	20,318,025	323,385,825
Furniture & Fixtures	12,277,923	8,157,468	195,623	20,239,768	10%	5,011,355	1,575,505	119,398	6,467,462	13,772,306
Office Equipment	84,396,084	19,729,053	1,999,377	102,125,760	20%	64,069,785	7,938,450	1,930,367	70,077,868	32,047,891
Data Center & Dr	73,280,677	439,000	-	73,719,677	30%	68,481,513	2,211,776	-	70,693,289	3,026,388
Office Renovation	75,550,920	25,989,507	2,326,505	99,213,922	20%	45,374,784	12,940,902	2,326,505	55,989,181	43,224,741
Motor Vehicle	11,194,670	2,620,000	155,000	13,659,670	20%	4,074,412	1,759,525	114,368	5,719,569	7,940,101
Software	6,774,168	1,462,224	-	8,236,392	33.33%	5,030,767	2,187,266	-	7,218,033	1,018,359
Leased Asset	32,227,990	5,242,000	4,290,990	33,179,000	20%	26,808,890	3,718,800	4,290,990	26,236,700	6,942,300
Total December 31, 2017	**402,156,581**	**300,888,952**	**8,967,495**	**694,078,039**		**233,542,555**	**37,959,199**	**8,781,628**	**262,720,127**	**431,357,912**
Total December 31,2016	**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**

LankaBangla Stock

LANKABANGLA SECURITIES LIMITED

Schedule of Property, Plant & Equipment

For the year ended December 31, 2017

Annexure -B

Amount in Taka

Particulars	COST				Rate of Depreciation	DEPRECIATION				Carrying amount as on December 31, 2017
	Balance as on January 1, 2017	Additions during the year	Disposal during the year	Balance on December 31, 2017		Balance as on January 1, 2017	Charged during the year	Disposal during the year	Balance on December 31, 2017	
Building	106,454,150	237,249,700	-	343,703,850	2.5%	14,691,050	5,626,975	-	20,318,025	323,385,825
Furniture & Fixtures	11,589,514	8,114,024	195,623	19,507,915	10%	4,817,761	1,521,679	119,398	6,220,043	13,287,872
Office Equipment	62,787,502	18,817,927	1,999,377	79,606,052	20%	50,244,848	6,199,496	1,930,367	54,513,977	25,092,074
Data Center & Dr	73,280,677	439,000	-	73,719,677	30%	68,481,513	2,211,776	-	70,693,289	3,026,388
Office Renovation	63,961,710	25,948,000	2,326,505	87,583,205	20%	38,026,716	12,084,372	2,326,505	47,784,583	39,798,622
Motor Vehicle	1,360,000	2,620,000	-	3,980,000	20%	408,000	534,000	-	942,000	3,038,000
Software	2,956,822	1,462,224	-	4,419,046	33.33%	1,927,673	1,473,015	-	3,400,688	1,018,358
Leased Asset	30,827,990	5,242,000	4,290,990	31,779,000	20%	26,304,889	3,539,600	4,290,990	25,553,499	6,225,501
Total December 31, 2017	**353,218,364**	**299,892,875**	**8,812,495**	**644,298,745**		**204,902,450**	**33,190,913**	**8,667,260**	**229,426,104**	**414,872,640**
Total December 31,2016	**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**

Lankabangla Securities Limited

LANKABANGLA SECURITIES LIMITED
STATEMENT FINANCIAL POSITION
As at December 31, 2017

Particulars	Notes	Amount In Taka			
		31.12.2017	31.12.2016	Budget 2017	Variance %
Revenue					
Interest Income	28	594,263,745	453,044,894	511,009,686	16.29
Income from investment	29	364,010,592	196,151,360	244,143,121	49.10
Brokerage income	30	1,134,600,280	556,565,866	1,345,975,968	(15.70)
Other operational income	32	22,165,655	21,868,901	15,656,545	41.57
Total Revenue		**2,115,040,272**	**1,227,631,021**	**2,116,785,321**	**(0.08)**
Cost of services		**(443,010,888)**	**(487,182,588)**	**(528,731,192)**	**(16.21)**
Interest expenses	33	315,728,587	426,073,478	373,914,782	(15.56)
Other costs directly attributable to services	34	127,282,301	61,109,110	154,816,410	(17.79)
Gross profit		**1,672,029,384**	**740,448,433**	**1,588,054,129**	**5.29**
Other non-operational income	35	13,892,031	12,126,929	11,754,500	18.18
Operating expenses		**(644,433,792)**	**(457,944,630)**	**(559,157,513)**	**15.25**
Salary and allowances	36	411,223,467	278,994,268	352,136,420	16.78
Rent, taxes, insurance, electricity etc.	37	55,949,947	46,679,451	54,195,878	3.24
Legal & professional fees	38	1,534,430	3,218,969	1,500,000	2.30
Postage, stamp, telecommunication etc.	39	5,139,645	4,565,323	5,614,557	(8.46)
Stationery, printing, advertisement	40	11,280,884	7,950,809	12,234,995	(7.80)
Director fees and expenses	41	845,250	915,839	1,035,000	(18.33)
Audit fees	42	143,750	143,750	143,753	(0.00)
Repairs, maintenance and depreciation	43	34,153,843	25,875,852	26,374,881	29.49
Other expenses	44	124,162,577	89,600,368	105,922,029	17.22
Operating profit before provisions		**1,041,487,623**	**294,630,732**	**1,040,651,116**	**0.08**
Other Provisions		**76,109,546**	**(7,490,868)**	**-**	**-**
For diminution in value of investment		(76,109,546)	7,490,868	-	-
Profit before tax (PBT)		**1,117,597,169**	**287,139,864**	**1,040,651,116**	**7.39**
Income tax income/ (expense)		**(291,450,703)**	**(112,709,786)**	**(302,678,146)**	**(3.71)**
Current tax expense		287,138,130	110,017,875	297,678,146	(3.54)
Deferred tax expense		4,312,573	2,691,911	5,000,000	(13.75)
Profit after tax (PAT)		**826,146,466**	**174,430,078**	**737,972,970**	**11.95**
Earnings Per Share (EPS)					
Basic	45	3.07	0.65	2.74	11.95

LANKABANGLA INVESTMENTS LIMITED



lankabangla.com

UHY Syful Shamsul Alam & Co
Chartered Accountants

Corporate Office:
Paramount Heights (Level-6),
65/2/1, Box Culvert Road,
Purana Paltan, Dhaka-1000
Bangladesh

Phone :+880-2-9555915
+880-2-9515431
+880-2-9515491
Fax :+880-2-9560332
E-mail :ssac@ssacbd.com
Web :www.ssacbd.com

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 2017, 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.

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' 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 2017 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
Date: 13 February 2018

Syful Shamsul Alam & Co.
Chartered Accountants

LANKABANGLA INVESTMENTS LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	Amount In Taka	
		31.12.2017	31.12.2016
Assets			
Non-current assets			
Property, plant and equipment	4	10,958,350	11,490,014
Intangible assets	5	125,669	178,334
Investments	6	205,359,352	286,364,785
Deferred tax asset	20	-	-
Other non-current assets	7	3,815,254	2,431,064
Total non-current assets		**220,258,625**	**300,464,197**
Current assets			
Margin loan	8	1,915,459,376	2,473,812,503
Advances, deposits and prepayments	9.02	30,819,495	53,720,819
Investments	10	464,583,185	207,084,447
Accounts receivable	11	120,468,243	37,946,133
Cash and cash equivalents	12	237,698,683	177,739,112
Total current assets		**2,769,028,984**	**2,950,303,014**
Total assets		**2,989,287,609**	**3,250,767,211**
Equity and liabilities			
Equity			
Share capital	13	1,670,000,000	1,670,000,000
Retained earnings		(1,223,889,794)	(1,228,250,642)
Total equity		**446,110,206**	**441,749,358**
Liabilities			
Non current liabilities			
Non Current Portion of Term loan	14.01	-	-
Defined benefit obligations (gratuity)	15	10,383,654	7,097,964
Total non-current liabilities		**10,383,654**	**7,097,964**
Current liabilities			
Accounts payable	16	86,127,246	107,405,706
Short term loans	17	2,390,752,778	2,525,206,559
Current portion of term loan	18	-	10,789,043
Provision for current tax	19	14,533,934	19,079,642
Provision for margin loan & others	21	41,086,016	138,910,361
Other liabilities	22	293,777	528,578
Total current liabilities		**2,532,793,750**	**2,801,919,889**
Total liabilities		**2,543,177,404**	**2,809,017,853**
Total equity and liabilities		**2,989,287,609**	**3,250,767,211**

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
Date: 13 February 2018

Syful Shamsul Alam & Co.
Chartered Accountants

LANKABANGLA INVESTMENTS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

Revenue		**375,546,995**	**256,698,651**
Interest income	23	126,936,747	97,960,075
Income from investment	24	142,599,682	67,043,121
Fee based income	25	102,010,307	90,556,451
Other operational income	26	4,000,258	1,139,004
Cost of services		**253,076,875**	**301,799,703**
Interest expenses	27	249,724,821	298,517,275
Other costs directly attributable to services	28	3,352,054	3,282,428
Gross profit/(loss)		**122,470,120**	**(45,101,051)**
Other non-operational income	29	13,800	91,229
Operating expenses		**80,596,467**	**69,379,733**
Salary and allowances	30	50,334,947	41,684,680
Rent, insurance, utilities etc.	31	10,772,232	14,134,773
Legal & professional fees	32	464,776	469,693
Postage, stamp, telecommunication etc.	33	892,620	756,166
Stationery, printing, advertisement	34	2,635,049	914,445
Director fees and expenses	35	569,250	672,750
Audit fees	36	143,750	195,500
Repairs, maintenance and depreciation	37	7,409,059	7,448,606
Other expenses	38	7,374,784	3,103,122
Net Operating Income/(Loss)		**41,887,452**	**(114,389,556)**
Provisions for loans / investments		**37,526,605**	**313,531,665**
Provision for margin loan		36,766,605	313,531,665
Provision for diminution in value of investments		-	-
Provision for other assets		760,000	-
Profit before tax (PBT)		**4,360,848**	**(427,921,221)**
Income tax expense / (income)	19.01	-	-
Current tax expense / (income)		-	-
Deferred tax expense / (income)		-	-
Profit after tax (PAT)		**4,360,848**	**(427,921,221)**
Other comprehensive income/(expense), net of tax		-	-
Total comprehensive income		**4,360,848**	**(427,921,221)**
Earning Per Share(EPS)	39	**0.03**	**(2.56)**

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.

Place : Dhaka
Date: 13 February 2018

Syful Shamsul Alam & Co.
Chartered Accountants

LANKABANGLA INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

(Amount in Taka)

Particulars	Share Capital	Retained Earnings	Total Equity
Balance at 01 January 2016	**1,670,000,000**	**(800,329,421)**	**869,670,579**
Total comprehensive income 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**
Balance at 01 January 2017	**1,670,000,000**	**(1,228,250,642)**	**441,749,358**
Total comprehensive income for the year	-	4,360,848	4,360,848
Balance at 31 December 2017	**1,670,000,000**	**(1,223,889,794)**	**446,110,206**

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

Director **Director** **Chief Executive Officer** **Company Secretary**

Place : Dhaka
Date: 13 February 2018

LANKABANGLA INVESTMENTS LIMITED
STATEMENT OF CASH FLOWS
For the year ended December 2017

		Amount In Taka	
		2017	2016
A)	**Cash flows from operating activities**		
	Cash received from:		
	- Fees and other income	24,071,818	27,952,667
	- Repayment of staff loan	1,780,900	5,310
	Cash paid for:		
	- Rental expenses	(9,421,768)	(12,344,169)
	- Advance for office rent	(293,400)	(2,640,436)
	- IT related expenses	(588,482)	(492,902)
	- PF bank account	(3,649,376)	(3,040,093)
	- Employees' salaries and allowances	(46,392,648)	(35,139,201)
	- Staff loan	(3,855,000)	(1,775,000)
	- Other operating expenses	(18,708,007)	(13,959,586)
	Cash generated from operating activities before changes in operating assets and liabilities	**(57,055,963)**	**(41,433,409)**
	Settlement with LankaBangla Securities Limited	555,494,172	996,160,532
	Client deposits	461,582,421	317,803,871
	Own portfolio investment	(10,000,000)	(7,155)
	Client withdrawals	(473,840,147)	(210,381,832)
		533,236,445	**1,103,575,417**
	Cash generated from operating activities	**476,180,482**	**1,062,142,007**
	Income taxes paid-Corporate	-	-
	Income taxes paid-Others	(1,191,006)	(55,170)
	Net cash from operating activities	**474,989,476**	**1,062,086,837**
B)	**Cash flows from investing activities**		
	Proceeds from sale of own portfolio securities	37,500,000	54,500,000
	Proceeds from sale of disposed assets	24,000	41,500
	Dividend on own portfolio investment	10,778,800	26,685,078
	Return for Non-allotted securities	4,438,530	258,100
	Advance for Right Shares	(4,120,000)	(16,460,946)
	Advance for Bidding/Underwriting share	(64,471,190)	(21,858,997)
	Advance for Capital Working in Progress	(627,046)	(7,195,350)
	Procurement of property, plant and equipment	(3,510,320)	(1,651,435)
	Net cash used in investing activities	**(19,987,226)**	**34,317,949**
C)	**Cash flows from financing activities**		
	Repayment of loan from ICB	(10,789,043)	(41,332,214)
	Interest payment on Loan from ICB	(65,034)	(2,579,202)
	Repayment of loan from LankaBangla Finance Limited	(133,620,273)	(569,941,723)
	Interest payment on loan from LankaBangla Finance Limited	(250,568,329)	(310,137,176)
	Net cash used in financing activities	**(395,042,679)**	**(923,990,316)**
D)	**Net increase/(decrease) in cash and cash equivalents (A+B+C)**	**59,959,571**	**172,414,471**
E)	**Cash and cash equivalents at beginning of the year**	**177,739,112**	**5,324,642**
F)	**Cash and cash equivalents at the end of the year**	**237,698,683**	**177,739,112**

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

Director | **Director** | **Chief Executive Officer** | **Company Secretary**

Place : Dhaka
Date: 13 February 2018

LANKABANGLA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

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. The 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 2017-2018
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 2018

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 2017;

b) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017;

c) Statement of Changes in Equity for the year ended 31 December 2017;

d) Statement of Cash Flows for the year ended 31 December 2017; 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 2017 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 - 193/203) and dated 28 December 2017, the required provisions for the year 2017 on principal portion of margin loan is to be kept at 20% in the five installments starting from December 2017.	If the BAS would be followed value of investments presented would be higher by BDT 553,281,737 and the same figure would be for 'Unrealized Gain'. There is no unrealized loss(portfolio basis) as at 31 December 2017 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/2009-193/203) and dated 28 December 2017, the required provisions for the year 2017 on principal portion of margin loan is to be kept at 20% in the five installments starting from December 2017.	As per the requirement of the BSEC circular LBIL kept only erosion of principal portion of Margin Loan as provision. As on 31 December 2017 provision on margin loan is amounting BDT 41,086,016.

2.04 Basis of accounting and measurement

The financial statements have been prepared on a going concern basis following accrual basis of accounting except for cash flow statement and financial instruments 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 2017 to 31 December 2017.

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, 2017 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 2016 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 2018.

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 appropriate.

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 Statement of Profit or Loss and Other Comprehensive Income.

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 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.

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 2017.

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/liabilities 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/liabilities is 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	
		31.12.2017	31.12.2016
4.00	**Property,plant & equipment**		
	Cost		
	Opening balance	25,961,033	24,623,653
	Add: Addition during the year	3,551,669	9,848,962
		29,512,702	**34,472,615**
	Less: Disposal during the year	225,098	8,511,582
	Closing balance	**29,287,604**	**25,961,033**
	Less: Accumulated depreciation		
	Opening balance	14,471,019	19,464,526
	Add: Charged during the year	4,007,599	3,442,268
	Less: Adjustment on disposal	**18,478,617**	**22,906,794**
	Closing balance	149,364	8,435,775
		18,329,253	**14,471,019**
	Carrying amount	**10,958,350**	**11,490,014**
	A schedule of property, plant & equipment is given in ***Annexure-A.***		
5.00	**Intangible assets**		
	Cost		
	Opening balance	1,045,654	1,045,654
	Add: Addition during the year	-	-
		1,045,654	**1,045,654**
	Less: Disposal during the year	-	-
	Closing balance	**1,045,654**	**1,045,654**
	Less: Accumulated amortization		
	Opening balance	867,320	695,473
	Add: Charged during the year	52,666	171,847
		919,985	**867,320**
	Less: Adjustment on disposal	-	-
	Closing balance	**919,985**	**867,320**
	Carrying amount	**125,669**	**178,334**
	A schedule of intangible assets is given in **Annexure-B.**		
6.00	**Investments**		
	Non-Current portion:		
	Investment in equity of strategic company (Note-6.01)	202,359,352	286,364,785
	Investment-LankaBangla Equity Sharing Scheme	3,000,000	-
		205,359,352	**286,364,785**

6.01 Investment in equity of strategic company

Particulars	Cost Price	Market Price as on 31.12.207	Unrealized Gain/(Loss)
Engineering	1,168,950	2,994,000	1,825,050
IT Sector	33,686,689	73,272,000	39,585,311
Financial Instutions	160,160,000	715,200,000	555,040,000
Insurance	7,343,713	7,150,000	(193,713)
	202,359,352	**798,616,000**	**596,256,648**

7.00	**Other non-current assets**		
	Non current portion:		
	Advances (Note- 9.01)	2,790,334	1,699,544
	Deposits (Note- 9.01)	1,024,920	731,520
		3,815,254	**2,431,064**
8.00	**Margin loan**		
	Revolving margin loan to clients	1,915,459,376	2,473,812,503
		1,915,459,376	**2,473,812,503**

Margin loan refers to the amount provided by the company to the clients for buying shares in proportionate to their own equity as per SEC guideline.

		Amount In Taka	
		31.12.2017	31.12.2016
9.00	**Advances, deposits and prepayments**		
	Advances (Note-9.01 and 9.02)	33,355,529	55,195,654
	Deposits (Note- 9.01)	1,024,920	731,520
	Prepayments (Note- 9.01 and 9.02)	254,300	224,709
		34,634,749	**56,151,883**
9.01	**Non current portion**		
	Advances		
	Loan to employees	2,790,334	1,699,544
		2,790,334	**1,699,544**
	Deposits		
	Security deposit	1,024,920	731,520
		1,024,920	**731,520**
		3,815,254	**2,431,064**
9.02	**Current portion**		
	Advances		
	Advance to Employees	812,886	584,735
	Advance against expenses	143,730	154,064
	Advance income tax	24,295,139	22,657,311
	Advance for capital expenditure	600,000	100,000
	Advance for investment in shares	4,713,440	30,000,000
		30,565,195	**53,496,110**
	Prepayments		
	Prepayment against expenses	254,300	224,709
		254,300	**224,709**
		30,819,495	**53,720,819**
9.02.01	**Advance income tax**		
	Opening balance	22,657,311	18,934,223
	Add: Addition during the year	6,183,536	9,674,129
		28,840,847	**28,608,352**
	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
	Assessment year 2017-2018	4,545,708	-
		4,545,708	**5,951,041**
		24,295,139	**22,657,311**

*As assessment year 2014-15, 2015-2016, 2016-2017 and 2017-2018 have been completed, so respective assessed amount has been reflected in the accounts in accordance with BAS 10.

10.00	**Investments**		
	Current portion :		
	Investments in listed securities (Note-10.01)	464,583,185	207,084,447
		464,583,185	**207,084,447**

10.01 Investments in listed securities

Particulars	Cost Price	Market Price as on 31.12.2017	Unrealized Gain/(Loss)
Bank	146,888,474	136,433,893	(10,454,581)
Cement	40,587,091	33,392,500	(7,194,591)
Engineering	47,418,858	42,945,331	(4,473,527)
Financial Institutions	13,166,561	13,430,758	264,197
Food & Allied	13,707,348	12,973,500	(733,848)
Fuel & Power	75,973,458	68,612,900	(7,360,558)
Miscellaneous	21,047,959	19,239,000	(1,808,959)
Mutual Funds	51,134,945	48,822,912	(2,312,032)
Pharmaceuticals & Chemicals	28,206,991	23,461,100	(4,745,891)
Services & Real Estate	5,349,564	3,773,000	(1,576,564)
Textile	21,101,934	18,523,380	(2,578,554)
	464,583,185	**421,608,274**	**(42,974,911)**

Break-up of Investment in listed securities

Particulars	Cost Price	Market Price as on 31.12.2017	Unrealized Gain/(Loss)
Non-current portion (Note - 6)	202,359,352	798,616,000	596,256,648
Current portion (Note - 10.01)	464,583,185	421,608,274	(42,974,911)
Total	**666,942,537**	**1,220,224,274**	**553,281,737**

		Amount In Taka	
		31.12.2017	31.12.2016
11.00	**Accounts receivable**		
	Receivable from group entities (Note - 11.01)	78,040,781	-
	Other receivables (Note - 11.02)	42,427,463	37,946,133
		120,468,243	**37,946,133**
11.01	**Receivable from group entities**		
	LankaBangla Securities Limited	78,040,781	-
		78,040,781	**-**
11.02	**Other receivables**		
	Registrar to the Issue fees receivable	1,900,000	-
	Issue management fees receivable	7,822,354	3,772,500
	Corporate advisory fees receivable	4,900,000	1,112,150
	Accounts receivables - PO department	23,051,916	30,663,233
	Dividend Receivable-Own Portfolio	4,753,193	2,375,750
	Receivables for Reinbursable Expenses	-	22,500
		42,427,463	**37,946,133**
12.00	**Cash and cash equivalents**		
	Cash in hand	10,580	11,512
	Cash at bank (Note- 12.01)	237,688,103	177,727,600
		237,698,683	**177,739,112**
12.01	**Cash at bank**		
	One Bank Limited	236,411,606	177,171,325
	Dhaka Bank Limited	204,912	200,618
	Shahjalal Islami Bank Limited	145,344	146,644
	The City Bank Limited	79,745	80,435
	Standard Chartered Bank	845,365	128,578
	Islami Bank Bangladesh Ltd	1,131	-
		237,688,103	**177,727,600**
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 2017			December 2016		
	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	
		31.12.2017	31.12.2016
14.00	**Term loan**		
	Opening balance	10,789,043	52,121,257
	Add: Adition during the year	-	-
		10,789,043	**52,121,257**
	Less: Repayment during the year	10,789,043	41,332,214
	Closing balance	**-**	**10,789,043**
	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
		-	**10,789,043**
14.01	**Non-current portion**		
	Investment Corporation of Bangladesh (ICB)	-	-
		-	-
14.02	**Current portion**		
	Investment Corporation of Bangladesh (ICB)	-	10,789,043
		-	**10,789,043**
15.00	**Defined benefit obligations (Gratuity)**		
	Opening balance	7,097,964	4,178,021
	Add: Addition during the year	3,601,117	3,025,823
		10,699,081	**7,203,844**
	Less: Paid during the year	315,427	105,880
	Closing balance	**10,383,654**	**7,097,964**
16.00	**Accounts payable**		
	Payable to clients (Note-16.01)	85,466,875	69,238,819
	Payable to group entities (Note - 16.02)	-	36,520,322
	Accrued expenses (Note - 16.03)	660,371	1,646,565
		86,127,246	**107,405,706**
16.01	**Payable to clients**		
	Client positive balance (IPA)	75,091,818	65,991,503
	Client positive balance (BDA)	7,356,876	2,365,599
	Client positive balance (Nischinto)	2,776,515	881,717
	Client positive balance-Equity share	133,551	-
	Customer Deposits -LBIL Islamic Investment Scheme	108,114	-
		85,466,875	**69,238,819**
16.02	**Payable to group entities**		
	LankaBangla Securities Limited	-	36,520,322
		-	**36,520,322**
16.03	**Accrued expenses**		
	Audit fee	143,750	195,500
	CDBL charges	90,392	418,686
	Security service payable	51,750	51,750
	Office maintenance	30,000	23,000
	Electricity bill	100,000	63,798
	Fuel costs	-	37,823
	Telephone and mobile payable	15,000	13,500
	Accrued interest payable	-	65,034
	Vehicle maintenance payable	-	2,505
	Liabilities for Fixed Assets	189,206	422,250
	Payable for other expenses	40,274	352,719
		660,371	**1,646,565**
17.00	**Short term loan**		
	LankaBangla Finance Limited	2,390,752,778	2,525,206,559
		2,390,752,778	**2,525,206,559**

		Amount In Taka	
		31.12.2017	31.12.2016
18.00	**Current portion of term loan**		
	Investment Corporation of Bangladesh (ICB) (Note-14.02)	-	10,789,043
		-	**10,789,043**
19.00	**Provision for current tax**		
	Opening balance	19,079,642	25,030,683
	Add: Provision made during the year	-	-
		19,079,642	**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
	Assesment year 2017-2018	4,545,708	-
		4,545,708	5,951,041
	Closing balance	**14,533,934**	**19,079,642**

LBIL has kept Tk. 14,533,934 as excess provision which resulted from the previous financial years. As in 2017, assessment of 2017-2018 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	-	-
	Deferred tax expense/(income)	-	-
			-

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: 2017			
Property, plant and equipment (Note: 4)	10,958,350	13,581,539	2,623,188
Provision for Gratuity	10,383,654	3,593,410	6,790,243
Temporary difference			9,413,431
Income tax rate			37.50%
Deferred tax asset (B)			**3,530,037**
Year: 2016			
Property, plant and equipment (Note: 4)	11,490,014	12,363,882	873,868
Provision for Gratuity	7,097,964	3,277,983	3,819,981
Temporary difference			873,868
Income tax rate			37.50%
Deferred tax asset (A)			**327,700**
Deferred tax income for 2017 (A-B)*			**(3,202,337)**

*Deferred tax assets (income) amounting Tk. 3,202,337 has not been recognised due to prudence concept of accounting.

		Amount In Taka	
		31.12.2017	31.12.2016
21.00	**Provision for margin loan & others**		
	Provision for margin loan (Note-21.01)	41,086,016	138,910,361
		41,086,016	**138,910,361**
21.01	**Provision/suspense for negative equity**		
	Opening balance	138,910,361	74,089,160
	Add: Provision during the period *	36,766,605	313,531,665
		175,676,966	**387,620,825**
	Less: Adjusted /(Reversal) during the period	134,590,950	248,710,464
	Closing balance	**41,086,016**	**138,910,361**

* As per circular of Bangladesh Securities and Exchange Commission circular # SEC/CMRRCD/2009-193/203) and dated 28 December 2017, the required provisions for the year 2017 on principal portion of margin loan is to be kept at 20% in the five installments starting from December 2017.

21.02	**Provision for other assets**		
	Opening balance	-	-
	Add: Provision during the period *	760,000	-
		760,000	**-**
	Less: Writeoff/(Reversal) during the period	760,000	-
	Closing balance	-	-
22.00	**Other liabilities**		
	Deposit suspense account	70,034	473,103
	Withholding tax payable (Note-22.01)	223,743	55,475
		293,777	**528,578**
22.01	**Withholding tax payable**		
	TDS from suppliers	22,966	4,325
	TDS payable on director fees	-	12,000
	TDS from Rent	31,966	-
	VAT payable on suppliers	43,602	8,430
	VAT Payable on Others	29,311	12,720
	VAT payable on director fees	-	18,000
	VAT Payable on Rent	95,898	-
		223,743	**55,475**

		Amount In Taka	
		2017	2016
23.00	**Interest income**		
	Interest on margin loan	126,936,747	97,960,075
		126,936,747	**97,960,075**
24.00	**Income from investment**		
	Dividend income	15,822,189	16,579,676
	Realized gain/loss on listed securities	126,777,493	50,463,445
		142,599,682	**67,043,121**
24.01	**Realized gains on listed share**		
	Sales price of securities	1,013,988,545	300,856,544
	Less: Cost price of securities	887,211,052	250,393,099
		126,777,493	**50,463,445**
25.00	**Fee based income**		
	Management fees	19,723,960	20,849,618
	Settlement fees	48,573,547	43,175,650
	Underwriting commission	1,401,250	4,293,551
	Issue management fees	19,164,854	13,548,132
	Registrar to the Issue fees	2,400,000	1,300,000
	Corporate advisory fees	10,746,696	7,389,500
		102,010,307	**90,556,451**

		Amount In Taka	
		2017	2016
26.00	**Other operational income**		
	Documentation charges	258,000	62,500
	Gain on CDBL annual fees payment	160,500	260,950
	Gain on IP client dividend collection	113,499	64,401
	Client portfolio maintenance	306,658	-
	Interest income on STD balances	2,727,833	551,703
	Interest income on staff loan	433,768	199,450
		4,000,258	**1,139,004**
27.00	**Interest expenses**		
	Interest on term loan	-	2,340,195
	Interest on short term loan (Note-27.01)	249,724,821	296,177,080
		249,724,821	**298,517,275**
27.01	**Interest on short term loan**		
	Interest on short term loan (group entities)	249,724,821	296,177,080
		249,724,821	**296,177,080**
28.00	**Other costs directly attributable to services**		
	CDBL settlement trarnsfer fee	3,339,720	3,218,053
	CDBL CDS connection fee	6,000	6,000
	Corporate action	6,335	58,375
		3,352,054	**3,282,428**
29.00	**Other non-operational income**	**13,800**	**91,229**
30.00	**Salary and allowances**		
	Salary and allowances	44,909,143	37,138,810
	Provident fund contribution	1,824,688	1,520,046
	Gratuity fund	3,601,117	3,025,823
		50,334,947	**41,684,680**
31.00	**Rent, insurance, utilities etc.**		
	Office rent	8,905,048	11,971,626
	Insurance premium	597,337	499,779
	Utilities	1,269,847	1,663,368
		10,772,232	**14,134,773**
32.00	**Legal and professional fees**		
	Regulatory Fees	119,500	97,865
	Membership and renewal fees	226,328	176,328
	Other Professional Fees	118,948	195,500
		464,776	**469,693**
33.00	**Postage, stamp, telecommunication etc.**		
	Postage and courier	36,655	27,670
	Stamp charges	24,113	19,570
	Telephone and mobile bill	548,280	465,254
	Internet expense	283,572	243,672
		892,620	**756,166**
34.00	**Stationery, printing, advertisement**		
	Printing	532,451	117,340
	Stationery	110,024	84,932
	Advertisement	251,515	58,938
	Promotional expense	1,741,059	653,235
		2,635,049	**914,445**
35.00	**Director fees and expenses**	569,250	672,750
		569,250	**672,750**
36.00	**Audit fees**	143,750	195,500
		143,750	**195,500**

		Amount In Taka	
		2017	2016
37.00	**Repairs, maintenance and depreciation**		
	Repairs and maintenance (Note-37.01)	3,348,795	3,834,491
	Depreciation (Note-4 & Annexure-A)	4,007,599	3,442,268
	Amortization (Note-5 & Annexure-B)	52,666	171,847
		7,409,059	**7,448,606**
37.01	**Repairs and maintenance**		
	Office maintenance	1,386,482	1,561,320
	Office maintenance-supplier	498,374	507,032
	Software maintenance fees	48,331	183,136
	Vehicle maintenance	555,298	643,054
	Repairs	5,750	-
	Cleaning	246,790	248,400
	Fuel costs	607,770	691,549
		3,348,795	**3,834,491**
38.00	**Other expenses**		
	Travel and accomodation (Note- 38.01)	5,180,207	985,518
	Training and business development (Note- 38.02)	947,561	951,060
	Irrecoverable receivables (Note- 38.03)	-	80,000
	Bank Charges	117,664	47,575
	Security expenses	621,000	566,664
	Newspapers and journals	104,891	95,140
	Other IT and telecommunication	272,924	294,357
	Client portfolio maintenance	-	139
	Gain on disposal of fixed assets	51,734	36,807
	Other expenses - own portfolio	36,802	29,562
	Staff recruitment expense	1,000	1,300
	Other fees and charges	41,000	15,000
		7,374,784	**3,103,122**
38.01	**Travel and accomodation**		
	Conveyance	270,626	174,943
	Traveling	4,617,014	515,646
	Airfare	107,000	176,229
	Per diem	109,240	57,200
	Accommodation	76,327	61,500
		5,180,207	**985,518**
38.02	**Training and business development**		
	Meeting		
	Corporate conference	-	53,627
	Training and development	400,658	585,053
	Welfare	500,503	274,880
		46,400	37,500
		947,561	**951,060**
38.03	**Irrecoverable receivables**		
	Writeoff of loans & receivables	-	80,000
		-	**80,000**
39.00	**Earnings Per Share (EPS)**		
	Earnings attributable to ordinary shareholders outstanding	4,360,848	(427,921,221)
	Weighted average number of ordinary shares	167,000,000	167,000,000
		0.03	**(2.56)**

40 Events after reporting period

Income tax assessment of LBIL for the AY 2017-2018 have been completed. As per BAS 10- Events after reporting balance sheet date, Tk. 4,545,708 has been reflected in the financial statements as adjusting events.

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	Relationship with the entity	Nature of transaction	2017	2016
LankaBangla Finance Limited	Parent	Funding	133,620,273	1,558,926,771
		Interest expense	249,724,821	296,177,080
LankaBangla Securities Limited	Subsidiary of parent	Share trading settlement	1,372,340,818	1,665,508,811
		LBIL Portfolio	77,537,550	61,494,535
		LBSL Portfolio	588,258	(18,424)
LankaBangla Asset Management Company Limited	Subsidiary of parent	LBAML Portfolio	942	10

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	
	2017	2016
Margin loan	1,915,459,376	2,473,812,503
Investments	669,942,537	493,449,231
Receivable from group entities(LBSL)	78,040,781	-
Other receivables	42,427,463	37,946,133
Cash and cash equivalents	237,698,683	177,739,112
	2,943,568,841	**3,182,946,980**

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 2017	Year 2016
No. of employees received Tk. 3,000 per month	-	-
No. of employees received more than Tk. 3,000 per month(including contractual)	51	44
	51	**44**

44 Capital expenditure commitment

There was no capital expenditure commitment as at 31 December 2017.

Annexure-A

LANKABANGLA INVESTMENTS LIMITED
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT
As at 31 December 2017

Amount in Taka

Particulars	Office equipment	Furniture and fittings	Motor vehicles	Interior work (movable)	Interior work (immovable)	Total
Cost						
Balance at 1 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**
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**
Balance at 1 January 2017	11,151,452	1,418,148	6,701,574	1,970,161	4,719,698	**25,961,033**
Acquisition/addition during the period	1,397,180	60,850	-	-	2,093,639	**3,551,669**
Disposal/adjustment	128,810	96,288	-	-	-	**225,098**
Balance at 31 December 2017	**12,419,822**	**1,382,710**	**6,701,574**	**1,970,161**	**6,813,337**	**29,287,604**
Accumulated depreciation						
Balance at 1 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**
Balance at 1 January 2017	6,359,171	954,349	5,464,071	1,453,109	240,319	**14,471,019**
Depreciation for the year/period	2,089,120	140,212	450,000	295,554	1,032,713	**4,007,599**
Disposal/adjustment	70,014	79,350	-	-	-	**149,364**
Balance at 31 December 2017	**8,378,277**	**1,015,211**	**5,914,071**	**1,748,663**	**1,273,032**	**18,329,253**
Carrying amount						
At 1 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**
At 31 December 2017	**4,041,544**	**367,499**	**787,504**	**221,498**	**5,540,305**	**10,958,350**

LankaBangla Stock

LANKABANGLA INVESTMENTS LIMITED

SCHEDULE OF INTANGIBLES

As at 31 December 2017

Annexure-B

Particulars	Intangible-Assets Software	Total
Cost		
Balance at 1 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**
Balance at 1 January 2017	**1,045,654**	**1,045,654**
Acquisition/addition during the period	-	-
Disposal/adjustment	-	-
Balance at 31 December 2017	**1,045,654**	**1,045,654**
Accumulated amortisation		
Balance at 1 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**
Balance at 1 January 2017	**867,320**	**867,320**
Amortisation for the period	52,666	52,666
Disposal/adjustment	-	-
Balance at 31 December 2017	**919,985**	**919,985**
Carrying amount		
At 1 January 2016	**350,181**	**350,181**
At 31 December 2016	**178,334**	**178,334**
At 31 December 2017	**125,669**	**125,669**

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LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED



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INDEPENDENT AUDITORS' REPORT

UHY Syful Shamsul Alam & Co
Chartered Accountants

Corporate Office:
Paramount Heights (Level-6),
65/2/1, Box Culvert Road,
Purana Paltan, Dhaka-1000
Bangladesh

Phone :+880-2-9555915
+880-2-9515431
+880-2-9515491
Fax :+880-2-9560332
E-mail :ssac@ssacbd.com
Web :www.ssacbd.com

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 2017 and the related 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 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' 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 present fairly, in all material respects, the financial position of the company as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards ("BFRS").

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, 2018

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

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	Amount in Taka	
		31-Dec-2017	31-Dec-2016
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	11,511,210	13,902,655
Intangible assets	5	981,850	2,171,529
Investments (Long Term)	6	799,386,283	794,386,283
Deferred tax assets	7	1,528,031	462,180
Total Non-Current Assets		**813,407,373**	**810,922,647**
Current Assets			
Advances, deposits and prepayments	8	18,259,022	42,258,979
Investments (Current Term)	9	188,818,162	113,165,182
Accounts receivable	10	19,365,759	4,349,961
Cash and cash equivalents	11	2,802,395	12,367,353
Total Current Assets		**229,245,339**	**172,141,475**
TOTAL ASSETS		**1,042,652,712**	**983,064,122**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	500,000,000	500,000,000
Share money deposit	13	429,701,000	379,701,000
Retained earnings	14	90,624,429	83,718,895
Total Equity		**1,020,325,429**	**963,419,895**
Liabilities			
Non-Current Liabilities			
Finance lease obligation (Non-current portion)	15	3,151,054	4,053,250
Total Non-Current Liabilities		**3,151,054**	**4,053,250**
Current Liabilities			
Accounts payable	16	213,264	496,534
Provision for current tax	17	11,985,245	10,369,883
Finance lease obligation (current portion)	18	902,196	810,246
Payable to gratuity fund	19	1,734,706	1,082,590
Other liabilities	20	4,340,818	2,831,724
Total Current Liabilities		**19,176,230**	**15,590,977**
Total Liabilities		**22,327,284**	**19,644,227**
TOTAL EQUITY AND LIABILITIES		**1,042,652,712**	**983,064,122**

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

Place : Dhaka
Dated: 13 February, 2018

Syful Shamsul Alam & Co.
Chartered Accountants

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	Amount in Taka	
		Jan - Dec'17	Jan - Dec'16
Revenue			
Income from unit fund operation	21	11,497,244	5,764,725
Interest income	22	333,855	6,034,014
Income from investment	23	37,949,651	24,543,515
Total Revenue		**49,780,750**	**36,342,254**
Cost of Services			
Interest expenses	24	485,750	2,378,736
		485,750	**2,378,736**
Gross Profit/(Loss)		**49,295,000**	**33,963,518**
Operating Expenses			
Salary and allowances	25	21,438,664	12,526,367
Rent, taxes, insurance, electricity etc.	26	6,980,824	6,013,478
Legal and professional fees	27	17,250	2,081,639
Postage, stamp, telecommunication etc.	28	351,994	197,237
Stationery, printing, advertisement	29	387,403	168,196
Director fees & expenses	30	220,800	266,800
Audit fees	31	69,000	100,625
Repairs, maintenance and depreciation	32	4,668,951	3,445,057
Other expenses	33	7,705,067	5,266,851
Total Operating Expenses		**41,839,955**	**30,066,250**
Net Operating Income/(Loss)		**7,455,045**	**3,897,268**
Provision for Investment			
Provision for diminution in value of investments		-	(1,037,141)
Profit Before Tax (PBT)		**7,455,045**	**4,934,409**
Income Tax Expense/(Income)		**549,511**	**2,270,991**
Current tax expense/(income)		1,615,362	2,294,102
Deferred tax expense/(income)		(1,065,851)	(23,111)
Profit after tax (PAT)		**6,905,534**	**2,663,418**
Other comprehensive income, net of tax		-	-
Total Comprehensive Income		**6,905,534**	**2,663,418**
Earnings Per Share	34	**0.14**	**0.20**

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.

Syful Shamsul Alam & Co.
Chartered Accountants

Place : Dhaka
Dated: February 13, 2018

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

Particulars	Share Capital	Share Money Deposit	Retained Earnings	Total Equity
	Taka	Taka	Taka	Taka
Balance as at 01 January 2016	100,000,000	717,201,000	81,055,476	898,256,476
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**
Changes in Equity for 2017				
Share money deposit	-	50,000,000	-	50,000,000
Issue of share capital	-	-	-	-
Total comprehensive income	-	-	6,905,534	6,905,534
Adjustment in Retained Earnings	-	-	-	-
Balance as at 31 December 2017	**500,000,000**	**429,701,000**	**90,624,429**	**1,020,325,429**

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

Director **Director** **Chief Executive Officer** **Company Secretary**

Place : Dhaka
Dated: February 13, 2018

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Amount in Taka	
	31-Dec-2017	31-Dec-2016
Cash Flows from Operating Activities		
Interest received	310,115	6,284,306
Dividend received	17,526,833	1,186,000
Received from unit fund operation	5,655,999	4,572,361
Paid to employees	(18,169,832)	(9,063,703)
Bank charges paid	(24,410)	(12,002)
Withholding Tax and VAT payment	(2,410,788)	(2,280,741)
Income taxes paid	(654,381)	-
Paid for other operating expenses	(15,387,219)	(12,811,084)
Cash Generated from Operating Activities before changes in operating assets and liabilities	**(13,153,684)**	**(12,124,862)**
Increase/(decrease) in Operating Assets & Liabilities		
Settlement with LankaBangla Securities Ltd.	(25,550,000)	(103,737,997)
Settlement with LankaBangla Investments Ltd.	-	(1,470)
Settlement with LankaBangla 1st Balanced Unit Fund	-	81,724
Settlement with Vision Capital Management Ltd.	-	(5,000,000)
Settlement with Al-Arafah Shariah Unit Fund	(85,700)	-
Advance & Prepayment	(1,188,226)	(2,965,341)
Total Increase/(Decrease) in Operating Assets & Liabilities	**(26,823,926)**	**(111,623,084)**
Net Cash used in Operating Activities	**(39,977,610)**	**(123,747,947)**
Cash Flows from Investing Activities		
Investments in securities	(18,169,710)	(12,500,000)
Changes in investment in FDR	-	114,281,938
Acquisition of fixed assets	(607,392)	(9,279,042)
Proceeds from sale of fixed assets	-	1,673,766
Net Cash from Investing Activities	**(18,777,102)**	**94,176,662**
Cash Flows from Financing Activities		
Proceed from share money deposit	50,000,000	62,500,000
Proceed from short term loan	-	(21,213,687)
Repayment of lease finance	(810,246)	(126,504)
Net Cash from Financing Activities	**49,189,754**	**41,159,809**
Net increase in Cash and Cash Equivalents	(9,564,958)	11,588,525
Opening Cash & Cash Equivalents	12,367,353	778,828
Closing Cash & Cash Equivalents	**2,802,395**	**12,367,353**
Closing Cash & Cash Equivalents include:		
Cash in hand	15,478	4,943
Dhaka Bank Limited (A/C No: 206.150.1590)	2,719,797	12,339,241
Standard Chartered Bank (A/C No: 01-1184160-01)	18,485	19,376
One Bank Limited (A/C No: 018 1020001469)	2,643	3,793
One Bank Limited (AIFM) (A/C No: 0183000000657)	45,993	-
	2,802,395	**12,367,353**

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

Director **Director** **Chief Executive Officer** **Company Secretary**

Place : Dhaka
Dated: February 13, 2018

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. It also received registration certificate from BSEC on December 20, 2016 vide registration number: AIFM-06/2016 to act as an Alternative Investment Fund Manager. 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.

The Board of Directors of the company in its 52nd meeting has decided to convert the company from private limited company to public limited company. Application regarding this conversion has been submitted to the Registrar of Joint Stock Companies & Firms (RJSC), which is currently under processing.

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.

c. To manage and administer mutual funds, provident funds, pension funds, royalty funds,alternative investment funds, hedge funds, private equity funds, venture capital funds, mezzanine funds, leveraged buyout (LBO) funds, growth capital funds, fixed-income funds, bond funds, money market funds, specialty funds, ethical funds, index funds, exchange traded funds (ETF), funds of funds and other collective investment schemes 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 end 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.

LBAMCL is going to launch another open end fund named 'LankaBangla Al-Arafah Shariah Unit Fund' in the capital market of Bangladesh shortly. The fund was formally launched on 17th May, 2017 in the form of Trust Deed registration of the fund. Initial Fund Size is BDT 50 Crore with sponsor contribution of BDT 10 Crore. Al-Arafah Islami Bank Limited Employees’ Gratuity Fund Trust is the 'Sponsor' of the fund whereas Investment Corporation of Bangladesh is the 'Trustee' of the fund.

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 acquired 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 Equipment	33%
Electric Equipment	20%
IT Equipment	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%

3.3 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.

The company charges management fee on the fund managed by them which is paid to the company on semi-annual or annual basis. The annual rates of management fee on weekly average Net Asset Value are as follows:

Weekly Average Net Asset Value at market price	Rate
1 - 50,000,000	2.50%
50,000,000- 250,000,000	2.00%
250,000,000 - 500,000,000	1.50%
500,000,000 & Over	1.00%

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.

3.6 Taxation

3.6.1 Current Tax

The Company has made income tax provision for quarter concerned as per Finance Act 2017 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-2017	31-Dec-2016
4.00	**Property, plant and equipment**		
	Cost		
	Opening balance	16,954,858	5,002,640
	Addition during the year	631,575	15,100,058
		17,586,433	**20,102,698**
	Adjustment / (Disposal) during the year	(25,000)	(3,147,840)
	Closing balance	**17,561,433**	**16,954,858**
	Less: Accumulated depreciation		
	Opening balance	3,052,203	2,725,830
	Charged during the year	3,009,020	1,787,909
		6,061,223	**4,513,739**
	Adjustment / (Disposal) during the year	(11,000)	(1,461,536)
	Closing balance	**6,050,223**	**3,052,203**
	Carrying amount	**11,511,210**	**13,902,655**
	A schedule of property, plant and equipments are given in **Annexure-A**		
5.00	**Intangible assets**		
	Cost		
	Opening balance	3,715,408	3,715,408
	Addition during the year	-	-
		3,715,408	**3,715,408**
	Adjustment / (Disposal) during the year	-	-
	Closing balance	**3,715,408**	**3,715,408**
	Less: Accumulated amortization		
	Opening balance	1,543,879	317,794
	Charged during the year	1,189,679	1,226,085
		2,733,558	**1,543,879**
	Adjustment / (Disposal) during the year	-	-
	Closing balance	**2,733,558**	**1,543,879**
	Carrying amount	**981,850**	**2,171,529**
	A schedule of intangible assets are given in **Annexure-B**		
6.00	**Investments (Long Term)**		
	Strategic equity investment (Note:6.01)	799,386,283	794,386,283
		799,386,283	**794,386,283**

6.01 Strategic equity investment

Particulars	No. of Shares	Cost Price	Market Price
LankaBangla Securities Limited	15,157,125	799,386,283	N/A
	15,157,125	**799,386,283**	**-**

		Amount in Taka	
		31-Dec-2017	31-Dec-2016

7.00 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, 2017	Tax Base	(Taxable)/ Deductible temporary difference
Property, plant and equipment	11,511,210	10,832,034	(679,176)
Gratuity payable	1,734,706	-	1,734,706
Payable to provident fund	3,310,271	-	3,310,271
Total	**16,556,187**	**10,832,034**	**4,365,801**
Applicable Tax Rate			35%
Deferred tax asset as on December 31, 2017			1,528,031
Deferred tax asset as on December 31, 2016			462,180
Deferred tax income accounted for during the year			**1,065,851**

8.00	**Advances, Deposits and Prepayments**		
	Advances (Note-8.01)	15,190,993	39,249,056
	Deposits (Note-8.02)	2,772,000	2,772,000
	Prepayments (Note-8.03)	296,029	237,923
		18,259,022	**42,258,979**
8.01	**Advances**		
	Advance income tax	14,174,297	9,112,723
	Advance for investment in securities	-	30,000,000
	Advance for expenses	1,016,696	136,333
		15,190,993	**39,249,056**
8.02	**Deposits**		
	Security deposit - Office Rent	2,664,000	2,664,000
	Security deposit - Lease Finance	108,000	108,000
		2,772,000	**2,772,000**
8.03	**Prepayments**		
	Prepayment for office rent	124,500	124,500
	Prepayment for insurance	171,529	113,423
		296,029	**237,923**
9.00	**Investments (Current Term)**		
	Investments held for trading (Note : 9.01)	184,104,682	113,165,182
	Investment in non listed securities (Note : 9.02)	4,713,480	-
		188,818,162	**113,165,182**

9.01 Investments held for trading

Particulars	Cost Price	Cost Price
Bank	42,778,648	26,910,226
Financial Institutions	103,449,030	19,835,153
Insurance	-	4,183,020
Pharmaceuticals & Chemicals	34,110,883	26,762,613
Fuel & Power	-	9,596,334
Textile	-	12,442,614
Engineering	127,046	6,842,038
Cement	-	5,388,673
Ceramics	-	1,103,881
Telecomunication	3,639,075	-
Tannery Industries	-	100,630
	184,104,682	**113,165,182**

Note:

The investment in listed securities are measured at cost. As the market value of the above listed securites are above the cost price as of cut off period 31 December 2017, no provision was required in the financial statements.

			Amount in Taka	
			31-Dec-2017	31-Dec-2016

9.02 Investment in non listed securities

Particulars	No. of Shares	Cost Price	Market Price
Bashundhara Paper Mills Ltd.	43,226	3,458,080	N/A
Aman Cotton Fibrous Limited	31,385	1,255,400	N/A
	74,611	**4,713,480**	-

10.00	**Accounts receivable**		
	Interest receivable	5,844	-
	Dividend receivable	5,706	120,000
	Receivable from LankaBangla Investments Ltd.	942	10
	Receivable from LankaBangla Securities Ltd.	3,399,423	2,627,702
	Receivable from LankaBangla 1st Balanced Unit fund	4,944,915	1,295,212
	Receivable from Vision Capital Management Ltd.	9,186	307,036
	Receivable from LankaBangla Al-Arafah Shariah Unit Fund	2,277,243	-
	Receivable from CAPM Unit Fund	8,722,500	-
		19,365,759	**4,349,961**
11.00	**Cash and cash equivalent**		
	Cash in hand	15,478	4,943
	Cash at Bank (Note: 11.01)	2,786,917	12,362,410
		2,802,395	**12,367,353**
11.01	**Cash at bank**		
	Dhaka Bank Limited (A/C No: 206.150.1590)	2,719,797	12,339,241
	Standard Chartered Bank (A/C No: 01-1184160-01)	18,485	19,376
	One Bank Limited (A/C No: 018 1020001469)	2,643	3,793
	One Bank Limited (AIFM) (A/C No: 0183000000657)	45,993	-
		2,786,917	**12,362,410**
12.00	**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**	**500,000,000**

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	499,999,000
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**	**500,000,000**

13.00	**Share money deposit**		
	Opening balance	379,701,000	717,201,000
	Add: Addition during the year	50,000,000	62,500,000
		429,701,000	**779,701,000**
	Less: Issue of share capital	-	(400,000,000)
	Closing balance	**429,701,000**	**379,701,000**
14.00	**Retained earnings**		
	Opening balance	83,718,895	81,055,476
	Add: Profit during the year	6,905,534	2,663,418
		90,624,429	**83,718,895**
	Less: Adjustment during the year	-	-
	Closing balance	**90,624,429**	**83,718,895**

		Amount in Taka	
		31-Dec-2017	31-Dec-2016
15.00	**Finance lease obligation (Non-current portion)**		
	Opening balance	4,053,250	-
	Add: Addition during the year	-	4,990,000
		4,053,250	**4,990,000**
	Less: Paid during the year	(810,246)	(126,504)
		3,243,004	**4,863,496**
	Less: Conversion to short term	(91,950)	(810,246)
	Closing balance	**3,151,054**	**4,053,250**
16.00	**Accounts payable**		
	Provision for audit fees	73,599	105,225
	Professional fee payable	-	247,250
	Accrued expenses	139,665	144,059
		213,264	**496,534**
17.00	**Provision for current tax**		
	Opening balance	10,369,883	8,686,607
	Add: Provision made during the year	1,615,362	2,294,102
		11,985,245	**10,980,709**
	Less: Adjustment during the year	-	(610,826)
	Closing balance	**11,985,245**	**10,369,883**
18.00	**Finance lease obligation (current portion)**		
	Opening balance	810,246	-
	Add: Conversion from long term	91,950	810,246
		902,196	**810,246**
	Less: Paid during the year	-	-
	Closing balance	**902,196**	**810,246**
19.00	**Payable to gratuity fund**		
	Opening balance	1,082,590	111,063
	Add: Provision made during the year	652,117	971,527
		1,734,706	**1,082,590**
	Less: Payment during the year	-	-
	Closing balance	**1,734,706**	**1,082,590**
20.00	**Other liabilities**		
	Withholding Tax Payable	102,351	78,483
	Withholding VAT payable	71,150	75,790
	Payable to employees' provident fund	3,310,271	2,248,372
	Salary & related expenses payable	857,046	429,079
		4,340,818	**2,831,724**

		Amount in Taka	
		Jan-Dec' 17	Jan-Dec' 16
21.00	**Income from unit fund operation**		
	Management fee - Unit Fund	11,497,244	3,264,725
	Formation fee - Unit Fund	-	2,500,000
		11,497,244	**5,764,725**
22.00	**Interest income**		
	Interest on Fixed Deposit Receipt (FDR) (Note: 22.01)	-	5,577,373
	Interest on Short Term Deposit (STD) account	333,855	456,640
		333,855	**6,034,014**
22.01	**Interest on fixed deposit receipt**		
	Interest on FDRs in LankaBangla Finance	-	4,216,262
	Interest on FDRs in Mutual Trust Bank	-	1,361,111
		-	**5,577,373**
23.00	**Income from investment**		
	Net income on sale of securities	16,153,623	22,941,015
	Dividend income	21,796,028	1,602,500
		37,949,651	**24,543,515**
24.00	**Interest expenses**		
	Interest on loan	-	2,289,240
	Interest on lease finance	485,750	89,496
		485,750	**2,378,736**
25.00	**Salary and allowances**		
	Salary and allowances	20,334,882	11,719,023
	Provident fund contribution	451,666	360,454
	Gratuity fund	652,117	446,890
		21,438,664	**12,526,367**
26.00	**Rent, taxes, insurance, electricity etc.**		
	Office rent	6,127,200	5,603,190
	Insurance premium	221,587	123,823
	Utility expenses	632,037	286,465
		6,980,824	**6,013,478**
27.00	**Legal and professional fees**		
	Legal and professional fees	17,250	2,081,639
		17,250	**2,081,639**
28.00	**Postage, stamp, telecommunication etc.**		
	Postage and courier	395	275
	Stamp charges	10,645	9,420
	Telephone and mobile bill	340,954	187,542
		351,994	**197,237**
29.00	**Stationery, printing & advertisement**		
	Printing and stationery	333,739	115,002
	Advertisement	53,664	53,194
		387,403	**168,196**
30.00	**Director fees & expenses**		
	Director fees & expenses	220,800	266,800
		220,800	**266,800**
31.00	**Audit fees**		
	Audit fees	69,000	100,625
		69,000	**100,625**
32.00	**Repairs, maintenance and depreciation**		
	Repairs and maintenance	-	-
	Software maintenance	470,252	431,063
	Depreciation	3,009,020	1,787,909
	Amortization	1,189,679	1,226,085
		4,668,951	**3,445,057**

		Amount in Taka	
		Jan-Dec' 17	Jan-Dec' 16
33.00	**Other expenses**		
	Training, Seminar and Meeting	167,068	500,000
	Regulatory fees and charges	85,477	194,928
	Membership & Annual fee	80,000	-
	Registration Fee	31,952	188,458
	Conveyance	44,113	74,400
	Travelling expenses	34,501	-
	Data connectivity charge	96,797	49,450
	Computer accessories	24,065	35,615
	Fuel expenses	338,625	165,071
	Vehicle maintenance / registration	169,182	137,613
	Office Cleaning and maintenance	539,170	645,173
	Management fee	4,750,000	-
	Business promotional expense	363,445	1,684,570
	Entertainment expense	390,251	130,664
	Bank charges and others	24,493	12,177
	Other fees & charges	23,975	-
	CDBL fee	500	1,300
	Share Bidding Fee	16,000	5,000
	Office Plantation maintenance	2,800	7,200
	Newspaper & periodicals	32,980	15,219
	Educational expenses reimbursement	46,722	5,379
	Documentation fee	-	11,500
	Office relocation expenses	-	1,029,783
	Loss on disposal of assets	14,000	12,538
	Security Services	207,000	182,850
	Overtime allowance	34,450	19,700
	Excise duty	34,000	87,500
	Share trading service charge	-	9,153
	Donation	100,000	-
	Miscellaneous	53,500	61,610
		7,705,067	**5,266,851**
34.00	**Earnings per Share (EPS)**		
	Earning attributable to ordinary shareholders	6,905,534	2,663,418
	Weighted average number of ordinary shares outstanding	50,000,000	13,333,333
	Earnings Per Share (EPS)	**0.14**	**0.20**

35.00 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.**

			Amount in Taka	
			31-Dec-2017	31-Dec-2016
Name of the Party	**Relationship**	**Nature of transaction**		
LankaBangla Finance Limited	Parent	TDR	-	-
LankaBangla Investments Ltd.	Subsidiary of Parent	Strategic Investment & Others	942	10
LankaBangla Securities Ltd.	Subsidiary of Parent	Investment in Securities	3,399,423	2,627,702

36.00 Events after reporting period

There are no events after reporting period

Annexure-A

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2017

Amount in Taka

Particulars	COST				Rate (%)	DEPRECIATION				Written down value as at 31.12.2017
	Balance as at 01.01.2017	Addition during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2017		Balance as at 01.01.2017	Charged during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2017	
Furniture & Fittings	7,778,027	-	-	7,778,027	15	1,150,938	1,090,894	-	2,241,832	5,536,195
Office Equipment	1,840,613	14,072	-	1,854,685	20	268,031	370,702	-	638,733	1,215,952
Computer Equipment	1,042,521	523,553	-	1,566,074	33	509,338	348,173	-	857,511	708,563
Electric Equipment	89,906	80,500	-	170,406	20	50,337	32,215	-	82,552	87,854
IT Equipment	1,213,791	13,450	(25,000)	1,202,241	33	824,058	169,036	(11,000)	982,094	220,147
Motor Vehicle	4,990,000	-	-	4,990,000	20	249,500	998,000	-	1,247,500	3,742,500
Total:	**16,954,858**	**631,575**	**(25,000)**	**17,561,433**		**3,052,203**	**3,009,020**	**(11,000)**	**6,050,223**	**11,511,210**

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 Equipment	431,928	610,593	-	1,042,521	33	325,672	183,666	-	509,338	533,183
Electric Equipment	221,556	23,850	(155,500)	89,906	20	115,421	25,625	(90,709)	50,337	39,569
IT Equipment	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**

Annexure-B

LANKABANGLA ASSET MANAGEMENT COMPANY LIMITED

SCHEDULE OF INTANGIBLE ASSETS

As at 31 December 2017

Amount in Taka

Particulars	COST				Rate (%)	AMORTIZATION				Written down value as at 31.12.2017
	Balance as at 01.01.2017	Addition during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2017		Balance as at 01.01.2017	Charged during the year	Adjustment / (Disposal) the year	Balance as at 31.12.2017	
Computer Programs (Software)	3,715,408	-	-	3,715,408	33	1,543,879	1,189,679	-	2,733,558	981,850
Total:	**3,715,408**	**-**	**-**	**3,715,408**	**-**	**1,543,879**	**1,189,679**	**-**	**2,733,558**	**981,850**

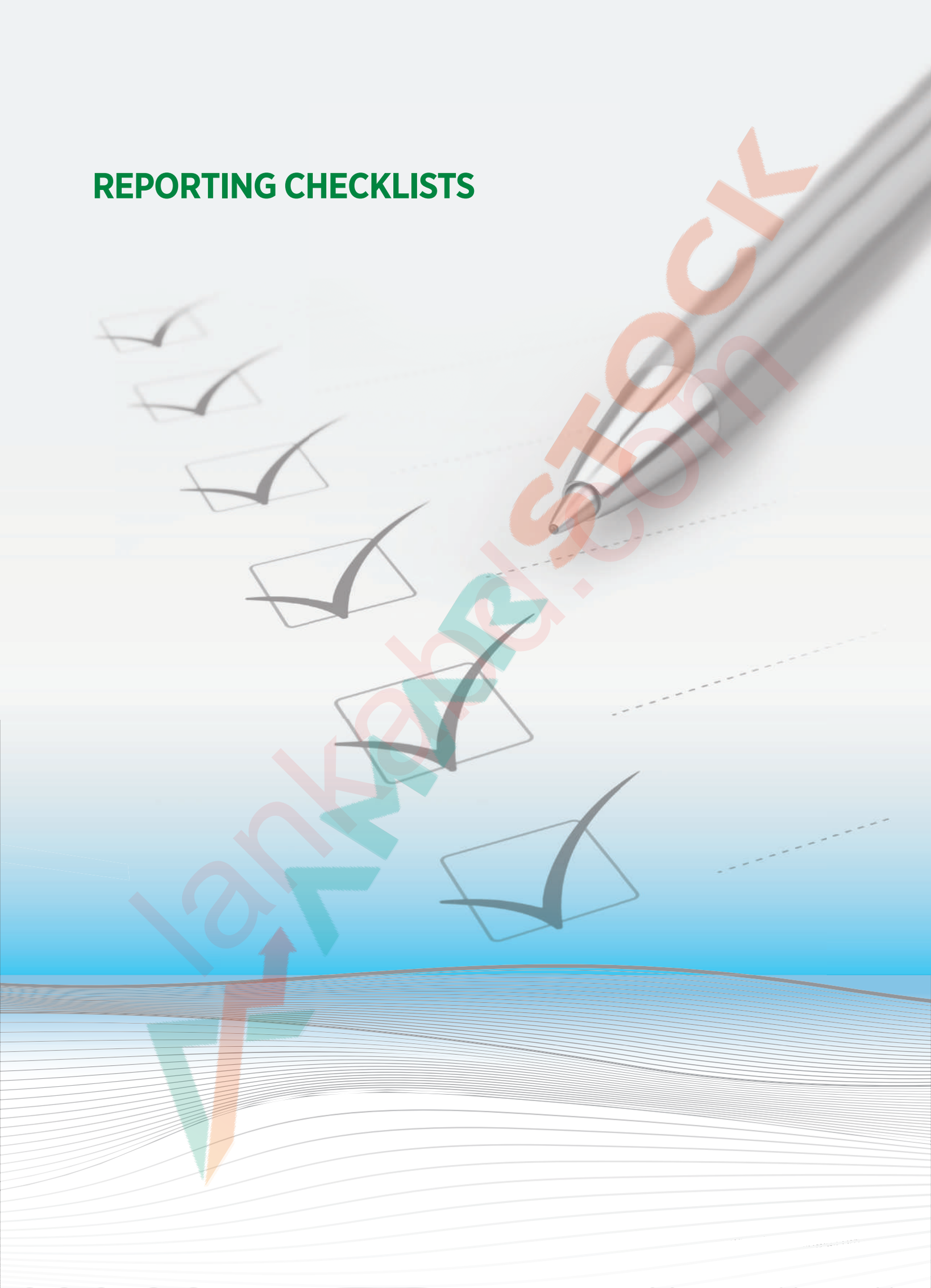
As at 31 December 2016

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**

Alamy Stock Photo

REPORTING CHECKLISTS



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SAFA BEST PRESENTED ACCOUNTS CHECKLIST

Items	Page Ref.
Corporate Objectives, Values & Structure	
Vision and Mission	01
Overall strategic objectives	180, 183-185
Core values and code of conduct/ethical principles	01,10
Profile of the Company	10
Directors' profiles and their representation on Board of other companies & Organization Chart	40-44, 54,280-282
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	8-9
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)	61-64, 131-139, 128-130
A brief summary of the Business and other Risks facing the organization and steps taken to effectively manage such risks	113-117
A general review of the future prospects/outlook	11, 130, 171-173, 176
Information on how the company contributed to its responsibilities towards the staff (including health & safety)	166-167, 186-191
Information on company's contribution to the national exchequer & to the economy	211
Sustainability Reporting	
Social Responsibility Initiatives (CSR)	203-206
Environment Related Initiatives	200-202
Environmental & Social Obligations	194-206
Appropriateness of Disclosure of Accounting policies and General Disclosure	
Disclosure of adequate and properly worded accounting policies relevant to assets, liabilities, income and expenditure in line with best reporting standards.	227-243
Impairment of Assets	239
Changes in accounting policies/Changes in accounting estimates	232
Accounting policy on subsidiaries	
LankaBangla Securities Limited	302-306
LankaBangla Investments Limited	327-332
LankaBangla Asset Management Company Limited	351-354
Segment Information	
Comprehensive segment related information bifurcating Segment revenue, segment results and segment capital employed	275-278
Availability of information regarding different segments and units of the entity as well as non-segmental entities/units	
Segment analysis of	
Segment Revenue	
Segment Results	
Turnover	
Operating profit	
Carrying amount of Net Segment Assets	
Financial Statements (Including Formats)	
Disclosures of all contingencies and commitments	216, 221, 286, 332
Comprehensive related party disclosures	280-283
Disclosures of Remuneration & Facilities provided to Directors & CEO	272
Statement of Financial Position / Balance Sheet and relevant schedules	215-216, 220-221
Income Statement / Profit and Loss Account and relevant schedules	217,222
Statement of Changes in Equity / Reserves & Surplus Schedule	219,223

Items	Page Ref.
▸ Disclosure of Types of Share Capital	265
▸ Statement of Cash Flows	218, 224
▸ Consolidated Financial Statements (CFS)	215-222
▸ Extent of compliance with the core IAS/IFRS or equivalent National Standards	230-231, 243
▸ Disclosures / Contents of Notes to Accounts	227-291
Information about Corporate Governance	
▸ Board Of Directors, Chairman And CEO	40-44
▸ Audit Committee (Composition, role, meetings, attendance, etc)	45, 94-97, 76-77
▸ Internal Control & Risk Management	110-117
▸ Ethics And Compliance	104
▸ Other Committees of Board	45,75-77
▸ Human Capital	186-192
▸ Communication to Shareholders & Stakeholders - Information available on website - Other information	5, 371
▸ Management Review and Responsibility	103, 128-139
▸ Disclosure by Board of Directors or Audit Committee on evaluation of quarterly reports	61, 98-99
▸ Any other investor friendly information	140-149
Risk Management & Control Environment	
▸ Description of the Risk Management Framework	112
▸ Risk Mitigation Methodology	113-117
▸ Disclosure of Risk Reporting	113-114, 120
Stakeholders Information	
▸ Distribution of shareholding (Number of shares as well as category wise)	39, 265-267
▸ Shares held by Directors/Executives and relatives of Directors/Executives	66-67, 94
▸ Redressal of investors complaints	169
Graphical/ Pictorial Data:	
▸ Earnings per Share	130-134 , 141-142, 144-145
▸ Net Assets	
▸ Stock Performance	
▸ Shareholders' Funds	
▸ Return on Shareholders Fund	
Horizontal/Vertical Analysis including following. Operating Performance (Income Statement) (2.5 Marks) ▸ Total Revenue ▸ Operating Profit ▸ Profit Before Tax ▸ Profit After Tax ▸ EPS **Statement of Financial Position (Balance Sheet) (2.5 Marks)** ▸ Shareholders Fund ▸ Property Plant & Equipment ▸ Net Current Assets	146-149
Profitability/Dividends/ Performance and Liquidity Ratios ▸ Gross Profit Ratio ▸ Earning before Interest, Depreciation and Tax ▸ Price earning ratio ▸ Current Ratios ▸ Return on Capital Employed ▸ Debt Equity Ratio	140-145, 291

Items	Page Ref.
Statement of Value Added and Its Distribution	
▸ Government as Taxes	207
▸ Shareholders as dividend	
▸ Employees as bonus/remuneration	
▸ Retained by the entity	
▸ Market share information of the Company's product/services	132-133
▸ Economic value added	209-210
Additional Disclosures	
▸ Human Resource Accounting	186-191
▸ Human Capital	192
▸ Report on Going Concern	126
▸ Statement on NPL Management	123-125
▸ Green Banking	200-202
▸ Sustainability Report	194-199
▸ Social Responsibility Initiatives (CSR)	203-206
▸ Contribution on Government Exchequer	211
▸ Stakeholder Analysis	163-170
Specific Areas for Banking Sector	
Disclosure of Ratings given by rating agencies	63
Details of Advances portfolio Classification wise as per the direction issued by the central bank of the respective countries	290
Disclosure for Non Performing Assets	
▸ Movements in NPA	124-125
▸ Sector-wise breakup of NPA	125
▸ Movement of Provisions made against NPA	263
▸ Maturity Pattern of Key Assets and Liabilities (ALM)	225-226
▸ Classification and valuation of investments as per regulatory guidelines/Accounting Standards	230
Business Ratio/Information	
▸ Statutory Liquidity Reserve (Ratio)	140-145, 291
▸ Return on Average Asset	
▸ Cost / Income Ratio	
▸ Net Asset Value Per Share	
▸ Profit Per Employee	
▸ Capital Adequacy Ratio	
▸ Cash Reserve Ratio	
▸ Dividend Cover Ratio	
▸ Gross Non-Performing assets to gross advances / Non-Performing Loans (Assets) to Total Loans (Assets)	
Details of credit concentration / Sector wise exposures	113-114
The break-up of 'Provisions and contingencies' included in the Profit and Loss Account	274
Disclosure under regulatory guidelines	280-291
Details of Non-Statutory investment portfolio	247-248
Disclosure in respect of assets given on operating & finance lease	233, 237
Network : List of Centers or Branches	13-15

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	10 01	Code of Conduct Guiding Principles Core Values
	▸ Ownership and operating structure including size of the organization, location of its operations)	39 10 13-18	Shareholding Structure Organizational Overview Corporate Information
	▸ Principal activities and markets	19-22 23-29 154-155	Business Divisions of LBFL Subsidiaries of LBFL How we creat value
	▸ 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)	179	Industry Forces Analysis
	▸ Key quantitative information	140-145 198-199 291	Financial Highlights Triple Bottom Line Highlights 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)	174-177 177-178	SWOT Analysis for LBFL PESTEL Analysis
	▸ The legitimate needs and interests of key stakeholders	163-170	Stakeholders Analysis
	▸ Macro and micro economic conditions, such as economic stability, globalization, and industry trends	171-173	Economic Outlook
	▸ Market forces, such as the relative strengths and weaknesses of competitors and customer demand	179	Industry Forces Analysis
	▸ Environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached	177-178	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	40-44 46-51 54	Profile of Board Directors Profiles of the Management Team Corporate Organogram of LankaBangla Finance
	▸ 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	104 112	Statement on Ethics and Compliance Risk Management Structure
	▸ Particular actions those charged with governance have taken to influence and monitor the strategic direction of the organization and its approach to risk management	110-117	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	163-164,169-170	Stakeholder Analysis
	▸ The legislative and regulatory environment in which the organization operates	99 177-178 104	Statement on Internal Control PESTEL Analysis Statement on Ethics and Compliance

SL. No Particulars		Page reference	Chapter/ Section reference
	▸ The responsibility those charged with governance take for promoting and enabling innovation	101-102 186-191	Human Resources & Remuneration Committee Report Human Resources Accounting
	▸ 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.*	163-170	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.	158-162	Key Resources of LankaBangla Finance Limited
1.4	**Business model** *An integrated report should describe the organization's business model*	150 152	Value Creation Structure Business Model
	An integrated report need to describe the business model, including key:		
	▸ Inputs	158-162	Key Resources of LBFL
	▸ Business activities	10 19-22 23-29 154-155	Organizational Overview Business Divisions of LBFL Subsidiaries of LBFL How we create value
	▸ Outputs	30 150-151	Product Portfolio of LBFL Value Creation Structure
	▸ Outcomes	140-145, 291 154-155 156 207-210 211	Financial Highlights How We Create Value Delivering Value Value Added Statements Contribution to Government Exchequer
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	198-199 55-56 128-130 131-139 140-145 291	Triple Bottom Line Highlights Message from the Chairman Review from the MD CFO's Statement on Performance Financial Highlights Highlights

SL. No Particulars		Page reference	Chapter/ Section reference
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.	110-117 174-177 177-178 179	Statement on Risk Management SWOT Analysis PESTEL Analysis Industry Forces 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.	180 181 183	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.	11 130 171-173 174-179	Forward Looking Statement Review from the MD 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	06 181-182 194	Brief about Integrated Reporting Material Matters that Affect Our Strategies Sustainability Report
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	06 61 95 98 99 103	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.

ADDITIONAL INFORMATION ONLINE

- Financial Highlights
- Financial Reports
- Price Sensitive Information
- Notice For Shareholder
- Share Trading Information

Notes:

lankabangla.com

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 21st Annual General Meeting of the Shareholders of LankaBangla Finance limited to be held on March 29, 2018 at 10:00 a.m. at MIDAS Centre (12th Floor), House No. 05, Road No. 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, 2018

(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.

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 21st Annual General Meeting of the Shareholders of LankaBangla Finance limited to be March 29, 2018 at 10:00 a.m. at MIDAS Centre (12th Floor), House No. 05, Road No. 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.

Corporate Head Office
Safura Tower (Level 11)
20 Kemal Ataturk Avenue, Banani, Dhaka
Phone: (+88 02) 9883701-10
Email: info@lankabangla.com
www.lankabangla.com

Paper Rhyme